Yucaipa Valley Water District

Notice and Agenda of a Board Workshop

Tuesday, July 10, 2012 at 4:00 p.m.

MEETING LOCATION:	District Administration Building 12770 Second Street, Yucaipa
MEMBERS OF THE BOARD:	Director Ian Cuthbertson, Division 1 Director Bruce Granlund, Division 2 Director Jay Bogh, Division 3 Director Lonni Granlund, Division 4 Director Hank Wochholz, Division 5

I. Call to Order

II. Public Comments At this time, members of the public may address the Board of Directors on matters within its jurisdiction; however, no action or significant discussion may take place on any item not on the meeting agenda.

III. Staff Report

IV. Presentations

A. Presentation of the Mello-Roos Community Facilities Act [Workshop Memorandum No. 12-129 - Page 3 of 203]

V. Operational Issues

A. Overview of Digester Cleaning and Assessment Process [Workshop Memorandum No. 12-130 - Page 74 of 203]

B. Construction Management Service Contract for the Interior Coating of the R-13.2 Reservoir [Workshop Memorandum No. 12-131 - Page 83 of 203]

VI. Development Issues

A. Development Agreement for a Proposed Commercial Project Located at 15th Street and Yucaipa Boulevard [Workshop Memorandum No. 12-132 - Page 92 of 203]

VII. Capital Improvement Projects

A. Status Report on the Construction of the Yucaipa Valley Regional Brineline [Workshop Memorandum No. 12-133 - Page 110 of 203]

Any person with a disability who requires accommodation in order to participate in this meeting should telephone Erin Anton at (909) 797-5117, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

Materials related to an item on this agenda submitted to the Board of Directors after distribution of the workshop packet are available for public inspection during normal business hours at the District office located at 12770 Second Street, Yucaipa. Meeting material is also be available on the District's website at www.yvwd.dst.ca.us

B. Status Report on the Construction of the R-10 Recycled Water Reservoir and Booster Complex [Workshop Memorandum No. 12-134 - Page 115 of 203]

C. Status Report on the Construction of the Crow Street Pipeline Facilities [Workshop Memorandum No. 12-135 - Page 119 of 203]

D. Status Report on the Construction of the Recycled Water Booster Facility at the Reservoir R-12.1 Complex [Workshop Memorandum No. 12-136 - Page 120 of 203]

E. Status Report on the Construction of the Wochholz Improved Salinity Effluent (WISE) Project [Workshop Memorandum No. 12-137 - Page 121 of 203]

VIII. Administrative Issues

A. Implementation of a Water Use Efficiency Rebate program for Yucaipa Valley Water District Customers [Workshop Memorandum No. 12-138 - Page 123 of 203]

B. Participation in the Local Groundwater Assistance Grant Program for the Yucaipa Groundwater Basins [Workshop Memorandum No. 12-139 - Page 126 of 203]

C. Unaudited Financial Report for the Period Ending May 31, 2012 [Workshop Memorandum No. 12-140 - Page 127 of 203]

D. Authorization to Place Property Tax Liens for Delinquent Payments [Workshop Memorandum No. 12-141 - Page 157 of 203]

E. Appropriation Limit for Fiscal Year 2012-2013 [Workshop Memorandum No. 12-142 - Page 165 of 203]

F. Election for the California Special District Association Board of Directors Region 5 – Seat A [Workshop Memorandum No. 12-143 - Page 182 of 203]

G. Design of Sewer Mainline Facilities in Western Yucaipa [Workshop Memorandum No. 12-144 - Page 190 of 203]

IX. Director Comments

X. Closed Session

A. Conference with Real Property negotiator(s) (Government Code 54956.8)
Property: Assessor's Parcel Number: 301-201-29
Agency Negotiator: Joseph Zoba, General Manager
Negotiating Parties: Palmer General Corporation
Under Negotiation: Terms of Payment and Price

B. Conference with Labor Negotiator (Government Code 54957.6)
District Negotiator: Joseph Zoba, General Manager
Employee Organization: IBEW Local Union 14356 - YVWD Employees Association

C. Conference with Labor Negotiator (Government Code 54957.6)
District Negotiator: Joseph Zoba, General Manager
Employee Organization: Supervisor Bargaining Unit

D. Conference with Labor Negotiator (Government Code 54957.6)
District Negotiator: Joseph Zoba, General Manager
Employee Organization: Confidential Employee Bargaining Unit

E. Conference with Labor Negotiator (Government Code 54957.6)
District Negotiator: Joseph Zoba, General Manager
Employee Organization: Exempt Employee Bargaining Unit

XI. Adjournment

Yucaipa Valley Water District

Workshop Memorandum 12-129

Date: **July 10, 2012**

Subject: **Presentation of the Mello-Roos Community Facilities Act**

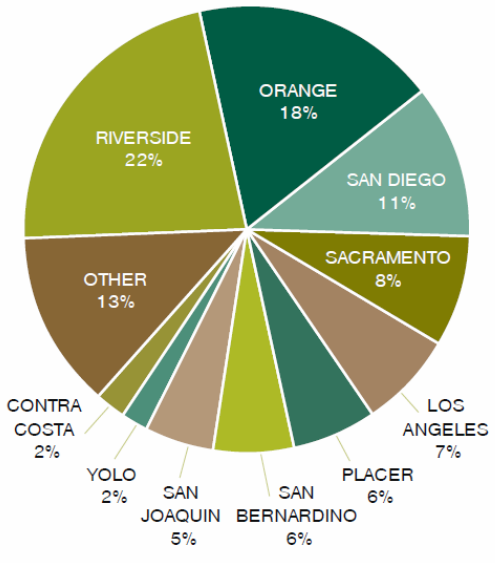
The Mello-Roos Community Facilities Act of 1982 (Act) was enacted by the Legislature in response to the passage of Proposition 13 to provide a flexible funding mechanism to local governments. Bonds issued pursuant to the Act are secured by special taxes levied on property owners and can be used to finance construction as well as to acquire capital facilities. The Act has proven to be a popular financing mechanism with local governments and has been used to finance projects in communities throughout California including, but not limited to, school facilities, roads, and sewer and water systems.

From FY 2005-06 to FY 2010-11, over 75% of the Melo-Roos debt issued has been by cities and school districts.

CFD ISSUERS BY TYPE OF AGENCY, FY 2005-06 THROUGH 2010-11

AGENCY TYPE	NUMBER OF REPORTED ISSUES	PERCENT OF TOTAL
City	242	42.8%
School District	191	33.8
Water District	42	7.4
Community Service District	26	4.6
County	23	4.1
Other	41	7.3
TOTAL	565	100%

According to the latest annual report published by the California Debt and Investment Advisory Commission (2009), the County of Riverside issued $3.16 billion of debt principal, or nearly a quarter of all Mello-Roos debt issued in the state of California from FY 1993-94 to FY 2008-09.



The purpose of this workshop agenda item is to discuss the use of the financing mechanism provided by the Mello-Roos Community Facilities Act for water and sewer facilities dedicated to the Yucaipa Valley Water District by developers.

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Advantages and Disadvantages of Community Facilities Districts for Issuer, Developer, and Ultimate Property Owner

Issuer Perspective

ADVANTAGES to Issuer

- Infrastructure is provided without the use of general tax revenues.
- CFDs may provide more infrastructure or better infrastructure sooner or cheaper than otherwise.
- CFDs may be used to fund certain eligible services (including police and fire protection, and street maintenance).

DISADVANTAGES to Issuer

- Potential adverse property owner reaction to special tax.
- Risk of bond default through no fault of issuer.
- Issuer covenants to institute foreclosure for non-payment of special taxes with timing and conditions more stringent than delinquent ad valorem taxes.
- Staff time during formation and bond issuance.
- Staff time for administration during CFD lifetime and continuing disclosure reporting for term of bonds
- Though not an obligation of the issuer's general fund special tax debt is typically included in per capita debt calculations by municipal rating agencies, and thus could impact the general debt rating of the issuer.

Developer/Merchant Builder Perspective

ADVANTAGES to Developer /Merchant Builder

- Tax exempt interest rates provide lower borrowing costs than typically available through other lenders.
- Debt imposed is off-balance sheet financing; not shown on developer's or builder's books.
- Debt imposed is non-recourse to developer or builder.
- CFDs allow a builder to transfer obligation to pay for infrastructure in a way other than sales price.
- CFDs may enhance cash flow and profit.

DISADVANTAGES to Developer /Merchant Builder

- To market CFD bonds a developer or builder will most likely have to disclose financial information about itself and the project that otherwise might not be public.
- Having a CFD special tax lien in place may cause an adverse marketing reaction from potential home buyers.
- The costs of forming a CFD are high and typically developer/builders are required to front formation costs. Also, formation and bond issuance steps can be time intensive and developer and/or builder staff time must be allocated.
- As part of a CFD financing a developer or "obligated party" will have an obligation to provide continuing information about the project until all or most sales occur.

Ultimate Property Owner Perspective

ADVANTAGES to Ultimate Property Owner

- More or better infrastructure may be in place sooner or cheaper than otherwise.
- Since cost of financed infrastructure is repaid through the CFD bond, the sales price of the home may be lower and a lower down payment may result.

DISADVANTAGES to Ultimate Property Owner

- CFDs impose higher overall tax levels, resulting in higher property tax bills. Special Taxes may increase total annual taxes paid from approximately 1.0% of original house sales price to 1.8%-2.0%.
- Special taxes may escalate automatically regardless of current property value and can not be appealed.
- CFD lien could impact future value or ability to resell.
- Non-payment of special taxes may cause abbreviated foreclosure process.

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Usual Sequence of Events for Mello Roos Community Facilities Districts

(Commencing with Section 53311 of the Government Code)

BEGIN HERE

PETITION INITIATED CFD

1. 10% Landowners
2. 10% Registered voters
3. Payment of pre-formation costs (45 days for Agency to determine fee)

Within 90 days

LOCAL AGENCY INITIATED CFD

1. Written request of 2 members of legislative body, or
2. Majority approval of legislative body

LEGISLATIVE BODY COMMENCES PROCEEDINGS

1. Adopt Goals and Policies
2. Adopt resolutions to:
   a. Approve boundaries
   b. Designate name of CFD
   c. Identify types of facilities & services
   d. Declare intention to:
      1) Form CFD
      2) Levy special tax
      3) Issue bonds
   e. Set time and place of public hearing
   f. Establish voting procedures

Prepare Report

Public hearing held not less than 30 days or not more than 60 days from adoption of Resolution of Intention

REQUIRED -- Publish notice (not later than 7 days before Public Hearing)
OPTION – Mailed notice

PUBLIC HEARING

May be continued up to 30 days, or with finding up to 6 months.

If no majority protest, resolutions adopted to form CFD* by:
1. Establishing boundaries
2. Determining necessity to incur bonded indebtedness
3. Authorizing levy of special tax
4. Approving types of facilities and services
5. Setting election

If more than 50% of registered voters (at least 6), or if the owners of more than 50% of the land area protest, then CFD abandoned for one year. If majority protest only against specific facilities, services or special tax, only that facility, service or tax must be dropped.

* Environmental review should be completed before formation of CFD

GENERAL ELECTION or SPECIAL ELECTION
90/180 days from Resolution of Formation
(unless time period shortened by 100% of electors)

2/3 vote required
(if less than 12 registered voters or if no tax on residential property -- landowner election)

ELECTION

Voters consider:
1. Levy of Special Tax
2. Establish appropriations limit
3. Authorize issuance of bonds

ACTIONS BY LEGISLATIVE BODY

1. Certify election results
2. Enact ordinance to levy special tax
3. Authorize issuance of bonds
4. Approve Preliminary Official Statement and Continuing Disclosure Agreement

1. Record Notice of Special Tax Lien (within 15 days of a landowner election or 90 days of a registered voter election)
2. Initiate validation proceedings, if necessary
3. 30 day statute of limitations

END HERE

1. Sell and deliver bonds and receive bond proceeds
2. Initiate construction or acquisition
3. Commence activities to administer debt, levy and collect special taxes and comply with continuing disclosure requirements

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Top Ten Matters Every Mello-Roos Issuer Must Know About the RMA

Special taxes levied within the boundaries of a Mello-Roos Community Facilities District (CFD) are levied pursuant to a document known as an "RMA" or, rate and method of apportionment. The RMA sets forth the term of the special tax, the basis which the tax will be levied, the various classes of property that may be affected by the tax, and the order in which the taxes will be levied or collected.

By it's very nature, the RMA can either significantly complicate the levy and collection of tax, or it can simplify it. The difference is in the details. In order to assist local agencies who may be contemplating the formation of a Mello-Roos district, we have prepared these "Top Ten" matters for consideration. This material can never be a substitute for good legal, financial and tax advice, so we encourage any public agency considering the imposition of a special tax to seek such advice. This material is provided as a basic "road map" through the RMA.

1 Consider the term of the tax very carefully.

Generally, if you intend to issue bonds against the receipt of the taxes, the tax must be available well after the date established for the final maturity of the bonds. In this instance, "available" doesn't mean that the tax is actually levied. Making the tax available permits bonded debt to be re-structured or rescheduled in the event that there is a financial dislocation by a major property owner (such as a developer) early in the development cycle.

2 Consider the "reach" of the tax very carefully also.

While there is no requirement that the level and amount of tax levied against individual properties within the CFD be proportional to the benefit received by such properties, good policy and common sense indicate that the matter of fairness and equity, both perceived and actual, should be considered before settling on whether certain properties will be excluded from taxation; for that matter, even the level of tax will come under scrutiny as well. It is generally helpful to assess the impact of the tax by referring to individual properties or classes of property in order to establish some basic sense of how the benefits and the burdens are distributed.

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3 Make a plan early in the process for dealing with parcels owned by public agencies.

The adoption of Proposition 218 in 1996 changed the entire landscape for assessment and taxation of property owned by public agencies. A vital part of the Proposition 218 requires that parcels within special assessment districts that are "owned or used by any agency, the State of California or the United States shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that such publicly owned parcels in fact receive no special benefit."

While this provision of Proposition 218 seems to apply to assessments, it raises a critical question about special taxes. For example, there is the matter of property that is initially held by private persons and subsequent to the formation of the CFD comes into public ownership. There is a tendency to think that the sale or transfer of such parcels to another public agency will expose the problem and that an "economic" solution will result. This doesn't go far enough. Even if the acquiring public agency agrees to be subjected to the tax, there is the matter of enforcement. How, for example, would the public agency responsible for the CFD propose to pursue payment of the special tax or assessment in the event that the Federal government becomes the owner? The judicial foreclosure option may not be available in such a case. This is a matter for careful legal analysis.

4 Consider carefully whether "escalators" in special tax formulae are appropriate and desirable.

Often, special tax formulae will be proposed with a provision that the tax be "escalated" over time, often in a manner parallel to the permitted 2% annual increase in assessed value of the individual parcel. The justification for this is the notion that Mello-Roos districts often finance public infrastructure that provides broad benefits, and the resulting benefits begin to act more "general" than "specific" in nature. Developers often times propose escalating special taxes because the result is received bond proceeds.

While this may be tempting at first, it does present some significant policy matters for discussion. By permitting the underlying tax to escalate over time, there is a resulting "back-loading" or deferral of debt to be repaid with the special tax. This has the effect of transferring the economic cost of the financed infrastructure to later payers, typically property owners other than the initial development entity. The consequences of this can be quite large, and public agencies should carefully consider the magnitude of these consequences, since it is the later payers who will likely challenge the basis of the application of the tax. Moreover, opponents of the escalator approach point out that the deferral of repayment of principal effectively means that later payers are repaying debt on public infrastructure assets that are already aging, and the argued benefit is actual lessening as time goes by. Public agencies should consult with their special tax consultants and advisors to assess the extent of this shift if escalators are proposed.

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5 Decide early whether (and how) individual parcels may pre-pay special taxes.

Inevitably, there will be some property owners that will elect to pre-pay the applicable special tax burden. Even if they are few in number, there is a disproportionate administrative burden associated with such pre-payments. For example, if an individual property owner elects to pre-pay the remaining burden of tax upon the property, how should the sponsoring public agency measure the effects of financing costs? Or, the effects on other property owners who have not paid special taxes on time, but still owe them? Finally, there is the matter of measuring the actual burden of special tax. Is it the "maximum tax" or the initial level of tax? Public agencies should carefully analyze the effects of such pre-payments, and should consider requiring examples of pre-payment calculations be included in the RMA.

6 Choose carefully the manner of categorizing individual parcels within tax classes.

In thinking about the categories of special tax, public agencies should also consider the capacity of such parcels to pay the special taxes, both as to amount and time. For example, should vacant land be taxed at the same rate as fully developed property? If tax levels are kept low during development, then there will be a corresponding shifting of burden of subsequent property owners, sometimes producing an undesirable outcome. But, if the parcel is undeveloped, can it support the economics of a tax burden at the fully developed level? Public agencies should balance the need for "fairness" in the application of the tax with the critical need to provide adequate security for the payment of the taxes, particularly when debt is used to finance the public infrastructure assets.

7 Make sure that the timing of the collection of the special tax is consistent with the promises made to bondholders for providing adequate security.

There is a danger in assuming that collections of the special tax will be both timely and sufficient to make debt service as due. For example, if debt service payments are scheduled in February, but the taxing agency doesn't receive apportionments from its host county until January, there is a danger that delays in the remittance of all tax collections could result in invasions of the debt service reserve fund to make regularly scheduled debt service payments.

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8 Make sure that the "whole picture" is considered in the application of the special tax.

Public agencies should also carefully consider the effect of taxes and burdens imposed by other levels of government that are being paid by individual property owners. These "overlapping" taxes can add up to considerable burdens. As a result, when imposing a new Mello-Roos tax, public agencies should ensure that all tax and assessment burdens are considered when setting the maximum rate of taxation in the "new" RMA.

9 Make sure that there is a provision in the RMA for "fixing" non-substantive ambiguities in the RMA that are discovered after its adoption.

Despite any agency's most careful actions and review, there is always the possibility that facts and circumstances may change in the future. When such changes, either in law or practice occur, there is the ongoing possibility exam that provisions of the RMA may become ambiguous or inconsistent with policy or practice. If these ambiguities are minor, there can be considerable expense associated with obtaining taxpayer approvals for changing the RMA. Public agencies should consider delegating to the public agency's chief executive the authority to make minor changes or interpretations, provided that bondholder security is not affected and the RMA remains consistent with applicable state law.

10 Be wary of "coverage" calculations that consider earnings on funds held by the public agency or a bond trustee when setting the amount of special tax in a particular year.

Public agencies that issue debt based on special tax collections normally offer bondholders a "coverage" factor in determining the amount of tax to levy in a given year. This coverage factor is typically 10-15% of the scheduled debt service amount. For example, if there is a scheduled debt service payment of $100, and the bondholders have been given a coverage factor of 15%, then the amount of the a special tax levy would have to be $115 before consideration of earnings on any funds held. The problem arises when earnings are forecast at the wrong levels. In order to avoid surprises, public agencies should consider the measurement of earnings to be applied as a "credit" against special tax requirements "in arrears" rather than prospectively.

An Introduction to



California Mello-Roos Community Facilities Districts

DANIEL C. BORT

ORRICK

DISCLAIMER: Nothing in this booklet should be construed or relied upon as legal advice. Instead, this booklet is intended to serve as an introduction to the general subject of California Mello-Roos Community Facilities Districts, from which better informed requests for advice, legal and financial, can be formulated.

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CALIFORNIA MELLO-ROOS COMMUNITY FACILITIES DISTRICTS

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CHAPTER ONE

Introduction

The Mello-Roos Community Facilities Act of 1982 (the "Act" or "Mello-Roos" – named after its authors, the late former State Senator Henry Mello and former Assemblyman Mike Roos) is an enormously flexible tool placed at the disposal of local governmental agencies* within the State to help them finance needed community facilities and services through the levy of voter approved special taxes.

Both lore and legend have built up around Mello-Roos, not all of which is accurate. This booklet, written for local agency elected officials and staff, real property developers, and citizens' groups, is a straightforward explanation of the capabilities of the Act and the procedures for its use.

The flexibility of the Act bears immediate reemphasis. It is not a blunt instrument. In fact, there is no "standard" application of the Act. The facts of each particular situation will have to be specifically addressed in order to make use of the Act.

Mello-Roos has application both in developed, and in undeveloped and developing areas, and this booklet will discuss both.

The author is a member of the Public Finance Department at Orrick, Herrington & Sutcliffe LLP. Orrick is the nation's premier tax-exempt bond counsel firm, ranked number one for more than a decade, with extensive experience in all types of land-secured financings.

* Any city, county, special district, school district, joint powers entity, redevelopment agency, or any other municipal corporation, district, or political subdivision of the state.

CHAPTER TWO

The Basic Concepts

Mello-Roos can perhaps best be thought of as a three-part process. Part One involves *defining* a package of proposed governmental powers. Part Two involves *conferring* those powers upon a local legislative body. Part Three involves *exercising* the powers by financing new facilities and/or services.

The powers the Act can confer through the formation of a community facilities district ("CFD") are, at the most basic level, the legal authority to levy and collect a special tax, to use that revenue to finance specified facilities and services, and to borrow money (by issuing bonds or incurring other debt) to assist with financing the facilities.

It is in Part One, the process of defining the proposed powers, that the flexibility of Mello-Roos, to creatively address the particular requirements of each situation, comes most into play.

Part Two involves the special tax election, with a two-thirds affirmative vote of the qualified electors required to confer the proposed powers. With a successful election, much of the flexibility disappears, and the outer limits of the governmental powers become fixed.

Part Three is dealt with later in this booklet – beyond observing here that there is nothing in the Act that *compels* the local legislative body to exercise the powers conferred. The legislative body retains the flexibility to implement the levy of the special tax, and the issuance of debt, and the provision of financing for facilities and services, when and in the manner they turn out to be needed. Thus Mello-Roos is particularly suited for phased developments, or projects that will develop over a considerable period of time.

Part One – Defining the Proposed Governmental Powers

Special Tax for Authorized Purposes and Bonds: The special tax is levied on real property. The Act does not direct how the special tax is to be applied, except that it may not be *ad valorem.* (An *ad valorem* tax is one that utilizes a tax rate and applies it to a measure of value such as assessed valuation.) The purposes for which the special tax may be levied must be specified. The special tax may be used:

a. To pay directly for facilities;

b. To pay directly for services;

c. To pay debt service on bonds or other debt the proceeds of which are used to finance facilities; and

d. For any combination of the above.

The particular method of allocating the special tax, and the facilities and services to be authorized, must be specified. If bonds are to be authorized, their amount and maximum term must be specified as well. These topics are treated in greater detail below.

Multiple Local Agencies: The Act provides local agencies with maximum flexibility, but nonetheless hopes local agencies will cooperate with one another in the intelligent allocation of the necessarily limited financing capacity of developing property. The legislature hoped to avoid the spectacle and inefficiencies of one local agency rushing to grab the financing capacity of new development in order to finance its own needs without regard to those of other local agencies.

Therefore the Act encourages consideration, at least, of other agencies' facilities, and includes authorization to combine the needs of different governmental units in a single CFD. This can be done through a Joint Community Facilities Agreement or a Joint Exercise of Powers Agreement ("Joint Powers Agreement"), where one local agency conducts the proceedings for itself and for another public agency. In such a case, the local legislative body conducting the Mello-Roos proceedings must be that of either a city or a county, or of the agency with the largest financial interest in the CFD.

Addressing the needs of different local agencies in a single CFD can also be done through a Joint Powers Agreement that creates a Joint Exercise of Powers Authority (a "Joint Powers Authority" or "JPA") that will itself conduct the Mello-Roos proceedings. Normally a JPA may only exercise powers common to all parties to the Joint Powers Agreement. Mello-Roos allows each member of the JPA to use Mello-Roos monies for what it is authorized to do, even if another member of the JPA does not have that power.

Any local agency that is not a city or a county must notify any city whose territory is proposed to be included within the agency's CFD, and must similarly notify any county whose unincorporated territory is proposed for inclusion within the CFD. The local agency does this by providing a copy of its adopted Resolution of Intention. There is no requirement that either the city or the county grant consent. The intent appears to be that local government's right hand should know what local government's left hand is doing, and thus if coordination is appropriate, it can take place.

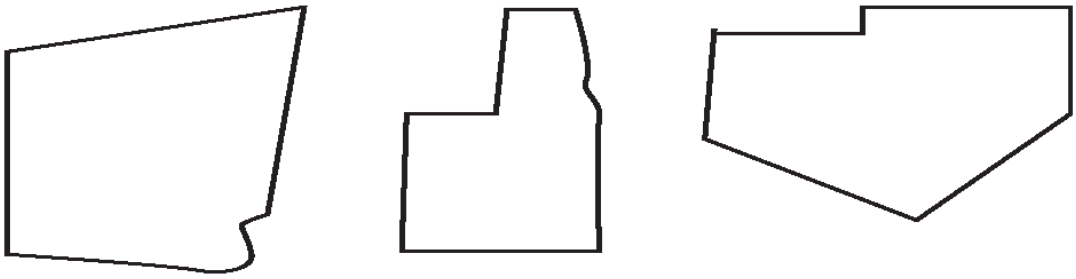
District Boundaries: There is flexibility to define *who will pay* the special tax. The primary way this is accomplished is by specifying what land area will be included in the CFD. Very significantly, the land area to be subjected to the special tax need not conform to the jurisdictional boundaries of any local agency and it need not be contiguous. A local agency cannot form a district that extends *beyond* its own territorial limits. If such a district boundary is desired it requires either a Joint Powers Agreement with the agency into whose territory the boundary extends, or a larger agency that geographically encompasses the proposed CFD boundary (such as a county) to conduct the proceedings (although a county may not form a CFD that includes territory within the incorporated limits of any city without that city's consent). There are some restrictions on including agricultural and other use-restricted land in a CFD. Local Agency Formation Commission (LAFCO) approval is not required.

Part Two – The Election – Vote by Landowners or Registered Voters

The requirement for the two-thirds approval by vote of the qualified electors was imposed by Article XIIIA of the California State Constitution (Proposition 13). One of the most significant aspects of Mello-Roos is the way in which the Act defines "qualified electors." If at least 12 persons have been registered to vote within the proposed district for *each* of the 90 days preceding the close of the protest hearing on the district, then the qualified electors are the registered voters (except in circumstances where the special tax will never be levied on residential property). *Otherwise,* the "qualified electors" are the *owners of land* within the district, with each such owner entitled to one vote for each acre or portion of an acre owned (e.g. 1.9 acres = 2 votes; 2.1 acres = 3 votes). District boundaries can be, and often are, intentionally drawn to accomplish the goal of creating a "landowner vote" district.

SAMPLE CFD BOUNDARY

LANDOWNER DISTRICT



A quick note here: some local residents have complained of being "disenfranchised" by being intentionally excluded from CFDs that were gerrymandered (which should not necessarily be considered a bad word in this context) for landowner elections. But Mello-Roos is a *financing* mechanism; it is not a land-use approval mechanism. All of the traditional public input in the land-use approval process remains. Mello-Roos comes into play only as a tool to help to implement land-use approvals made in other proceedings. And there is a persuasive logic in excluding from the financing process those who will bear none of the financing burden.

Mello-Roos thus has application in two very different contexts, which can be called, for convenience, the "landowner vote" or "development context," and the "inhabited area," or "registered voter" context. The flexibility of Mello-Roos has been used to great advantage in both.

Limitations on Landowner Vote Districts: The legislature placed restrictions on both the *type* and *level* of *services,* and on the *level* of *facilities,* that may be authorized by a *landowner* vote, and it is important to understand them. The restriction on *type* of *services* is set forth below with the larger description of the services the Act can provide. The restriction on *level* of *services* is that the CFD may only finance services "to the extent they are in addition to those provided within the area of the district before the district was created," and the "additional services may not supplant services already available within that territory when the district was created." The restriction on *level* of *facilities* is that a local agency may only conduct a landowner vote if it determines "that any facilities financed by the district are necessary to meet increased demands placed on local agencies as the result of development or rehabilitation occurring in the district."

Thus the Legislature limited the use of landowner vote CFDs to *mitigating the impacts of new development.* If there are pre-existing needs for facilities or services within the local agency, Mello-Roos is *not* to be used as a tool to require new development to pay for them – those needs must be addressed by the community as a whole. Nor is the landowner CFD to take on the financial burden of services the local agency is already providing.

CHAPTER THREE

What Mello-Roos Can Do

Mello-Roos is most commonly used to finance facilities; but it can also be used to finance services and, of course, may be used to finance both.

Facilities

The range of public facilities that may be financed is very broad. There is an extensive description of authorized facilities in the Act, but it is fair to boil it down to the purchase, construction, expansion, improvement or rehabilitation of real or other tangible property with an expected useful life of 5 years or longer which the local agency is authorized by law to construct, own, operate, or to which it may contribute revenue. A CFD may also pay off assessment liens and certain special tax liens, and fees and charges on property within its boundaries which themselves are used to pay for such facilities. Facilities for privately-owned, publicly-regulated utilities may also be financed. These require entering into an agreement with the utility company. A CFD may even, under some circumstances, finance seismic retrofit and repair work on private property (bonds for such purposes generally could not be tax-exempt). Financed facilities are not required to be located within the boundaries of the CFD.

Construction: The local agency may construct the facilities itself, using tax or bond proceeds, or both, as well as any other available funds. It would proceed in the same manner as any public works project.

Acquisition: The local agency also may *acquire* facilities constructed by others (typically a developer). The local agency need not require everything to be finished before it begins to acquire the improvements. It is permitted to purchase "discrete

portions or phases" of facilities. Unless a facility costs more than one million dollars, the discrete portions or phases need to be capable of serviceable use at the time they are purchased. When an improvement costs more than one million dollars, the local agency may, if it wishes, purchase discrete portions or phases of the facility that are not yet usable. This appears to allow, but not to require, local agencies to make what, in effect, are progress payments for the work.

Where someone other than the local agency is constructing the facilities, then unless they were completed prior to the formation of the CFD, the work must be performed or constructed as if it were being done under the direction and supervision, or under the authority of, the local agency. Thus, for example, if and to the extent the local agency would be required to pay "prevailing wage," the construction of facilities to be purchased from the private entity would be subject to the same requirement.

Local agencies should be aware that if they are going to acquire work performed by others, it should be by means of a written Acquisition Agreement that fully protects public facility standards and public funds and provides for appropriate indemnification and insurance for claims made against the local agency in connection with the project.

Services

By contrast, the services that may be financed are quite limited, and are even more limited for landowner vote districts. The first group of services may be authorized by either a registered voter or a landowner election:

- Police protection services
- Jail, detention facility, and juvenile hall services
- Fire protection and suppression services
- Ambulance and paramedic services

- Maintenance of parks, parkways and open space
- Flood and storm protection services, including, but not limited to, the operation and maintenance of storm drainage systems, and sandstorm protection services
- Environmental cleanup and remediation services

A second classification of services may not be authorized by a landowner election, but only by a registered voter election:

- Recreation program services
- Library services
- Operation and maintenance of museums and cultural facilities
- Maintenance services for elementary and secondary schoolsites and structures

CHAPTER FOUR

Use of Mello-Roos in the Development Context

It is a basic axiom that the price at which a developer expects to sell new homes to the public must be sufficient to repay the developer for all of the costs of the project (including the required public improvements) and to earn a reasonable profit, or there will be no economic incentive for the development to take place. Developers, of course, can miscalculate, and economic conditions can change; but as a general rule the cost of the public improvements is ultimately borne by the new residents who buy the new homes and by the businesses that buy the new commercial properties.

Financing such public improvements through public financing is generally more efficient than conventional financing (obtained from banks or the private capital markets) for a few reasons:

- **Better Interest Rates.** Because interest paid on Mello-Roos special tax bonds is generally excluded from the taxable income of its recipients, the purchasers of the bonds can accept a lower interest rate than on a taxable investment, and still achieve the same after-tax return. The resulting difference between tax-exempt interest rates and taxable interest rates varies, but the former can be as much as two or three percentage points lower for comparable term financing. This lowers the borrowing cost for Mello-Roos bonds.

- **Better Terms.** Conventional private financing is not likely to be available for real estate developers on a long-term, fully amortized, fixed rate basis. Most such financing is at variable rates with shorter terms and balloon payments.

- **Assumability.** The debt represented by Mello-Roos bonds is similar to a mortgage in that the ultimate security for the repayment of the debt is the real property itself. Unlike many mortgages, however, when a piece of property

bearing the Mello-Roos debt changes hands (is sold to a homebuyer, for example), there is no requirement that the debt be paid off and a new loan obtained. That is, the homebuyers may *assume* the Mello-Roos debt attributable to their new home. This has a few possible benefits:

- A portion of the borrowing for their purchase is already in place and this reduces the amount the homebuyers must borrow in their mortgage;
- The generally advantageous interest rate is passed along to the homebuyers for that portion of their total borrowing; and
- The total volume of borrowing transactions is reduced, because some money is borrowed once rather than twice, thus reducing transaction costs.

The first of these benefits exists only if it shows up in the purchase price. That is, if a house that is unencumbered by Mello-Roos debt is worth $350,000, an equivalent house should, under normal market conditions, only sell for $325,000 on the open market if it is encumbered by $25,000 in Mello-Roos debt.

The phrase "Mello-Roos debt" has been used loosely here. There is not a fixed amount that is a lien on the property. Rather, there is the liability of the property to pay an annual special tax; but the market tends to calculate an equivalent amount of debt for comparative price purposes. One can tell that this factor is operating properly in the market when the real estate ads for those homes *not* subject to the Mello-Roos tax mention that fact. When those ads say, "No Mello-Roos!", the advertiser is not making a political statement. Rather the advertiser is pointing to a feature that makes her house more attractive to a buyer, and hence worth more. Implicit in this is the market recognition that those who *do* purchase a home burdened with a Mello-Roos tax will get a discount in the purchase price for doing so. This is not inevitable when real estate market conditions are extreme, but in most situations appraisers have for years been able to document this differential.*

Thus Mello-Roos can assist the local agency in getting needed infrastructure, assist the developer in financing its project, and assist the homebuyers in financing their home purchases.

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* An interesting study of this phenomenon was made by the Public Policy Institute of California: "Who Pays for Development Fees and Exactions?" by Marla Dresch and Steven M. Sheffrin.

CHAPTER FIVE

Use of Mello-Roos in Inhabited Areas

If the local agency is not a school district or community college district (and thus cannot authorize general obligation bonds with a 55% vote under Proposition 39), any financing in developed areas will require a two-thirds vote of the registered voters. Traditionally, general obligation bonds are used. But there are reasons to consider Mello-Roos as an alternative.

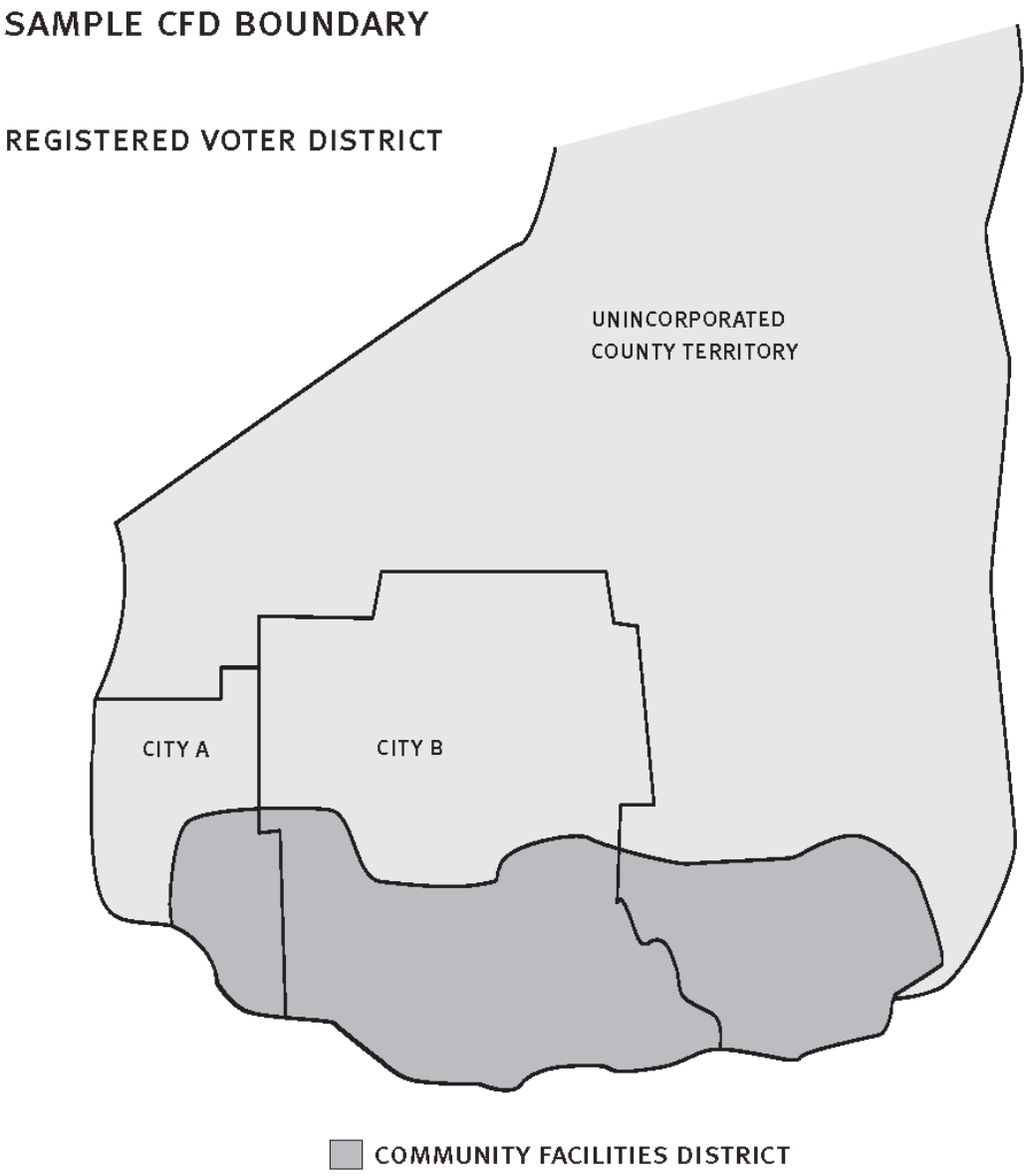
Mello-Roos can fund services and general obligation bonds cannot. Mello-Roos can also fund non-real property (with an expected useful life of 5 years or longer), such as equipment and furnishings. General obligation bonds (unless under Proposition 39) are restricted to real property.

Even if both methods are equally capable of funding the desired project, there are still reasons to consider using Mello-Roos because it can address two areas of concern – district boundaries and tax rate – in ways that can increase the chances for a successful election.

Whatever the project, it may be that the area that will most benefit from it does not conform to the jurisdictional boundary of any single local agency that might sponsor the election. This may cause concern that voters, within the jurisdictional boundary of the local agency, who perceive that they will not be particularly benefited by the project, will tend to vote "no," thus jeopardizing the requisite two-thirds vote.

Mello-Roos can address this concern by establishing the boundary of the CFD to encompass only the area that will most clearly benefit from the project. This could be simply a portion of the local agency. In one instance, where acquisition of open space was involved, a county was able to confine the election to the land most benefited by

the project, even though that comprised only portions of two municipalities within the county (whose councils consented), plus some adjacent unincorporated territory. That election was successful. As a variation on the theme, a Joint Powers Agency CFD was formed that included all of two adjacent municipalities that would share a library. The issue was thus able to be decided in a *single* election across both cities, and that measure also passed.



A second consideration involves the Proposition 13 effect on property valuations. Californians are familiar with the phenomenon of two houses, essentially equivalent in value, where the *ad valorem* tax burden on the one is a multiple of the *ad valorem* tax burden on the other because the one was just purchased, and the other was purchased many years earlier for a substantially lower price and as a result, under Proposition 13, it has a substantially lower assessed value. While the public is more or less adjusted to this discrepancy with respect to general taxes, and there is the consciousness that there is not much to be done about it anyway, when a general obligation bond issue is proposed, the difference in assessed values tends to be revisited in a new light.

Suddenly, in the context of considering whether to vote to tax himself for the new library, Mr. Smith realizes that if the measure passes, he will be paying twice or three times as much as his neighbor; yet Mr. Smith also realizes that he will receive no more benefit from the library than the neighbor does. *This issue does get raised* and, irrespective of views on Proposition 13, significant numbers of people consider the result, in this context, unfair – and they *can* do something about it, by voting "no."

But with Mello-Roos, a flat, per parcel tax can be used, or some other taxing method can be designed that conforms to the community's sense of fairness for the particular project. This approach has proved successful in a number of instances.

CHAPTER SIX

The Formation Process

For a typical CFD, the formation process is really three separate but related proceedings. Normally these are combined and run concurrently. They are proceedings to:

- Form the CFD and authorize the special tax;
- Authorize bonded indebtedness for the CFD; and
- Establish the Constitutional Article XIIIB "Appropriations Limit" for the CFD.

The first two proceedings involve public hearings and elections requiring a two-thirds vote. The third involves an election requiring a majority vote. There is no prohibition on holding both hearings at the same time, and there is specific statutory authority to combine all three ballot questions into a single ballot measure, and that is the usual practice. The three will be discussed as if they were a single process.

Prerequisites

Assemble the Local Agency's Internal Team: Before a local agency gets involved in something as complex as Mello-Roos, it will want to assemble its own internal team to administer the process. This may or may not involve a formal staff committee, but it is good practice to have it include a staff person who is designated, and will act, as the "manager" of the process, and who has appropriate resources at his or her command. These resources include access to the time, attention and participation of other appropriate local agency staff, access to policy makers when policy decisions need to be made, and the authority and funds to hire the appropriate consultants.

Assemble the Local Agency's External Team: The local agency will need appropriate outside consultants to implement a CFD financing. These include, at least, bond counsel, a special tax consultant, a financial advisor and/or underwriter (if bonds are to be issued), some engineering and estimating assistance, and perhaps a public opinion consultant (if a registered voter election is planned). Later in the process additional consultants may be required. These may include an appraiser, an absorption analyst, disclosure counsel, an investment advisor/provider, a CFD administrator, an arbitrage/rebate service provider, a dissemination agent for continuing disclosure, and a foreclosure counsel.

In the development context, the developers frequently are required to advance the local agency's costs, including the costs of the consultants, with reimbursement coming from bond or special tax proceeds pursuant to a Deposit and Reimbursement Agreement.

Adopt Local Goals and Policies: Before a local agency may undertake any Mello-Roos proceeding, it is required to adopt its own "Local Goals and Policies" concerning its use of the Mello-Roos Act. These must include statements of:

1. The priority to be given, in the use of the Act, to the various types of public improvements that might be financed, including facilities of other public agencies (for example, if the agency is a city or a county it should consider the priority to be given to school facilities, and if it is a school or special district, it should consider the priority to be given to basic infrastructure);

2. The credit quality to be required of any bonds issued, and the means of measuring that quality – the focus here usually being the ratio between the value of the property that is the security for the tax, and the amount of bonds permitted to be sold;

3. The steps to be taken to ensure that prospective purchasers of property will be informed of the special tax before they enter into a contract to purchase;

4. Criteria for evaluating the equity of proposed special tax formulas, and desirable and maximum limits on the special tax;

5. Definitions, standards and assumptions to be used for appraisals of the taxable property that will be the security for the bonds.

In addition, **school districts** are required to include a policy for priority access to CFD-financed schools by children of Mello-Roos taxpayers, although that policy may be tempered by: other goals to achieve ethnic, racial or socioeconomic diversity; transportation needs and safe pedestrian routes; grade levels for which facilities are designed; ensuring continuity of schooling within a single school year; and federal, state and court mandates.

The same legislative concerns that led to the imposition of the requirement to adopt Local Goals and Policies also resulted in the direct imposition of certain requirements. Most local agencies, therefore, have simply adopted statutory standards for items 2 and 3 above.

Bond counsel can assist the local agency in preparation of the Local Goals and Policies.

Adopt (if applicable) the Joint Powers Agreement: If a Joint Powers Authority is going to conduct the proceedings, it will have to be formed. That involves drafting the Joint Powers Agreement and getting the Agreement approved by each local agency that will be a party to it. This is frequently done by bond counsel. If the Joint Powers Agreement creates its own Board that will administer the Agreement, certain filings are required with the Secretary of State. Once that has been done, and the JPA has adopted its conflict-of-interest code, the board of the JPA then acts as a local legislative body under the Act. It will then have to assemble its own internal and external teams and adopt its own Local Goals and Policies. Sometimes a JPA will, like any other local agency, enter into a Joint Community Facilities Agreement with another local agency, not a participant in the JPA, where facilities of the other local agency are to be financed through the CFD. Further references in this booklet to "local agency" will include a JPA that is conducting Mello-Roos proceedings.

Pre-Formation Considerations

Once the Local Goals and Policies are in place, the local agency may consider conducting formal proceedings. But the formal proceedings are normally the least of it. The first set of resolutions to be considered in the formal proceedings must include all of the elements of the proposed governmental powers. Once those are determined, the formal proceedings, at least until the election, can be rather routine. The informal pre-formation process of negotiating and defining the proposed governmental powers is the real substance of most Mello-Roos proceedings.

In the *inhabited area* context this usually involves a citizens' committee working with members of the local legislative body, and with the agency's internal and external teams, to craft the CFD boundary, the method of taxation, and a ballot measure that will accomplish the desired financing goal and be most appealing to the electorate.

In the *landowner* context there is an interesting dynamic. If the local legislative body does not approve of the proposed use of the Act, it simply will not conduct the proceedings. If the landowners within the proposed CFD are not at least willing to accept the proposal, they will not vote for it. Therefore, there is a period of negotiation that involves the public agency staff, the landowners, and the various consultants retained both by the public agency and the landowners. If there are multiple landowners, this process can involve negotiations *among* landowners.

Bond Market Considerations: A use of Mello-Roos that is brilliantly effective for local planning and project purposes, but which results in bonds that no one will buy, or that will only sell with very high interest rates, is usually not an effective use of the Act.

An underwriter and/or financial advisor can inform the participants of the needs and requirements of the bond market – the community of buyers of such bonds. Therefore, in most situations, the local agency will hire or designate an underwriter and/or a financial advisor early on to participate in the pre-formation process.

Federal Tax Issues: Federal tax law imposes many requirements and restrictions on the issuance of tax-exempt bonds. These can only be touched upon in the most cursory way here. Among them:

- The local agency may not borrow at tax-exempt interest rates for the purpose of investing at (higher) taxable interest rates, thus earning a spread, called "arbitrage." This rule extends much farther than one might think. It affects the administration of virtually every tax-exempt bond issue, and it discourages the issuance of bonds earlier than necessary.

- The tax exemption is generally to benefit public, as opposed to private, purposes. Different circumstances give different meanings to that concept, but for most Mello-Roos purposes it means that not more than 5% of the spendable proceeds from the bonds can be spent on the private facilities that are authorized by the Act. Most commonly these are facilities of publicly-regulated (although privately-owned) utilities.

- Nor may the local agency simply decide to issue bonds to reimburse itself for its own past expenditures for public works. As to any project the local agency must state an "official intent" to reimburse itself which makes eligible for reimbursement the agency's *future* expenditures on the project, as well as those made within the previous 60 days.

- The special tax must be applied on an "equal basis" to property owners. Thus special rules to favor, or disfavor (such as mandatory prepayments), specific taxpayers, as opposed to reasonable differentiations between distinct classes of taxpayers, are not permitted.

Any issuance of tax-exempt bonds requires the services of bond counsel expert in the intricacies of these and other Federal tax issues.

Facilities and Services: Normally everyone knows what they want to finance and this element is relatively easy to specify. But at times it can be difficult, such as when

different facilities for different public agencies need to be prioritized. As mentioned earlier, if facilities for investor-owned utilities are to be included, appropriate agreements should be entered into with those utilities. Bond counsel needs to pass on what facilities are eligible for *tax-exempt* financing.

Boundary of the District: Determining the boundary of the CFD is a purely political process in inhabited districts. In the development context it is a process of negotiation involving the desires of the developers, and the policies of the local agencies regarding the obligations of new development.

The Special Tax: Perhaps the most significant aspect of any CFD is the Rate and Method of Apportionment of the Special Tax ("RMA"). The RMA may, but need not, be based upon an estimate of the benefit, to each parcel, of the facilities and/or services to be financed in the way a special assessment is. Special taxes have been based on square footage, number of bedrooms, and a myriad of other factors. The only statutory standard for the special tax is that it be reasonable. Thus, if there is a reasonable basis for it, distinct areas and land uses can be taxed differently. There have been instances in which, for public policy reasons, the RMA has reduced or eliminated the special tax on property owned and occupied by senior citizens, or on low income housing.

Changes in the tax can be programmed to take place over time; and the tax – in whole or in part – may be made contingent or adjustable based on events occurring, or determinations to be made, in the future, so long as the provisions for doing so are specified in the RMA. It is very common for property to be taxed differently as it moves through the development process. It may be taxed initially at a rate assigned to "undeveloped property," then as "mapped property" once it is included in an approved tentative or recorded final map, and finally as "developed property" once a building permit or certificate of occupancy is issued. There are, of course, many variations on this structure.

The special tax is normally collected as a separate line-item on the secured property tax roll; yet if authorized by the RMA, the special tax, or specified elements of it, may be collected otherwise than on the secured roll, and may be made payable at different times and in different ways and to different agencies.

In sum, every new situation carries with it the possibility of revealing new ways in which the flexibility of the Act can be utilized to address the particular governmental and development problems that may present themselves. Be aware, however, that creative impulses in designing the special tax need to be balanced against the data-collection and administrative burdens that an unusual tax structure may impose on those preparing the annual special tax levy.

If the special tax is anything other than a straight, flat-rate, parcel tax, the services of an experienced special tax consultant are virtually indispensable. Such a consultant deals with the complex interrelationship between the progress of development and its effect on special tax revenues and on the need for facilities, the appropriate tax loads for different kinds of land uses, the "back-up tax" (discussed below), the prepayment mechanism (discussed below), and the utilization of criteria in apportioning the special tax that will not create logistical problems.

The lien of the special tax is on a parity with the general property tax lien and thus is superior to all private liens and mortgages. The real estate market, the bond market, and the local agencies' Local Goals and Policies tend to put a limit on the amount of tax burden that may be placed on residential property. This is not a statutory limitation. The current prevailing wisdom sets 2% of the purchase price of a house as the maximum annual tax burden to be imposed upon it. Since 1% of the purchase price is allocated to the general *ad valorem* tax, that leaves a maximum of another 1% of the purchase price for special taxes, special assessments, general obligation bonds, and other charges collected on the secured property tax roll. Many local agencies prefer slightly less.

There are some statutory limitations on the special tax for the protection of homeowners. Once property is in private residential use (property "moves into" this category at the latest when the certificate of occupancy for the dwelling is issued), the RMA must specify a maximum annual tax for public *facilities* in dollars (which may not inflate more than 2% per year), and a final year beyond which the tax may not be levied. In addition, any increase in the special tax for facilities, attributable to making up for tax delinquencies that occur within the district, may not exceed 10%. This sometimes results in an RMA that provides for levy of the tax on developed property at 90.91% of the maximum. This allows the tax to be increased to the

maximum, if necessary, without violating the 10% limitation. It also provides what is called "110% coverage" for debt service on any bonds, which makes them more attractive to the bond market. Note that none of the four limitations (maximum stated as a dollar amount [as distinct from an objective formula], time limit, annual inflation limit, and increase-for-delinquency limit) apply to a special tax for *services,* or to a tax for non-public facilities, or to a tax on non-residential property.

A tax with a 2% annual escalation will support a bond issue that will generate approximately 15%-20% more money for facilities than if the tax does not increase.

Good practice generally dictates that special taxes be levied in a way that will not fluctuate very much for homeowners. The better approach is to levy special taxes at or near the maximum amount that homeowners were told to expect when they bought their homes. Then, when circumstances permit, the taxes can be lowered with the confidence that they will not go back up again in the future. To levy the special taxes at a lower level initially (which the homeowners then get used to), and to raise them when the next series of bonds is issued, or when the next phase of development goes forward, is a scenario fraught with financial difficulty for the homeowners and, hence, political difficulty for the local agency.

In many cases, in the development context, a "back-up tax" is included in the RMA. This is an element of the RMA that normally is not activated. But where a CFD covers a large area that will develop over a long period of time, there needs to be a provision to address the possibility that land uses may change in such a way that the normally operative provisions of the RMA no longer generate sufficient revenue. This can accommodate changes in permitted land uses, reductions in approved density, and takings of land for public use, such as for freeways or open space. The back-up tax is thus a security device for bondholders, public agencies, and property owners. It frequently is an acreage charge. If not done properly, a back-up tax can frighten away potential purchasers of land and of bonds.

The Rate and Method of Apportionment of the Special Tax should always allow for all administrative expenses of the district to be paid from the special tax collections.

Special Taxes for Both Services and Facilities: If a CFD finances both facilities and services, it will generally simplify matters to administer these two elements of the special tax separately, although they would normally be added together for posting to the property tax roll. The facilities tax is subject to the limitations described above under "Special Tax Considerations," while the services tax is not. And if provision has been made for the prepayment and permanent satisfaction of the special tax (see below), as a practical matter such prepayment is almost invariably limited to the tax for facilities. Therefore, it may make sense to prepare two separate Notices of Special Tax Lien (one for the facilities tax, and one for the services tax) and record them both. The lien of the facilities tax will eventually be released. The lien of the services tax may not ever be.

In some cases, the tax for services, whether determined separately or as part of a single tax for facilities and services, will be pledged in the first instance to the payment of bonds. This device can, in certain circumstances, help reduce the interest rate on the bonds by providing additional "coverage" to the bond purchasers. This increases the security of the bonds, but puts the payment for services at risk.

Prepayment (or "Payoff") of the Special Tax Obligation: There is no statutory right to prepay and permanently satisfy the special tax obligation, as there is in the case of a special assessment for facilities. Nonetheless, the Act permits a prepayment mechanism to be created and included in the proceedings. Unless the local agency has determined to put a time limit on its authority to tax for services, it normally makes no sense to apply a payoff option to that element of the special tax. But a prepayment mechanism for the tax for facilities is quite common.

Depending on the nature of the RMA, a prepayment mechanism can be complex. Given the requirements of the bond market, the prepayment mechanism will have to resolve all uncertainties against the interest of the property owner wishing to prepay. Therefore, it may be a rare case where the prepayment will be economically sensible for the property owner until:

- the CFD has issued all of the debt (except for refundings) that it is ever going to issue; and

- all of the property that is going to be subject to the special tax is in its final configuration as far as the RMA is concerned (that is, no future development is going to shift special tax burden from one property to another, or increase special tax revenues).

If there is any possibility of uncertainty, local agencies can consider including in the payoff mechanism a requirement for a *contemporaneous* finding by the legislative body that the acceptance of the prepayment will not endanger the timely repayment of debt. The prepayment mechanism should in any case require payment of a non-refundable, up-front fee to cover the local agency's costs of calculating and implementing the prepayment.

Whenever a special tax obligation has been prepaid and permanently satisfied, the local agency must prepare and record a Notice of Release of Special Tax Lien. In the event that the tax will continue to be levied for *services,* the Notice of Release of Special Tax Lien (if there were not separate notices for the facilities tax and services tax) should describe the obligation that is released as well as the obligation that is continuing.

Bond Authorization: If bonds are to be issued, their maximum amount and maximum term must be specified in the initial resolutions. Most maximum terms in the development context are set at "40 years from date of issuance" as a matter of course. But the maximum amount involves making an estimate of future needs and future special tax revenues. An excessively high bond authorization is not good for several reasons, but within the range of reasonable estimation, it is better to err on the high side. Where the homeowner/constituent is directly impacted by Mello-Roos is in the amount and duration of the special tax. That is necessarily a limitation on the amount and term of bonds that can be issued. The specification of the authorized facilities is another limitation. The local agency may only sell bonds for authorized facilities, and when those facilities are completed or acquired there is no further authority to issue bonds. But if authorized facilities remain to be financed, and if there are sufficient special tax revenues to fund them, it makes no sense to be stymied because the amount of the bond authorization was poorly estimated and set too low, or the term of the bonds was unduly limited. Let the RMA and list

of facilities, rather than the bond authorization, be the limiting factors. There is nothing wrong with having bond authorization that is never used.

The situation may be slightly different with a registered voter election. The voters will see the maximum amount of bonds specified in the ballot measure and expect that such amount will be available for the project. They will also tend to consider the maximum term of the bonds as the duration of the special tax. Financially, one would still rather be limited by tax revenues than by bond authorization; but it may be better, politically, not to raise false expectations of bonding capacity, or to allow a longer term for the bonds than is necessary. More precise estimating is generally both more appropriate and more attainable in this context.

Appropriations Limit: The appropriations limit at issue is that of the CFD, not that of the local agency. Therefore the appropriations limit is being "established," not "changed," and there is no four-year sunset under Section 4 of Article XIIIB of the California Constitution. In the formation proceedings the appropriations limit needs to be set at a level that will enable the CFD to collect and spend the taxes necessary to fulfill its functions. This is also a situation in which it is prudent to err on the high side. Usually one needs to be concerned only with the early years because the appropriations limit will increase proportionately with the cost of living and with increases in the population of the CFD (to prevent a mathematical anomaly, a totally uninhabited CFD is presumed, by statute, to contain at least one person).

Engineering: Engineers and/or facilities planners, in conjunction with or as part of local agency staff, are needed to do preliminary design and cost estimates for the facilities, and to help make the determination of when the various facilities are required to be in place as development proceeds. The time-relationship between the progress of development and the need for particular facilities can have a significant impact on all of the other aspects of the CFD. An engineer will also need to prepare the formal boundary map for the CFD.

Petition to Form a District: There is a procedure whereby the local legislative body can be *compelled* to adopt a Resolution of Intention to form a Community Facilities District. This can be a petition by any two members of the legislative body itself, or a petition by the owners of at least 10% of the land area within the

proposed CFD, or a petition by at least 10% of the registered voters within the CFD. But the petition must present the proposed Resolution of Intention, which necessarily requires the boundary map, the RMA, and the description of authorized facilities and services. In such a case the local agency is permitted to determine its estimated costs for conducting the proceedings that will be required (including the giving of the appropriate notice of the public hearing), and to require payment of that sum before it takes action on the petition.

But the petition can only push so far. After the close of the public hearing, the legislative body has complete discretion to go no further and to abandon the proceedings. Of course, it can also initiate proceedings on its own motion without a petition.

Some public agencies *require* a petition and combine it with a formal application process, in which a landowner/proponent of a community facilities district must describe its development plans and reveal a certain amount about its financial strength.

The Completed Package: When the whole design/negotiation process is completed, it results in a package containing:

- A petition (if applicable);
- A form of Deposit and Reimbursement Agreement (landowner vote) by which the developer will advance the local agency's costs and by which it will be reimbursed from bond or special tax proceeds;
- A formal boundary map of the proposed district;
- A description of the facilities and services to be authorized;
- The proposed RMA of the special tax;
- The amount and term of the proposed bond authorization;
- The amount of the proposed appropriations limit; and

- Forms of Joint Community Facilities Agreements or Joint Powers Agreements with all other local agencies that will own any of the facilities or provide any of the services.

First Meeting of the Legislative Body (Initiation)

The completed package then permits bond counsel, working with local agency staff and the other consultants, to prepare resolutions for consideration by the legislative body. These resolutions formally set forth the proposed package of governmental powers. Once approved, they set the maximum limits of those powers. These resolutions typically include:

1. Resolution Accepting Petition (if applicable);
2. Resolution Approving Deposit and Reimbursement Agreement (if applicable);
3. Resolution Approving Boundary Map;
4. Resolution of Intention to Form the CFD;
5. Resolution to Incur Bonded Indebtedness; and
6. Resolutions Approving the Joint Community Facilities Agreements or Joint Powers Agreements (if any facilities or services will be those of other local agencies).

Notice of Public Hearing

Both the Resolution of Intention and the Resolution to Incur Bonded Indebtedness are required to set public hearings to be held by the legislative body not less than 30 nor more than 60 days from their adoption. Notice of the hearing, including either the text of the Resolutions or a summary of them, must be published once in a newspaper of general circulation in the area at least seven days before the hearing. This notice is in addition to the usual notices the local agency gives under the Ralph M. Brown Act. With a landowner election without 100% written agreement

from the landowners, it may be advisable to mail notice of the hearing as well (such notice is permissive under the Act). If mailing is done it should be accomplished at least 15 days before the hearing. After the resolutions have been adopted, bond counsel can assist in giving the appropriate notices (including providing copies of the Resolution of Intention to other agencies, as required).

Prepare Hearing Report

The Resolution of Intention will normally direct those officers of the local agency who will have charge of the proposed facilities and services to prepare a report, for the public hearing, demonstrating the need for the facilities and services and estimating their cost. This report is frequently prepared by the developer's engineer or by an outside engineer hired by the local agency and then reviewed and approved by the local agency staff. It is made available for inspection by the public.

Record Boundary Map

The boundary map must be recorded with the county recorder not more than 15 days after the Resolution of Intention is approved, and in any case not less than 15 days prior to the public hearing.

Approve Joint Agreements

Note that any Joint Community Facilities Agreements or Joint Powers Agreements with other public agencies whose facilities or services will be financed by the CFD are required to be finalized and executed before the Resolution of Formation (see below) is adopted. Bond Counsel will typically prepare resolutions for the other agencies to adopt, approving the agreements, and arrange for the agreements to be executed, before the Second Meeting.

Second Meeting of the Legislative Body (Public Hearing and Formation)

At the Second Meeting of the legislative body, the public hearing is conducted. Written and oral protests against the proposed governmental powers or any aspect of them may be made at the hearing, and written protests may be delivered to the clerk of the legislative body at any time up to the time set for the hearing. At the public hearing, the legislative body hears the testimony of all interested persons for or against the proposed powers. If 50% (but at least six) of the registered voters within the CFD file written protests, or if the owners of at least 50% of the land area that would be subject to the special tax file written protests, and sufficient protests are not withdrawn by the end of the hearing to reduce them to less than 50%, the proceedings must be abandoned, and the same proposal may not be renewed for at least a year. If the majority protest is only against some aspect of the proposed powers, only that aspect must be removed from the proceedings. The hearing need not be completed in one day. It may be continued for up to 30 days or, with a special finding by the legislative body that the complexity of the matter requires it, for up to six months.

Note that the absence of a majority protest does not compel the legislative body to form the CFD. It retains full discretion either to go forward with the proceedings or not.

If the legislative body determines to proceed, it then adopts the:

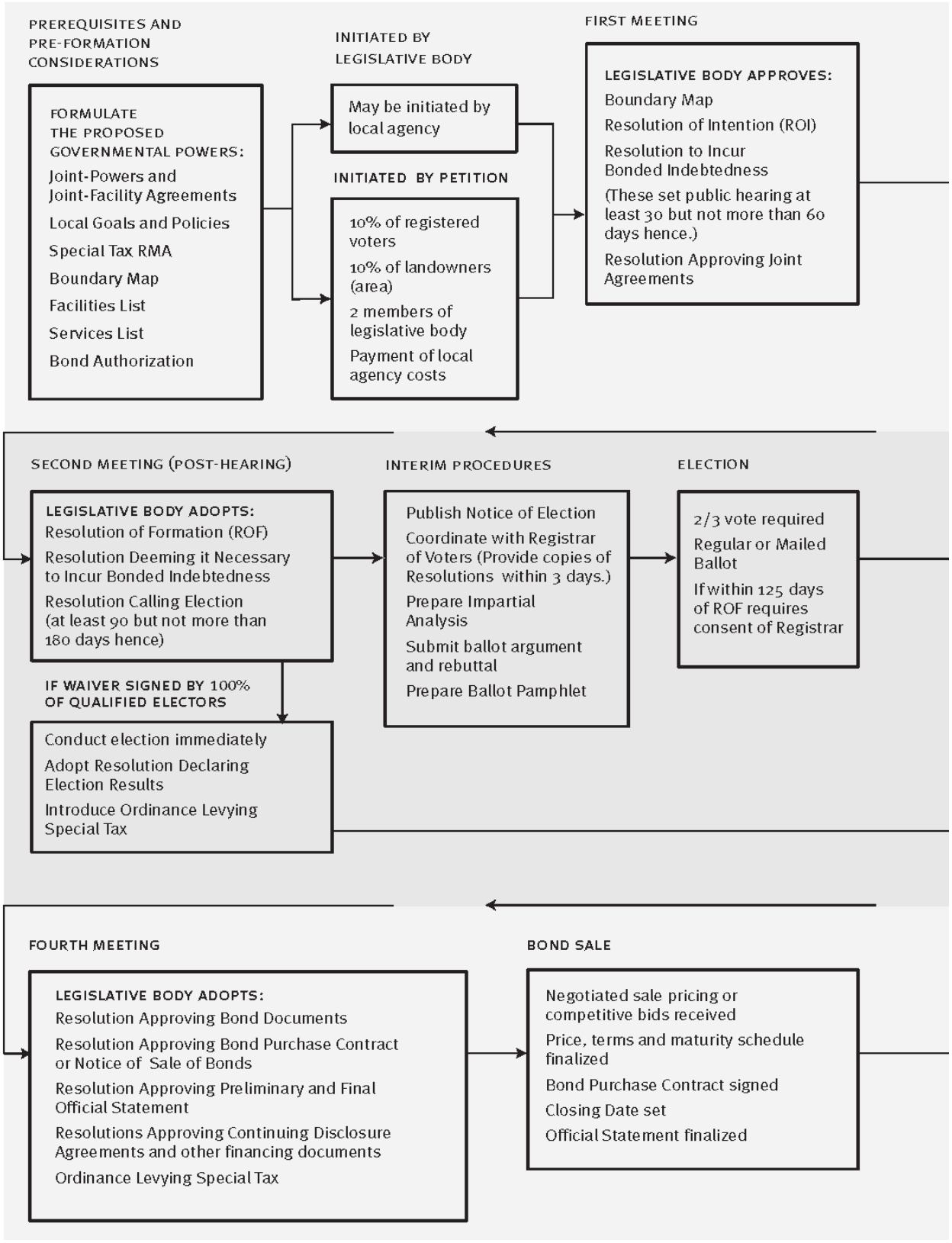
1. Resolution of Formation;

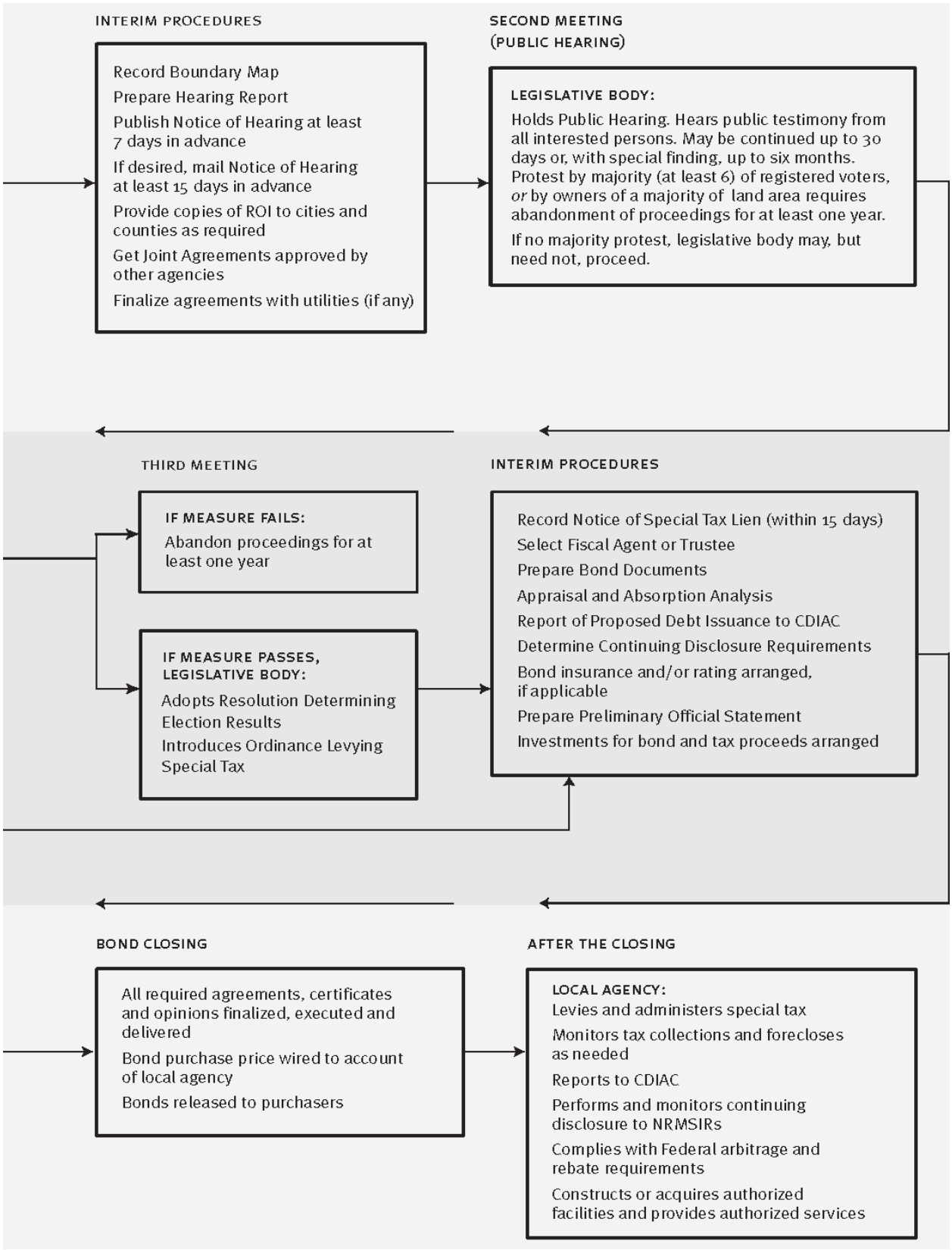
2. Resolution Deeming It Necessary to Incur Bonded Indebtedness;

3. Resolution Calling the Election.

If the election is successful, the Resolution of Formation and the Resolution Deeming It Necessary to Incur Bonded Indebtedness (collectively, the "Formation Resolutions") become the definitive source to which one turns to know what are the governmental powers that have been conferred.

CALIFORNIA MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD) TYPICAL FORMATION PROCESS




INTERIM PROCEDURES
Record Boundary Map
Prepare Hearing Report
Publish Notice of Hearing at least 7 days in advance
If desired, mail Notice of Hearing at least 15 days in advance
Provide copies of ROI to cities and counties as required
Get Joint Agreements approved by other agencies
Finalize agreements with utilities (if any)
SECOND MEETING (PUBLIC HEARING)
LEGISLATIVE BODY:
Holds Public Hearing. Hears public testimony from all interested persons. May be continued up to 30 days or, with special finding, up to six months. Protest by majority (at least 6) of registered voters, or by owners of a majority of land area requires abandonment of proceedings for at least one year.
If no majority protest, legislative body may, but need not, proceed.
THIRD MEETING
IF MEASURE FAILS:
Abandon proceedings for at least one year
IF MEASURE PASSES, LEGISLATIVE BODY:
Adopts Resolution Determining Election Results
Introduces Ordinance Levying Special Tax
INTERIM PROCEDURES
Record Notice of Special Tax Lien (within 15 days)
Select Fiscal Agent or Trustee
Prepare Bond Documents
Appraisal and Absorption Analysis
Report of Proposed Debt Issuance to CDIAC
Determine Continuing Disclosure Requirements
Bond insurance and/or rating arranged, if applicable
Prepare Preliminary Official Statement
Investments for bond and tax proceeds arranged
BOND CLOSING
All required agreements, certificates and opinions finalized, executed and delivered
Bond purchase price wired to account of local agency
Bonds released to purchasers
AFTER THE CLOSING
LOCAL AGENCY:
Levies and administers special tax
Monitors tax collections and forecloses as needed
Reports to CDIAC
Performs and monitors continuing disclosure to NRMSIRs
Complies with Federal arbitrage and rebate requirements
Constructs or acquires authorized facilities and provides authorized services

CHAPTER SEVEN

The Election

The legislative body also calls the special election and designates the official to conduct the election. It is common, in the case of a landowner vote, to designate the clerk of the legislative body as the elections official. With registered voter elections, the official designated is generally the county elections official, who is usually the county clerk/registrar of voters ("registrar").

In instances where there is a landowner vote, and 100% of the landowners or their authorized representatives waive, in writing, certain formalities and all of the time constraints of the election, the election can be conducted at the Second Meeting of the legislative body immediately after the close of the public hearing. In that event, the clerk of the legislative body can immediately certify the results of the election to the legislative body which can then adopt a Resolution Determining Election Results.

Absent a 100% waiver, however, either the clerk of the legislative body or the registrar is going to have to conduct a formal election. Except as otherwise provided in the Act, the election is governed by "the provisions of law regulating elections of the local agency" that formed the CFD. There is a range of election procedures available depending upon the particular makeup of the CFD in question, and the desired timing. This can run from a registered voter election consolidated with a general election, to a special registered voter election just for the CFD which can, but need not, be conducted by mailed ballot, to a landowner vote conducted by mailed ballot.

If the registrar is to be involved, early communication and coordination with that official is strongly advised. Each county has its own way of doing things, and its own data and computer systems. The goal, for everyone's sake, is to configure the

information that must be presented to the elections department of the registrar's office precisely in the way that office wants to receive it.

The general election law requires that local ballot measures be submitted to the election official at least 88 days before the election. The Mello-Roos Act requires that copies of the Formation Resolutions, the Resolution Calling the Election, the Boundary Map, and a sufficient description of the boundaries of the CFD be provided to the election official within 3 business days after the Formation Resolutions' adoption. The Act also requires that the election be held not less than 90 days nor more than 180 days after their adoption. Nonetheless, if the election is to be held in less than 125 days, the permission of the election official is required. Within those constraints, however, the election may be held on any day, and is not limited to the election days permitted in the California Elections Code. If the county conducts the election it may charge the local agency for the cost of the election, and that can be reimbursed out of Mello-Roos funds if the election is successful.

During this period, and in accordance with the registrar's schedule, the attorney for the local agency (often with bond counsel assistance) prepares the Impartial Analysis. The election official publishes notice of the election, and notice of the deadline for submitting ballot arguments. The proponents submit their ballot argument. They then submit their rebuttal if an argument against the measure has been submitted. The 10-day inspection period on the ballot pamphlet materials is held. The election official prepares, has printed, and distributes the ballot pamphlets and sample ballots.

Bond counsel can assist in conducting landowner, mailed ballot elections, and in coordinating with the registrar for registered voter elections.

CHAPTER EIGHT

Post-Election Actions

If the election is successful, the legislative body is thereby authorized to levy the special tax, but must do so by ordinance. Further, the taxable property must be formally subjected to the special tax lien, and steps must be taken to inform the real estate market and prospective purchasers of the presence of the lien, and of the property's liability for the special tax. These procedures begin with the Third Meeting of the legislative body, which is typically the body's first meeting after the election.

Third Meeting of the Legislative Body

Acting on proceedings prepared by bond counsel, the local legislative body will:

Adopt the Resolution Determining Election Results: This resolution should be adopted as soon as possible after the canvass of returns has been reported to the legislative body.

Introduce the Ordinance Levying the Special Tax: The special tax is required to be levied by ordinance (and if the local agency cannot ordinarily adopt an ordinance, it is empowered to do so for these purposes by the Act). An ordinance is *introduced* at one meeting ("first reading") and may then be *adopted* at a subsequent meeting of the legislative body after its "second reading." The local agency is required to designate an office, department or bureau of the local agency to annually prepare the special tax levy. This must be the same office, agency or bureau that also administers special assessments. The ordinance can make that designation, and direct that office annually to prepare the special tax levy for presentation to the legislative body. The

ordinance can also authorize the legislative body to approve and authorize each annual special tax levy by resolution.

Record Notice of Special Tax Lien

The special tax lien attaches to the property by the recording of the Notice of Special Tax Lien. The law requires that the Notice be recorded within 15 days after the legislative body determines that the tax has been authorized by the voters. The Notice will include a description of the special tax, but is also required to include the name of each owner of each parcel as shown on the latest secured assessment roll. In a large registered voter election that is going to be a very large document. The local agency will need to have someone, either on staff, or a special tax consultant or a CFD administrator (an outside consultant who will administer the CFD for a fee), lined up to prepare and record that notice in a timely fashion.

Assist Seller Disclosure of Special Tax Lien

The recording of the Notice of Special Tax Lien will make title companies aware of the special tax, and they will disclose it in their preliminary title reports. But California law imposes directly on sellers the requirement to disclose the presence of special tax liens to prospective purchasers – sellers may not simply rely on title companies. To assist sellers in making disclosure, the local agency is required under the Act to provide disclosure statements to property owners on request. The agency may charge a reasonable fee for this service, but not in excess of $10. Most CFD Administrators can provide this service for the local agency. The Act imposes an additional and detailed disclosure requirement on *subdividers* of property.

CHAPTER NINE

Issuance of Bonds

Bond Considerations

Credit Quality of the Bonds: As discussed earlier, CFDs can be formed in different contexts. It follows that their bonds can be issued in different contexts as well. What is common to all Mello-Roos bond issues is that the bonds are, through the special tax lien, ultimately secured by real property.

But there is a significant difference between a CFD comprised of vacant, although developable, land owned by a small number of developers (or perhaps only one), and a CFD containing thousands of owner-occupied dwellings. There is not only the obvious difference in the value of the property, but there is also a huge difference in the significance of any one property owner defaulting in the payment of special taxes, and hence in the likelihood that tax delinquencies that do occur could reach a level that would threaten the timely repayment of the bonds. Highly developed property owned by many different landowners can be thought of as a diversification of the bondholders' investment that greatly reduces the risk of default.

Bonds secured by vacant land are sometimes referred to as "dirt bonds." They typically push up against the minimum-required 3-to-1 "value-to-lien" ratio. That is the ratio of the *value* the property would have (ignoring all liens and assuming the presence of the public facilities to be financed by the bonds), and the capitalized amount of all public *liens* on the property, including the lien of the special tax. That capitalized amount is the proportionate share of all public debt appropriately attributable to the property. It is extremely rare for dirt bonds to be rated or insured, and hence they normally bear interest rates that are noticeably higher (at the time

of writing about three-quarters to one and one-half percentage point higher) than triple-A rated (insured) bonds, because of the higher risk they carry.

The bond market knows that rated or insured bonds have been closely looked at by a rating agency or a bond insurer. Some potential purchasers of those bonds may choose to rely on that review.

But dirt bonds have to be evaluated, in the first instance, by the potential purchaser. A potential purchaser must be shown a detailed account of the nature of the community and its demographics (trends in its employment base, population growth, income levels, major employers, etc.), as well as particular information about the security for the bonds – the land within the CFD – such as:

- Its value;
- The total public debt on the property (sometimes referred to as the "direct and overlapping" debt);
- The track record and financial strength of the developers;
- The governmental approvals and permits and conditions for the project;
- The development plans (e.g., what segments of the housing or commercial market are being targeted; how far will the developers carry the project themselves – will they build structures themselves, or will they market lots to merchant or commercial builders?);
- The developers' financing plans for the private improvements;
- How well other developments have done in the vicinity;
- How fast the homes and lots in this development can be expected to sell, and for what prices, given the larger economic climate in the region.

Mello-Roos bonds secured by populated/developed areas, on the other hand, can sometimes be nearly as secure as general obligation bonds. Some have been "A" rated, and many have been triple-A rated because bond insurance was obtained from

triple-A rated bond insurance companies. They thus bear lower interest rates than dirt bonds.

Various Types of Bonds: Most Mello-Roos bond issues include both serial bonds (a definite maturity date for each) and term bonds (exact principal payment date, within a limited span of years, determined by lot) that bear fixed interest rates and, except for the next two paragraphs, this booklet assumes that to be the case. But Mello-Roos bonds can also be issued at variable rates, and as capital appreciation bonds.

In some situations a landowner/developer may wish to have some or all of the bonds issued initially as variable-rate bonds. Issuing variable rate bonds adds complexity and expense to a bond issue, but since variable interest rates are short-term (generally one-, seven-, or thirty-day rates), and hence lower, variable-rate bonds may permit lower debt service payments. As a result, variable-rate bonds may also produce more spendable proceeds for the project within the limitations relating to special tax revenues or property values. Variable-rate bonds usually involve credit enhancement which can itself provide relief from value-to-lien ratio restrictions. Payment and tax-collection procedures are different for variable-rate bonds, and they typically require a substantial credit commitment, and substantial financial strength, on the part of the landowner/developer. As property is developed and sold by the landowner/developer, the portion of the bond issue that is secured by property no longer owned by the developer is usually converted to fixed-rate bonds and then paid and secured in the normal way.

Serial bonds and term bonds generally pay interest on a current basis, semi-annually, commonly on each March 1 and September 1. Sometimes there will be financial reasons to issue capital appreciation bonds, which are sold at a discount and receive no payments of any kind until maturity, when they are paid at full value.

Capitalized Interest: Normally interest payments on the bonds are made every six months. One or two, or even three, of those payments may come due before the local agency will have been able to place the special tax levy on the property tax roll and collect the first installment of special taxes. Therefore it is usual for the bond issue to fund an amount of money for "capitalized interest" that is used to

pay interest on the bonds until special tax revenues are available. Often, even if the tax roll is not a constraint, a developer may want to include capitalized interest (which can be included for up to two years) in order to preserve cash flow during the development phase of the project.

Reserve Fund: The bond market typically demands the establishment of a "reserve fund," into which will be deposited, usually from bond proceeds, the amount of the "reserve requirement." This money is available to keep bond payments current despite delinquencies that may occur in the payment of special taxes. Federal tax law limits the amount of bond proceeds that may be placed in the reserve fund for tax-exempt bonds. It may never exceed 10% of the amount of the bond issue, and in most cases the law requires it to be somewhat less. Dirt bonds typically will need to have the maximum allowable reserve. Bonds secured by developed property may be able to have a smaller reserve and may be able to fund some or all of it by means of an insurance policy, rather than with bond proceeds.

Bond Covenants: The local agency will be required to make certain "covenants" with the bondholders. These commonly include promises:

- To pay principal and interest on the bonds in accordance with their terms;
- Not to issue additional bonds of the CFD (which "dilute" the security for the current issue of bonds, because they share in it) unless and until certain credit quality standards are met (usually involving level of special tax revenues and valuation of the property within the CFD);
- To accomplish the levy and collection of the special tax and to apply the special tax proceeds in accordance with the terms of the bond documents;
- As to the use of bond proceeds:
    - To use the bond proceeds for the authorized purposes;
    - To fund a reserve fund at the level of the reserve requirement;
    - To use the money in the reserve fund to pay debt service on the bonds in the event of tax delinquencies; and
    - To replenish the reserve fund from future tax collections;

- Under specified conditions, to foreclose by judicial action the lien of special tax on delinquent parcels;
- To make periodic reports to the bond market (see "Continuing Disclosure," below) regarding the bond issue; and
- To do all things necessary and proper to preserve the tax-exempt status of the bonds.

Prerequisites for Bond Issuance

Select Fiscal Agent or Trustee: The *fiscal agent* is the firm (normally a bank trust department) that will administer the bonds as registrar and authentication agent, keep the records of who the registered owners of the bonds are, will receive bond payments from the local agency and then, as paying agent, forward those payments, in the correct amounts, to the registered owners of the bonds. A *trustee* will, in addition, hold many of the funds and accounts created for the bond issuance, including the reserve fund, and undertake certain responsibilities to protect the rights of the bondholders as against others, including the local agency. As the bond market prefers a trustee, it is more common.

Prepare Bond Documents: Bond counsel, with input from the underwriter/ financial advisor, will draft the provisions for the bonds and their administration. These will primarily appear either within a Trust Indenture or a Fiscal Agent Agreement or a Trust Agreement pursuant to which the bonds are issued.

Prepare Appraisal: It must be determined that the value of the land subject to the special tax is, in theoretical lien-free status (and assuming the presence of the facilities that are going to be provided by the bond proceeds), worth at least three times the amount of all public debt assigned to the land, including the debt represented by the bonds to be sold. There are two permitted exceptions to this requirement. The first is if the local legislative body finds and determines that the bonds do not present any unusual credit risk because of some special circumstance such as credit enhancement or the escrowing of bond proceeds until the needed values are obtained. The second

is when the legislative body finds, by a four-fifths vote of all of its members, that the bond issue should proceed, despite the low value of the property, for specified public policy reasons. In some situations (commonly with developed property) the values of the parcels from the county assessor's rolls will suffice, but when undeveloped land is involved the determination of value will almost always require hiring a qualified appraiser.

Prepare Absorption Analysis: In the development context, the appraiser will often use a "discounted cash-flow analysis."* This estimates the amount and timing of the expenditures the developer will be required to make to complete the development, and then the amount and timing of the sales revenues that can be expected from it. The appraiser then "discounts" the expenditures and revenues "back" to their "present value." In simplified terms, if you know you are going to pay $50 X years from now and receive $100 Y years from now, what is that worth today? To make this calculation, however, the appraiser needs to know how quickly the homes will sell. It needs "market absorption" data to reach its final conclusion, and thus often an "absorption analyst," who can provide this data, must be hired as well.

Make Report of Proposed Debt Issuance to the State: A report of proposed debt issuance must be made to the California Debt and Investment Advisory Commission (CDIAC) at least 30 days before the bonds are sold.

Determine Requirements for Continuing Disclosure: A determination must be made of the types of continuing disclosure the landowners/developers will be required to make. This is discussed below.

Arrange for Investment of Bond and Tax Proceeds: Arrangements must be made for the investment of the bond proceeds pending their use for authorized facilities, and for the investment of the special taxes that are collected pending their use. This area is complicated by the "arbitrage" provisions of the Federal Tax Code.

* This is not always required. If sufficient sales of bulk development property can be found in the region, the appraiser may be able to use comparable sales as the method to determine value.

There are advisors expert at offering these investments (such as BondLogistix LLC), but the arrangements need to be made.

Obtain Bond Insurance and/or Bond Rating (if applicable): Bond insurance will pay the bond holders if for any reason the local agency does not. If the bonds are able to be rated or insured the underwriter or financial advisor will undertake the task of obtaining the rating and/or insurance. This may, incidentally, include getting a surety bond or insurance policy for some or all of the reserve fund. Sometimes an "underlying rating" (assuming no bond insurance) is obtained from one or more of the rating agencies (most commonly Moody's, Standard & Poor's, or Fitch) either as sufficient in itself, or as an aid to obtaining the best price for bond insurance. Other times bond insurance is sought in the first instance, and then the rating agencies look solely to the bond insurer in rating the bonds. Normally underwriters and financial advisors will obtain competitive bids for bond insurance. The presence of bond insurance requires additional provisions, and may require certain changes, in the bond documents. These must be made by bond counsel in consultation with the insurer.

Prepare the Official Statement: The "Official Statement" (initially in "Preliminary" form) must be prepared.

The Official Statement

The Federal Securities Laws require that all facts material to the evaluation of a security be disclosed to the market before that security may be offered for sale. This is done, formally, by means of the "Official Statement." This document is normally prepared either by counsel that the underwriter hires ("underwriter's counsel"), or by counsel that the local agency hires ("disclosure counsel"). Occasionally it is done by the financial advisor.

It is important to emphasize that irrespective of who prepares the Official Statement, this document must be approved by the legislative body of the local agency and is, in every sense, the local agency's document. It is the document by which the local agency's bonds are marketed to investors and the local agency will be required to certify that it includes all the information it is required to

include, and does not misstate any material fact, or fail to disclose any material fact, in a way that would make the Official Statement misleading in any material respect to a purchaser of the bonds.

The local agency should, nonetheless, seek all appropriate indemnifications, certifications and opinions from others who have some responsibility for the information in the Official Statement. Under some circumstances the local agency may be able to disclaim responsibility for developer information.

Fourth Meeting of the Legislative Body

Despite the designation "Fourth Meeting," actions described here may be taken at one or more meetings of the legislative body.

Approve Bond Documents: The legislative body will adopt a resolution or resolutions:

1. Approving the Indenture;
2. Approving the Bond Purchase Contract (negotiated sale) and authorizing its execution; or the Notice of Sale (competitive sale) and authorizing acceptance of the winning bid; and
3. Approving the Preliminary Official Statement (and authorizing execution of the Final Official Statement), the Continuing Disclosure Agreements, and any other financing documents.

Adopt Ordinance Levying Special Tax: The legislative body will also adopt the previously introduced Ordinance Levying Special Tax.

Manner of Sale of Bonds

The more common method of selling Mello-Roos bonds, particularly "dirt bonds," is by private (or negotiated) sale. But Mello-Roos bonds, particularly when they are rated, are also sold by public (or competitive) sale.

The Mello-Roos Act requires that bonds be sold at *public* sale *except* that if no bids are received, or if the local agency determines that private sale would result in lower overall cost, the bonds may be sold at private sale. This gives the local agency the freedom to decide in each case which method it prefers.

In virtually every instance the bonds are sold to an underwriter. The underwriter is able to pay cash to the local agency for the entire bond issue. The underwriter then sells the bonds to investors (institutions and individuals) for more than it paid for them, thus earning a profit. In most instances underwriters buy the bonds from the public agency at a discount (called the "underwriter's discount"), and then sell them to their customers at "par," or face value, although this varies.

In a negotiated sale the local agency first selects an underwriter, with which it then negotiates the price of the bonds, their interest rates and the maturity schedule. Sometimes a local agency will hire a financial advisor to assist it with the negotiations. The underwriter typically does some pre-marketing of the bonds and then shares that information (except its customers' identities) with the local agency. A Bond Purchase Contract is then signed.

In a competitive sale, the local agency hires a financial advisor. The financial advisor prepares a Notice of Sale setting forth the terms and maturity schedule of the bonds to which underwriters respond by submitting sealed bid sheets containing purchase prices and interest rates. The Notice of Sale and the signed bid sheet of the winning bidder comprise the contract.

Bond Closing

A "closing" date will be set when all of the documents will be finalized and executed. This date is normally about two weeks after the Bond Purchase Contract is signed or the bonds are awarded. If applicable, bond insurance policies and bond ratings are finalized. Certificates validating and memorializing the fulfillment of required conditions are signed and delivered. Written opinions of bond counsel, disclosure counsel, and agency counsel are obtained; as are written certificates of local agency officers and consultants. The local agency receives the purchase price of the bonds, and the bonds are released to the purchasers. Bond counsel then prepares "Closing Transcripts," sets of certified or original closing documents, for the local agency and certain other participants.

CHAPTER TEN

After the Bond Closing

The bond closing represents, in one sense, the completion of the Mello-Roos process. After all, it was to raise money for public works that the whole process was undertaken, and that has now been accomplished. But the local agency will have taken on a number of responsibilities that continue after the bonds are issued. Some of the more important are listed below:

Annual Reporting to CDIAC

Annual reporting to the California Debt and Investment Advisory Commission is required of basic financial information about the bond issue:

- The principal amount of bonds outstanding;
- The balance in the reserve fund;
- The balance in the construction fund;
- The balance in the capitalized interest fund (if any);
- The level of special tax delinquencies and progress of foreclosure actions against delinquent parcels;
- The assessed value of all parcels subject to the special tax.

Material Event Reporting to CDIAC

Immediate reporting (within 10 days) to CDIAC is required whenever:

- there is any shortfall in the payment of either principal of or interest on the bonds; or
- the reserve fund is drawn down below a level specified by CDIAC to make payments on the bonds. (CDIAC has yet to specify a level, so the unwritten practice is to report if the reserve fund is drawn down below the reserve requirement.)

Continuing Disclosure

The underwriter must comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934. The rule requires the underwriter, prior to purchasing the bonds, to obtain a written undertaking from the local agency, or from an "obligated person," that certain continuing disclosure with respect to the bond issue will be made to all Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), and to any appropriate state information depositories ("SIDs"). Currently there are no SIDs in California. There is now a "central post office" to which the information can be sent (and it can be sent electronically) which will, in turn, distribute the information electronically to all NRMSIRs and applicable SIDs.

There are two kinds of disclosure required by Rule 15c2-12. There must be "annual financial information" from those whose financial information or operating data was presented in the Official Statement and from persons or entities meeting, in the future, the criteria that caused the original financial information or operating data to be presented. These persons or entities meet the definition of "obligated person." There also must be immediate disclosure of "material events" with respect

to the bond issue itself – for such events as failure to make payments on the bonds, draws on the reserve fund, significant sales of property, and failure of an obligated person to make continuing disclosure according to its agreement.

The developer has the best access to its own "annual financial information," and the local agency has the best information with respect to most "material events." But there is some crossover. The local agency may be better able to report periodically on the progress of the facilities, and the developer can better report a material sale of its property. Therefore, the underwriter almost always requires written undertakings from *both* the local agency and the developer. Normally, developers will be required to provide annual (or, increasingly, *semi*-annual) financial and operating data. If developers make a bulk sale of property, they remain obligated (and subject to liability under the securities laws) unless they obtain a commitment from the purchaser to take over the disclosure obligation.

Clearly not every property owner is an obligated person. There is no formal ruling with respect to when a property owner is an obligated person, and the determination depends heavily on the specific facts and circumstances of each financing. Some in the industry have settled on a 20% level. That is, if a property owner owns property that makes it potentially responsible for 20% or more of the special taxes, it is an obligated person. This cannot be viewed as a universal rule however, and the underwriter, in consultation with counsel, will need to determine what is appropriate in each case. If a percentage threshold is used, once the property owner is no longer potentially responsible for that level of special tax, or the development stage to which the developer planned to develop the property as described in the Official Statement has been reached, most continuing disclosure agreements relieve the developer of further continuing disclosure obligations.

Disclosure will normally be made to a "dissemination agent" selected by the local agency (and which may, indeed, *be* the local agency) who will forward the information to the NRMSIRs. As mentioned, there is now a procedure for doing this electronically through a "central post office."

Levying the Special Tax

The local agency must, pursuant to its ordinance and its covenant with the bondholders, annually levy the special tax. The levy needs to be prepared in the proper media and at the proper time to be presented to the county auditor for placement on the county tax rolls. Generally the deadline is August 10. Preparing the special tax levy can be a substantial task if the number of parcels in the district is large, or the information required by the RMA to determine the proper tax for each parcel is difficult to obtain. Sometimes a substantial database needs to be maintained to do this work. The designated office of the local agency may do the work itself, or it may hire an outside CFD administrator.

Coordination with County Auditor

It is important to coordinate with the county auditor well in advance of the August 10 deadline for levying the special tax. Again, every county is different, and the goal is to present the special tax levy to the county auditor's staff in the format and media that they can best use. The levy should be presented to the county as a list of parcels with the specific dollar amount of special tax listed for each parcel. Then there is no need to refer to the county's tax rate areas, and no filing is required with the State Board of Equalization or the county assessor.

Responding to Taxpayer Inquiries

The same office designated to prepare the annual special tax levy must also be designated to respond to taxpayer inquiries about the special tax, to provide estimates of future special taxes if asked, and to provide disclosure statements, on request, to sellers of property to assist them in disclosing the special tax to prospective purchasers. As mentioned earlier, the office may charge a reasonable fee for this latter service, but not in excess of $10.

Monitoring Special Tax Collections and Instituting Foreclosures

If bonds have been issued, the local agency will have the responsibility to monitor tax collections, and to fulfill any covenants it has made to the bond holders in that regard. Typically this will include the obligation, under circumstances specified in the bond documents, to request the county to remove delinquent special taxes from the secured roll, and then to institute legal proceedings to foreclose the lien of special tax. The local agency has the right to file suit as early as one day after a tax delinquency (and as late as four years after the final maturity of the bonds). The question is: what will it *obligate* itself to do?

To foreclose on a developer is one thing. To foreclose on a homeowner is quite another. A delinquency on the part of the developer is likely to be very significant. A delinquency on the part of a single homeowner is likely to be insignificant. The covenant the local agency makes to foreclose should recognize the difference between these two situations. An appropriate balance can be struck that will protect the bondholders without requiring the local agency to foreclose every time a resident misses a tax payment.

An agency does not want to obligate itself to foreclose before it knows of a delinquency, which generally takes a month or two. It is generally inefficient for a local agency to obligate itself to foreclose before the second installment has also become delinquent. One suit is better than two, and perhaps the property owner will pay by April 10 to avoid the second penalty.

In the event that foreclosure is required, the local agency would be well-advised to have made arrangements with a foreclosure counsel in advance so that any suits required can be brought within the time promised to the bond holders.

Note that if bonds are not outstanding, the local agency has no authority from the Act to judicially foreclose the lien of special tax. In that event, if the local agency wants foreclosure power (and under some circumstances it may) it will have to get the property owners to agree to it by contract during the formation process.

Federal Tax Code Compliance (Yield Restriction, Arbitrage, and Rebate)

The Federal Tax Code requires outright yield restriction on some funds and arbitrage rebate with respect to others. If funds are invested at yields higher than the yield on the bonds, arbitrage is earned, and the excess earnings must be rebated to the Federal Government at least every five years and within 60 days of the final maturity of the bonds. Normally the local agency will hire an expert consultant, such as BondLogistix LLC, to arrange appropriate yield-restricted investments, and to perform the highly technical arbitrage and rebate calculations.

County Responsibilities

The local county, whether or not it is the local agency, will have on-going responsibilities with respect to the CFD. It also may charge for its costs in fulfilling those responsibilities, and those charges may be paid from special tax proceeds. The county's responsibilities include the following:

- Receive the special tax levy and post it to the property tax rolls;
- Collect and enforce payment of property taxes in the normal way including proportionate sharing of penalties and interest;
- Remit the special tax proceeds to the local agency;
- Report delinquencies to the local agency "at the close of each tax collection period, promptly;"
- Remove delinquent special taxes from the secured roll when requested to do so by the local agency; and
- Not ever permit payment of the regular tax bill without payment of special taxes included (unless the special taxes have been removed from the roll by request of the local agency).

CHAPTER ELEVEN

Other Features of Mello-Roos

This booklet is not an exhaustive treatment of Mello-Roos. Resort to legal counsel experienced in its use is strongly recommended. But there are some additional features of Mello-Roos that may be of interest.

Refundings

If local agencies can save their taxpayers money, without reducing the resources available to the local agency, they will generally be quick to do so. One way this can happen is if bonds can be refinanced at a lower interest rate – because the lower interest rate will translate into lower special taxes. Such a refinancing of a bond issue is called a "refunding." It involves selling new bonds at the lower interest rate, and then using the proceeds of the new bonds to pay off the old, higher-interest-rate bonds. There are two prerequisites for a Mello-Roos refunding: the refunding must realize savings in total debt service payments over the life of the bonds, and the special taxes which were levied to retire the old bonds must be reduced accordingly.

Lower interest rates could become available because interest rates decline generally, or because the quality of the security for the bonds improves, or both. Recall the earlier discussion of "dirt bonds" under the heading "Credit Quality of the Bonds." The situation with dirt bonds changes over time. As homes are built, sold and occupied, the value of the security for the bonds increases and they may reach the point where they can be rated and/or insured. That will normally give rise to a refunding opportunity.

Some investors like to purchase the "dirt bonds" because of their higher interest rates, expecting the security for the bonds to gradually improve as development goes forward. The investor then ends up with a very secure bond, but with a higher interest rate than is normally available for similar risk. The bonds thereby increase in value, and if they remain outstanding the investor can then sell them at a premium and realize a capital gain. Most bondholders prefer not to have their bonds refunded, but this can be especially true of the holders of dirt bonds.

The market compromises. If there were no reward for the purchasers of dirt bonds, it would be more difficult to sell them, and they would carry still higher interest rates. Therefore, Mello-Roos bonds (whether dirt bonds or not) often have a period of what is referred to as "call-protection." That is, the bonds cannot be "called" (paid early), for a period of years. Then, frequently, for another year or two, there is a declining "call-premium" (prepayment penalty) that is paid to the bond holders if their bonds are paid early.

If the "old" (also called "refunded") bonds are paid off and retired within 90 days after the "new" ("refunding") bonds are issued, this is called a "current refunding" and such a refunding may be done as often as savings can be realized.

But often, because of the call protection, the "old" bonds cannot be retired in time to have a current refunding. A refunding in that case is called an "advance refunding," and may be done only once under Federal tax law.

With the usual advance refunding, the proceeds of the new bond issue, after paying costs of issuance, are placed in an escrow and invested in Federal Government securities. The maturities of the investments are timed so that the escrow will generate the cash to make each scheduled debt service payment on the old bonds when it is due, and then to pay off the entire old bond issue as soon as the period of call protection expires. (There are also "crossover" advance refundings that have a somewhat different structure and are beyond the scope of this booklet.)

Once that escrow is properly established, and there is a certification from a nationally recognized independent certified public accountant that the escrow will produce the necessary cash at the proper times, the refunded bonds are said to be

"defeased." This, pursuant to the bond documents under which the refunded bonds were issued, relieves the local agency of further obligation toward the holders of those bonds. The owners of the refunded bonds no longer look to the local agency, or to the special taxes, or to any real property security, for the repayment of their bonds. Instead, they now look solely to the defeasance escrow. Accordingly, the local legislative body no longer needs to apply any special tax revenue toward the defeased bonds but, instead, now applies the special tax revenue to the refunding bonds.

Refunding bonds do not count against the bond authorization of the CFD, even if the original bonds cannot be retired immediately and even if the new bonds are issued in a higher principal amount.

Annexation of Territory

Territory may be annexed to an existing CFD, or it may be designated for annexation in the future. In that process, additional facilities and services may be added to those already authorized, but the additions may not increase the maximum tax rate in the existing district. The proceedings to annex, or to designate property for annexation in the future, are virtually identical to the proceedings to form the district. The major difference is that at the public hearing, the majority protests that will block the proceedings may come from landowners or registered voters in the area to be annexed, or the area designated for annexation in the future (upon which event such property would probably simply be dropped from the proceedings), or the existing district, although the election will be held only in the area to be annexed. Any parcel of property included in an area designated for annexation in the future, as to which there was no majority protest, can complete annexation thereafter simply through the unanimous consent of its owners without further hearing or election.

The area to be annexed must generally be taxed the same as the existing district, but may be subjected to an additional "catch-up tax" at the time of annexation. This would have to be included in the RMA for the annexation area, and its purpose would be to equalize payments from property benefiting equally from the previously authorized public improvements.

Amending the Conferred Powers

There is also a procedure for *amending* the package of powers that have been conferred on the local legislative body. This can include both increasing or reducing those powers. This procedure is also similar to the formation procedure, and is initiated by a Resolution of Consideration that describes the proposed changes and sets a public hearing. The legislative body can initiate the proceedings on its own motion, or it can be *compelled* to adopt the Resolution of Consideration by a sufficient petition (25% of the registered voters or the owners of 25% of the land within the CFD).

Again, the petition can only push so far. After the public hearing the legislative body has the discretion to refuse to continue the change proceedings. Further, if debt is outstanding, the law will not permit the legislative body to adopt a Resolution of Consideration to lower the special tax, even in the face of a petition, unless the legislative body determines that the proposed reduction or termination of the special tax would not interfere with the timely retirement of that debt. If the legislative body determines to proceed, it requires a two-thirds vote of the qualified electors (determined as of the time of the hearing) to approve the change.

Use in School Mitigation Agreements

State law empowers school districts to impose limited "school developer fees" on new development in order to help mitigate the impact of such development on the need for school facilities. The State program of funding schools through a combination of these developer fees and State school bond funds has a long history of being a "good try," but in most instances is simply not able to provide adequate school facilities on a timely basis.

This creates some uncertainty. School districts want to be able to meet the needs of their students, and developers want to be able to assure potential home buyers that there will be good schools available to serve their children, but there is no single, clear path to getting there.

What everyone wants to avoid is a situation where the developers accuse the school districts of trying to get more than they are entitled to; and where the school districts are telling the public that if they buy the developers' new homes, there will not be adequate school facilities for their children.

The situation in every community is different, but frequently it is in the best interests of both developers and school districts to craft a mitigation program that is more finely tuned to the local circumstances than the basic State developer fee program can be. The developers can allow their projects to take on more of an obligation for school facilities than the legal minimum, and in return the school districts can provide low interest financing for that obligation that is fully assumable by the homebuyer. It can be an advantage to a developer not to have to come out-of-pocket for the developer fee at the time of building permit.

Whatever developers and school districts can agree to can be memorialized in a School Mitigation Agreement. The basic need of the developers from the mitigation agreement is the assurance that they will get the certifications they need from the school districts on a timely basis to proceed with their development, and that their properties will not be asked to pay anything *more* for school mitigation (other than district-wide measures that would affect everyone, such as general obligation bonds). The basic need of the school districts from the agreement is that their school facility needs will be met on a timely basis.

The means by which both of these needs are met can vary enormously. The agreement can be as simple as an agreement for higher fees. Or it can involve the dedication, or price agreement on the purchase, of new school sites. Agreements can involve the provision of temporary facilities on an interim basis, the order in which the needed schools will be built, developer-built schools, and anything else that will meet the mutual needs of the parties. And, of course, often these agreements will include the details of a community facilities district that the parties will jointly form to finance the new schools. This is an area where flexibility and creativity can make a difference, and Mello-Roos is a useful tool to have available.

As an example, some developers might prefer to pay a portion of their school impacts in cash in order, in effect, to "buy down" the amount of on-going special

tax, thus making their homes more attractive to purchasers. Mello-Roos can recast this payment as an element of the special tax, payable only once at, say, close of escrow (rather than at building permit) thus helping developer cash-flow.

Timetables

Every situation is different and may contain circumstances that change the usual course of events. With that disclaimer in mind, consider that the key step in the timing of any Mello-Roos proceedings is producing the "completed package" of proposed governmental powers. The time to get to that point can take anywhere from a few days to a few years.

With a registered voter CFD, or a landowner vote without 100% waivers from the landowners, and if the local agency is willing to diligently push the process along, the package of proposed authorities should be finalized at least five months before the election day.

Where 100% of the qualified electors will sign waivers of the election formalities and their time periods, it is possible to complete the election within two months of the "completed package."

Bonds can usually be issued within 1-3 months of a successful election.

Contact Information for

Members of Orrick's Special Tax and Assessment Group

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Yucaipa Valley Water District

Workshop Memorandum 12-130

Date: **July 10, 2012**

Subject: **Overview of Digester Cleaning and Assessment Process**

The Yucaipa Valley Water District operates and maintains four anaerobic digesters for sludge conditioning at the Wochholz Regional Water Recycling Facility. Each digester has a diameter of 45 feet and a side water depth of 22 feet, yielding an operational capacity of 262,000 gallons per digester. The digesters treat sludge drawn from both the primary clarifiers and from the dissolved air flotation thickeners. Digested sludge flows by gravity and can be stored temporarily in a sludge holding tank before being conveyed to the belt presses for dewatering. The sludge holding tank is 40 feet in diameter, with a side water depth of 19 feet, resulting in an operational volume of 141,000 gallons.

In 2005, the District cleaned the digesters in preparation for the treatment plant expansion and upgrade project. Generally, anaerobic digester cleaning is required every 8-10 years in order to remove the accumulation and build-up of sand, grit, and other heavy debris within the digesters. The cleaning process also provides an opportunity to assess the condition of the digesters and related equipment. Based on our experience of the inspections conducted in 2005, it is likely that the digesters may be experiencing corrosion. Unfortunately, it is difficult to determine the full extent of the corrosion until an accurate assessment and evaluation can be completed.

The District staff estimates that the cleaning and assessment process can range in price from $350,000 to $450,000. After completing the cleaning and assessment, the District staff will have a better estimation of the scope and cost of repairs, if needed.

Attached is the proposal from RMC for professional engineering services associated with the digester cleaning and assessment.

RMC
Water and Environment

May 9th, 2012

Mr. Kevin King
Operations Manager
Yucaipa Valley Water District
12770 Second Street
Yucaipa, California 92399

RE: Proposal for Engineering Services for
Digester Cleaning and Solids Process Condition Assessment

RMC Water and Environment (RMC) is pleased to submit our proposal to Yucaipa Valley Water District (District) to provide engineering services for the Digester Cleaning and Solids Process Condition Assessment. This letter proposal outlines our proposed Scope of Work in accordance with our site visit and discussions with staff, and our understanding of work from the previous digester cleaning, coating and facility modifications projects at the Wochholz Regional Water Reclamation Facility (WRWRF).

BACKGROUND

Primary sludge, primary scum and secondary sludge are treated at the WRWRF in four anaerobic digesters. Treated biosolids are then conveyed to the belt filter press facility for dewatering and hauling off site.

The existing solids handling facilities at the WRWRF consist of the following:

- Primary sludge pumps (3 units)
- Primary scum pump (1 unit)
- Waste activated sludge pumps (2 units)
- Dissolved air flotation thickeners and appurtenant equipment (DAF) (1 duty unit, 1 abandoned unit)
- Thickened sludge transfer pumps (2 units)
- Anaerobic digesters (4 units)
- Sludge holding tank (1 unit)
- Belt presses (2 units)
- Sludge Heaters (4 units)

Digester Cleaning

Each digester has a working volume of approximately 262,000 gallons. The sludge holding tank working volume is about 180,000 gallons. Digesters typically require cleaning every eight to ten years. Digester Nos. 1 through 4 were last cleaned in 2004.

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Innovative Solutions for Water and the Environment

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Solids Process Condition Assessment

Sludge and scum are conveyed, treated and prepared for hauling in the solids process system at the WRWRF. This system was originally constructed and has been upgraded through the contracts listed in the following table:

Projects	Construction Timeline	Summary of Work
Wastewater Treatment Plant	1976-design 1984-constr	• Construction of Digester Nos. 1 and 2 and appurtenant equipment, eg heaters. • Digester No. 1 was equipped with a fixed cover and Digester No. 2 was equipped with a floating cover. • Primary Sludge Pump Nos. 1 and 2
Stage I Expansion Project	1992	• Construction of Digester Nos. 3 and 4 • Both Digester No. 3 and Digester No. 4 were equipped with fixed covers.
Digester No. 2 Cover Modifications	1994	• Digester No. 2 cover converted from floating to fixed configuration.
Digester Cleaning	2004	• Digester Nos. 1-4 Cleaning
Digester Exterior Coating	2005	• Digester Nos. 1-4 Exterior Coating of Cover
Digester and Sludge Holding Tank Modifications Project	2005	• Digester Nos. 1-4 and Digester Holding Tank Pump Mix System installation • Interior Coating/Structural repair of Covers for Digester Nos. 1-4
2009 Maintenance and Rehabilitation Project	2009	• Primary Sludge Pump No. 2 replacement • Scum Pump Replacement

Assets installed during Original Plant and Stage I Expansion have been in service for over 20 years. The system includes approximately 80 major assets, with major assets being defined as equipment with replacement value of $5,000 or greater. Indications of equipment aging are evident during normal operation and maintenance and have also been observed in typically inaccessible locations such as inside of the digesters during the last cleaning cycle. These indications and observations include:

- Severe corrosion on the inside surface of the cover of the Digester No. 2. Refer to **Figures 1 and 2**.
- Severe corrosion on piping conveying digester gas, such that the effective inside diameter of the pipe is greatly reduced. Refer to **Figure 3**. Cleaning of gas piping was attempted during the 2005 digester modifications project but was unsuccessful because of the limited remaining pipe wall thickness. Sections of piping with most severe corrosion and buildup were replaced with new stainless steel piping. Similar corrosion and buildup has been observed in gas piping associated with the sludge heating boilers during a repair project in 2012.

- Severe corrosion of sludge heating boiler inlet box, resulting in holes in the inlet box of the unit. Refer to **Figure 4**. WRWRF contracted with a welder to complete a temporary repair, welding a plate over the holes in the inlet box.
- Severe corrosion in columns in the belt filter press building. The building structure and equipment contained therein is subjected to a harsh environment by nature of the belt filter press process, even though the building is equipped with ventilation.
- Much of the equipment has been in operation over 20 years and is nearing the end of "typical service life" which generally ranges from 15 to 25 years for treatment plant equipment. Industry practice is to assess the condition in the field and review maintenance records of equipment to determine an "assessed service life", rehabilitation requirements or need for replacement.



Figure 1 – Digester No 2 Cover Corrosion, Especially on "Curtain"



Figure 2 – Digester No 2 corrosion through cover, repaired in 2005



Figure 3 – Severe corrosion inside piping



Figure 4 – Corrosion through inlet box base

SCOPE OF SERVICES
Task 1 - Digester Cleaning

Task 1.1 - Request for Cleaning Services Bid Documents

RMC has met with WRWRF staff to determine the following planning parameters:

- The previous cleaning services specification worked well and will be the basis for current cleaning services, with a couple refinements:
- Three digesters must remain in service at all times. During the previous contract, influent and sludge flows were lower and allowed the plant to operate with only two digesters in service.
- A one week period will be required between the cleaning of digesters. During this time the Contractor will be required to construct scaffolding and provide confined space entry monitoring and supervision to allow an Owner-provided inspector inside for condition assessment. Two days will be allowed for the inspection/assessment. The remaining time will be allowed to the contractor for scaffolding set-up and take-down.

Preparation of the digester cleaning specification will include one meeting to coordinate with YVWD staff and verify specified requirements such as Contractor access to plant water and screening requirements for return flows to drain, washrooms and other details.

Specifications will include the following:

- Bidding and Contract Documents – RMC has assumed that standard YVWD bidding and contractual documents will be used.
- RMC will provide a bidding schedule. The bidding schedule will be structured to require unit costs per gallon of solids processed to allow WRWRF staff to maximize savings through processing of decant after digester settling to be completed by Owner. Credit for Owner savings by reduction of Contractor standby days will also be included in the bid schedule.
- At the 90 percent level, RMC will provide draft technical specifications and a data sheet for review with information to be used consistently in the Bidding and Contract Documents with the following data:
  - Construction Contract Project Name and Number
  - Description of Work
  - Contract time
  - Liquidated damages
  - Dates: Advertise, pre-bid meeting, bid opening
  - Mandatory or non-mandatory pre-bid meeting
  - Project contact names and method (phone/email)
- Supplementary Conditions to the General Conditions
- Technical specifications

RMC will incorporate District comments into the final bid documents.

The RMC team will provide will provide a list of potential contractors with experience in digester cleaning for solicitation of bids. Three hard copies of the specifications and one set of electronic files (pdf and native Word) will be provided. Additional copies can be made available if needed

Task 1.2 – Bid Assistance

RMC to attend a pre-proposal meeting at the plant site. It is assumed that the District will advertise and distribute bid documents. Once bids are received, RMC will review the bids and provide a recommendation for award.

Task 1.3 - Services during Cleaning
RMC to provide limited assistance during cleaning, to include response to requests for information, review of proposed schedule and review of proposed equipment layout. Services include a kick-off meeting, one site visit during cleaning operation, and a project close-out meeting.

Task 2 - Solids Process Condition Assessment

Assessment of the solids process equipment will be conducted in parallel with the digester cleaning outages. This condition assessment task includes the following steps:

1) Identify all the assets which can be placed out-of-service and isolated from the treatment process for each digester outage. Plan the condition assessment of the assets according to the digester cleaning outage schedule.

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2) RMC and Harper & Associates Engineering will provide the following assessment services for the Digester Nos. 1 thro 4:
    - Corrosion-related structural soundness of the digesters and covers
    - Condition of coating
    - Condition of joint sealants
    - Condition of structural repairs accomplished previously
    - Operation and corrosion of piping and miscellaneous equipment
3) The RMC team will provide assessment site visits to visually inspect the condition of all the solids process related equipment.
4) RMC team will review the operational and maintenance data provided by WRWRF staff to identify observed concerns and excessive maintenance requirements, if any, related to major assets including pumps, sludge heaters, thickeners, belt presses, valves, digester gas handling equipments, and piping.
5) RMC team will provide summarized results of condition assessment for each asset.

For future communications regarding this proposal, you may contact me or Tricia Butler by phone or email (sgoldman@rmcwater.com, tbutler@rmcwater.com).

Thank you for the opportunity to submit our proposal for engineering services. We look forward to hearing from you.

Sincerely,

Scott Goldman, P.E., BCEE
Principal

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RMC Water and Environment

DRAFT Fee Estimate

Yucaipa Valley Water District
Digester Cleaning and Solids Process Condition Assessment

Tasks	RMC Labor							Sub Consultant Labor			ODCs		Total
	Principal	Project Manager	Project Engineer	Designer	Admin.	Total Hours	Total Labor Costs (1)	Happer & Associates Engineering, Inc.	Subtotal	Sub Consultant Total Cost (2)	ODCs	Total ODCs (3)	Total Fee
	$225	$200	$165	$130	$90								
Task 1: Digester Cleaning													
1.1 Project Planning	2	6	0	0	2	10	$1,830		$0	$0	$100	$110	$1,940
1.2 Request for Cleaning Services Bid Documents	2	6	12	0	2	22	$3,810		$0	$0	$100	$110	$3,920
1.3 Services during Cleaning, submittals and rfis	2	8	16	0	16	42	$6,130		$0	$0	$200	$220	$6,350
1.4 Meetings and Site Visits	0	12	16	0	2	30	$5,220		$0	$0	$600	$660	$5,880
1.5 Project Management	2	4	8	0	4	18	$2,930		$0	$0	$0	$0	$2,930
Subtotal Task 1:	8	36	52	0	26	122	$19,920	$0	$0	$0	$1,000	$1,100	$21,020
Task 2: Solids Process Condition Assessment													
2.1 Develop Plan/Approach	8	16	16	0	2	42	$7,820		$0	$0	$0	$0	$7,820
2.2 Coordinate with staff/sub-contractor	2	8	4	0	0	14	$2,710		$0	$0	$0	$0	$2,710
2.3 Conducting condition assessment and site visits	0	24	16	0	2	42	$7,620	$7,100	$7,100	$7,810	$600	$660	$16,090
2.4 Develop Documentation of Results, 10 project writeups	2	20	32	0	4	58	$10,090		$0	$0	$0	$0	$10,090
Subtotal Task 2:	12	68	68	0	8	156	$28,240	$7,100	$7,100	$7,810	$600	$660	$36,710
TOTAL	20	104	120	0	34	278	$48,160	$7,100	$7,100	$7,810	$1,600	$1,760	$57,730

1. The individual hourly rates include salary, overhead and profit.
2. Subconsultants will be billed at actual cost plus 10%.
3. Other direct costs (ODCs) such as reproduction, delivery, mileage (rates will be those allowed by current IRS guidelines), and travel expenses, will be billed at actual cost plus 10%.
4. RMC reserves the right to adjust its hourly rate structure and ODC markup at the beginning of the calendar year for all ongoing contracts.

Yucaipa Valley Water District

Workshop Memorandum 12-131

Date: **July 10, 2012**

Subject: **Construction Management Service Contract for the Interior Coating of the R-13.2 Reservoir**

Every year the Yucaipa Valley Water District inspects and cleans the drinking water and recycled water reservoirs. During the most recent facility inspection, the District staff recognized a coating issue with the R-13.2 reservoir. Following a closer examination of the interior coating, the District staff conducted a board workshop to provide information about the condition of the reservoir with the members of the board and the public. During the workshop the District staff explained that it would be necessary to recoat the interior surfaces of the reservoir following the summertime peak water demand season.

In preparation of the recoating process, the District staff has requested a proposal from Harper and Associates Engineering for professional services that will include:

- Preparation of the technical specifications covering the interior coating of the reservoir;
- Preparation of a bid package for the project, including standard contract language, technical specifications and general/special provisions;
- Preparation of a cost estimate for the recoating work;
- Preparation of bid documents; and
- Inspection services including review of contractor submittals, contractor invoices, and preparation of inspection reports.

A copy of the proposal is attached for your review.

HARPER & ASSOCIATES ENGINEERING, INC.

CONSULTING ENGINEERS

1240 E. Ontario Ave., Ste. 102-312 Corona, CA 92881-8671
Phone (951) 372-9196 Fax (951) 372-9198
www.harpereng.com

PROPOSAL TO

YUCAIPA VALLEY WATER DISTRICT

FOR

ENGINEERING CONSULTING SERVICES FOR PREPARATION OF TECHNICAL SPECIFICATIONS AND FURNISHING OF RELATED CONSTRUCTION SERVICES FOR THE REHABILITATION OF THE 1.584 MG RESERVOIR

I. PROJECT DESCRIPTION

A. The 1.584 MG welded steel reservoir is located on a District-owned site in Yucaipa California and is designated as Reservoir No. 13 (93ft. x 31ft.).

B. SCOPE OF WORK - SPECIFICATIONS

1. Discuss with District via telephone conversation to verify scope of work, to determine extent of project, based on utilizing reports and estimated costs to accomplish the work.

2. Prepare technical specification covering interior coating for the reservoir, including worker protection and disposal of hazardous materials.

3. Prepare a bid package for the project, including all District Boiler Plate, Technical Specifications, General and Special Provisions, and drawings for project provide 10 copies to the District.

4. Submit for 90% review, meet with District to discuss revisions and accomplish all revisions determined needed.

5. Furnish District with cost estimate based on final scope of work.

C. SCOPE OF WORK - BIDDING ASSISTANCE

1. Furnish District with a list of potential bidders to forward Notice Inviting Bids to qualified contractors.

2. Provide telephone liaison with potential bidders as regards to all matters concerning bidding of the project and preparation of addenda as required to document design changes or clarifications.

3. Assist District in conducting Pre-Bid Conference to ensure prospective bidders are totally aware of scope of work and local conditions.

   a. Prepare minutes of Pre-Bid Conference covering all aspects of contractor's questions and clarifications of project and mail to all attendees to become part of the contract documentation.

4. Assist District in telephone evaluation of bids received and make recommendations for award or rejection.

D. SCOPE OF SERVICES - CONSTRUCTION ASSISTANCE

1. Assist District in conducting Pre-Construction Conference to enable all relevant parties to comprehend scope of project, implementation of specification and Water District requirements.

   a. Prepare minutes of Pre-Construction Conference covering all aspects of contractor's questions and clarifications of project and present to all parties.

2. Assist in review and approval of Contractor submittals and project procedures. Rejected submittals would be supplemented with an explanation of the reason for rejection and requirements for re-submittal.

3. Prepare change orders as needed. The modifications communicated by change order would be fully documented with written descriptions of the work required.

4. Review all contractor invoices, inspection reports, inspector estimates of percent completion and make recommendations to the Water District for payment of contractor as appropriate.

E. SCOPE OF SERVICES – QUALITY CONTROL INSPECTION

1. DAILY INSPECTION ACTIVITY REPORTS

   a. Reports shall identify daily start and stop times, size of contractors crew, equipment used, visitors to jobsite, climatic conditions throughout the day, quantity of materials used, work accomplished, periods of Contractor down time and cause, inspection procedures used and results, verification and recording of surface preparation, coating material "batch numbers" mixing, thinning, application and thickness. All entries shall be dated and timed.

2. SURFACE PREPARATION INSPECTION - Physical inspection of blast cleaned surfaces to verify compliance to specification, removal of dust, etc.

   a. Weather conditions will be verified by use of an electronic or sling psychrometer to determine suitability of climatic conditions prior to and during all blast cleaning operations.

b. Surface will be observed throughout cleaning operations to determine compliance with specifications.

(1) Preliminary Cleaning -

(a) Surface will be inspected to verify removal of grease, oil, chemicals etc. after completion of solvent cleaning of surface.

(2) Abrasive Blast Cleaning -

(a) Inspect blasted surfaces at the end of each day's shift to determine compliance with specification. Physical tests for surface profile will be performed using a K-T Surface Profile Comparator. At completion of blast cleaning each shift, areas not meeting specification will be reblasted and tests again performed. This cycle will be repeated until surfaces are accepted for coating application.

(b) Upon completion of above inspection, dust and other surface contaminants will be removed as specified and surfaces visually and physically inspected for compliance to specification.

3. PRIME COAT INSPECTION - After approval of surface preparation, ongoing inspection monitors weather condition, Contractor's application equipment and its operation, mixing of primer and physical inspection of prime coat application, including spray techniques, cleanliness of surface, thickness, etc.

a. Weather conditions will be verified by use of an electronic or sling psychrometer to determine suitability of climatic conditions prior to and during all application operations.

b. Contractor's equipment is constantly monitored to determine operation will not contribute to any degradation of application (oil, moisture, etc.)

c. Coating materials are inspected for compliance to specification and all mixing/thinning operations are monitored.

d. Surfaces are re-inspected to verify no dust or other contaminants are on surface and remedial cleaning performed as required.

e. After approval of surface, application is carefully monitored to verify coatings are evenly applied at proper thickness and with no overspray to interfere with adhesion.

4. FINISH COAT(S) INSPECTION - After approval of prime coat application, ongoing inspection monitors weather condition, Contractor's application equipment and its operation, mixing of primer and physical inspection of prime coat application, including spray techniques, cleanliness of surface thickness, etc.

a. Procedures outlined in 3. above are repeated during application of additional coats, including careful examination of areas where cleaning penetrated coating film to verify edges of film have not lifted, curled, etc. Where defects exists, additional cleaning will be performed to bring area into compliance with specification and area will be recoated as required.

5. FINAL INSPECTION - Requires input at conclusion of finish coatings to insure application, film continuity (holiday detection) and dry film thickness are in complete conformance to specification.

a. DRY FILM THICKNESS TESTING:

(1) Prior to testing dry film thickness on any given day, Inspector will calibrate his instrument against N.B.S. metal plate standard. No plastic shims will be used. Instrument will be re-calibrated at the beginning of the afternoon session or at any time the instrument may have been subjected to impact against scaffold, structure, etc.

(2) The coating is tested to determine it has sufficiently dried to eliminate indentation of the probe into the coating, which subtracts mils from the correct reading. If the coating does deform, the testing will be postponed until the coating is firm enough to prevent deformation by the gauge.

(3) Dry film thickness measurements will be taken on 3' centers until it is determined deficient readings warrant more tests to truly indicate the thickness of the area. Testing will be performed as deemed necessary to accurately determine the thickness, regardless of what the Contractor may say. If widespread deficiencies are found, the Contractor will be advised to determine if they prefer to proceed with testing after additional material has been applied.

(4) After completion of the testing and after the Contractor has recoated all of the deficient areas, tests on the recoated areas will be repeated until the minimum dry film thickness is obtained.

b. HOLIDAY DETECTION:

(1) After completion of dry film thickness testing, all surfaces will be holiday detected, utilizing the specified detector.

(2) The Tinker-Rasor AP or AP-W High Voltage Holiday Detector power pack voltage will be set according to the voltage required in the specification.

(3) Holiday detection and marking of defective areas will be performed as noted above under "Dry Film Thickness Testing".

(4) All marked areas are then to be repaired and holiday detection performed again. Re-detection and marking will continue until the surface is holiday-free unless otherwise instructed by the District or his Representative.

6. LIMITATIONS OF AUTHORITY

a. Resident Project Inspector:

(1) Shall not authorize any deviation from the Contract Documents or substitution of materials or equipment, unless authorized by ENGINEER/WATER COMPANY in writing.

(2) Shall not exceed limitations of CONSULTANT'S AUTHORITY as set forth in the Agreement or the Contract Documents.

(3) Shall not undertake any of the responsibilities of CONTRACTOR, subcontractor or CONTRACTOR'S superintendent.

(4) Shall not advise on, issue directions relative to or assume control over safety precautions and programs in connection with the work.

(5) Shall not advise on, issue directions regarding or assume control over any aspect of the CONTRACTOR'S means, methods, techniques, sequences or procedures of construction unless such advice or directions are specifically required by the Contract Documents.

(6) Shall not accept Shop Drawings or sample submittals from anyone other than CONTRACTOR, and shall immediately deliver such submittals to ENGINEER/DISTRICT.

(7) Shall not authorize ENGINEER/DISTRICT to occupy the Project in whole or in part.

(8) Shall not participate in specialized field or laboratory tests or inspections conducted by others except as specifically authorized by ENGINEER/DISTRICT.

b. Definitions:

(1) ENGINEER/DISTRICT is intended to apply as a joint reference or a single reference subject to the applicable circumstances.

II. SCHEDULE

A. Preparation of the specifications would be completed upon a mutually agreed time after execution of an agreement and receipt of Notice to Proceed.

III. DISTRICT RESPONSIBILITIES

A. The District shall provide the following items, personnel and/or services to be utilized in connection with this work.

1. The District shall make available to the Consultant reasonable and timely staff input for purposes of conference discussion, reviewing submissions from the Consultant, providing factual information and/or suggestions relating to the work in a manner such that the Consultant may meet the project completion schedule.

2. The District shall provide access to tank site upon request by the Consultant at time and in the manner mutually agreed upon as required to accommodate work of Consultant

3. District will provide payment on monthly progress estimates to the Consultant based upon work accomplished during the previous month or portion thereof.

IV. WORK PRODUCT

A. The District designee shall at all times have access to the work product of the Consultant while it is under preparation or in progress. Upon completion of the project, all drawings, documents and notes shall become property of the District, including all renderings, slides, sketches and correspondence.

V. DESIGNATED REPRESENTATIVES

A. Project shall be under direct control of Ms. Krista Harper, P.E. It is understood the District's representative will be Mr. Bob Wall, who will provide the interface between the District's Staff and Consultant.

VI. COST ESTIMATE

A. Based on previously noted Scope of Work - SPECIFICATIONS, costs would not exceed $1,420, excluding Item B.3.

1. The cost for item B.3., preparation of ten sets of bound bid packages, including contract documents, would not exceed $1,500, based on work being accomplished with A. above.

B. Based on previously noted Scope of Work - BIDDING ASSISTANCE, costs would not exceed $900, based on work being accomplished with A. above.

C. Based on previously noted Scope of Work - CONSTRUCTION ASSISTANCE, costs would not exceed $1,320, based on work being accomplished with A. above.

D. Based on previously noted Scope of Work –INSPECTION, cost will not exceed $17,065, based on thirty five (35) working days. The estimate is based on Inspector working 8 hours per day, 5 days per week. Inspection hours are based on the hourly rate of $48.75 per hour and two (2) hrs a day travel time.

1. If the Contractor accomplishes the work in less time the above cost will be

reduced. Should the Contractor fail to achieve the schedule, project's completion would be extended accordingly, resulting in additional inspection time and costs.

E. Additional meetings and work as directed by District = Hourly basis or negotiated fee.

VII. INSURANCE COVERAGES

A. Consultant will provide and maintain in full force and effect, while operating under an agreement with District, a comprehensive liability insurance policy which shall include bodily injury, and property damage coverage of $2,000,000 combined single limit, automobile liability insurance with limits of $2,000,000, worker's compensation insurance with limits of coverage as prescribed by law, and an Errors and Omissions professional liability policy with a minimum limit of coverage of $2,000,000.

1. Above noted insurance overages are currently in force with Consultant.

VIII. INDEMNITY

A. District shall hold Harper & Associates Engineering, Inc., harmless from any and all liability to perform beyond the exact confines of the services offered in this proposal.

IX. ACCEPTANCE OF PROPOSAL

A. The cost estimate, terms and conditions of this proposal are valid for sixty days from receipt of proposal. Acceptance shall be deemed valid upon receipt by Harper & Associates Engineering, Inc. of the original proposal executed by the Engineer's authorized representative within noted time frame. Acceptance will be in whatever form is routinely used by District.

X. CONFIDENTIALITY OF PROPOSAL

A. The content of this proposal and any conversations with Consultant regarding this proposal are considered to be confidential and is not for publication, discussion or knowledge of any person or persons who are not employees of District.

XI. TERMINATION OF AGREEMENT

A. District may terminate this agreement at any time prior to the completion of the services to be furnished by Harper & Associates Engineering, Inc., by giving a written notice of termination to Harper & Associates Engineering, Inc., in which event District shall only pay Harper & Associates Engineering, Inc., as provided herein for work done prior to receipt of such notice of termination, plus the necessary and reasonable cost of termination (not to exceed $500.00).

B. In the event District terminates this agreement, Harper & Associates Engineering, Inc., shall furnish District a copy of all work effort and product in process to the date of termination.

Respectfully submitted,

HARPER & ASSOCIATES ENGINEERING, INC.

Proposal-Reservoir 13
YVWD
June 11, 2012

Krista Harper, P.E.
Vice President, Engineering

Yucaipa Valley Water District

Workshop Memorandum 12-132

Date: **July 10, 2012**

Subject: **Development Agreement for a Proposed Commercial Project Located at 15th Street and Yucaipa Boulevard**

A development agreement has been prepared for a commercial project to be located on the southeast corner of Yucaipa Boulevard and 15th Street. Water service to the proposed project will be provided by Western Heights Mutual Water Company and sewer service will be provided by Yucaipa Valley Water District.

In order to provide sewer service to the proposed project, a sewer mainline extension will be required from the intersection of 14th Street and Kentucky Street to the intersection of Yucaipa Boulevard and 15th Street as shown on the attached map. The costs associated with this infrastructure will be shared by the District and the developer. The District will be financially responsible for the design and construction of Segment A, Segment B and an optional Segment E. The developer will be financially responsible for the design and construction of Segment C and Segment D. The design and construction of these facilities will be administered by the District.

The purpose of this workshop agenda item is to review and discuss the project concept and financial contributions proposed by the District staff.


Yucaipa Boulevard
Proposed Project
Avenue D
Avenue E
Kentucky Street
14th Street
16th Street
Segment A
Segment B
Segment C
Segment D
Segment E
© 2012 Google

Agreement: 2012-03
Project File: P-65-238

AGREEMENT TO PROVIDE WATER, SEWER AND RECYCLED WATER FACILITIES AND SERVICE TO THE PROPOSED COMMERCIAL DEVELOPMENT LOCATED AT THE INTERSECTION OF 15TH STREET AND YUCAIPA BOULEVARD, YUCAIPA (ASSESSORS PARCEL NUMBER 0301-041-23)

This Agreement is made and effective this ___ day of _____, 2012, by and between the YUCAIPA VALLEY WATER DISTRICT, a public agency ("District") and 32411 YUCAIPA, LLC, a California Limited Liability Company ("Developer").

Each is sometimes referred to herein as a "Party" and jointly as the "Parties".

Contact information for the parties is as follows:

District:
Yucaipa Valley Water District
12770 Second Street
Post Office Box 730
Yucaipa, California 92399-0730
Attn: Joseph B. Zoba, General Manager
Telephone: (909) 797-5119
Facsimile (909) 797-6381

Developer:
32411 Yucaipa, LLC
414 Lorraine Boulevard, Suite 1000
Los Angeles, California 90020-4730
Attn: Clyde Lane
Telephone: (323) 954-8855
clane@sovprop.com

PROJECT OVERVIEW

The proposed project consists of a proposed commercial development located on approximately 5.19 acres (Assessor's Parcel Numbers 0301-041-17, 22, and 23) at the south east corner of 15th Street and Yucaipa Boulevard in the City of Yucaipa, hereinafter referred to as the "Property". Specifically, the project consists of a development of approximately 5.19 acres (gross). It includes approximately 18,000 square feet of a single story, free standing office building; approximately 6,000 square feet of retail space; and approximately 25,000 square feet of a free standing grocery market. No less than ten percent of the site will be devoted to landscaping with the remainder to be hard surface parking.

RECITALS

WHEREAS, Developer desires to develop its property situated within the service area of the Yucaipa Valley Water District, and

WHEREAS, Developer proposes to develop the Property in the manner generally proposed and in accordance with the currently approved maps and construction drawings reviewed by the Yucaipa Valley Water District at this time, and

WHEREAS, Developer desires to obtain sewer service from the Yucaipa Valley Water District for its development in accordance with the District's Rules, Regulations and Policies; and

WHEREAS, the Developer and District desire to extend a sewer mainline to serve the proposed Project; and

WHEREAS, it is the purpose of this Agreement to set forth the terms and conditions by which the District will provide sewer service to the Developer's Property and proposed Project.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the Developer and the District agree as follows:

PART A: THE FACILITIES

1. General Description.

a. Facilities. The Developer proposes to develop its Property as provided on the approved development construction drawings approved by the District. The proposed Project will require the construction of approximately 5,000 linear feet of sewer mainline facilities from the existing sewer mainline at the intersection of Kentucky Street and 14th Street to the intersection of 15th Street and Yucaipa Boulevard to serve the Project ("Facilities"). The Facilities will also include an additional 1,300 linear feet of sewer mainline facilities along Avenue E, between 15th Street and 16th Street. The Facilities are illustrated in Exhibit "A".

b. Developer Facilities and District Facilities. That portion of the Facilities described herein and in Exhibit "A" consisting of Segments A, B and E are hereafter referred to as the "District Facilities," with the remaining Segments C and D being referred to as the "Developer Facilities." Reference herein to the "Facilities" will include all Segments.

c. Ownership; Operation and Maintenance. Once constructed and accepted by the District, title to the Developer Facilities (and associated right-of-way) shall be conveyed by the Developer to the District, and the District shall operate and maintain the Facilities and shall provide sewer service to the Developer's Property in accordance with the District's Rates, Rules and Regulations and the provisions of this Agreement.

PART B: DESIGN AND CONSTRUCTION

2. Licensed Professionals. All work, labor and services performed and provided in connection with the preparation of real property and right-of-way surveys and descriptions, the preparation of construction specifications, plans and drawings, and the construction of all facilities, shall be performed by, or under the direction of, professionals appropriately licensed by the State of California and in good standing.

3. Plan Acceptance; Facilities Acceptance.

a. The District shall promptly review and respond to all plans and specifications ("Plans") related to the construction of the Developer Facilities. Upon its final review and approval of the Plans, the District shall sign the construction drawings ("Plan Acceptance") indicating such approval. Any revisions to the Plans following Plan Acceptance shall be subject

to review and approval by the District. The District acknowledges that the construction of the Facilities has been scheduled for completion in accordance with the project schedule attached hereto as Exhibit "B" ("Schedule") and shall use reasonable efforts to complete the Plan review and approval process within 15 days of submissions of the Plans. In the event that the Developer Facilities are not completed by May 1, 2013, then the plans shall be subject to further review by the District and modifications may be made by the District to conform to revised and/or improved construction standards.

b. The Developer shall not permit, or suffer to permit, the construction of any Developer Facilities without having first obtained Plan Acceptance. In the event the Developer fails or refuses to obtain the District's Plan Acceptance, the District may refuse, in its sole discretion and without liability to the Developer, to issue its Developer Facilities Acceptance (as that term is defined below) as to such Developer Facilities when completed.

c. The Developer shall not deviate from any approved Plans and/or specifications included within the approved Plans without the District's prior written approval.

d. All construction work shall be inspected on a timely basis by District personnel and/or by District's consultants. Developer will pay the cost of such inspections. The Developer acknowledges that the inspector(s) shall have the authority to require that any and all unacceptable materials, workmanship, construction and/or installation not in conformance with the Plans and Plan Acceptance (as modified by any revised Plan and Plan Acceptance), as reasonably determined by the District, shall be replaced, repaired or corrected at Developer's sole cost and expense.

e. In the event the Developer's contractor proposes to work overtime and beyond normal business hours and such work requires inspection by the District, the Developer shall obtain the District's approval at least 24 hours in advance so that inspection services may be appropriately scheduled. The Developer shall be solely responsible for paying all costs and expenses associated with such inspection services.

f. The District shall promptly upon request of Developer, cause the final inspection of the Developer Facilities which Developer indicates are completed. If the District finds such Developer Facilities to have been completed in conformance with the Plans for which a Plan Acceptance has been issued, then District shall promptly issue to Developer its letter ("Developer Facilities Acceptance") indicating satisfactory completion of the Developer Facilities and District's acceptance thereof. Neither inspection nor issuance of the Developer Facilities Acceptance shall constitute a waiver by District of any claims it might have against Developer for any defects in the work performed, the materials provided, or the Developer Facilities constructed, to the extent such represents a deviation from the Plans approved by the District pursuant to the Plan Acceptance.

4. Project Coordination and Designation of Developer's Representative.

a. The Developer shall be solely responsible for coordinating the provision of all work, labor, material and services associated with the planning, design and construction of the Developer Facilities. The Developer shall be solely responsible for compliance with all applicable federal, state and local safety rules and regulations, and shall conduct periodic safety conferences as required by law and common sense.

b. Prior to proceeding with construction of the Developer Facilities, the Developer shall schedule and conduct a preconstruction conference between the Developer's engineer and general contractor and the District Engineering Manager and his designees or agents. In the event the Developer fails or refuses to conduct any such conference, the District may refuse, in its sole discretion, to accept the Developer Facilities constructed by the Developer.

c. The District and the Developer hereby designate the individual identified on page 1 of this Agreement as the person who shall have the authority to represent the District and Developer in matters concerning this Agreement. In order to ensure maximum continuity and coordination, the District and Developer agree not to arbitrarily remove or replace the authorized representative, but in the event of a substitution, the substituting Party shall promptly advise the other Party of such substitution, in writing.

d. The District and the Developer acknowledge the need to coordinate the timing of construction and completion of the Developer Facilities and the District Facilities and agree that their authorized representatives, engineers and contractors will meet or otherwise consult with each other regularly in order to assure that the Facilities are completed timely and concurrently. The Developer and the District each acknowledge that a delay in completion of construction by the other will result in significant damages. Both Parties agree that they will communicate regularly and coordinate construction schedules in a manner that will assure that neither party delays the other. The Developer has entered into a Lease with the County of San Bernardino ("County") with respect to a portion of the Project ("Premises"), with a commencement date of May 1, 2013. If the County is unable to take possession of the Premises on such date as a result of a default by the Developer, the Developer will be liable for liquidated damages in the amount of Two Hundred Dollars ($200) per day. If the Premises are not available to the County as of May 1, 2013 solely as a result of a failure by the District to complete the District Facilities on or before such date, the District will become liable to the Developer for and will reimburse the Developer in the amount of all such liquidated damages required to be paid by the Developer to the County but not to exceed Two Hundred Dollars ($200) per day.

5. District's Right to Complete Facilities. The District is hereby granted the unqualified right to complete, at Developer's sole cost and expense, all or any portion of the Developer Facilities in the event the work is abandoned (as defined herein) and such abandonment constitutes a threat to the public's health, safety or welfare.

6. Construction of Connections to District Facilities. All labor, materials and equipment necessary to construct and install connections between the Developer's Facilities and the District Facilities or any other existing sewer facilities shall be included in the Plan and all costs and expenses associated therewith shall be paid pursuant to the allocation set forth in Section 20.

7. Compliance With Law and District Regulations. The Developer hereby agrees that all Developer Facilities shall be planned, designed and constructed in accordance with all applicable laws, rules, regulations and policies in effect at the time of construction. The bid documents for the facilities shall require all contractors to strictly comply with all applicable law, rules and regulations, concerning the provision of services, materials and the payment of wages. The bid documents shall further require all contractors to keep fully informed of and obey all laws, rules and regulations. The agreement with each contractor shall provide a contractual indemnity of the District against any liability arising from the contractor's violation of any such law, rule or regulation and shall specifically name the District as a third party beneficiary of such contract.

8. Developer's Warranties. The bid documents and construction contract between Developer and its contractor shall require each contractor that works on the Developer Facilities to unconditionally guarantee and warrant, at the contractor's sole cost and expense, for a period of one year following the Developer Facilities Acceptance, that the Developer's Facilities shall be fully operational and free from defects. Developer shall be responsible for enforcing such guarantees for the benefit of the District. The provision of temporary service through any of the Developer's Facilities, prior to District's acceptance of same, shall not nullify nor diminish this warranty obligation of such contractors, nor shall the contractor's warranty obligations be voided if the District determines, in its sole discretion, to make any emergency repairs necessary to protect the public's health, safety or welfare or to ensure continuity of service. The District shall notify Developer of such emergency repairs and Developer shall notify the appropriate contractor.

9. Testing. Upon approval by the District, the Developer, at its sole cost and expense, shall undertake and satisfactorily complete a testing program for all Developer Facilities prior to acceptance by the District in accordance with the District's written procedures and other applicable laws, rules and regulations.

10. Bond Requirements. The Developer shall provide or cause to be provided to the District, in a form satisfactory to the District, the following bonds:

a. Performance and Warranty Bond. A performance bond issued by a corporate surety or sureties licensed and permitted to do business by and within the State of California in an amount not less than one hundred percent (100%) of any and all construction work to be conducted or performed under this Agreement by the Developer. A warranty bond issued by a corporate surety or sureties licensed and permitted to do business by and within the State of California in an amount not less than one hundred percent (100%) of the total cost of any and all construction performed hereunder, insuring against any and all defects in the Developer Facilities constructed hereunder, for a period of not less than one full year after the date of acceptance thereof by the District.

b. A Labor and Materials Payment Bond issued by a corporate surety or sureties licensed and permitted to do business by and within the State of California in an amount not less than one hundred percent (100%) of the total cost of any and all construction performed hereunder with respect to the Developer Facilities per California Civil Code Sections 3247 and 3248(a).

c. Miscellaneous Bond Requirements. All bonds required by this Section 10 shall be provided to the District within sixty (60) days of the date that this Agreement was approved by the District's Board of Directors. If the sixty (60) day period does not provide sufficient time for the design and approval of Plans and bidding and awarding of the Contract, the sixty (60) day period will be extended to a date not later than fifteen (15) days following completion of such matters. All bonds required by this section are subject to the reasonable approval as to form and content by the General Manager and District's Legal Counsel. All bonds required by this section shall be provided by a surety that is an "admitted" surety insurer authorized to transact surety insurance in California, with assets exceeding its liabilities in the amount equal to or in excess of the amount of the bonds, and each bond shall not be in excess of ten percent (10%) of the surety insurer's assets. The bond shall be duly executed and shall meet all of the requirements of Section 995.660 of the Code of Civil Procedure.

PART C: TITLE TO FACILITIES; OPERATION

11. Title to Facilities and Right-of-Way.

a. Provided that the Developer Facilities are designed and constructed as required hereunder and the District proposes to issue its Developer Facilities Acceptance, the Developer shall, concurrently with receipt of the Developer Facilities Acceptance, convey ownership title to all Developer Facilities (and right-of-way, if applicable) to the District, free and clear of any and all liens and encumbrances except those that are expressly agreed to by the District. The District may require fee title or an easement, depending upon the location of the Developer Facilities through action by the Board of Directors. Upon conveyance of title, the District shall assume the responsibility of operating and maintaining the Developer Facilities, subject to the Developer's warranty as provided herein. The Developer acknowledges and agrees that the District shall not be obligated to operate and maintain the Developer Facilities and to provide service to and through them until all applicable conditions hereunder are satisfied and title to the Developer Facilities has been conveyed and delivered to the District in recordable form.

b. A form for the *Grant of Easement and Rights-of-Way* and *Bill of Sale of the Facilities* is available from the District upon request.

12. Risk of Loss. Until such time as acceptance thereof by the District, and until good and marketable title to the easements, rights-of-way and Developer Facilities are conveyed and delivered to the District in recordable form, the Developer shall be solely and completely responsible for any and all losses and/or damage of every kind or nature to the easements, rights-of-way and Developer Facilities.

13. Conditions Precedent to the Provision of Sewer Service. Unless the District otherwise agrees in writing, the District shall not be obligated to provide any sewer service to the Developer's project or any part thereof, including model homes, until after all of the appropriate obligations imposed upon the Developer have been fulfilled including, without limitation, conveyance to the District of the right-of-way and Developer Facilities associated with the requested service. Upon acceptance of the right-of-way and appurtenant Developer Facilities and upon such other terms and conditions as may be reasonable, the District shall provide the service requested and assume the responsibility for operating and maintaining the affected Facilities. Service provided by the District shall be in accordance with its sewer rates, rules and regulations and shall be comparable in quality of service to that provided all similarly situated customers.

PART D: FEES AND CREDITS

14. Developer's Fees, Charges, Costs and Expenses. The Developer shall be solely responsible for the payment of all fees, charges, costs and expenses related to the Developer Facilities. All fees, charges costs, and expenses, including reimbursable expenses in connection with the District Facilities shall be the responsibility of the District. The Developer shall pay to the District fees and charges in accordance with the District's Schedule of Fees and Charges in effect at the time this Agreement is executed by both parties and any subsequent change in such Schedule, whether an increase or decrease in such fees and charges, will not be applicable to the Developer's obligations hereunder.

15. District Financial Participation; Credits. The District has agreed to participate in the cost of the Facilities and the terms of such financial contribution to construct the Facilities are contained in Part G - Special Conditions of this Agreement.

PART E: PERMITS AND DOCUMENTATION

16. Permits, Licenses and CEQA Documentation. The Developer shall be solely responsible for securing and paying for all permits and licenses necessary to develop its project. The Developer shall be solely responsible for complying with the California Environmental Quality Act under the auspices of the City and/or County within which the Property is situated. However, upon request, the Developer shall furnish to the District all relevant environmental documentation and information. The Developer, at its sole cost and expense, shall be solely responsible for defending against any and all legal challenges to the Developer's entitlements including permits, licenses and CEQA documents. The District, at Developer's expense, shall reasonably cooperate with Developer in obtaining such permits and licenses for the Developer Facilities.

17. Documents Furnished by the Developer. The Developer shall furnish to the District project documentation regarding the Developer Facilities as required by the District specified below, within the time periods specified. Each and every document submittal shall consist of a fully executed original or certified copy (in recordable form, if applicable) and four copies.

Document(s)	Due Date
Certification of Streets to Rough Grade	Prior to Construction
Field Engineering Surveys ("Cut Sheets")	Prior to Construction
Liability Insurance Certificate(s)	Prior to Construction
Performance Bond	Prior to Construction
Labor and Materials Bond	Prior to Construction
Warranty Bond	Prior to Construction
City/County Encroachment Permits and Conditions	Prior to Construction
Soil Compaction Tests	Prior to Acceptance
Grant of Easements and Rights-of-Way (if applicable)	Prior to Acceptance
Bill of Sale	Prior to Acceptance
List of Approved Street Addresses and Assessor Parcel Numbers	Prior to Setting Meter
Notice of High/Low Water Pressure	Prior to Setting Meter
Notice of Water Pumping Facility	Prior to Construction
Mechanic's Lien Releases	Upon Request of District

NOTE: The Developer hereby acknowledges and agrees that the foregoing list is not intended to be exclusive; therefore, the District reserves the right to request, from time-to-time, additional documents or documentation.

PART F: INSURANCE AND INDEMNIFICATION

18. Indemnification and Hold Harmless. The Developer and the District agree that the District should, to the extent permitted by law, be fully protected from any loss, injury, damage, claim, lawsuit, cost, expense, attorneys' fees, litigation costs, defense costs, court costs or any other costs arising out of or in any way related to the construction of the Developer Facilities as required by this Agreement. Accordingly, the provisions of this indemnity provision are intended by the parties to be interpreted and construed to provide the fullest protection possible under the law to the District, except for liability attributable to the District's active negligence. Developer acknowledges that the District would not enter into this Agreement in the absence of this commitment from the Developer to indemnify and protect the District as set forth herein.

Therefore, the Developer shall defend, indemnify and hold harmless the District, its employees, agents and officials, from any liability, claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses or costs of any kind, whether actual, alleged or threatened, actual attorneys' fees incurred by the District, court costs, interest, defense costs including expert witness fees and any other costs or expenses of any kind whatsoever without restriction or limitation incurred in relation to, as a consequence of or arising out of or in any way attributable actually, allegedly or impliedly, in whole or in part in the construction of the Developer Facilities pursuant to this Agreement. All obligations under this provision are to be paid by the Developer as incurred by the District.

19. Insurance. The Developer agrees to provide or cause to be provided, insurance in accordance with the requirements set forth here throughout the term of this Agreement. If the Developer uses existing coverage to comply with these requirements and that coverage does not meet the requirements set forth herein, the Developer agrees to amend, supplement or endorse the existing coverage to do so. The following coverages will be provided by the Developer and maintained on behalf of the District and in accordance with the requirements set forth herein.

a. Commercial General Liability Insurance (Primary) shall be provided on ISO-CGL Form No. CG 00 01 10 93. Policy limits shall be no less than $1,000,000 per occurrence for all coverages and $2,000,000 general aggregate. The District and its officials, employees and agents shall be added as additional insureds using ISO Form CG 20 10 10 93. Coverage shall apply on a primary non-contributing basis in relation to any other insurance or self-insurance, primary or excess, available to the District or any employee or agent of the District. Coverage shall not be limited to the vicarious liability or supervisory role of any additional insured. Coverage shall contain no contractors' limitation endorsement. There shall be no endorsement or modification limiting the scope of coverage for liability arising from explosion, collapse, or underground property damage.

b. Umbrella Liability Insurance (over Primary) shall apply to bodily injury/property damage, personal injury/advertising injury, at a minimum, and shall include a "drop down" provision providing primary coverage above a maximum $25,000 self-insured retention for liability not covered by primary policies but covered by the umbrella policy. Coverage shall be following form to any underlying coverage. Coverage shall be provided on a "pay on behalf" basis, with defense costs payable in addition to policy limits. There shall be no cross-liability exclusion and no contractor's limitation endorsement. Policy limits shall be not less than $2,000,000 per occurrence and in the aggregate, above any limits required in the underlying policies. The policy shall have starting and ending dates concurrent with the underlying coverages.

c. Workers' Compensation/Employer's Liability shall provide workers' compensation statutory benefits as required by law. Employer's liability limits shall be no less than $1,000,000 per accident or disease. Employer's liability coverage shall be scheduled under any umbrella policy described above. Unless otherwise agreed, this policy shall be endorsed to waive any right of subrogation as respects the District, its employees or agents.

d. The Developer and the District further agree as follows:

i. All insurance coverage provided pursuant to this Agreement shall not prohibit the Developer, and the Developer's employees or agents, from waiving the right of subrogation prior to a loss. The Developer waives its right of subrogation against the District.

ii. Unless otherwise approved by the District in writing, the Developer's insurance shall be written by insurers authorized to do business in the State of California and with a minimum "Best's" Insurance Guide rating of "A:VII". Self-insurance will not be considered to comply with these insurance specifications.

iii. The Developer agrees to provide or cause to be provided, evidence of the insurance required herein, satisfactory to the District, consisting of certificate(s) of insurance evidencing all of the coverages required and an additional insured endorsement to the Developer's general liability and umbrella liability policies. Certificate(s) are to reflect that the insurer will provide 30 days notice of any cancellation of coverage. The Developer agrees to require its insurer to modify such certificate(s) to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, and to delete the word "endeavor" with regard to any notice provisions. The Developer agrees to provide complete certified copies of policies to the District within 10 days of the District's request for such copies.

iv. In the event of any loss that is not insured due to the failure of the Developer to comply with these requirements, the Developer agrees to be responsible for any all losses, claims, suits, damages, defense obligations and liability of any kind attributed to the District, or the District's officials, employees and agents as a result of such failure.

v. The Developer agrees not to attempt to avoid its defense and indemnity obligations to the District and its employees, agents and officials by using as defense the Developer's statutory immunity under workers' compensation and similar statutes.

e. Compliance with Insurance Requirements. The Developer hereby confirms to the District and the District agrees that the Developer may provide insurance coverage required by this Agreement through the contractor or contractors retained by the Developer for the design and construction of the Developer Facilities. The District agrees, upon review and approval of such coverage, to accept such coverage in satisfaction of the insurance requirements described in this Agreement.

PART G: SPECIAL CONDITIONS

20. The following conditions, being contained herein, will be required by the District in order to provide sewer service for the Project.

a. Sewer Mainline Construction: As illustrated in Exhibit A, the Facilities for the proposed Project will require the construction of approximately 5,000 linear feet of sewer mainline facilities. The District also wishes to construct an additional sewer mainline segment, which will be part of the District Facilities, and designated as Segment E below. The sewer mainline facilities have been identified as follows:

Sewer Mainline Segment	Approximate Length	Description
A	1,000 Feet	Kentucky Street from 14th Street to 15th Street
B	1,350 Feet	15th Street from Kentucky Street to Avenue E
C	1,350 Feet	15th Street from Avenue E to Avenue D
D	1,300 Feet	15th Street from Avenue D to Yucaipa Boulevard
E	1,300 Feet	Avenue E from 15th Street to 16th Street

The Parties have agreed to jointly participate in the construction of the offsite sewer mainlines identified above. Following the execution of this Agreement by the Parties and compliance by Developer with its "Prior to Construction" obligations as described in Section 17 above, Developer may elect to concurrently proceed with construction of the proposed Project, based upon building permits issued with respect thereto. District will, subject to compliance by Developer, cooperate in, and will not hinder, the issuance of such permits by the City of Yucaipa.

The District and the Developer will each provide the administration required to complete the design, construction and construction management of the District Facilities and the Developer Facilities, respectively. The District will be responsible for all costs associated with the District Facilities and the Developer will be responsible for all costs associated with the Developer Facilities, as follows:

Sewer Mainline Segment	Segment Description	Party Responsible for Financial Obligation
A	Kentucky Street from 14th Street to 15th Street	District
B	15th Street from Kentucky Street to Avenue E	District
C	15th Street from Avenue E to Avenue D	Developer
D	15th Street from Avenue D to Yucaipa Boulevard	Developer
E	Avenue E from 15th Street to 16th Street	District

Prior to the commencement of design of the Facilities, the Developer shall demonstrate to the reasonable satisfaction of the District that the Developer has funds available in an amount equal to 1.15 times its engineer's estimate of the design proposal for the Developer Facilities. Prior to the commencement of construction of the Developer Facilities, the Developer shall demonstrate to the reasonable satisfaction of the District that it has funds available, in an amount equal to 1.15 times the engineer's estimate for construction of the Developer Facilities, including inspection services. Evidence of the availability of funds for construction of the Developer Facilities may be in the form of a letter of credit or other cash equivalent.

In the event the Developer is unable to demonstrate to the reasonable satisfaction of the District that funds are available sufficient to cover the total cost of design and construction of the Developer Facilities, the Developer shall immediately take such steps as may be necessary in order to assure the availability of sufficient funds, to the reasonable satisfaction of the District. If the Developer is unable to do so, the District reserves the right, in its sole discretion, to cease design or construction activity of the District Facilities.

b. Sewer Lateral Costs. The District reserves the right to fund the installation of sewer laterals to properties within any segment of the proposed sewer mainline project. The Parties agree that the Developer will construct sewer laterals within the Developer Facilities in accordance with the District's requirements and specifications, the cost of which (including design, installation and inspection costs [and including a fifteen percent (15%) administrative cost] allocable to these laterals) will be reimbursed to the Developer by the District, but such costs shall be agreed to in writing by the parties in advance of such design, installation and inspection.

c. Reimbursement. There shall be no future reimbursement of fees or other costs to the Developer related to the construction of the sewer mainline project. There shall be no future reimbursement of fees or other costs to the Developer related to the proposed Project on the Property owned by the Developer.

d. The Developer shall pay all facility capacity charges based on the fee in effect at the time the Agreement is fully executed. The Developer acknowledges that facility capacity charges are non-refundable.

e. The District shall require all unpaid invoices related to the Project be paid prior to the Developer receiving occupancy by the City of Yucaipa.

f. Developer's and District's Facilities shall be completed and operational on or before May 1, 2013.

PART H: MISCELLANEOUS

21. Term and Termination of Agreement.

a. Unless extended by mutual agreement of the parties in writing, this Agreement shall terminate at 5:00 p.m., on the day before the first (1st) anniversary date of this Agreement; provided, however, that this Agreement shall automatically terminate, without further liability to either party, as follows:

i. If the Developer fails to provide to the District adequate assurances regarding the availability of funds as set forth in Section 20 above; or

ii. Within 6 months of the effective date of this Agreement, if the initial construction contemplated hereunder by Developer has not commenced or failed to continue; or

iii. Immediately, upon abandonment by the Developer of the Developer's project and/or the work hereunder. "Abandonment" is defined as the actual act of relinquishment accompanied with the intent and purpose of giving up a claim and right of property; and/or

iv. Within 15 days of the date of the issuance of a Notice of Default by the District to the Developer in the event the Developer fails or refuses to perform, keep or observe any of the terms, conditions or covenants set forth in this Agreement.

v. Immediately upon receipt of a bankruptcy notice for the developer or owner of the Property.

b. Any termination of this Agreement shall not be construed as a waiver of any claim the District may have against the Developer or that the Developer may have against the District.

c. In the event of termination, and in order to counteract any threat to the public's health, safety or welfare, the District shall have the right, without liability to the Developer, to complete, at the Developer's non-reimbursable expense, all or a portion of the Facilities constructed pursuant to this Agreement.

d. Notwithstanding the foregoing, the Indemnification clauses contained herein shall survive the termination of this Agreement:

22. Status of the Parties. This Agreement is not intended to create, and nothing herein contained shall be construed to create, an association, a trust, a joint venture, a partnership or other entity of any kind, or to constitute either party as the agent, employee or partner of the other.

23. Amendment; Assignment.

a. Amendment. This Agreement may be amended, from time-to-time, by mutual agreement of the District and the Developer, in writing signed by both parties. The District and the Developer further agree that to the extent this Agreement does not address all aspects of the Developer's Project, the parties shall meet and confer and negotiate in good faith, and execute a written amendment or supplement to this Agreement.

b. Assignment. This Agreement shall not be assigned, whether in whole or in part, by the Developer without the prior written consent of the District, which consent may be withheld in the event that the District determines, in its sole discretion, that the assignee is not financially capable of assuming the obligations of the assignor under this Agreement. This Agreement shall bind the parties hereto and their respective successors and assigns.

24. Force Majeure. If either the District or the Developer is delayed, hindered or prevented from performing any term of this Agreement by any cause beyond either party's control including, without limitation, any strike, walkout, prohibitions imposed by law, rules or regulations, riot, war, act of God or the default of the other party, then such performance may be excused or the time of performance tolled during the period of delay.

25. Incorporation of Prior Agreements. This Agreement contains all of the agreements of the parties with respect to any matter covered or mentioned in this Agreement, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose.

26. Waiver. No waiver by either party of any provisions of this Agreement shall be deemed to be a waiver of any other provision hereof or of any subsequent breach by either party of the same or any other provisions.

27. Severance. If any provision of this Agreement is determined to be void by any court of competent jurisdiction then such determination shall not affect any other provision of this Agreement provided that the purpose of this Agreement is not frustrated.

28. District's Disclaimer. Utilizing fees and Developer Facilities provided to the District by the Developer, the District will provide sewer collection and treatment services to the

Developer's Property and Project thereon. However, the District shall not be obligated to utilize public funds to subsidize the Developer's Project.

29. Preparation of This Agreement. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared it.

30. Mediation. Except as provided herein, no civil action with respect to any dispute, claim or controversy arising out of or relating to this Agreement may be commenced until the matter has been submitted to a mutually acceptable mediator ("Mediator") for non-binding mediation. The parties will cooperate with one another in selecting a Mediator, and in scheduling the mediation proceedings. The parties covenant that they will participate in the mediation in good faith, and that they will share equally in its costs. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the Mediator, are confidential, privileged and inadmissible for any purpose, including impeachment, in any litigation or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. Either party may seek equitable relief prior to the mediation to preserve the status quo pending the completion of that process. Except for such an action to obtain equitable relief, neither party may commence a civil action with respect to the matters submitted to mediation. The provisions of this section may be enforced by any Court of competent jurisdiction, and the prevailing party in any such enforcement action shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the party against whom enforcement is ordered. Mediation will take place in the either the County of Riverside or the County of San Bernardino, California.

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SIGNATURES SET FORTH ON FOLLOWING PAGE

IN WITNESS WHEREOF, the parties have executed is Agreement to be effective on the day and year first above written.

YUCAIPA VALLEY WATER DISTRICT

Date: _____ By: _____

Jay Bogh
Print Name

Board President
Title

32411 YUCAIPA, LLC

Date: _____ By: _____

Clyde W. Lane
Print Name

CEO
Title

Exhibit A

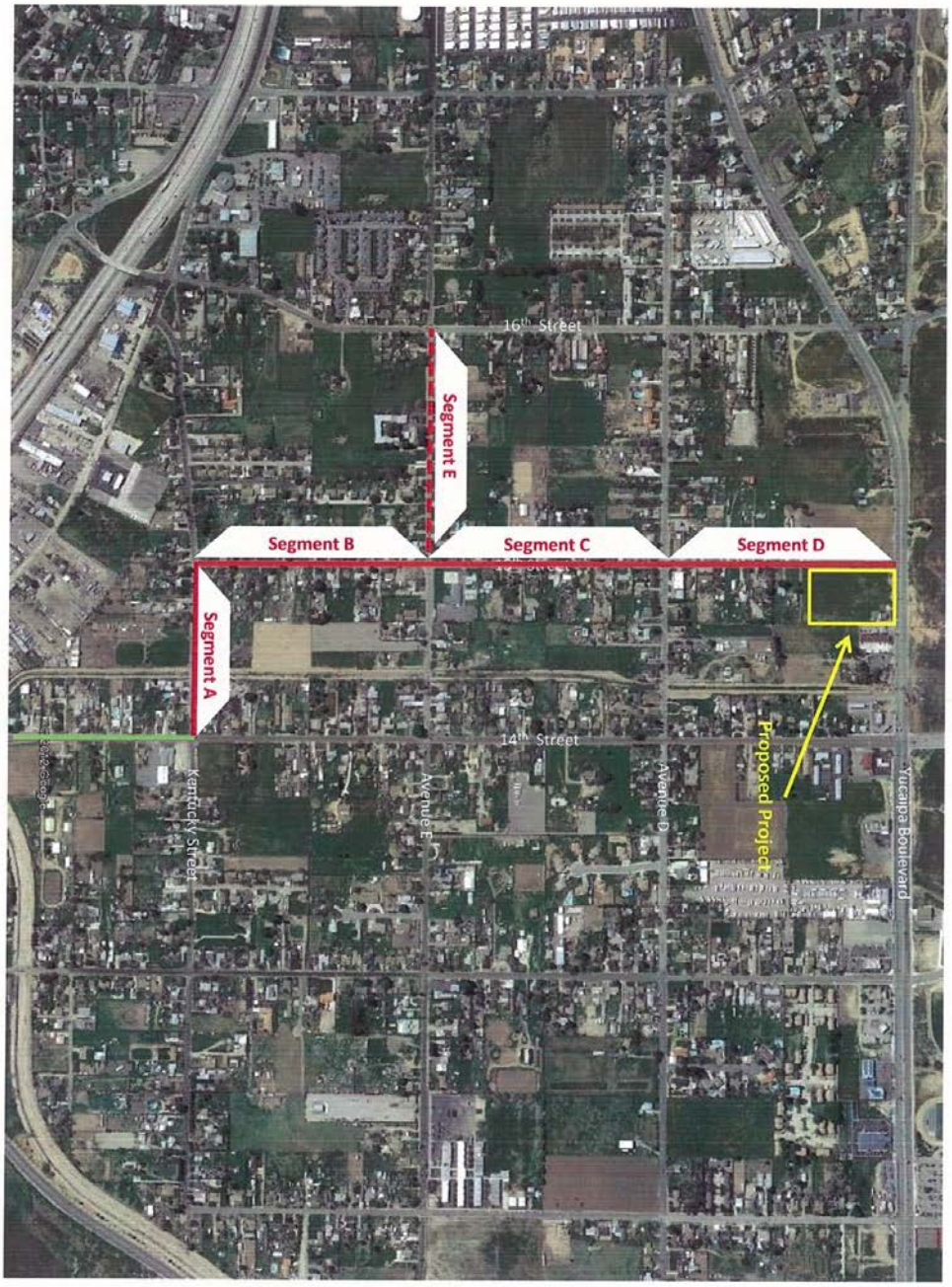
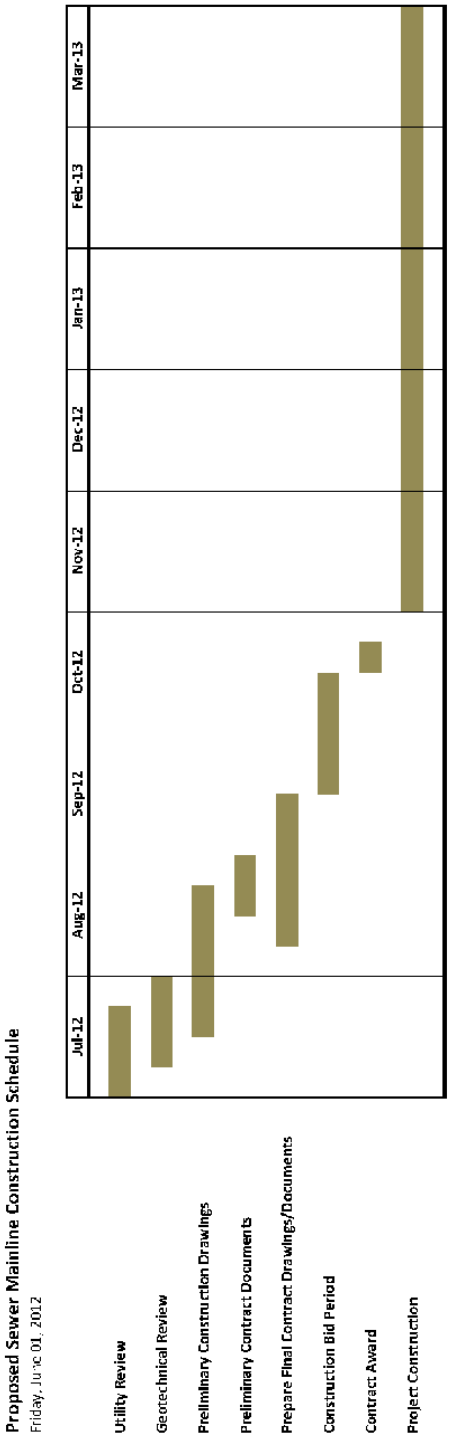

16th Street
Segment E
Segment B
Segment C
Segment D
Segment A
14th Street
Kentucky Street
Avenue E
Avenue D
Proposed Project
Yucaipa Boulevard

Exhibit B


Proposed Sewer Mainline Construction Schedule
Friday, June 01, 2012
Jul-12
Aug-12
Sep-12
Oct-12
Nov-12
Dec-12
Jan-13
Feb-13
Mar-13
Utility Review
Geotechnical Review
Preliminary Construction Drawings
Preliminary Contract Documents
Prepare Final Contract Drawings/Documents
Construction Bid Period
Contract Award
Project Construction

Yucaipa Valley Water District

Workshop Memorandum 12-133

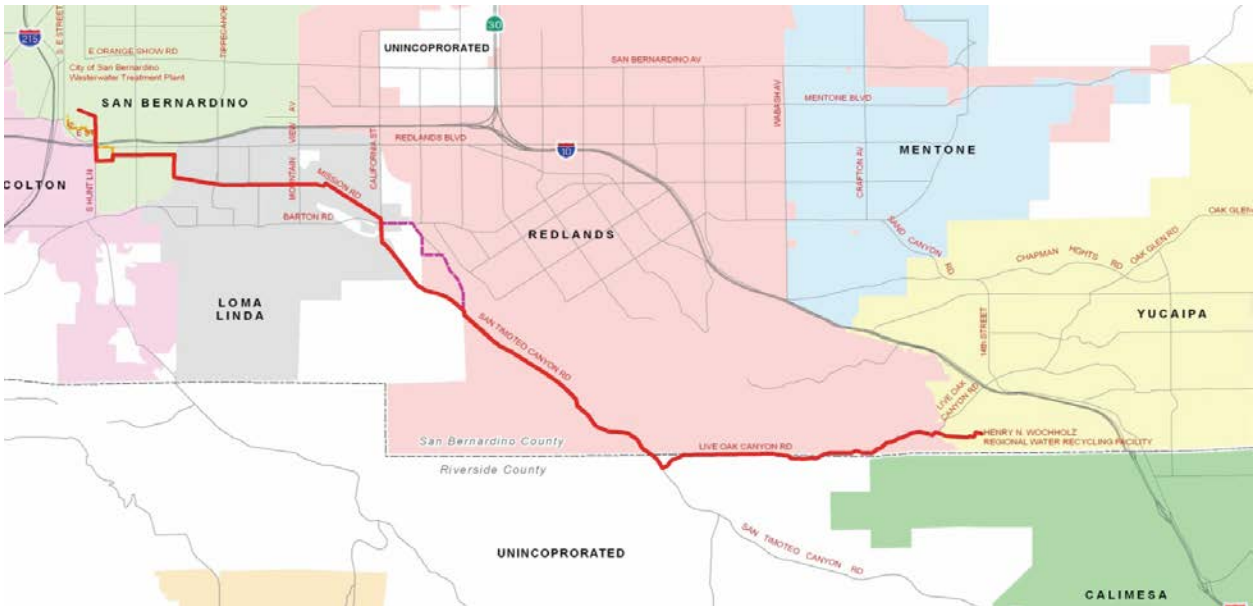
Date: **July 10, 2012**

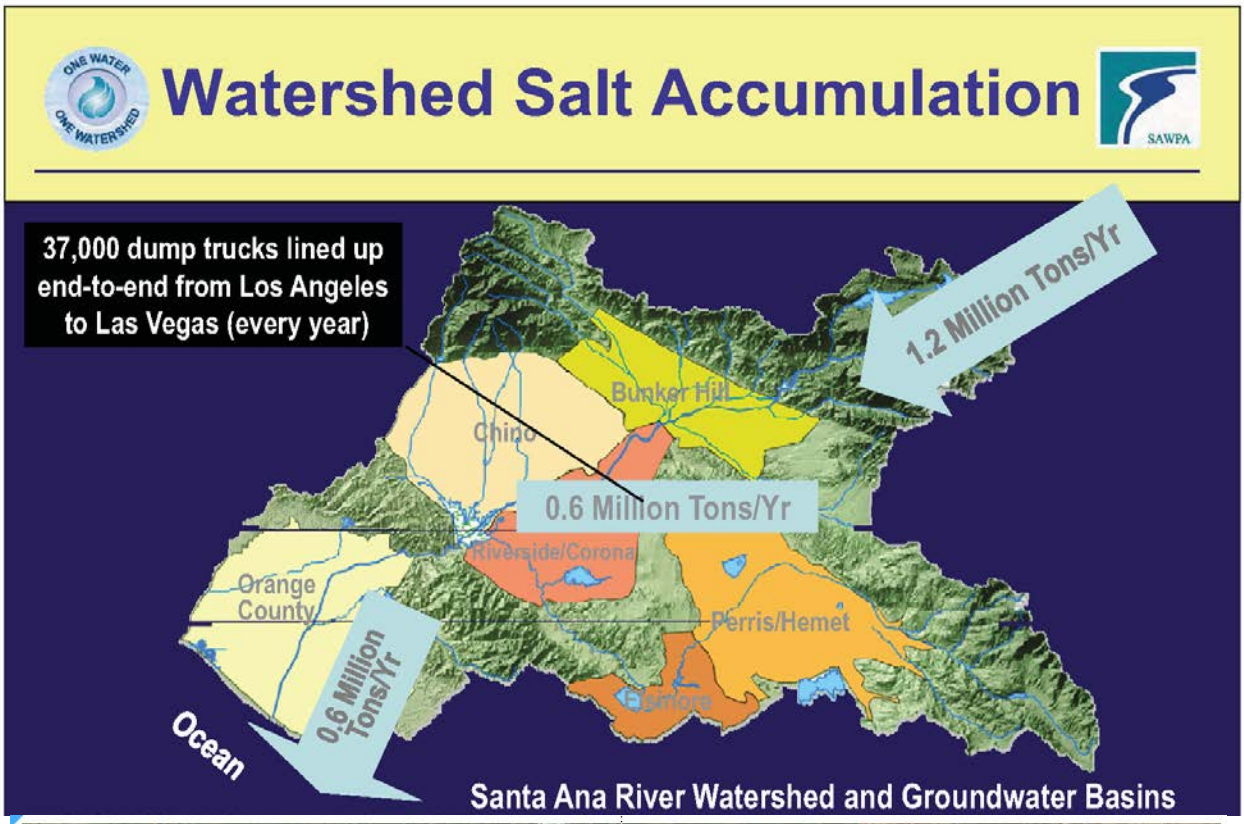
Subject: **Status Report on the Construction of the Yucaipa Valley Regional Brineline**

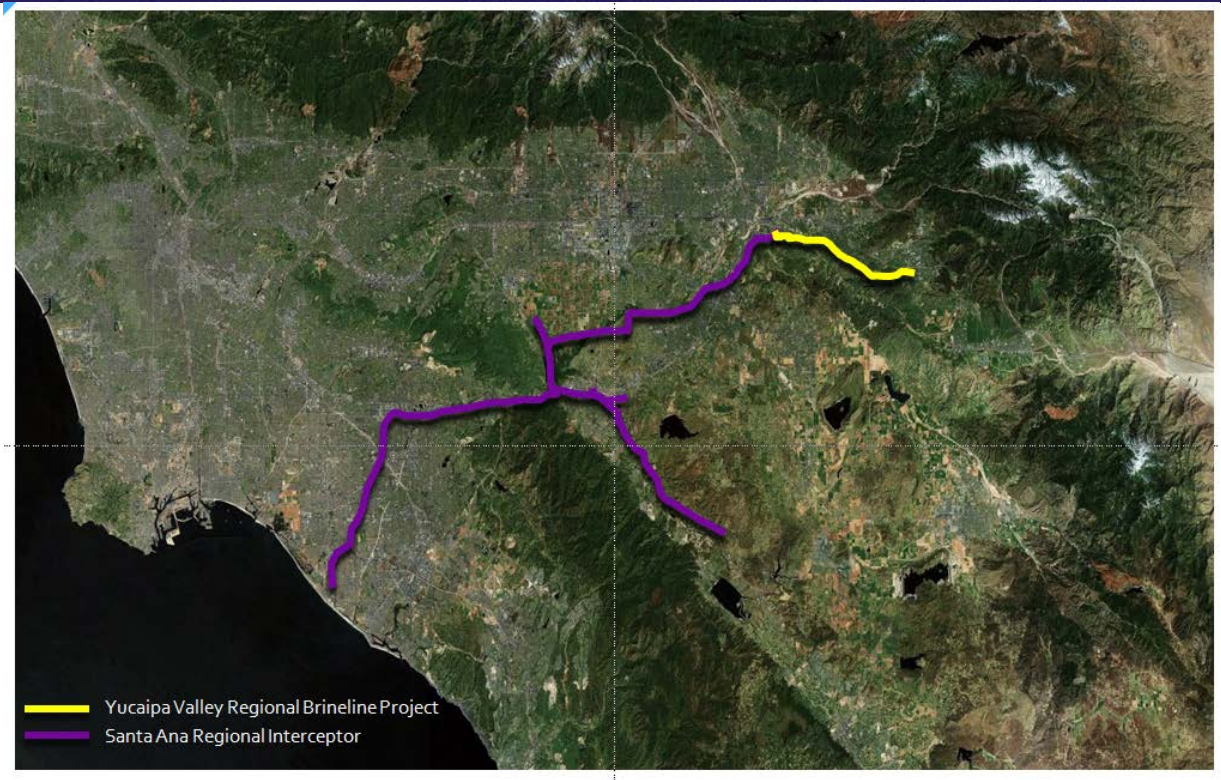
Yucaipa Valley Water District is in the process of constructing the Yucaipa Valley Regional Brineline in order to produce recycled water that complies with groundwater basin objectives as established by the Regional Water Quality Control Board. In order to comply with these limits, the District is required to add a reverse osmosis process to the wastewater treatment plant. This will enable the District to remove salts and minerals from depositing in to the groundwater basin. The proposed reverse osmosis system will produce salt water, referred to as "brine", that must be sent to the Pacific Ocean so it does not impact any fresh water supplies downstream of the Yucaipa Valley.

The Yucaipa Valley Regional Brineline Project consists of a 15-mile pipeline through which the District can safely and effectively dispose of the salt water produced. This pipeline will commence at the Wochholz Regional Water Recycling Facility and terminate at an existing brine disposal pipeline near the I-215 and I-10 Interchange. At this point the existing brineline extends another 73 miles traversing San Bernardino, Riverside and Orange counties to Orange County Sanitation District Wastewater Treatment Plant No. 2 in Huntington Beach, where the salt water is treated with domestic sewage and then sent to the ocean or reclaimed by Orange County Water District.

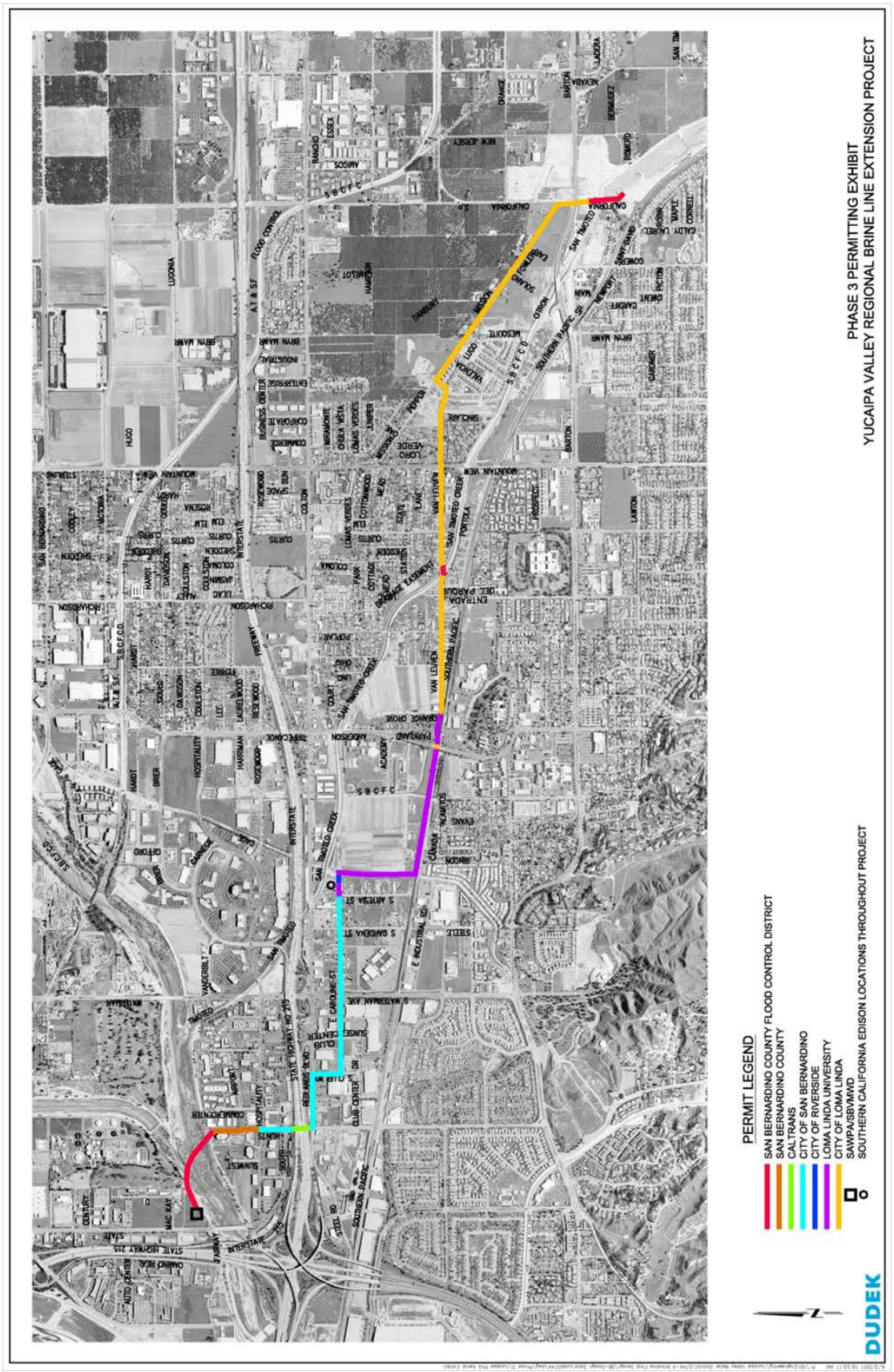
During this agenda item, the District staff will be providing an update of the construction status of the Yucaipa Valley Regional Brineline Project.







Yucaipa Valley Regional Water Supply Renewal Project


PHASE 3 PERMITTING EXHIBIT
YUCAIPA VALLEY REGIONAL BRINE LINE EXTENSION PROJECT
PERMIT LEGEND
SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
SAN BERNARDINO COUNTY
CALTRANS
CITY OF SAN BERNARDINO
CITY OF RIVERSIDE
LOMA LINDA UNIVERSITY
CITY OF LOMA LINDA
SAWPA/SBVMWD
SOUTHERN CALIFORNIA EDISON LOCATIONS THROUGHOUT PROJECT
DUDEK






W.A. RASIC
Phase 3: installing pipe on Mission
1-30-12


Phase 3: Meskell burning the fusion
coupling on the pipe
and the fitting at sta 213+5
1-31-12

Yucaipa Valley Water District

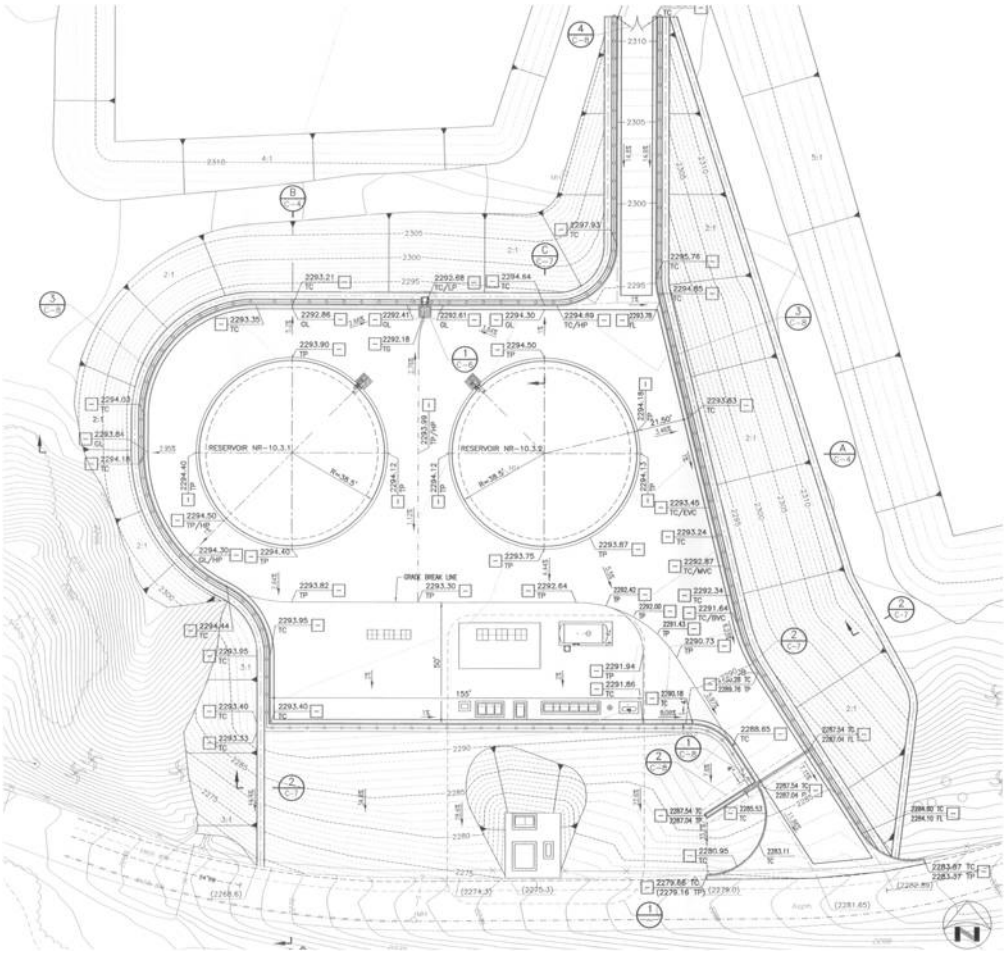
Workshop Memorandum 12-134

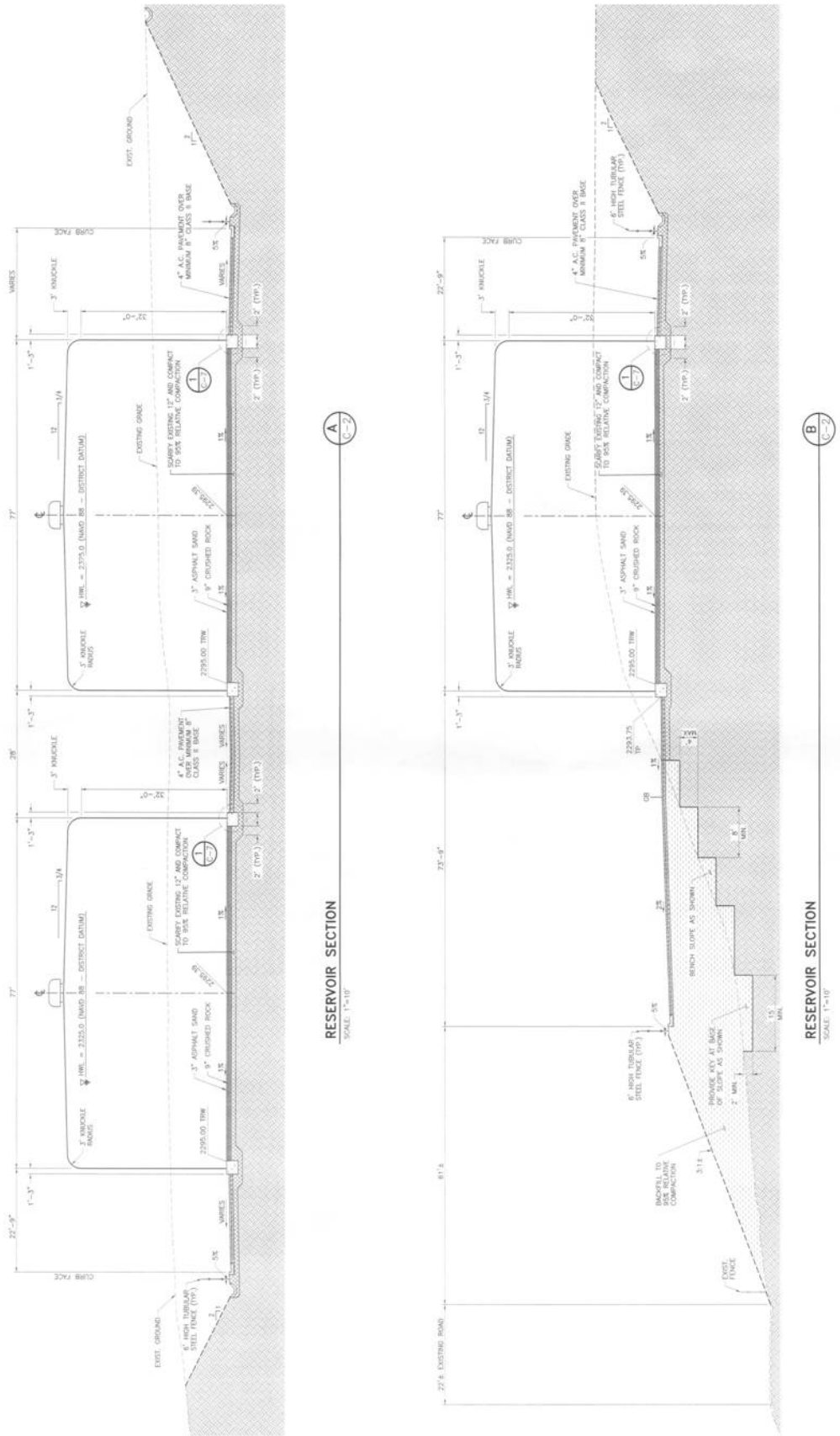
Date: **July 10, 2012**

Subject: **Status Report on the Construction of the R-10 Recycled Water Reservoir and Booster Complex**

Yucaipa Valley Water District is in the process of constructing several recycled water facilities to prepare the community for the next drought cycle. By connecting the available recycled water supply at the Wochholz Regional Water Recycling Facility to the existing recycled water system, the District will be able to immediately reduce our dependency on imported water by more than 1,000 acre feet per year. Overall, the aggressive use of recycled water is an important element in our water resource planning.

One of the projects planned for completion over the next year is the R-10 Reservoir Complex. This facility is located at the western end of County Line Road in the City of Calimesa. During this agenda item, the District staff will be providing an update of the status of this important project.




RESERVOIR SECTION
SCALE: 1"=10'
A
C-7
RESERVOIR SECTION
SCALE: 1"=10'
B
C-7






225D LC
CAT



Yucaipa Valley Water District

Workshop Memorandum 12-135

Date: **July 10, 2012**

Subject: **Status Report on the Construction of the Crow Street Pipeline**

The Yucaipa Valley Water District is in the process of constructing several recycled water facilities to prepare the community for the next drought cycle. By connecting the available recycled water supply at the Wochholz Regional Water Recycling Facility to the existing recycled water system, the District will be able to immediately reduce our dependency on imported water by more than 1,000 acre feet per year. Overall, the aggressive use of recycled water is an important element in our water resource planning.

One of the projects planned for completion over the next year is the Crow Street Pipeline. During this agenda item, the District staff will be providing an update of the status of this important project.



Yucaipa Valley Water District

Workshop Memorandum 12-136

Date: **July 10, 2012**

Subject: **Status Report on the Construction of the Recycled Water Booster Facility at the Reservoir R-12.1 Complex**

The Yucaipa Valley Water District is in the process of constructing several recycled water facilities to prepare the community for the next drought cycle. By connecting the available recycled water supply at the Wochholz Regional Water Recycling Facility to the existing recycled water system, the District will be able to immediately reduce our dependency on imported water by more than 1,000 acre feet per year. Overall, the aggressive use of recycled water is an important element in our water resource planning.

One of the projects planned for completion over the next year is the Recycled Water Booster Facility located at the Reservoir R-12.1 Complex. During this agenda item, the District staff will be providing an update of the status of this important project.



Yucaipa Valley Water District

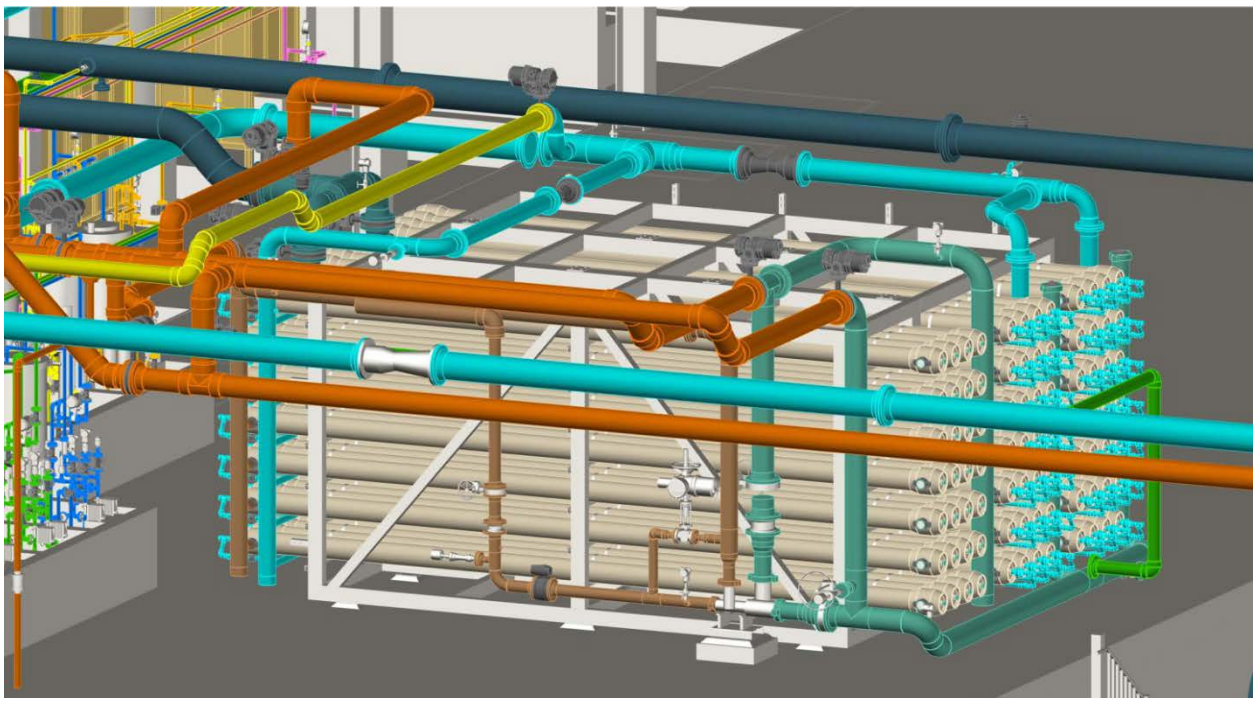
Workshop Memorandum 12-137

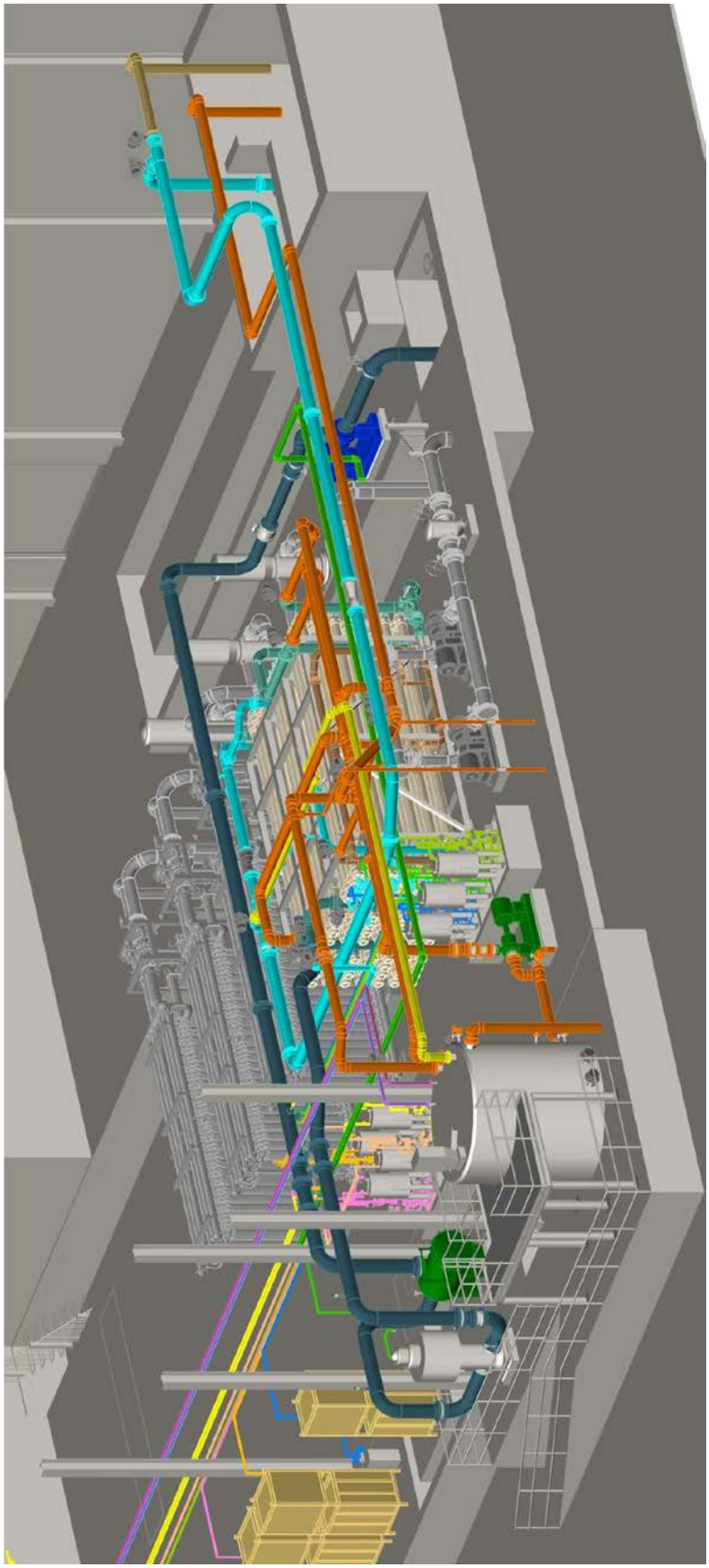
Date: **July 10, 2012**

Subject: **Status Report on the Construction of the Wochholz Improved Salinity Effluent (WISE) Project**

Yucaipa Valley Water District is in the process of constructing the Yucaipa Valley Regional Brineline in order to produce recycled water that complies with groundwater basin objectives as established by the Regional Water Quality Control Board. In order to comply with these limits, the District is required to add a reverse osmosis process to the wastewater treatment plant. This will enable the District to remove salts and minerals from depositing in to the groundwater basin. The proposed reverse osmosis system will produce salt water, referred to as "brine", that must be sent to the Pacific Ocean so it does not impact any fresh water supplies downstream of the Yucaipa Valley.

The first phase of the reverse osmosis equipment is being designed as part of the Wochholz Improved Salinity Effluent (WISE) Project. This project is currently scheduled for the completion of the construction phase by November 2012.





Yucaipa Valley Water District

Workshop Memorandum 12-138

Date: **July 10, 2012**

Subject: **Implementation of a Water Use Efficiency Rebate program for Yucaipa Valley Water District Customers**

Yucaipa Valley Water District is a signatory to the California Urban Water Conservation Council (CUWCC) which requires several water conservation measures. Fourteen best management practices are listed under the CUWCC Memorandum of Understanding. BMP 5 – Large Landscape Conservation Programs and Incentives provides one opportunity for customers to lower their water use. Reducing water consumption also assists with SBx 7-7, 20% water reduction by 2020.

On February 21, 2012, the San Bernardino Valley Municipal Water District's Board of Directors approved a matching contribution to the retailer's water conservation rebate programs. A total of $65,000 is allocated for the Regional Rebate Program for fiscal year 2012-2013 and an additional $65,000 for fiscal year 2013-2014. The funds from San Bernardino Valley Municipal Water District will be disbursed on a first come first serve basis to the water retail agencies.

The attached flyer and application define the parameters of the program.

Yucaipa Valley Water District

Water Use Efficiency Rebate Program

$ave Water $ave Money!

Yucaipa Valley Water District is offering two rebate programs for homeowners and businesses. High-efficient sprinkler nozzles and weather-based irrigation controllers provide an opportunity to reduce water consumption resulting in a lower water bill.

High-Efficiency Nozzles

High-efficient nozzles deliver streams of water at a lower rate allowing the water and nutrients to penetrate the soil more effectively, helping maintain a healthy landscape with less water. To receive the rebate:

- ✓ Nozzles must be new
- ✓ Nozzles must have documentation signifying water use efficiency.
- ✓ For effective conservation, it is required that all nozzles on an individual valve circuit be replaced at the same time.
- ✓ Nozzles must be accepted from an approved list.
- ✓ A minimum of 10 nozzles must be purchased.



Receive up to $60 for residential and $120 for commercial properties by filling out the Rebate Application.

Weather-Based Irrigation Controllers

Weather-based irrigation controllers (WBICs) allow for more accurate, customized irrigation by automatically adjusting the schedule and amount of water in response to changing weather conditions. To receive the rebate:

- ✓ Customers must have an existing automated irrigation system with an operable irrigation controller.
- ✓ Smart timers must be new and include a weather sensor or the purchase/installation of a weather sensor that is compatible with existing irrigation timer; thus making it a "smart timer".
- ✓ WBIC's must be accepted from an approved list.



Receive up to $75 for residential and commercial properties by filling out the Rebate Application

Yucaipa Valley Water District

High-Efficiency Nozzles and Weather-Based Irrigation Controller Rebate Application

Please submit application to YVWD - P.O.Box 730 Yucaipa CA 92399 or deliver to 12770 2nd Street Yucaipa, CA 92399

Last Name:		First Name:		Account #:
Company Name (If applicable):		Address:		
City:		State:	Zip:	
County:	Daytime Phone:	Evening Phone:	E-mail:	

Nozzle Brand and Model:		Irrigation Controller Brand and Model:	
Type of Property where product will be installed (circle one): Residential / Commercial		Quantity to Install:	Rebate Request Date:
Rebate Approval: (Gray portion - YVWD only) Reviewer's initials		Approved	Disapproved
Accounting Reference Number:			
Original Receipt received: ☐	UPC Bar Code from the label:	Customer Signature:	
Rebate Amount:			

1. All participants must be within Yucaipa Valley Water District's (YVWD) service area and legal owner of residential property.
2. Customers must provide YVWD with the itemized dated sales purchase receipt(s) for any products included in this program. Purchase must be made after July 1 2012 and before June 30 2013.
3. Only products within the rebate program are eligible for rebate. If the purchase price for any of the products includes installation charges, the purchase and installation must be listed separately on the original receipt.
4. All applications must be complete and signed for approval to be eligible for rebate.
5. Rebates will not exceed the purchase amount of the rebate product.
6. Rebates will be processed on a first-come-first serve basis until funds for the fiscal year are exhausted.
7. Rebates are subject to pre-installation and post-installation inspections to ensure the implementation and use of the rebate products.
8. After validation of purchase and installation of the approved product, customers will receive a rebate in the form a check made payable to the water account holder requesting the rebate.
9. By signing above, you agree to the terms and conditions of the Yucaipa Valley Water District Water Use Efficiency Rebate Program.
10. One time only participation per customer.

For more information or additional questions, please call Jennifer Ares at (909) 790.3301 - jares@yvwd.dst.ca.us

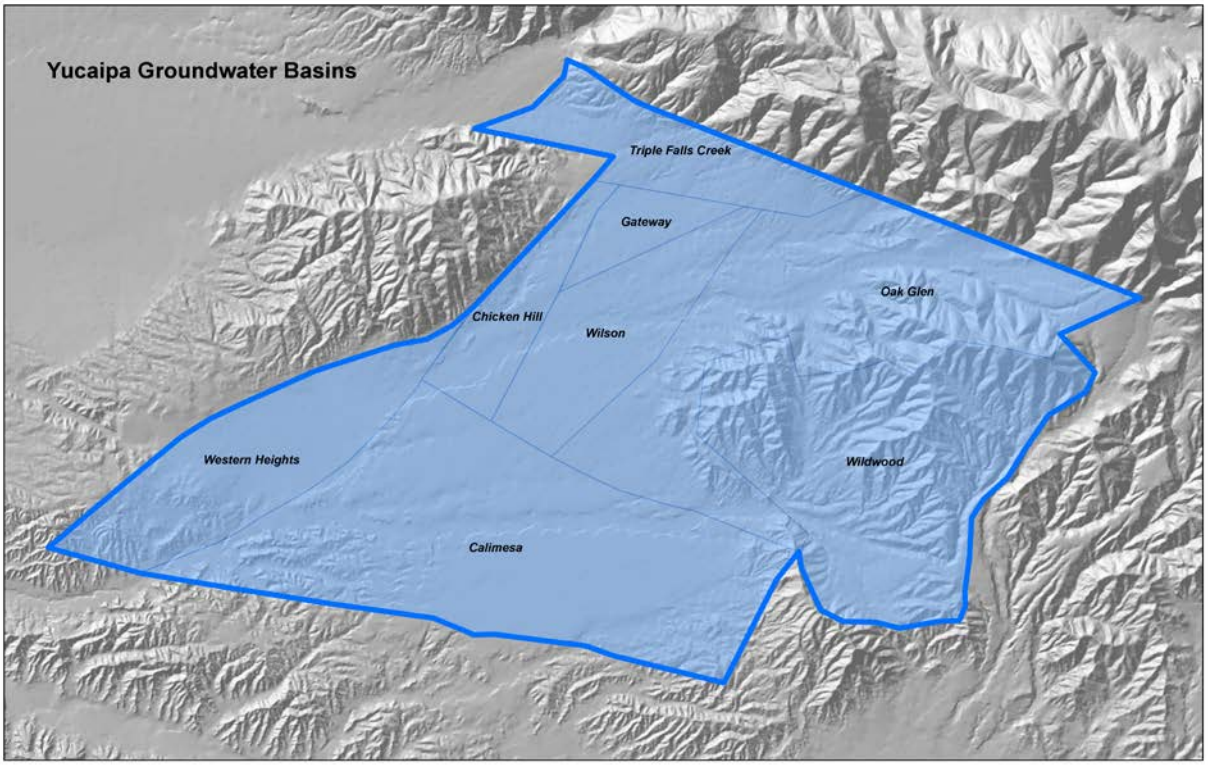
Yucaipa Valley Water District

Workshop Memorandum 12-139

Date: **July 10, 2012**

Subject: **Participation in the Local Groundwater Assistance Grant Program for the Yucaipa Groundwater Basins**

The Yucaipa Valley Water District is in the process of compiling a grant request for the preparation of a groundwater management plan for the Yucaipa Groundwater Basins.



As the grant application package is currently being finalized, the District staff will provide additional information about the grant opportunity at the board workshop.

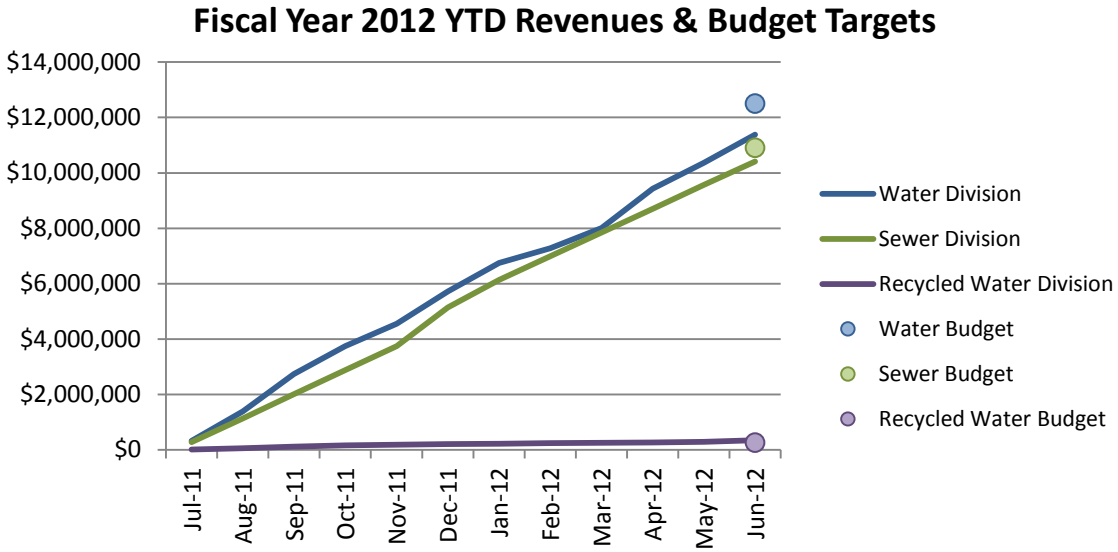
Yucaipa Valley Water District

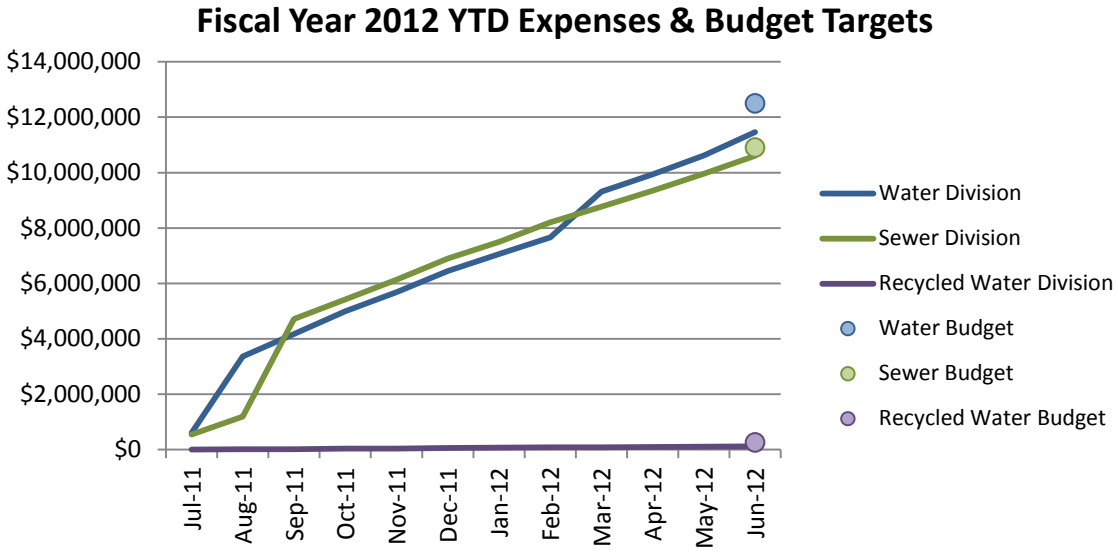
Workshop Memorandum 12-140

Date: **July 10, 2012**

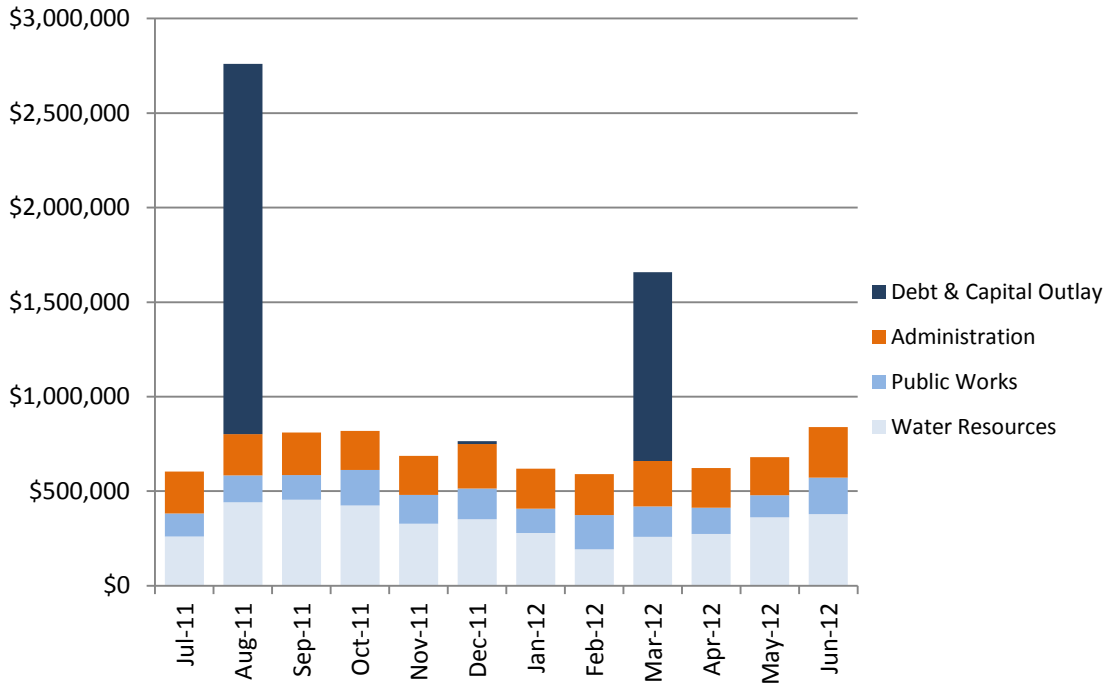
Subject: **Unaudited Financial Report for the Period Ending June 30, 2012**

The District staff has prepared the attached Unaudited Financial Report for the period ending on June 30, 2012. A graphical summary of the financial information is provided below and detailed information follows as part of the monthly unaudited financial report.

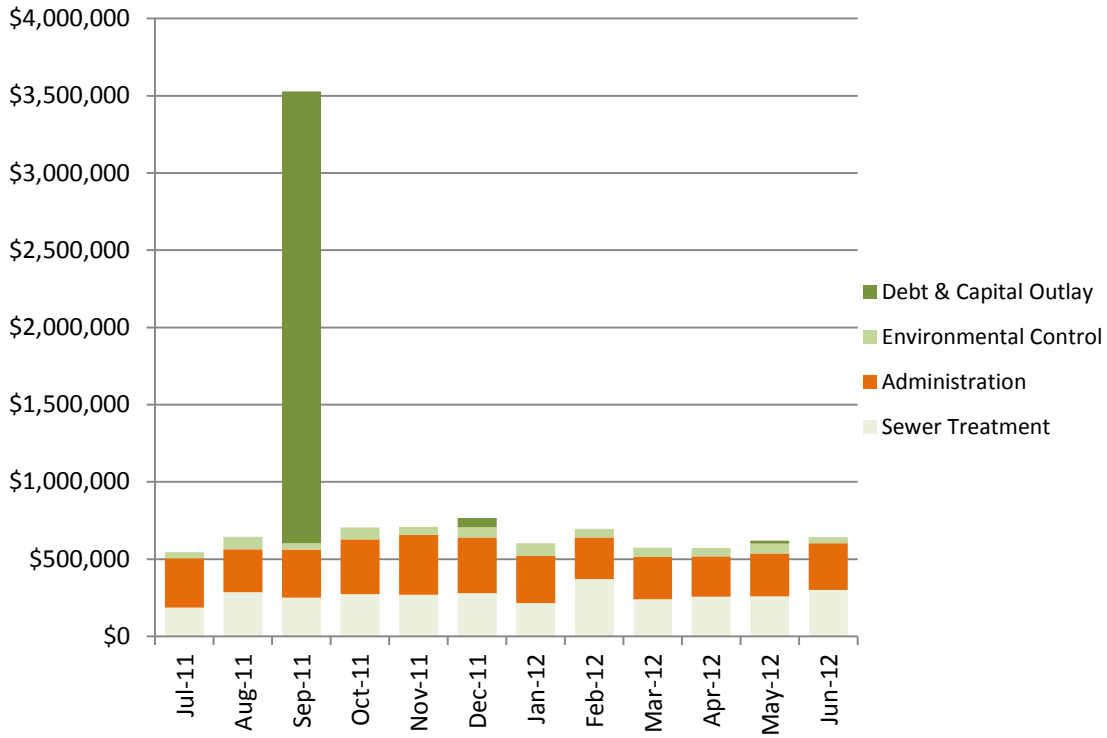




Water Division Monthly Expense Summary - FY 2012



Sewer Division Monthly Expense Summary - FY 2012



Yucaipa Valley Water District

Director Memorandum 12-0xx

Date: July 18, 2012

Prepared By: Vicky Elisalda, Controller
Peggy Little, Administrative Supervisor

Subject: Unaudited Financial Report for the Period Ending on June 30, 2012

Recommendation: That the Board receives and files the unaudited financial report as presented.

The following unaudited financial report has been prepared by the Administrative Department for your review. The report has been divided into six sections to clearly disseminate information pertaining to the financial status of the District. Please remember that the following financial information has not been audited.

Cash Fund Balance Report

The Cash Fund Balance Report provides a summary of how the total amount of funds maintained by financial institutions is distributed throughout the enterprise and non-enterprise funds of the District. A summary of the report is as follows:

Fund Source	Operating Funds	Restricted Funds	Total Funds
Water Division	$745,909.99	$6,459,660.56	$7,205,570.55
Sewer Division	($5,752,122.46)	$7,129,437.04	$1,377,314.58
Recycled Water Division	($3,177,216.00)	$721,312.80	($2,455,903.20)
Total	**($8,183,428.47)**	**$14,310,410.40**	**$6,126,981.93**

Most of the funds reflected in the Cash Fund Balance Report are designated for specific purposes and are therefore restricted, either by law or by District policy.

Check Register

The check register lists each check processed during the month of June 2012. The District processed 252 checks during the month of June for a total sum of $2,347,478.54. All checks are reviewed by District staff for accuracy and completeness, and usually signed by the General Manager and one Director, but may be signed by two Directors.

The Controller will make any check, invoice or supporting documentation available for review to any board member upon request.

Financial Account Information

The District currently deposits all revenue received into the Deposit Checking account. The General Checking account is used as a sole processing account for all District checks and electronic payroll. The Investment Checking account is used for the purchase and redemption of US treasury notes and bills and for the transfer of LAIF funds. The US treasury notes and bills are booked at cost.

The LAIF investment account is a pooled money account administered by the State of California. Additional information on the LAIF account is provided below in the investment summary report.

Investment Summary

The investment summary report illustrates the District's investments in US treasury notes and bills in addition to the investments held by the Local Agency Investment Fund or LAIF. The yields for the treasury notes and bills are provided for each individual transaction. The historical annual yield for funds invested with LAIF is also provided.

Separate pooled money investment reports prepared by the State of California are maintained by the District and available for review.

Monthly Revenue Allocation

During the month of June 2012 the District received a sum total of $1,886,762.10 in revenues from the following categories:

- A total of $1,703,244.60 was received from 14,917 customers for utility bill payments. This is the total amount of utility bill payments received from water, sewer and recycled services.
- A total of $2,566.25 was received for construction meter deposits, customer deposits and internet fee payments.
- A total of $131,603.02 was received from miscellaneous water related activities (other than utility bill charges).
- A total of $49,326.00 was received from miscellaneous sewer related activities (other than utility bill charges).
- A total of $22.23 was received from miscellaneous recycled related activities (other than utility bill charges).
- The District received EPA draw #20 in the amount of $633,152.28 on June 16th and ARRA Draw #23 on June 15th.

Fiscal Year 2012 Budget Status

The revenue and expense budget status for the 2012 Fiscal Year is provided for your review.

Summary of Revenue Budget
As of June 30, 2012 (96% of Budget Cycle)

Division	Budget Amount	Current Month	Year-To-Date	Percentage
Water	12,503,170	1,008,421	11,375,445	91.0
Sewer	10,908,600	851,617	10,416,374	95.5
Recycled Water	265,250	47,421	345,526	130.3
District Revenue	**23,677,020**	**1,907,459**	**22,137,345**	**93.5**

Summary of Water Budget
As of June 30, 2012 (96% of Budget Cycle)

Department	Budget Amount	Current Month	Year-To-Date	Percentage
Water Resources	4,359,935	378,720	4,006,251	91.9
Public works	2,147,165	193,080	1,815,022	84.5
Administration	3,028,695	267,242	2,641,137	87.2
Long Term Debt	2,932,375	0	2,932,375	100.0
Asset Acquisition	35,000	0	39,222	112.1
TOTAL	**12,503,170**	**839,042**	**11,434,007**	**91.4**

Summary of Sewer Budget
As of June 30, 2012 (96% of Budget Cycle)

Department	Budget Amount	Current Month	Year-To-Date	Percentage
Treatment	3,413,225	299,879	3,192,815	93.5
Administration	3,724,350	303,028	3,702,882	99.4
Environmental Control	824,775	39,724	712,192	86.3
Long Term Debt	2,946,250	0	2,943,378	99.9
Asset Acquisition	0	0	58,829	0.0
TOTAL	**10,908,600**	**642,631**	**10,610,096**	**97.3**

Summary of Recycled Water Budget
As of June 30, 2012 (96% of Budget Cycle)

Department	Budget Amount	Current Month	Year-To-Date	Percentage
Administration	265,250	8,961	113,955	43.0
TOTAL	**265,250**	**8,961**	**113,955**	**43.0**
District Expenses	**23,677,020**	**1,490,634**	**22,158,058**	**93.6**

Investment Policy Disclosure

The District is currently compliant with the portfolio of its Investment Policy and State Law.

The District is using Sandy Gage with Merrill Lynch Wealth Management (Bank of America Corporation) for Treasury investments. The District expects to meet its expenditure requirements for the next six months.

Questions or Comments

If you have any questions about a particular budget account, please do not hesitate to contact the Controller directly. If you need additional information, the members of the Administrative Department would be happy to provide you with any detailed information you may desire.

Cash Fund Balance Report - June 2012

Water Division	GL#		Balance
Project Fund - Encumbered	02-10215	$	720,977.22
ID 1 Construction Funds	02-10216	$	293,145.85
ID 2 Construction Funds	02-10217	$	80,409.31
Depreciation Reserves	02-10310	$	2,626,787.43
Infrastructure Reserves	02-10311	$	397,935.00
Sustainability Fund	02-10313	$	152,934.52
Rate Stabilization Fund	02-10314	$	493,209.14
Imported Water Fund - MUNI	02-10315	$	(495,092.44)
Imported Water Fund - SGPWA	02-10316	$	336,569.80
FCC - Debt Service YVRWFF Phase I	02-10401	$	55,577.48
FCC - Future YVRWFF Phase II & III	02-10403	$	123,178.71
FCC - Recycled System	02-10410	$	190,548.97
FCC - Booster Pumping Plants	02-10411	$	207,805.42
FCC - Pipeline Facilities	02-10412	$	475,780.76
FCC - Water Storage Reservoirs	02-10413	$	799,893.39
Operating Funds:		$	745,909.99
	Total Water Division	**$**	**7,205,570.55**

Sewer Division	GL#		Balance
Project Fund - Encumbered	03-10215	$	751,424.20
Depreciation Reserves	03-10310	$	3,044,590.31
Infrastructure Reserves	03-10311	$	786,300.00
Rate Stabilization Fund	03-10314	$	1,464,313.38
FCC - Debt Service WWTP Expansion & Upgrade	03-10405	$	95,929.80
FCC - Future WWTP Expansion	03-10407	$	301,233.19
FCC - Sewer Interceptors	03-10415	$	150,202.45
FCC - Lift Stations	03-10416	$	74,120.09
FCC - Effluent Disposal Facilities	03-10417	$	97,362.22
FCC - Salt Mitigation Facilities	03-10418	$	363,961.40
Operating Funds:		$	(5,752,122.46)
	Total Wastewater Division	**$**	**1,377,314.58**

Recycled Water Division	GL#		Balance
Depreciation Reserves	04-10310	$	483,948.00
Infrastructure Reserves	04-10311	$	52,920.00
FCC - Recycled System	04-10410	$	15,701.85
FCC - Booster Pumping Plants	04-10411	$	16,896.35
FCC - Pipeline Facilities	04-10412	$	84,084.21
FCC - Water Storage Reservoirs	04-10413	$	67,762.39
Operating Funds:		$	(3,177,216.00)
	Total Recycled Water Division	**$**	**(2,455,903.20)**

DISTRICT TOTAL	**$**	**6,126,981.93**

Future Obligations	Due Date		Amount
2004A Bond Payment - Water Division	02/23/2013	$	978,462.50
SBVMWD - Prior years SARI Obligation	06/01/2013	$	20,000.00
2004A Bond Payment - Water Division	08/27/2012	$	1,952,562.50
SRF Payment - Sewer Division	09/10/2012	$	2,923,688.75

Check Register - June 2012

Check Date	Check Number	Name	Check Amount
06/01/2012	15278	PAYROLL CHECK	677.59
06/01/2012	15279	PAYROLL CHECK	2,712.44
06/01/2012	15280	PAYROLL CHECK	297.02
06/01/2012	15281	CA-PERS Supplemental Income 45	13,780.86
06/01/2012	15282	CA-Franchise Tax Board	34.83
06/01/2012	15283	Public Employees' Retirement S	27,425.85
06/01/2012	15284	Hong Nelson	125.00
06/01/2012	15285	Katherine Kostelecky	500.00
06/01/2012	15286	United Student Aid Funds, Inc.	174.05
06/01/2012	15287	IBEW Local 1436	325.00
06/01/2012	15288	Franchise Tax Board	150.00
06/01/2012	15289	Rodd Greene	402.41
06/01/2012	15290	UnitedHealthcare of California	41,762.79
06/01/2012	15291	Standard Insurance Company	2,076.08
06/01/2012	15292	Western Dental Services, Inc.	212.25
06/01/2012	15293	Anthem Blue Cross L and H	331.70
06/01/2012	15294	Standard Insurance Company	2,783.51
06/01/2012	15295	Standard Insurance Vision Plan	439.32
06/01/2012	15296	MetLife Small Business Center	363.13
06/04/2012	15297	Ralph C. Casas	63.00
06/04/2012	15298	American Messaging Services, L	422.06
06/04/2012	15299	Ameripride Uniform Services	476.90
06/04/2012	15300	Central Communications	220.95
06/04/2012	15301	Crown Ace Hardware - Yucaipa	1,032.39
06/04/2012	15302	First American Data Tree, LLC	50.00
06/04/2012	15303	Fedex	67.19
06/04/2012	15304	Leroy's Landscape Services	5,700.00
06/04/2012	15305	Sims Welding & Supply Co., Inc	117.53
06/04/2012	15306	The Gas Company	115.03
06/04/2012	15307	Underground Service Alert Of S	150.00
06/04/2012	15308	George F. Siddle	112.00
06/04/2012	15309	Yucaipa Disposal, Inc.	1,262.31
06/04/2012	15310	Brenntag Pacific, Inc	14,201.84
06/04/2012	15311	Cortech Engineering	325.29
06/04/2012	15312	David Sunden	1,099.93
06/04/2012	15313	Grainger	4,127.25
06/04/2012	15314	Alan L. Grubel Automotive Inc.	505.86
06/04/2012	15315	Hemet Valley Tool & Supply	852.90
06/04/2012	15316	Inland Water Works Supply Co.	13,015.12
06/04/2012	15317	VOID CHECK	0.00
06/04/2012	15318	Johnson Power Systems	2,556.68
06/04/2012	15319	JR Freeman Co. Inc.	202.72
06/04/2012	15320	Konica Minolta Business Soluti	255.67
06/04/2012	15321	Lowe's Companies, Inc.	68.77
06/04/2012	15322	Merit Oil Company	2,894.11
06/04/2012	15323	Nagem, Inc.	332.50
06/04/2012	15324	P & R Paper Supply Co., Inc.	46.15
06/04/2012	15325	Pangahamo Materials, Inc.	600.00
06/04/2012	15326	Pro-Pipe & Supply, Inc.	1,487.07
06/04/2012	15327	Donald Kent Stone	600.00
06/04/2012	15328	Tri County Pump Company	48,681.86
06/04/2012	15329	Matthew Hendrickson	65.00
06/04/2012	15330	Matthew Flordelis	130.00
06/04/2012	15331	California Urban Water Conserv	150.00
06/04/2012	15332	Brent Anton	86.39

Check Register - June 2012

Check Date	Check Number	Name	Check Amount
06/04/2012	15333	Innerline Engineering	4,350.00
06/06/2012	15334	Southern California Edison	25,000.00
06/11/2012	15335	CWEA-TCP (OAKPORT ST.)	994.00
06/11/2012	15336	Ameripride Uniform Services	460.92
06/11/2012	15337	Corelogic, Inc.	300.00
06/11/2012	15338	Coverall North America, Inc.	1,021.00
06/11/2012	15339	H & T Cultural Resource Manage	6,720.00
06/11/2012	15340	Fedex	166.49
06/11/2012	15341	House Of Quality, Parts Plus	811.16
06/11/2012	15342	InfoSend, Inc.	6,102.12
06/11/2012	15343	Jean's Flower Basket	37.71
06/11/2012	15344	Konica Minolta Business Soluti	716.44
06/11/2012	15345	Krieger & Stewart	16,109.33
06/11/2012	15346	NetComp Technologies,Inc.	2,070.00
06/11/2012	15347	SCCI, Inc.	350.00
06/11/2012	15348	San Bernardino County Flood Co	1,977.00
06/11/2012	15349	Southern CA Emergency Medicine	300.00
06/11/2012	15350	Association of San Bernardino	99.00
06/11/2012	15351	The Counseling Team Internatio	600.00
06/11/2012	15352	The Gas Company	14.30
06/11/2012	15353	Verizon	1,090.18
06/11/2012	15354	Aqua-Metric Sales Company	1,295.44
06/11/2012	15355	Auto Care Clinic	137.98
06/11/2012	15356	Edward S Babcock & Sons, Inc.	1,150.00
06/11/2012	15357	Brenntag Pacific, Inc	9,481.14
06/11/2012	15358	Calolympic Glove & Safety Co.,	301.64
06/11/2012	15359	Environmental Systems Research	2,752.32
06/11/2012	15360	Fastenal Company	351.42
06/11/2012	15361	Fisher Scientific Co.	700.48
06/11/2012	15362	Grainger	176.42
06/11/2012	15363	Alan L. Grubel Automotive Inc.	397.80
06/11/2012	15364	Hach Company	4,359.45
06/11/2012	15365	Hemet Valley Tool & Supply	1,044.10
06/11/2012	15366	Industrial Fabricators	140.00
06/11/2012	15367	Inland Water Works Supply Co.	661.59
06/11/2012	15368	Larry Jacinto Farming, Inc.	200.00
06/11/2012	15369	Johnson Machinery Co.	369.52
06/11/2012	15370	JR Freeman Co. Inc.	109.02
06/11/2012	15371	Main's Lock Supply Inc.	83.88
06/11/2012	15372	Merit Oil Company	1,928.04
06/11/2012	15373	Nagem, Inc.	2,550.00
06/11/2012	15374	P & R Paper Supply Co., Inc.	19.14
06/11/2012	15375	Heritage Holdings	1,803.38
06/11/2012	15376	Q Versa, LLC	7,523.85
06/11/2012	15377	R & R Anderson Trucking	1,359.80
06/11/2012	15378	Red Alert Special Couriers	998.48
06/11/2012	15379	Smart & Final Stores, LLC	108.44
06/11/2012	15380	Test America Laboratories, Inc	215.00
06/11/2012	15381	ZEP Manufacturing Company	456.21
06/15/2012	15382	PAYROLL CHECK	2,592.08
06/15/2012	15383	CA-PERS Supplemental Income 45	11,122.53
06/15/2012	15384	Public Employees' Retirement S	27,173.96
06/15/2012	15385	Hong Nelson	125.00
06/15/2012	15386	Katherine Kostelecky	500.00
06/15/2012	15387	United Student Aid Funds, Inc.	174.05

Check Register - June 2012

Check Date	Check Number	Name	Check Amount
06/15/2012	15388	Franchise Tax Board	150.00
06/18/2012	15389	1st Enterprise Bank/Retention	11,758.00
06/18/2012	15390	Aklufi & Wysocki	8,222.50
06/18/2012	15391	California Bank & Trust	71,832.82
06/18/2012	15392	Citizens Business Bank	5,630.18
06/18/2012	15393	Delta Partners, LLC	7,500.00
06/18/2012	15394	Doty Bros. Equipment Co.	26,648.00
06/18/2012	15395	Dudek & Associates, Inc	1,634.85
06/18/2012	15396	Krieger & Stewart	121,689.21
06/18/2012	15397	One Stop Landscape Supply Inc	27,230.00
06/18/2012	15398	Pascal & Ludwig Constructors I	106,973.33
06/18/2012	15399	Platinum Advisors, LLC	5,000.00
06/18/2012	15400	RMC Water and Environment	6,590.00
06/18/2012	15401	Canyon Springs Enterprises	408,503.00
06/18/2012	15402	Separation Processes, Inc.	26,103.47
06/18/2012	15403	Soboba Band of Luiseno Indians	7,101.25
06/18/2012	15404	W.A. Rasic Construction Co., I	646,495.37
06/18/2012	15405	Ameripride Uniform Services	526.64
06/18/2012	15406	AT&T Mobility	3,956.82
06/18/2012	15407	BofA Credit Card	1,453.59
06/18/2012	15408	Fedex	89.09
06/18/2012	15409	Krieger & Stewart	11,761.03
06/18/2012	15410	PlanetBids, Inc.	9,325.00
06/18/2012	15411	Resource Trends, Inc.	2,500.00
06/18/2012	15412	San Gorgonio Pass Water Agency	1,572.81
06/18/2012	15413	Wells Fargo Bank -Corporate Tr	1,800.00
06/18/2012	15414	Air & Hose Source, Inc.	116.03
06/18/2012	15415	Aqua-Metric Sales Company	3,379.47
06/18/2012	15416	Auto Care Clinic	208.69
06/18/2012	15417	Brenntag Pacific, Inc	14,426.33
06/18/2012	15418	Cemex Inc. USA	1,412.73
06/18/2012	15419	Victor James Valenti	4,455.11
06/18/2012	15420	G&G Environmental Compliance,I	3,970.67
06/18/2012	15421	George T Hall Co Inc	332.80
06/18/2012	15422	Grainger	124.19
06/18/2012	15423	Graybar Electric Co., Inc.	64.15
06/18/2012	15424	Hach Company	207.96
06/18/2012	15425	Inland Water Works Supply Co.	964.91
06/18/2012	15426	Innerline Engineering	2,900.00
06/18/2012	15427	J.L. Wingert Co.	810.50
06/18/2012	15428	Johnson Power Systems	4,842.45
06/18/2012	15429	JR Freeman Co. Inc.	596.86
06/18/2012	15430	Matich Corp	4,150.61
06/18/2012	15431	Merit Oil Company	2,389.80
06/18/2012	15432	Nagem, Inc.	741.97
06/18/2012	15433	NCL Of Wisconsin Inc	598.75
06/18/2012	15434	Oily's Automotive Service & Re	68.00
06/18/2012	15435	P & R Paper Supply Co., Inc.	129.63
06/18/2012	15436	Pall Corporation	882.21
06/18/2012	15437	Polydyne Inc.	2,602.16
06/18/2012	15438	Pro-Pipe & Supply, Inc.	112.58
06/18/2012	15439	Red Alert Special Couriers	1,320.72
06/18/2012	15440	Southern California Edison	268.40
06/18/2012	15441	Siemens Industry, Inc.	1,766.53
06/18/2012	15442	JR Simplot Company	452.55

Check Register - June 2012

Check Date	Check Number	Name	Check Amount
06/18/2012	15443	Test America Laboratories, Inc	555.00
06/18/2012	15444	UPS Store#1504/ Mail Boxes Etc	287.97
06/25/2012	15445	Atkinson, Andelson, Loya, Ruud	3,150.56
06/25/2012	15446	CA-OCP HEALTH SERVICES	80.00
06/25/2012	15447	Ralph C. Casas	63.00
06/25/2012	15448	Ameripride Uniform Services	422.54
06/25/2012	15449	City of Riverside	13,765.50
06/25/2012	15450	Dinosaur Tire Inc.	12.08
06/25/2012	15451	Fedex	32.33
06/25/2012	15452	InfoSend, Inc.	3,138.67
06/25/2012	15453	Kelly Services, Inc.	1,919.66
06/25/2012	15454	NetComp Technologies,Inc.	1,350.00
06/25/2012	15455	Priority Mailing Systems Inc.	321.48
06/25/2012	15456	San Bdno. Valley Muni. Water D	15,000.00
06/25/2012	15457	SCE Rosemead	182,695.24
06/25/2012	15458	Separation Processes, Inc.	1,752.50
06/25/2012	15459	Soboba Band of Luiseno Indians	8,988.69
06/25/2012	15460	Troy Alarm, Inc.	120.00
06/25/2012	15461	Verizon	547.95
06/25/2012	15462	Advance Refrigeration & Ice Sy	2,483.11
06/25/2012	15463	BofA Credit Card	821.54
06/25/2012	15464	Brenntag Pacific, Inc	5,263.32
06/25/2012	15465	Brithinee Electric	7,978.31
06/25/2012	15466	Calolympic Glove & Safety Co.,	9,751.96
06/25/2012	15467	CHJ Consultants	6,365.00
06/25/2012	15468	Cobb's Printing, LLC	858.77
06/25/2012	15469	Cortech Engineering	904.91
06/25/2012	15470	Fastenal Company	412.82
06/25/2012	15471	Frost Company	5,640.00
06/25/2012	15472	George T Hall Co Inc	3,020.52
06/25/2012	15473	Harbor Freight Tools	67.94
06/25/2012	15474	James John Brothers	15,289.50
06/25/2012	15475	Johnson Power Systems	980.04
06/25/2012	15476	JR Freeman Co. Inc.	1,110.81
06/25/2012	15477	Harold J. Cossette	7,499.40
06/25/2012	15478	MBC Applied Environmental Scie	1,200.00
06/25/2012	15479	Merit Oil Company	2,108.88
06/25/2012	15480	Nagem, Inc.	112.50
06/25/2012	15481	Nalco Company	5,164.50
06/25/2012	15482	Pall Corporation	183.26
06/25/2012	15483	Pro-Pipe & Supply, Inc.	14.27
06/25/2012	15484	Schaner's WasteWater Prod., In	2,445.50
06/25/2012	15485	Test America Laboratories, Inc	3,325.70
06/29/2012	15486	PAYROLL CHECK	2,385.21
06/29/2012	15487	CA-PERS Supplemental Income 45	8,118.77
06/29/2012	15488	Public Employees' Retirement S	27,029.55
06/29/2012	15489	United Student Aid Funds, Inc.	174.05
06/29/2012	15490	Franchise Tax Board	150.00
06/29/2012	15491	American Family Life Assurance	2,733.33
06/29/2012	15492	Boot Barn #4	150.00
06/29/2012	15493	YVWD-Petty Cash	341.53
06/29/2012	15494	Workboot Warehouse	139.32
06/29/2012	15495	SeaBright Insurance Company	18,978.00
06/29/2012	15496	GORDON, RANDY	50.43
06/29/2012	15497	DOTY BROS.	1,336.35

Check Register - June 2012

Check Date	Check Number	Name	Check Amount
06/29/2012	15498	DESIREE PATNO ENTERP	50.43
06/29/2012	15499	SCOTT, MILLER	151.42
06/29/2012	15500	DESIREE PATNO ENTERP	103.51
06/29/2012	15501	ADS, LLC	2,634.00
06/29/2012	15502	Ameripride Uniform Services	444.54
06/29/2012	15503	Arnel Cadatal	750.00
06/29/2012	15504	Central Communications	317.55
06/29/2012	15505	Clinical Laboratory of San Ber	4,835.00
06/29/2012	15506	Crown Ace Hardware - Yucaipa	6.43
06/29/2012	15507	G&G Environmental Compliance,I	2,987.23
06/29/2012	15508	House Of Quality, Parts Plus	1,189.60
06/29/2012	15509	Incode Division-Tyler Technolo	350.00
06/29/2012	15510	Konica Minolta Business Soluti	564.69
06/29/2012	15511	Krieger & Stewart	9,918.08
06/29/2012	15512	Leroy's Landscape Services	5,700.00
06/29/2012	15513	Press-Enterprise	739.80
06/29/2012	15514	Verizon	894.17
06/29/2012	15515	Edward S Babcock & Sons, Inc.	1,500.00
06/29/2012	15516	Crown Ace Hardware - Yucaipa	566.14
06/29/2012	15517	Harbor Freight Tools	34.52
06/29/2012	15518	Inland Water Works Supply Co.	979.45
06/29/2012	15519	James John Brothers	275.00
06/29/2012	15520	Johnson Machinery Co.	166.11
06/29/2012	15521	JR Freeman Co. Inc.	265.04
06/29/2012	15522	Nagem, Inc.	2,193.23
06/29/2012	15523	Pro-Pipe & Supply, Inc.	247.88
06/29/2012	15524	Siemens Industry, Inc.	96.22
06/29/2012	15525	Donald Kent Stone	540.00
06/29/2012	15526	Test America Laboratories, Inc	555.00
06/29/2012	15527	Tri County Pump Company	1,418.79
06/29/2012	15528	UPS Store#1504/ Mail Boxes Etc	11.93
06/29/2012	15529	U. S. Postal Service	3,556.68
		June 2012 Check Register Total	**2,347,478.54**

Financial Account Information - June 2012

DATE	DESCRIPTION	Deposit Checking	General Checking	Investment Checking	Treasuries at cost	LAIF Invest. Fund	TOTAL ACTIVITY
05/31/2011	bal forward	812,422.81	29,999.99	62,119.99	500,983.20	4,841,703.47	6,247,229.46
5/31	*rev retained in MM*				*(64.72)*		**(64.72)**
06/01/2012	Deposit	35,543.78					**35,543.78**
	Credit Card-5/31	74.27					**74.27**
	Credit Card-6/1	1,394.44					**1,394.44**
	Electronic	15,158.72					**15,158.72**
	Website-6/1	2,820.09					**2,820.09**
	Website-6/2	1,270.39					**1,270.39**
	Website-6/3	859.29					**859.29**
	Website-6/4	543.39					**543.39**
6/01/12-PR	Federal Taxes		(37,782.47)				**(37,782.47)**
6/01/12-PR	State Taxes		(6,816.15)				**(6,816.15)**
6/01/12-PR	PR Direct Deposit		(101,247.91)				**(101,247.91)**
6/01/12-PR	ING 457		(7,275.21)				**(7,275.21)**
	Cks #15278-15296		(94,573.83)				**(94,573.83)**
	TRF#1112- AP & PR	**(247,695.57)**	**247,695.57**				**0.00**
06/04/2012	Deposit	94,252.22					**94,252.22**
	Credit Card-6/1	533.76					**533.76**
	Credit Card-6/4	4,018.71					**4,018.71**
	Electronic	19,728.68					**19,728.68**
	Website-6/4	2,451.20					**2,451.20**
	Website-6/5	335.90					**335.90**
	ETS Fees	(698.41)					**(698.41)**
	ETS Fees	(685.01)					**(685.01)**
	ACH pmts	30,007.97					**30,007.97**
06/05/2012	Deposit	65,039.84					**65,039.84**
	Credit Card-6/4	742.34					**742.34**
	Credit Card-6/5	2,333.83					**2,333.83**
	Electronic	35,378.00					**35,378.00**
	Website-6/5	2,154.79					**2,154.79**
	Website-6/6	104.23					**104.23**
06/06/2012	Deposit	35,291.64					**35,291.64**
	Credit Card-6/5	514.34					**514.34**
	Credit Card-6/6	2,780.50					**2,780.50**
	Electronic	18,377.54					**18,377.54**
	Website-6/6	1,520.23					**1,520.23**
	Website-6/7	303.74					**303.74**
	Cks #15297-15333		(106,424.47)				**(106,424.47)**
	TRF#1113- AP	**(106,424.48)**	**106,424.48**				**0.00**
	Cks #15334		(25,000.00)				**(25,000.00)**
	TRF#1114- AP	**(25,000.00)**	**25,000.00**				**0.00**
06/07/2012	Deposit	41,316.17					**41,316.17**
	Credit Card-6/6	295.62					**295.62**
	Credit Card-6/7	2,963.99					**2,963.99**
	Electronic	7,913.80					**7,913.80**
	Website-6/7	977.30					**977.30**
	Website-6/8	172.27					**172.27**
06/08/2012	Deposit	44,991.36					**44,991.36**
	Credit Card-6/7	317.05					**317.05**
	Credit Card-6/8	2,340.06					**2,340.06**
	Electronic	13,256.01					**13,256.01**
	Website-6/8	1,884.31					**1,884.31**
	Website-6/9	1,061.34					**1,061.34**
	Website-6/10	787.22					**787.22**
	Website-6/11	165.82					**165.82**

Financial Account Information - June 2012

DATE	DESCRIPTION	Deposit Checking	General Checking	Investment Checking	Treasuries at cost	LAIF Invest. Fund	TOTAL ACTIVITY
05/31/2011	bal forward	812,422.81	29,999.99	62,119.99	500,983.20	4,841,703.47	6,247,229.46
06/11/2012	Deposit	112,110.64					112,110.64
	Deposit-M/C	97,818.00					97,818.00
	Credit Card-6/8	383.09					383.09
	Credit Card-6/11	1,762.18					1,762.18
	Electronic	12,621.56					12,621.56
	Website-6/11	3,168.17					3,168.17
	Website-6/12	668.25					668.25
	ACH pmts	49,863.75					49,863.75
06/12/2012	Deposit	61,402.45					61,402.45
	Deposit-Riv Taxes	306.37					306.37
	Deposit-SB Taxes	4,727.89					4,727.89
	Credit Card-6/11	252.66					252.66
	Credit Card-6/12	1,985.72					1,985.72
	Electronic	22,502.76					22,502.76
	Website-6/12	987.04					987.04
	Website-6/13	282.12					282.12
6/15/12-PR	Federal Taxes		(45,987.20)				(45,987.20)
6/15/12-PR	State Taxes		(9,015.25)				(9,015.25)
6/15/12-PR	PR Direct Deposit		(115,418.46)				(115,418.46)
6/15/12-PR	ING 457		(6,847.62)				(6,847.62)
	Cks #15335-15388		(122,451.81)				(122,451.81)
	TRF#1115- AP & PR	**(299,720.34)**	**299,720.34**				0.00
06/13/2012	Deposit	27,822.65					27,822.65
	Deposit-Riv Taxes	12.66					12.66
	Credit Card-6/12	129.23					129.23
	Credit Card-6/13	3,653.14					3,653.14
	Electronic	12,168.88					12,168.88
	Website-6/13	1,564.58					1,564.58
	Website-6/14	116.26					116.26
06/14/2012	Deposit	21,148.50					21,148.50
	Credit Card-6/14	1,067.70					1,067.70
	Electronic	12,325.53					12,325.53
	Website-6/14	1,115.73					1,115.73
	Website-6/15	1,027.44					1,027.44
6/13	EPA Draw #20		633,152.28				633,152.28
	TRF#1116-EPA Draw #20	**633,152.28**	**(633,152.28)**				0.00
06/15/2012	Deposit	41,524.02					41,524.02
	Deposit-M/C	4,515.08					4,515.08
	Credit Card-6/14	348.42					348.42
	Credit Card-6/15	1,533.33					1,533.33
	Electronic	18,721.75					18,721.75
	Website-6/15	2,584.62					2,584.62
	Website-6/16	1,534.45					1,534.45
	Website-6/17	2,006.41					2,006.41
	Website-6/18	304.85					304.85
	ACH pmts	47,188.81					47,188.81
06/18/2012	Deposit	55,085.36					55,085.36
	Credit Card-6/15	771.67					771.67
	Credit Card-6/18	1,719.11					1,719.11
	Electronic	18,770.13					18,770.13
	Website-6/18	1,992.62					1,992.62
	Website-6/19	174.95					174.95
6/15	ARRA Draw #23		180,852.00				180,852.00
	TRF#1117-ARRA Draw #23	**180,852.00**	**(180,852.00)**				0.00

Financial Account Information - June 2012

DATE	DESCRIPTION	Deposit Checking	General Checking	Investment Checking	Treasuries at cost	LAIF Invest. Fund	TOTAL ACTIVITY
05/31/2011	bal forward	812,422.81	29,999.99	62,119.99	500,983.20	4,841,703.47	6,247,229.46
06/19/2012	Deposit	48,006.15					48,006.15
	Credit Card-6/18	155.08					155.08
	Credit Card-6/19	1,970.47					1,970.47
	Electronic	20,879.80					20,879.80
	Website-6/19	1,214.05					1,214.05
	Website-6/20	61.75					61.75
6/18	void ck# 14596 (3/5/12)		33.00				33.00
6/18	void ck# 15018 (4/30/12)		11,761.03				11,761.03
	Cks #15389-15444		(1,577,036.69)				(1,577,036.69)
	TRF#1118 - AP	**(1,565,242.66)**	**1,565,242.66**				0.00
06/20/2012	Deposit	30,074.83					30,074.83
	Deposit-Riv Taxes	23,364.60					23,364.60
	Credit Card-6/19	822.36					822.36
	Credit Card-6/20	3,107.20					3,107.20
	Electronic	18,793.35					18,793.35
	Website-6/20	914.29					914.29
	Website-6/21	358.07					358.07
	ACH pmts	19,904.10					19,904.10
06/21/2012	Deposit	46,294.26					46,294.26
	Deposit-M/C	25,598.60					25,598.60
	Credit Card-6/20	200.00					200.00
	Credit Card-6/21	613.41					613.41
	Electronic	8,632.47					8,632.47
	Website-6/21	1,502.24					1,502.24
	Website-6/22	7,237.41					7,237.41
06/22/2012	Deposit	35,493.56					35,493.56
	Credit Card-6/21	88.61					88.61
	Credit Card-6/22	1,489.97					1,489.97
	Electronic	14,610.40					14,610.40
	Website-6/22	2,142.99					2,142.99
	Website-6/23	1,069.49					1,069.49
	Website-6/24	603.32					603.32
	Website-6/25	343.08					343.08
06/25/2012	Deposit	45,710.29					45,710.29
	Credit Card-6/22	682.30					682.30
	Credit Card-6/25	2,690.72					2,690.72
	Electronic	16,734.25					16,734.25
	Website-6/25	2,240.40					2,240.40
	Website-6/26	174.63					174.63
	ACH pmts	68,112.12					68,112.12
06/26/2012	Deposit	55,371.36					55,371.36
	Deposit-M/C	35,603.16					35,603.16
	Credit Card-6/25	590.11					590.11
	Credit Card-6/26	1,453.28					1,453.28
	Electronic	20,840.54					20,840.54
	Website-6/26	1,804.43					1,804.43
	Website-6/27	348.33					348.33
06/27/2012	Deposit	55,233.86					55,233.86
	Credit Card-6/26	592.38					592.38
	Credit Card-6/27	4,024.83					4,024.83
	Electronic	8,864.06					8,864.06
	Website-6/27	1,069.09					1,069.09
	Website-6/28	430.69					430.69

Financial Account Information - June 2012

DATE	DESCRIPTION	Deposit Checking	General Checking	Investment Checking	Treasuries at cost	LAIF Invest. Fund	TOTAL ACTIVITY
05/31/2011	bal forward	812,422.81	29,999.99	62,119.99	500,983.20	4,841,703.47	6,247,229.46
06/28/2012	Deposit	19,100.96					19,100.96
	Credit Card-6/27	312.68					312.68
	Credit Card-6/28	1,072.02					1,072.02
	Electronic	7,810.49					7,810.49
	Website-6/28	1,087.38					1,087.38
	Website-6/29	416.34					416.34
6/29/12-PR	Federal Taxes		(37,470.64)				(37,470.64)
6/29/12-PR	State Taxes		(7,034.10)				(7,034.10)
6/29/12-PR	PR Direct Deposit		(103,506.61)				(103,506.61)
6/29/12-PR	ING 457		(5,544.36)				(5,544.36)
	Cks #15445-15529		(421,991.74)				(421,991.74)
	TRF#1119 - PR & AP	**(575,547.45)**	**575,547.45**				0.00
06/29/2012	Deposit	52,388.05					52,388.05
	Credit Card-6/28	499.32					499.32
	Credit Card-6/29	1,835.70					1,835.70
	Electronic	14,458.66					14,458.66
	Website-6/29	3,309.40					3,309.40
	Website-6/30	1,646.56					1,646.56
	Website-7/1	1,331.43					1,331.43
	Website-7/2	590.77					590.77
	June '12 NSF's	(961.08)					(961.08)
6/30	*retained in MM*				*64.72*		64.72
	TOTALS	**692,175.27**	**30,000.00**	**62,119.99**	**500,983.20**	**4,841,703.47**	**6,126,981.93**

Investment Summary - June 2012

U.S. TREASURIES

Quantity	Description	Cusip	Maturity Date	Yield	Cost of Purchase	Market Value
501,000	US Treasury Bill	912795Y96	August 23, 2012	0.028%	500,918.48	500,964.93
501,000			**Total Values**		**500,918.48**	**500,964.93**

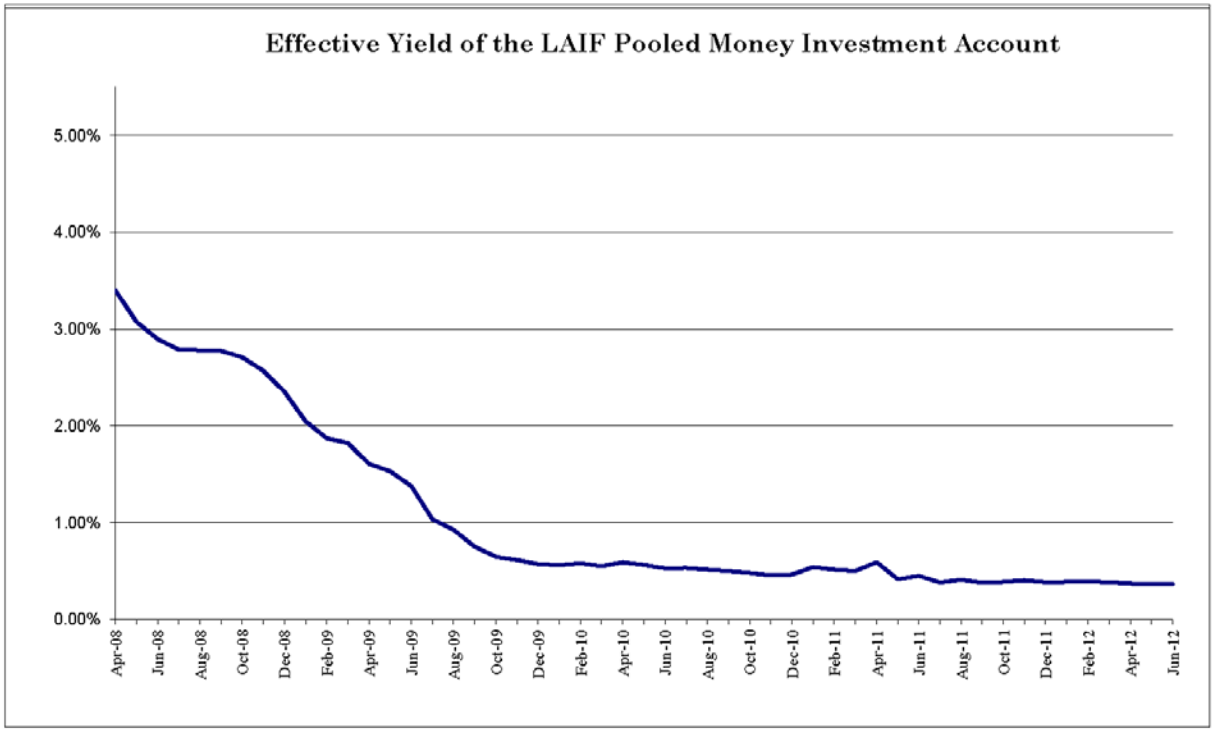
Money Market Account Activity-Beginning Balance	**64.72**
June - Dividend/Interest	0.00
Income	**0.00**
Intra-Bank Transfers to/from Investment Checking	0.00
Fund Transfers	**0.00**
Cusip Maturity	0.00
Redemptions	**0.00**
Cusip Purchase	0.00
Purchases	**0.00**
Ending Balance - Money Market	**64.72**
US Treasury Securities Investment Principal	**500,918.48**
Total Assets	**500,983.20**

Investment Summary - June 2012

LOCAL AGENCY INVESTMENT FUND

PERIOD	TOTAL WITHDRAWAL AMOUNT	TOTAL DEPOSIT AMOUNT	ACCRUED INTEREST (QUARTERLY)	ENDING BALANCE
July 31, 2011	$0.00	$0.00	$39.05	$32,944.00
August 31, 2011	$0.00	$2,000,000.00	$0.00	$2,032,944.00
September 30, 2011	($2,000,000.00)	$1,300,000.00	$0.00	$1,332,944.00
October 31, 2011	$0.00	$800,000.00	$556.93	$2,133,500.93
November 30, 2011	($1,000,000.00)	$700,000.00	$0.00	$1,833,500.93
December 31, 2011	($300,000.00)	$4,400,000.00	$0.00	$5,933,500.93
January 31, 2012	$0.00	$700,000.00	$2,622.28	$6,636,123.21
February 29, 2012	($1,400,000.00)	$0.00	$0.00	$5,236,123.21
March 31, 2012	($300,000.00)	$0.00	$0.00	$4,936,123.21
April 30, 2012	($500,000.00)	$800,000.00	$5,580.26	$5,241,703.47
May 31, 2012	($400,000.00)	$0.00	$0.00	$4,841,703.47
June 30, 2012	$0.00	$0.00	$0.00	$4,841,703.47

L.A.I.F. INCOME SUMMARY	CURRENT QUARTER	FY YEAR-TO-DATE
INCOME RECEIVED	$5,580.26	$8,798.52



Daily Deposit Allocation - June 2012

DATE	Description	Qty	DEPOSIT CHECKING DEPOSITS	AR Mail & Counter	AR Payment Centers	AR Credit Card	AR Electronic Rapid Pay	AR Web Site	AR ACH Auto Pay	AR TOTAL	AR Water Fees & Deposits	Water Allocation	Sewer Allocation	NP Allocation	RECAP TOTAL
06/01/2012	Mail & Counter	280	35,543.78	35,543.78						35,543.78					35,543.78
	Credit Cards	18	1,468.71			1,468.71				1,468.71					1,468.71
	Electronic	194	15,158.72				15,158.72			15,158.72					15,158.72
	Website -58 fees	64	5,493.16					5,391.66		5,391.66	101.50				5,493.16
06/04/2012	Mail & Counter	741	94,252.22	94,252.22						94,252.22					94,252.22
	Credit Cards	31	4,552.47			4,552.47				4,552.47					4,552.47
	Electronic	252	19,728.68				19,728.68			19,728.68					19,728.68
	Website	26	2,787.10					2,741.60		2,741.60	45.50				2,787.10
	ACH payment	355	30,007.97						30,007.97	30,007.97					30,007.97
06/05/2012	Mail & Counter	570	65,039.84	65,039.84						65,039.84					65,039.84
	Credit Cards	30	3,076.17			3,076.17				3,076.17					3,076.17
	Electronic	462	35,378.00				35,378.00			35,378.00					35,378.00
	Website-24 fees	25	2,259.02					2,217.02		2,217.02	42.00				2,259.02
06/06/2012	Mail & Counter	396	35,291.64	35,291.64						35,291.64					35,291.64
	Credit Cards	32	3,294.84			3,294.84				3,294.84					3,294.84
	Electronic	239	18,377.54				18,377.54			18,377.54					18,377.54
	Website	19	1,823.97					1,790.72		1,790.72	33.25				1,823.97
06/07/2012	Mail & Counter	247	41,316.17	39,816.17						39,816.17	1,500.00				41,316.17
	Deposit-Riv Taxes	-	0.00	10,995.11						10,995.11		(10,995.11)			0.00
	Credit Cards	18	3,259.61			3,259.61				3,259.61					3,259.61
	Electronic	104	7,913.80				7,913.80			7,913.80					7,913.80
	Website	13	1,149.57					1,126.82		1,126.82	22.75				1,149.57
06/08/2012	Mail & Counter	250	44,991.36	44,991.36						44,991.36					44,991.36
	Credit Cards	22	2,657.11			2,657.11				2,657.11					2,657.11
	Electronic	164	13,256.01				13,256.01			13,256.01					13,256.01
	Website-41 fees	44	3,898.69					3,826.94		3,826.94	71.75				3,898.69
06/11/2012	Mail & Counter	631	112,110.64	112,110.64						112,110.64					112,110.64
	Deposit-M/C		97,818.00							0.00		48,492.00	49,326.00		97,818.00
	Credit Cards	24	2,145.27			2,145.27				2,145.27					2,145.27
	Electronic	162	12,621.56				12,621.56			12,621.56					12,621.56
	Website	27	3,836.42					3,789.17		3,789.17	47.25				3,836.42
	ACH payment	457	49,863.75						49,863.75	49,863.75					49,863.75
06/12/2012	Mail & Counter	464	61,402.45	61,402.45						61,402.45					61,402.45
	Deposit-Riv Taxes		306.37							0.00		306.37			306.37
	Deposit-SB Taxes		4,727.89							0.00		4,727.89			4,727.89
	Credit Cards	19	2,238.38			2,238.38				2,238.38					2,238.38
	Electronic	249	22,502.76				22,502.76			22,502.76					22,502.76
	Website	17	1,269.16					1,239.41		1,239.41	29.75				1,269.16
06/13/2012	Mail & Counter	310	27,822.65	27,822.65						27,822.65					27,822.65
	Deposit-Riv Tax		12.66							0.00		12.66			12.66
	Credit Cards	34	3,782.37			3,782.37				3,782.37					3,782.37
	Electronic	135	12,168.88				12,168.88			12,168.88					12,168.88
	Website	15	1,680.84					1,654.59		1,654.59	26.25				1,680.84
06/14/2012	Mail & Counter	220	21,148.50	21,148.50						21,148.50					21,148.50
	Credit Cards	8	1,067.70			1,067.70				1,067.70					1,067.70
	Electronic	131	12,325.53				12,325.53			12,325.53					12,325.53
	Website-21 fees	23	2,143.17					2,106.42		2,106.42	36.75				2,143.17
06/15/2012	Mail & Counter	250	41,524.02	41,524.02						41,524.02					41,524.02
	Dep-M/C		4,515.08							0.00		4,492.85		22.23	4,515.08
	Credit Cards	20	1,881.75			1,881.75				1,881.75					1,881.75
	Electronic	205	18,721.75				18,721.75			18,721.75					18,721.75
	Website	58	6,430.33					6,328.83		6,328.83	101.50				6,430.33
	ACH payment	470	47,188.81						47,188.81	47,188.81					47,188.81

Daily Deposit Allocation - June 2012

DATE	Description	Qty	DEPOSIT CHECKING DEPOSITS	AR Mail & Counter	AR Payment Centers	AR Credit Card	AR Electronic Rapid Pay	AR Web Site	AR ACH Auto Pay	AR TOTAL	AR Water Fees & Deposits	Water Allocation	Sewer Allocation	NP Allocation	RECAP TOTAL
06/18/2012	Mail & Counter	536	55,085.36	55,025.36						55,025.36	60.00				55,085.36
	Credit Cards	27	2,490.78			2,490.78				2,490.78					2,490.78
	Electronic	226	18,770.13				18,770.13			18,770.13					18,770.13
	Website	25	2,167.57					2,123.82		2,123.82	43.75				2,167.57
06/19/2012	Mail & Counter	373	48,006.15	48,006.15						48,006.15					48,006.15
	Credit Cards	20	2,125.55			2,125.55				2,125.55					2,125.55
	Electronic	227	20,879.80				20,879.80			20,879.80					20,879.80
	Website	15	1,275.80					1,249.55		1,249.55	26.25				1,275.80
06/20/2012	Mail & Counter	322	30,074.83	30,074.83						30,074.83					30,074.83
	Deposit-Riv Tax		23,364.60							0.00		23,364.60			23,364.60
	Credit Cards	32	3,929.56			3,929.56				3,929.56					3,929.56
	Electronic	140	18,793.35				18,793.35			18,793.35					18,793.35
	Website	15	1,272.36					1,246.11		1,246.11	26.25				1,272.36
	ACH payment	450	19,904.10						19,904.10	19,904.10					19,904.10
06/21/2012	Mail & Counter	281	46,294.26	46,294.26						46,294.26					46,294.26
	Dep-M/C		25,598.60							0.00		25,598.60			25,598.60
	Credit Cards	6	813.41			813.41				813.41					813.41
	Electronic	99	8,632.47				8,632.47			8,632.47					8,632.47
	Website	17	8,739.65					8,709.90		8,709.90	29.75				8,739.65
06/22/2012	Mail & Counter	205	35,493.56	35,493.56						35,493.56					35,493.56
	Credit Cards	17	1,578.58			1,578.58				1,578.58					1,578.58
	Electronic	180	14,610.40				14,610.40			14,610.40					14,610.40
	Website	42	4,158.88					4,085.38		4,085.38	73.50				4,158.88
06/25/2012	Mail & Counter	508	45,710.29	45,710.29						45,710.29					45,710.29
	Credit Cards	34	3,373.02			3,373.02				3,373.02					3,373.02
	Electronic	190	16,734.25				16,734.25			16,734.25					16,734.25
	Website	23	2,415.03					2,374.78		2,374.78	40.25				2,415.03
	ACH payment	512	68,112.12						68,112.12	68,112.12					68,112.12
06/26/2012	Mail & Counter	399	55,371.36	55,371.36						55,371.36					55,371.36
	Dep-M/C		35,603.16							0.00		35,603.16			35,603.16
	Credit Cards	17	2,043.39			2,043.39				2,043.39					2,043.39
	Electronic	223	20,840.54				20,840.54			20,840.54					20,840.54
	Website	25	2,152.76					2,109.01		2,109.01	43.75				2,152.76
06/27/2012	Mail & Counter	309	55,233.86	55,233.86						55,233.86					55,233.86
	Credit Cards	38	4,617.21			4,617.21				4,617.21					4,617.21
	Electronic	100	8,864.06				8,864.06			8,864.06					8,864.06
	Website	13	1,499.78					1,477.03		1,477.03	22.75				1,499.78
06/28/2012	Mail & Counter	166	19,100.96	19,100.96						19,100.96					19,100.96
	Credit Cards	11	1,384.70			1,384.70				1,384.70					1,384.70
	Electronic	84	7,810.49				7,810.49			7,810.49					7,810.49
	Website	16	1,503.72					1,475.72		1,475.72	28.00				1,503.72
06/29/2012	Mail & Counter	244	52,388.05	52,388.05						52,388.05					52,388.05
	Credit Cards	18	2,335.02			2,335.02				2,335.02					2,335.02
	Electronic	141	14,458.66				14,458.66			14,458.66					14,458.66
	Website-65 fees	66	6,878.16					6,764.41		6,764.41	113.75				6,878.16
EPA Draw#20	$633,152.28 (6/13)									0.00					0.00
ARRA Draw#23	$180,852 (6/15)									0.00					0.00
Jun-12	Utility Pmt Cntr-447			(37,979.55)	37,979.55					0.00					0.00
	June '12 NSFs		(961.08)	(961.08)						(961.08)					(961.08)
	TOTALS	14,917	1,886,762.10	993,696.43	37,979.55	54,115.60	338,547.38	63,828.89	215,076.75	1,703,244.60	2,566.25	131,603.02	49,326.00	22.23	1,886,762.10
TOTAL # AR PAYMENTS				7,405	447	488	3,745	588	2,244	14,917					
PERCENT OF TOTAL RECEIVED				49.64%	3.00%	3.27%	25.11%	3.94%	15.04%	100%					

FY 2012 - Water Revenue

ACCOUNT#	DESCRIPTION	BUDGET	Qtr 1 Totals	Qtr 2 Totals	Qtr 3 Totals	April '12	May '12	Jun'12	Year to Date	Percentage YTD
02-40010	Sales - Water	6,000,000	1,799,636	1,415,643	915,153	273,384	479,820	632,302	5,515,938	91.93%
02-40011	Sales - Construction Water	31,000	5,720	4,986	1,705	420	1,644	1,877	16,353	52.75%
02-40012	Sales - Imported Water (SGPWA)	200,000	69,907	41,441	28,638	8,525	15,369	20,956	184,835	92.42%
02-40013	Sales - Imported Water (MUNI)	800,000	224,975	199,742	133,643	40,378	66,737	85,646	751,121	93.89%
02-40014	Sales Disc.-Multi Units Usage Chrg.	(130,000)	(33,055)	(30,777)	(26,711)	(7,819)	(11,619)	(11,701)	(121,682)	93.60%
02-40015	Water Wholesale Revenue	60,000	10,639	29,316	8,515	3,077	4,247	4,295	60,089	100.15%
02-40016	Service Establishment Fee	100	0	75	150	25	25	175	450	450.00%
02-41000	Service Demand Charges	2,300,000	400,045	579,064	579,874	193,307	193,583	193,526	2,139,399	93.02%
02-41001	Fire Service Standby Fees	15,000	3,311	4,405	4,485	1,455	1,573	1,383	16,613	110.75%
02-41003	Construction Service Charge	10,000	1,562	2,003	1,789	690	865	630	7,540	75.40%
02-41005	Sales Disc-Multi Units Service Chrg.	(92,000)	(18,622)	(26,822)	(26,822)	(8,941)	(8,941)	(8,941)	(99,089)	107.71%
02-41010	Unauthorized Use of Water Charge	1,500	750	0	0	0	0	0	750	50.00%
02-41110	Meter/Lateral installation	2,500	1,125	3,375	2,250	0	0	2,575	9,325	373.00%
02-41112	Fire Flow Measurements & Reports	1,900	450	450	75	75	150	75	1,275	67.11%
02-41113	Disconnect/Reconnect Fees	100,000	31,700	32,655	27,685	7,205	7,605	7,085	113,935	113.94%
02-41121	Delinquent Payment Charges	125,000	41,301	45,727	24,523	7,994	6,776	11,493	137,814	110.25%
02-41124	Bad Debt	0	0	0	0	0	0	(24,494)	(24,494)	
02-42123	Management & Accounting Fees	733,170	183,288	183,294	183,294	61,098	61,098	61,098	733,170	100.00%
02-43010	Interest Earned	10,000	327	1,162	1,745	3,348	0	0	6,582	65.82%
02-43110	Property Tax - Unsecured	100,000	0	48,194	(114)	(1,672)	(306)	0	46,102	46.10%
02-43120	Property Tax - Secured	2,050,000	0	423,213	353,855	812,479	96,097	0	1,685,644	82.23%
02-43130	Tax Collection - Prior	60,000	0	8,652	3,033	1,526	1,856	0	15,066	25.11%
02-43140	Other Taxes (including homeowners)	90,000	0	9,204	67,746	22,237	15,391	28,424	143,003	158.89%
02-49150	Revenue - Misc. Non-Operating	35,000	14,479	8,226	7,007	1,957	2,023	2,016	35,708	102.02%
	WATER OPERATING REVENUE	12,503,170	2,737,537	2,983,228	2,291,519	1,420,748	933,994	1,008,421	11,375,445	90.98%
02-82002	Grants (FEMA)	0	1,940	1,155	0	0	0	0	3,095	
02-89901	Facility Capacity Charges	0	0	130,087	33,114	0	0	41,516	204,717	
02-89902	Sustainability	0	0	10,453	12,978	0	0	13,859	37,289	
	TOTAL WATER REVENUE	12,503,170	2,739,477	3,124,922	2,337,611	1,420,748	933,994	1,063,795	11,620,546	

FY 2012 - Sewer Revenue

ACCOUNT#	DESCRIPTION	BUDGET	Qtr 1 Totals	Qtr 2 Totals	Qtr 3 Totals	April '12	May'12	June '12	Year to Date	Percentage YTD
03-40016	Sales - Establish Service Fee	100	0	0	0	0	0	0	0	0.00%
03-41000	Sales - Sewer Charges	10,425,000	2,023,982	2,615,298	2,576,257	856,909	873,119	874,313	9,819,879	94.20%
03-41005	Sales Disc-Multi Units Service Chrg	(200,000)	(39,379)	(51,072)	(51,017)	(16,975)	(17,006)	(17,029)	(192,478)	96.24%
03-41110	Meter/Lateral Installation	1,000	0	0	0	0	0	0	0	0.00%
03-41121	Penalty Late Charges	130,000	31,494	37,133	33,770	11,385	9,829	11,351	134,962	103.82%
03-41124	Bad Debt	0	0	0	0	0	0	(17,259)	(17,259)	
03-41131	Front Footage Fees	0	0	0	0	0	0	0	0	
03-42122	Revenue - other operating	1,000	180	360	0	180	180	180	1,080	108.00%
03-43010	Interest Earned	10,000	191	0	1,311	2,232	0	61	3,795	37.95%
03-43110	Property Tax - Unsecured	50,000	0	50,000	0	0	0	0	50,000	100.00%
03-43120	Property Tax - Secured	450,000	0	450,000	0	0	0	0	450,000	100.00%
03-43130	Tax Collection - Prior	15,000	0	7,500	0	0	0	0	7,500	50.00%
03-43140	Other Taxes (including homeowners)	1,500	0	1,500	0	0	0	0	1,500	100.00%
03-49150	Misc. Non-Oper Revenue	25,000	0	17,614	139,138	0	643	0	157,396	629.58%
	SEWER OPERATING REVENUE	10,908,600	2,016,468	3,128,334	2,699,459	853,731	866,766	851,617	10,416,374	95.49%
03-82001	Grants - EPA	0	0	0	1,524	5,516	0	44,289	51,329	
03-82003	Grants - ARRA	0	55,243	507,634	957,796	248,825	302,215	180,852	2,252,565	
03-82004	Grants - Prop 50	0	0	0	793,166	0	0	0	793,166	
03-89901	Facility Capacity Charges	0	0	157,839	79,058	17,264	10,556	52,766	317,483	
03-89905	Contrib Capital-Infrastructure	0	0	0	(54,835)	0	0	0	(54,835)	
	TOTAL SEWER REVENUE	10,908,600	2,071,711	3,793,806	4,476,168	1,125,336	1,179,536	1,129,524	13,776,082	

FY 2012 - Recycled Water Revenue

ACCOUNT#	Description	BUDGET	Qtr 1 Totals	Qtr 2 Totals	Qtr 3 Totals	April '12	May '12	June '12	Year to Date	Percentage YTD
04-40010	Sales - Recycled Water	220,000	116,823	66,257	38,889	9,154	21,374	43,802	296,299	134.68%
04-40011	Sales - Construction Water	2,500	250	348	3	44	6	84	736	29.44%
04-41000	Sales - Service Demand Chrg.	27,500	5,632	9,233	9,350	3,085	3,104	3,208	33,612	122.23%
04-41003	Const. Water Minimum Chrg.	4,000	490	768	628	244	294	290	2,714	67.85%
04-41121	Penalty - Late Charge	500	42	22	52	22	15	37	190	37.93%
04-43010	Interest Earned	50	0	0	75	0	0	0	75	150.40%
04-43110	Property Tax - Unsecured	500	0	500	0	0	0	0	500	100.00%
04-43120	Property Tax - Secured	10,000	0	10,000	0	0	0	0	10,000	100.00%
04-43130	Property Tax - Prior	100	0	100	0	0	0	0	100	100.00%
04-43140	Other Taxes (including homeowners)	100	0	100	0	0	0	0	100	100.00%
04-49150	Misc. Non-Operating Revenue	0	0	1,200	0	0	0	0	1,200	
	RECYCLED WATER OPERATING REVENUE	265,250	123,238	88,529	48,997	12,549	24,793	47,421	345,526	130.26%
04-82001	Grants-EPA #XP989384-01	0	0	0	41,462	291,075	0	0	332,536	
04-89901	Facility Capacity Charges	0	0	19,521	0	0	0	0	19,521	
	TOTAL RECYCLED WATER REVENUE	265,250	123,238	108,049	90,459	303,623	24,793	47,421	697,583	

FY 2012 - Water Expenses

ACCOUNT#	DESCRIPTION	BUDGET	Qtr 1 Totals	Qtr 2 Totals	Qtr 3 Totals	April '12	May '12	June '12	Year to Date	Percentage YTD
02-5-01-50010	Labor-Water Resources	635,700	135,462	159,449	140,150	47,201	47,175	81,978	611,415	96.18%
02-5-01-50011	Labor Credit	0	0	0	0	0	0	0	0	
02-5-01-50013	Benefits-Fica	48,630	11,207	12,901	11,708	3,919	3,913	6,697	50,346	103.53%
02-5-01-50014	Benefits-Life Insurance	3,420	761	762	767	256	256	249	3,051	89.22%
02-5-01-50016	Benefits-Health\Defrd Comp	90,175	25,822	27,591	26,928	8,553	9,513	10,082	108,489	120.31%
02-5-01-50017	Benefits-Disability Insurance	7,650	2,473	2,555	2,257	754	754	1,116	9,909	129.53%
02-5-01-50019	Benefits-Workers Compensation	33,700	3,500	9,052	(713)	1,877	2,519	3,245	19,480	57.80%
02-5-01-50021	Benefits-PERS	44,500	8,380	10,120	9,011	3,055	3,117	4,581	38,263	85.99%
02-5-01-50022	Benefits-PERS-Employer	85,885	16,216	19,531	17,391	5,896	6,016	8,842	73,891	86.04%
02-5-01-50023	Benefits-Uniforms	2,850	655	511	410	124	215	124	2,040	71.58%
02-5-01-50024	Benefits-Vacation & Sick Pay	20,000	1,470	1,787	2,420	858	875	1,076	8,486	42.43%
02-5-01-50025	Benefits-Boot Allowance	1,425	600	150	300	0	0	150	1,200	84.21%
02-5-01-51003	R&M - Structures	200,000	60,997	72,991	45,117	15,585	58,542	16,153	269,386	134.69%
02-5-01-51011	R&M - CLA Valves	15,000	0	7,563	0	176	788	740	9,266	61.78%
02-5-01-51140	General Supplies & Expenses	2,000	336	1,274	115	186	90	0	2,001	100.04%
02-5-01-51210	Utilities - Power Purchases	1,500,000	357,907	363,756	224,872	63,378	71,798	116,814	1,198,525	79.90%
02-5-01-51211	Utilities - Electricity & Fuel	4,000	860	1,118	1,058	344	330	276	3,986	99.64%
02-5-01-51316	Imported Water Purchases	1,000,000	312,375	242,810	105,388	56,971	82,441	83,000	882,984	88.30%
02-5-01-54019	Licenses & Permits	25,000	25,403	3,218	3,490	814	569	2,285	35,779	143.12%
02-5-01-54110	Laboratory Services	90,000	9,682	8,835	8,902	3,410	5,065	10,849	46,742	51.94%
02-5-01-57040	YVRWFF Operating Expense	550,000	182,227	159,073	130,870	60,622	67,756	30,463	631,011	114.73%
	WATER RESOURCE TOTALS	**4,359,935**	**1,155,332**	**1,105,047**	**730,441**	**273,979**	**361,732**	**378,720**	**4,006,251**	**91.89%**
02-5-03-50010	Labor-Public Works	945,340	180,132	221,572	179,425	60,905	58,438	96,871	797,344	84.34%
02-5-03-50011	Labor Credit	0	(4,064)	(20,045)	13,061	0	(24,862)	(16,933)	(52,842)	
02-5-03-50013	Benefits-Fica	72,320	14,746	18,252	14,910	4,996	4,796	7,912	65,613	90.73%
02-5-03-50014	Benefits-Life Insurance	6,160	1,264	1,269	1,157	396	397	335	4,818	78.21%
02-5-03-50016	Benefits-Health\Defrd Comp	162,315	44,049	49,794	43,595	12,656	15,727	16,958	182,779	112.61%
02-5-03-50017	Benefits-Disability Insurance	11,345	3,872	3,784	2,897	975	949	1,326	13,803	121.67%
02-5-03-50019	Benefits-Workers Compensation	50,100	4,215	10,437	3,544	3,366	3,231	5,172	29,964	59.81%
02-5-03-50021	Benefits-PERS	66,175	11,269	13,654	11,599	3,949	3,808	5,702	49,981	75.53%
02-5-03-50022	Benefits-PERS Employer	127,715	21,816	26,352	22,386	7,622	7,350	11,005	96,530	75.58%
02-5-03-50023	Benefits-Uniforms	20,000	1,193	1,081	1,538	380	361	365	4,917	24.59%
02-5-03-50024	Benefits-Vacation & Sick Pay	5,130	193	966	1,160	393	400	600	3,713	72.39%
02-5-03-50025	Benefits-Boot Allowance	2,565	289	1,251	571	0	0	139	2,251	87.77%
02-5-03-51001	R & M -Vehicles & Equipment	170,000	34,942	49,022	67,244	16,663	13,807	16,130	197,798	116.35%
02-5-03-51011	R&M - Valves	10,000	0	(3,104)	(2,553)	0	941	0	(4,717)	-47.17%
02-5-03-51020	R&M - Pipelines	275,000	50,081	73,098	45,303	11,261	27,518	31,258	238,519	86.73%
02-5-03-51021	R&M - Service Lines	125,000	26,838	31,933	24,884	9,581	6,528	5,982	105,748	84.60%
02-5-03-51022	R&M - Fire Hydrants	25,000	(1,837)	8,428	10,958	589	428	889	19,456	77.82%
02-5-03-51030	R&M - Water Meters	70,000	8,637	20,684	27,771	5,410	2,502	9,039	74,044	105.78%
02-5-03-51092	Equipment Credits	0	(1,913)	(7,087)	(122)	0	(430)	330	(9,222)	
02-5-03-51140	General Supplies & Expenses	3,000	51	0	0	0	0	0	51	1.69%
	PUBLIC WORKS TOTALS	**2,147,165**	**395,774**	**501,342**	**469,329**	**139,130**	**116,367**	**193,080**	**1,815,022**	**84.53%**

FY 2012 - Water Expenses

ACCOUNT#	DESCRIPTION	BUDGET	Qtr 1 Totals	Qtr 2 Totals	Qtr 3 Totals	April '12	May '12	June '12	Year to Date	Percentage YTD
02-5-06-50010	Labor-Administration	745,830	133,859	163,564	140,897	47,804	47,880	74,519	608,523	81.59%
02-5-06-50011	Labor Credit	0	0	(157)	(2,106)	0	(2,192)	(1,203)	(5,657)	
02-5-06-50012	Director Fees	15,000	2,249	4,559	4,011	(34)	1,398	1,276	13,459	89.73%
02-5-06-50013	Benefits-Fica	57,050	10,201	11,957	12,392	4,149	4,157	6,369	49,225	86.28%
02-5-06-50014	Benefits-Life Insurance	3,640	865	863	870	290	290	283	3,461	95.08%
02-5-06-50016	Benefits-Health\Defrd Comp	95,870	33,853	38,482	36,458	11,624	12,760	14,093	147,270	153.61%
02-5-06-50017	Benefits-Disability Insurance	8,950	1,588	2,123	2,211	741	740	1,005	8,409	93.95%
02-5-06-50019	Benefits-Workers Compensation	39,530	1,800	3,925	(1,407)	592	593	939	6,442	16.30%
02-5-06-50021	Benefits-PERS	52,200	9,190	11,237	9,775	3,314	3,327	5,156	41,999	80.46%
02-5-06-50022	Benefits PERS Employer	138,550	17,787	21,688	18,866	6,397	6,422	9,951	81,110	58.54%
02-5-06-50023	Uniforms	3,030	496	462	371	114	237	134	1,813	59.84%
02-5-06-50024	Benefits-Vacation & Sick Pay	15,000	2,099	2,730	3,417	1,174	1,044	1,376	11,840	78.93%
02-5-06-50025	Benefits-Boots	1,515	150	296	150	0	484	0	1,079	71.25%
02-5-06-51003	R&M - Structures	20,000	7,472	(590)	8,436	312	392	770	16,792	83.96%
02-5-06-51091	Expense Credits (overhead)	0	(1,228)	(6,127)	852	0	(2,756)	281	(8,978)	
02-5-06-51120	Safety Equipment/Supplies	25,000	8,331	3,764	4,396	1,619	5,727	10,199	34,037	136.15%
02-5-06-51125	Petroleum Products	110,000	29,956	29,846	25,637	7,652	10,648	5,427	109,166	99.24%
02-5-06-51130	Office Supplies & Expenses	40,000	15,353	6,512	9,805	1,127	1,935	2,488	37,220	93.05%
02-5-06-51140	General Supplies & Expenses	30,000	845	6,795	7,114	3,989	177	332	19,253	64.18%
02-5-06-51211	Utilities - Electricity	26,000	6,869	6,703	4,647	1,486	1,566	1,736	23,008	88.49%
02-5-06-51213	Utilities - Natural Gas	5,000	115	1,000	1,078	179	81	0	2,452	49.04%
02-5-06-54002	Dues & Subscriptions	10,000	262	4,300	4,604	469	0	0	9,634	96.34%
02-5-06-54005	Computer Expenses	75,000	15,813	24,994	20,298	3,852	13,053	9,217	87,226	116.30%
02-5-06-54010	Postage	6,500	391	513	2,611	105	97	355	4,072	62.65%
02-5-06-54011	Printing & Publications	20,000	5,799	73	73	155	0	3,079	9,179	45.89%
02-5-06-54012	Education & Training	30,000	1,967	1,898	6,201	2,154	225	635	13,079	43.60%
02-5-06-54013	Utility Billing Expenses	135,000	33,408	32,353	30,895	9,369	9,706	4,872	120,602	89.34%
02-5-06-54014	Public Relations	25,000	1,233	1,212	2,536	756	10	1,000	6,747	26.99%
02-5-06-54015	Rents & Leases	3,500	999	393	664	204	0	0	2,260	64.56%
02-5-06-54016	Travel Related Expenses	7,500	77	84	3,075	123	0	41	3,400	45.33%
02-5-06-54017	Certifications & Renewals	6,000	460	1,250	1,416	2,160	520	145	5,951	99.18%
02-5-06-54020	Meeting Related Expenses	4,000	885	706	1,280	275	223	922	4,292	107.30%
02-5-06-54024	Utilities - Waste Disposal	2,500	476	476	503	181	159	0	1,794	71.77%
02-5-06-54025	Utilities - Telephone	35,000	7,257	7,370	7,486	1,415	3,951	1,517	28,995	82.84%
02-5-06-54104	Contractual Services	70,000	24,302	7,605	14,633	8,131	2,649	5,662	62,982	89.97%
02-5-06-54107	Legal	45,000	10,364	10,210	14,129	3,348	5,348	0	43,398	96.44%
02-5-06-54108	Audit & Accounting	16,000	14,750	1,123	0	0	0	0	15,873	99.20%
02-5-06-54109	Professional Fees	100,000	40,152	21,717	26,946	8,866	8,211	4,913	110,805	110.81%
02-5-06-55500	Depreciation Reserves	375,095	93,773	93,774	93,774	31,258	31,258	31,258	375,095	100.00%
	Infrastructure Replacement	397,935	99,486	99,483	99,483	33,161	33,161	33,161	397,935	100.00%
02-5-06-56001	Insurance	120,000	29,787	27,972	28,212	9,324	9,324	9,324	113,943	94.95%
02-5-06-57030	Regulatory Compliance	95,000	213	278	213	0	0	15,000	15,703	16.53%
02-5-06-57096	Beaumont Basin Watermaster	10,000	0	0	0	0	0	0	0	0.00%
02-5-06-57100	County Tax Collector Fees	7,500	371	2,520	945	2,117	283	13	6,249	83.32%
02-5-06-57199	Suspense	0	0	0	0	0	(10,995)	10,995	(0)	
	ADMINISTRATION TOTALS	3,028,695	664,074	649,933	647,844	209,951	202,093	267,242	2,641,137	87.20%

FY 2012 - Water Expenses

ACCOUNT#	DESCRIPTION	BUDGET	Qtr 1 Totals	Qtr 2 Totals	Qtr 3 Totals	April '12	May '12	June '12	Year to Date	Percentage YTD
02-5-40-57001	Asset Acq. - Water Resources	0	0	**0**	**0**	0	0	0	**0**	
02-5-40-57003	Asset Acq. - Public works	0	0	**0**	**0**	0	0	0	**0**	
02-5-40-57006	Asset Acq. - Administration	35,000	23,451	**15,771**	**0**	0	0	0	**39,222**	112.06%
02-5-40-57201	Debt Srv-Series 2004A Princ.(25009)	920,000	**920,000**	**0**	**0**	0	0	0	**920,000**	100.00%
02-5-40-57402	Interest-Long-Term Debt Bonds	2,012,375	**1,014,813**	**0**	**997,563**	0	0	0	**2,012,376**	100.00%
	40 - Debt & Capital Outlay	**2,967,375**	**1,958,263**	**15,771**	**997,563**	**0**	**0**	**0**	**2,971,597**	**100.14%**
	TOTAL WATER EXPENSES	**12,503,170**	**4,174,444**	**2,272,092**	**2,845,178**	**623,061**	**680,192**	**839,042**	**11,434,008**	**91.45%**

FY 2012 - Sewer Expenses

ACCOUNT#	DESCRIPTION	BUDGET	Qtr 1 Totals	Qtr 2 Totals	Qtr 3 Totals	April '12	May '12	June '12	Year to Date	Percentage YTD
03-5-02-50010	Labor-WW Treatment	899,200	177,500	228,823	196,005	65,294	66,454	110,569	844,644	93.93%
03-5-02-50013	Benefits-Fica	68,800	14,804	18,781	16,220	5,394	5,480	9,003	69,683	101.28%
03-5-02-50014	Benefits-Life Insurance	4,500	1,016	1,016	1,023	341	341	333	4,069	90.43%
03-5-02-50016	Benefits-Health\Defrd Comp	118,650	35,675	39,705	38,328	12,325	13,395	14,582	154,010	129.80%
03-5-02-50017	Benefits-Disability Insurance	10,800	3,285	3,682	3,087	1,027	1,040	1,495	13,617	126.08%
03-5-02-50019	Benefits-Workers Compensation	47,700	3,500	6,597	2,860	3,097	2,483	4,777	23,314	48.88%
03-5-02-50021	Benefits-PERS	62,950	11,863	14,732	12,712	4,321	4,415	6,528	54,570	86.69%
03-5-02-50022	Benefits-PERS Employer	121,500	22,962	28,432	24,533	8,339	8,521	12,600	105,388	86.74%
03-5-02-50023	Benefits-Uniforms	3,750	997	921	1,289	290	397	425	4,319	115.17%
03-5-02-50024	Benefits-Vacation & Sick Pay	15,000	1,283	1,849	1,174	567	573	325	5,771	38.47%
03-5-02-50025	Benefits-Boot Allowance	1,875	254	464	750	0	0	0	1,468	78.31%
03-5-02-51003	R&M - Structures	200,000	23,411	41,577	187,209	18,992	11,716	13,932	296,837	148.42%
03-5-02-51010	R&M - Automation Control	85,000	5,092	18,462	21,209	5,676	7,384	5,275	63,098	74.23%
03-5-02-51106	Chemicals	600,000	131,976	130,426	103,092	39,360	48,141	15,667	468,661	78.11%
03-5-02-51111	Propane	2,500	3,053	3,144	0	0	105	1,803	8,105	324.20%
03-5-02-51115	Laboratory Supplies	30,000	6,067	4,072	7,880	1,235	2,198	807	22,259	74.20%
03-5-02-51140	General Supplies & Expenses	1,000	147	0	86	0	277	12	522	52.21%
03-5-02-51210	Utilities - Power Purchases	690,000	186,288	166,986	94,247	61,927	41,382	54,894	605,724	87.79%
03-5-02-54110	Laboratory Services	120,000	20,849	27,523	21,564	3,641	10,098	17,420	101,095	84.25%
03-5-02-57031	Sludge Disposal	300,000	75,017	78,061	73,703	24,493	27,230	26,000	304,503	101.50%
03-5-02-57033	Brine Disposal	30,000	0	10,290	20,580	0	6,860	3,430	41,160	137.20%
	TREATMENT TOTALS	3,413,225	725,036	825,543	827,549	256,319	258,489	299,879	3,192,815	93.54%

FY 2012 Sewer Expenses

ACCOUNT#	DESCRIPTION	BUDGET	Qtr 1 Totals	Qtr 2 Totals	Qtr 3 Totals	April '12	May '12	June '12	Year to Date	Percentage YTD
03-5-06-50010	Labor-Administration	708,050	121,149	150,854	130,003	44,089	44,081	68,821	558,998	78.95%
03-5-06-50012	Directors Fees	15,000	2,249	4,559	4,011	(34)	1,398	1,276	13,459	89.73%
03-5-06-50013	Benefits-Fica	54,170	9,163	10,921	11,509	3,846	3,848	5,896	45,183	83.41%
03-5-06-50014	Benefits-Life Insurance	3,500	867	864	871	290	290	284	3,466	99.04%
03-5-06-50016	Benefits-Health\Defrd Comp	92,075	33,167	37,780	35,932	10,758	12,585	13,670	143,893	156.28%
03-5-06-50017	Benefits-Disability Insurance	8,500	1,974	2,000	2,096	701	700	944	8,415	99.00%
03-5-06-50019	Benefits-Workers Compensation	37,530	3,200	6,342	3,361	2,173	2,197	3,403	20,676	55.09%
03-5-06-50021	Benefits-PERS	49,570	8,464	10,347	9,013	3,054	3,061	4,757	38,697	78.07%
03-5-06-50022	Benefits PERS Employer	95,660	16,383	19,970	17,394	5,895	5,908	9,181	74,732	78.12%
03-5-06-50023	Benefits-Uniforms	2,910	281	304	324	68	99	75	1,151	39.56%
03-5-06-50024	Benefits-Vacation & Sick Pay	10,000	2,099	2,730	3,417	1,174	1,044	1,376	11,841	118.41%
03-5-06-50025	Benefits-Boot Allowance	1,455	0	0	0	0	0	0	0	0.00%
03-5-06-51120	Safety Equipment/Supplies	7,500	5,704	82	2,564	71	553	0	8,974	119.65%
03-5-06-51125	Petroleum Products	17,500	3,000	3,682	4,091	1,000	1,000	1,000	13,773	78.70%
03-5-06-51130	Office Supplies	5,000	1,176	200	388	525	411	0	2,700	54.00%
03-5-06-51140	General Supplies & Expenses	7,500	129	5,513	3,902	3,499	160	19	13,222	176.30%
03-5-06-54002	Dues & Subscriptions	10,000	476	4,639	4,711	469	0	0	10,294	102.94%
03-5-06-54003	Management & Admin Services	733,170	183,288	183,294	183,294	61,098	61,098	61,098	733,170	100.00%
03-5-06-54005	Computer Expenses	70,000	9,296	24,240	19,072	4,122	11,501	10,207	78,438	112.05%
03-5-06-54011	Printing & Publications	7,500	5,799	73	73	155	0	1,754	7,853	104.71%
03-5-06-54012	Education & Training	20,000	1,775	550	5,647	2,085	1,030	0	11,086	55.43%
03-5-06-54014	Public Relations	8,000	897	1,007	2,500	756	0	1,000	6,159	76.99%
03-5-06-54016	Travel Related Expenses	8,500	1,052	2,405	3,091	291	381	0	7,221	84.95%
03-5-06-54017	Certifications & Renewals	5,500	365	480	1,464	0	410	994	3,713	67.51%
03-5-06-54019	Licenses & Permits	42,500	4,109	39,787	1,977	114	0	0	45,987	108.20%
03-5-06-54020	Meeting Related Expenses	2,500	808	656	1,282	170	248	918	4,083	163.30%
03-5-06-54024	Utilities - Waste Disposal	12,500	2,850	2,835	2,835	945	945	0	10,410	83.28%
03-5-06-54025	Utilities - Telephone	16,500	4,523	4,911	4,848	1,595	1,573	1,171	18,620	112.85%
03-5-06-54030	Drinking Water	1,000	217	189	224	49	119	63	861	86.10%
03-5-06-54104	Contractual Services	30,000	13,848	3,561	8,516	1,239	1,146	4,669	32,980	109.93%
03-5-06-54107	Legal	45,000	10,461	12,160	13,706	2,990	7,851	0	47,168	104.82%
03-5-06-54108	Audit & Accounting	16,000	14,750	1,123	0	0	0	0	15,873	99.20%
03-5-06-54109	Professional Fees	300,000	115,525	212,102	64,224	6,966	12,055	8,330	419,200	139.73%
03-5-06-55500	Depreciation Reserves	327,260	81,812	81,816	81,816	27,272	27,272	27,272	327,260	100.00%
	Infrastructure Replacement	786,300	196,575	196,575	196,575	65,525	65,525	65,525	786,300	100.00%
03-5-06-56001	Insurance	115,000	28,379	27,972	28,967	9,324	9,324	9,324	113,290	98.51%
03-5-06-57030	Regulatory Compliance	50,000	21,447	42,278	13	0	0	0	63,738	127.48%
03-5-06-57100	County Tax Collection Fees	1,200	0	0	0	0	0	0	0	0.00%
	ADMINISTRATION TOTALS	3,724,350	907,255	1,098,801	853,711	262,274	277,813	303,028	3,702,882	99.42%

FY 2012 - Sewer Expenses

ACCOUNT#	DESCRIPTION	BUDGET	Qtr 1 Totals	Qtr 2 Totals	Qtr 3 Totals	April '12	May'12	June '12	Year to Date	Percentage YTD
03-5-07-50010	Labor-Enviromental Control	213,570	42,577	52,019	42,019	11,231	10,822	20,257	178,925	83.78%
03-5-07-50011	Labor Credit	0	0	(302)	0	0	0	(14,486)	(14,788)	
03-5-07-50013	Benefits-Fica	16,340	3,364	4,105	3,289	849	817	1,587	14,011	85.74%
03-5-07-50014	Benefits-Life Insurance	1,400	254	254	256	85	85	83	1,017	72.61%
03-5-07-50016	Benefits-Health\Defrd Comp	37,020	10,118	10,827	10,374	4,452	3,827	4,014	43,612	117.81%
03-5-07-50017	Benefits-Disability Insurance	2,565	737	865	645	(481)	179	276	2,222	86.62%
03-5-07-50019	Benefits-Workers Compensation	11,320	2,000	4,396	1,068	792	762	1,442	10,460	92.41%
03-5-07-50021	Benefits-PERS	14,950	2,483	3,044	2,511	644	614	1,135	10,431	69.77%
03-5-07-50022	Benefits-PERS Employer	28,855	4,806	5,875	4,846	1,242	1,185	2,190	20,146	69.82%
03-5-07-50023	Benefits-Uniforms	1,170	354	337	345	83	95	79	1,293	110.49%
03-5-07-50024	Benefits-Vacation & Sick Pay	6,000	0	0	0	0	0	0	0	0.00%
03-5-07-50025	Benefits-Boot Allowance	585	300	0	0	0	0	0	300	51.28%
03-5-07-51003	R&M - Structures	320,000	76,469	64,254	83,780	22,141	36,292	10,547	293,483	91.71%
03-5-07-51140	General Supplies & Expenses	1,000	0	709	1,321	30	77	0	2,138	213.77%
03-5-07-51241	Lift Station #1	70,000	15,271	16,987	23,780	2,835	2,738	3,613	65,224	93.18%
03-5-07-51242	Lift Station #2	12,000	1,731	3,161	2,198	717	712	730	9,249	77.08%
03-5-07-51243	Lift Station #3	7,500	651	497	769	149	175	173	2,413	32.18%
03-5-07-51244	Lift Station #4	20,000	1,324	4,031	3,062	991	979	989	11,376	56.88%
03-5-07-51245	Lift Station #5	5,000	193	262	243	78	83	91	950	19.00%
03-5-07-51248	Lift Station #8	3,000	100	140	129	42	45	43	499	16.64%
03-5-07-54109	Professional Fees	50,000	0	26,568	13,178	7,346	4,822	6,958	58,873	117.75%
03-5-07-54110	Laboratory Services	2,500	0	0	358	0	0	0	358	14.32%
	ENVIRONMENTAL CONTROL TOTAL	824,775	162,731	198,029	194,172	53,227	64,310	39,724	712,192	86.35%
03-5-40-57002	Asset Acq. - Treatment		0	0	0	0	0	0	0	
03-5-40-57006	Asset Acq. - Administration		0	0	0	0	0	0	0	
03-5-40-57007	Asset Acq. - Environmental Control		0	58,829	0	0	0	0	58,829	
			0	0	0					
03-5-40-57009	Plant Support (03-13105 Sari Line)	19,710	0	0	0	0	19,710	0	19,710	100.00%
03-5-40-57202	Debt Service - Principal	1,909,500	1,907,783	0	0	0	0	0	1,907,783	99.91%
03-5-40-57403	Debt Service - Interest	1,017,040	1,015,886	0	0	0	0	0	1,015,886	99.89%
	Debt & Capital Outlay	2,946,250	2,923,669	58,829	0	0	19,710	0	3,002,207	101.90%
	TOTAL SEWER EXPENSES	10,908,600	4,718,691	2,181,201	1,875,432	571,819	620,322	642,631	10,610,096	97.26%

FY 2012 - Recycled Water Expenses

ACCOUNT#	Description	BUDGET	Qtr 1 Totals	Qtr 2 Totals	Qtr 3 Totals	April '12	May '12	June '12	Year to Date	Percentage YTD
04-5-06-50010	Labor-Recycled Water	76,900	0	0	0	0	0	0	0	0.00%
04-5-06-50012	Director Fees	2,500	0	0	0	2,500	0	0	2,500	100.00%
04-5-06-50013	Benefits-FICA	6,655	0	0	0	0	0	0	0	0.00%
04-5-06-50014	Benefits-Life Insurance	440	0	0	0	0	0	0	0	0.00%
04-5-06-50016	Benefits-Health & Def Comp	8,890	1,110	1,111	1,111	402	402	402	4,539	51.06%
04-5-06-50017	Benefits-Disability Insurance	1,085	0	0	0	0	0	0	0	0.00%
04-5-06-50019	Benefits-Workers Compensation	4,610	0	0	0	0	0	0	0	0.00%
04-5-06-50021	Benefits-PERS Employee	6,090	0	0	0	0	0	0	0	0.00%
04-5-06-50022	Benefits-PERS Employer	9,250	0	0	0	0	0	0	0	0.00%
04-5-06-50023	Benefits-Uniforms	360	0	0	0	0	0	0	0	0.00%
04-5-06-50024	Benefits-Vacation & Sick Pay	1,250	0	0	0	0	0	0	0	0.00%
04-5-06-50025	Benefits-Boots	150	0	0	0	0	0	0	0	0.00%
04-5-06-51003	R & M-Structures	25,000	500	7,046	0	0	0	0	7,546	30.18%
04-5-06-51020	R & M-Pipelines	5,000	0	0	0	0	0	0	0	0.00%
04-5-06-51021	R & M-Service Lines	5,000	0	0	0	0	0	0	0	0.00%
04-5-06-51022	R & M-Fire Hydrants	1,000	0	0	0	0	0	0	0	0.00%
04-5-06-51030	R & M-Meters	500	0	0	0	0	0	0	0	0.00%
04-5-06-51140	General Supplies & Expenses	250	0	0	0	0	0	0	0	0.00%
04-5-06-54002	Dues & Subscriptions	750	0	0	748	3,041	0	0	3,788	505.09%
04-5-06-54005	Computer Expense	1,000	1,167	1,711	0	0	620	0	3,498	349.78%
04-5-06-54011	Printing & Publications	250	0	0	0	0	0	431	431	172.26%
04-5-06-54012	Education & Training	2,500	0	2,620	240	0	350	122	3,332	133.27%
04-5-06-54014	Public Relations	5,000	1,101	984	1,048	156	0	500	3,789	75.79%
04-5-06-54016	Travel Related Expenses	1,500	0	664	343	339	0	0	1,346	89.72%
04-5-06-54017	Certifications & Renewals	250	0	0	0	0	0	0	0	0.00%
04-5-06-54019	Licenses & Permits	2,500	0	0	1,323	0	0	0	1,323	52.92%
04-5-06-54020	Meeting Related Expenses	500	0	309	35	0	77	0	422	84.38%
04-5-06-54025	Telephone	500	169	169	167	56	44	0	605	120.94%
04-5-06-54010	Contractural Services	1,750	0	0	1,605	0	0	1,865	3,470	198.29%
04-5-06-54107	Legal	2,000	0	0	0	0	0	0	0	0.00%
04-5-06-54109	Professional Fees	10,000	1,813	6,355	7,505	0	217	613	16,503	165.03%
04-5-06-54110	Laboratory Services	1,000	0	0	0	0	0	0	0	0.00%
04-5-06-55500	Depreciation	7,900	1,986	1,986	1,986	662	662	618	7,900	100.00%
	Infrastructure Replacement	52,920	13,230	13,230	13,230	4,410	4,410	4,410	52,920	100.00%
04-5-06-57030	Regulatory Compliance	20,000	0	0	0	0	0	0	0	0.00%
	TOTAL RECYCLED WATER EXPENSES	265,250	21,077	36,185	29,340	11,565	6,783	8,961	113,911	42.94%

Yucaipa Valley Water District

Workshop Memorandum 12-141

Date: **July 10, 2012**

Subject: **Authorization to Place Property Tax Liens for Delinquent Payments**

At the board meeting on July 18, 2012, the District staff will be recommending placing a lien on properties delinquent in excess of 60 days for sewer related charges. The liens will include the delinquent sewer charges plus penalties, county recording, releasing and collection fees, administrative cost and accrued interest. All property owners have been notified that the District intends to lien the properties for the delinquent fees.

Any payments or demand for payment, received against the lien amount owing the District, will be released administratively.

RESOLUTION NO. xx-2012

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE YUCAIPA VALLEY WATER DISTRICT
ADDING DELINQUENT NON-PAID SEWER CHARGES TO ANNUAL TAXES LEVIED UPON THE PROPERTY FOR WHICH THE CHARGES ARE DELINQUENT IN SAN BERNARDINO COUNTY

WHEREAS, the Board of Directors of the Yucaipa Valley Water District has prepared a report and statement of those delinquent unpaid charges for sewer service within the District which were delinquent and unpaid for sixty (60) days or more on July 18, 2012; and

WHEREAS, the Board of Directors has decided that said delinquent and unpaid charges are to be included in the property tax levied on said property.

NOW THEREFORE, the Board of Directors of the Yucaipa Valley Water District does hereby resolve, determine and order as follows:

Section 1. That the report of the Yucaipa Valley Water District's delinquent and unpaid charges for sewer service within the District which remain unpaid and delinquent for sixty (60) days or more on July 18, 2012, is hereby adopted and approved by the Board.

Section 2. That the unpaid and delinquent charges listed in said report, for the parcel of property, are fixed at the amount listed in said report or released administratively upon payment.

Section 3. That the Secretary shall file with the County Auditor of the County of San Bernardino, and the Board of Supervisors of San Bernardino County, in the time and manner specified by the County Auditor and Board of Supervisors, a copy of such written report with a statement endorsed hereon over the signature of the Secretary that such a report has been finally adopted and approved by this Board of Directors and that the County Auditor shall enter the amount of such charges against the respective lot or parcel of land as it appears on the current assessment roll.

Section 4. That the County Tax Collector shall include the amount of charges on bills for taxes levied against the respective lot and parcel of land and, thereafter, the amount of such unpaid and delinquent charges shall be collected at the same time and in the same manner by the same person as, together with and not separately from the general taxes, if any, for the District or the County of San Bernardino and shall be delinquent at the same time and thereafter be subject to the same delinquency penalties.

Section 5. That any parcel collected through this method of collection remain on the Annual Property Tax Roll and charged the monthly sewer service charge annually.
.

4. This Resolution is effective immediately upon adoption.

PASSED AND ADOPTED this 18th day of July 2012.

YUCAIPA VALLEY WATER DISTRICT

Jay Bogh, President Board of Directors

ATTEST:

Joseph B. Zoba, General Manager

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE
AND SAN BERNARDINO

I, Joseph B. Zoba, Secretary of the Board of Directors of the Yucaipa Valley Water District, California, do hereby certify that the foregoing resolution being Resolution No. xx-2012 was duly passed, approved and adopted by said Board, approved and signed by the President, and attested by the Secretary at the Regular Meeting held on the 18th day of July 2012, and that the same was passed and adopted by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Executed this 18th day of July 2012 at Yucaipa, California.

Joseph B. Zoba, Secretary of the Yucaipa Valley Water District and of the Board of Directors

(Seal)

Request For Liens
San Bernardino County
July 18, 2012

ACCOUNT	APN	ADDRESS	WRITE-OFF
96-03158-01	30110113	12329 13TH ST	436.54
46-00057-04	30112247	32037 AVENUE E	894.30
46-00173-01	30117439	32797 KENTUCKY	466.27
46-00006-02	30118217	32367 DUNLAP BLVD	695.30
96-02707-02	31819229	33909 NEBRASKA ST	263.32
96-02454-05	31822108	13378 5TH PL	436.53
96-02435-02	31822128	34223 5TH PL	214.42
96-02180-03	31822222	33908 AVENUE I	436.53
96-02067-02	31823105	34071 AVENUE I	873.13
96-01068-01	31823131	34059 AVENUE I	436.53
96-01103-04	31823138	34054 AVENUE J	334.50
96-02942-00	31823518	34112 COUNTY LINE RD	1876.97
96-00175-02	31827221	13591 MEADOW ST	139.83
96-01793-02	31918169	13269 5TH ST	873.13
96-03166-01	31919140	34590 AVENUE G	254.10
96-01836-01	31920114	13200 3RD ST	436.53
96-01150-08	31920214	34883 WILDWOOD CANYON RD	326.39
96-01189-03	31920350	13346 PENNY DR	166.01
96-01114-02	31921149	34927 WILDWOOD CANYON RD	436.53
96-02336-07	31921223	34912 AVENUE H	436.53
96-00952-02	31923376	13691 5TH ST	361.83
96-02034-01	31924208	34633 AVENUE H	863.52
96-00222-02	31924281	13635 4TH ST	436.53
96-01387-04	31925210	13533 3RD ST	170.19
96-00654-01	31925216	13518 2ND ST	366.72
96-00348-02	31925218	13486 2ND ST	436.53
96-02424-02	31925323	34858 COUNTY LINE RD	1138.36
96-01098-04	31925328	13682 2ND ST	214.22
96-00666-01	31925330	13644 2ND ST	544.49
96-02757-01	31925344	34797 TARA LN	170.19
96-02758-05	31925345	34793 TARA LN	174.07
96-02214-04	31926215	13444 CALIFORNIA ST	436.74
96-01456-03	31941105	35045 SAN CARLOS	272.15
96-02922-01	31941218	34984 SAN CARLOS	157.80
96-00960-04	31947123	35271 SANTA ROSA	145.94
96-01215-02	31947405	35262 COUNTY LINE RD	214.23
96-03012-04	31948122	34334 AVENUE H	170.19
96-00453-04	31951107	13616 SAN JUAN AVE	258.47
96-01199-00	124206109	35390 AVENUE H	302.94
96-01689-00	124206126	13355 ROBERTS RD	449.32
96-00896-03	124208210	35394 BONITA DR	436.53
96-00126-02	124208223	13654 DOUGLAS ST	140.12
96-00063-02	124208226	35432 COUNTY LINE RD	981.87

Request For Liens
San Bernardino County
July 18, 2012

96-02376-03	124213118	13352 LANTANA AVE	170.19
96-02397-05	124213311	35656 AVENUE H	258.47
96-02521-05	124215105	35532 PENROSE LN	436.53
96-02549-02	124215124	13479 LA PAZ CT	436.53
96-00370-07	124215206	35627 PENROSE LN	268.08
96-01712-03	124221116	35724 DAMASCUS ST	981.82
96-01600-02	124221119	35756 DAMASCUS ST	392.74
96-02417-01	124221208	35882 AVENUE H	227.44
96-02159-09	124222103	35735 AVENUE H	617.34
96-02537-09	124222212	13428 HOLMES ST	154.23
96-02239-05	124222215	13498 HOLMES ST	214.22
96-02834-03	124223110	13515 BIG SKY CT	335.53
96-02819-02	124223115	35748 SANTA MARIA ST	436.53
96-00184-01	124224124	35810 COUNTY LINE RD	485.80
		San Bernardino County Lien Total	**24,691.79**

RESOLUTION NO. xx-2012

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE YUCAIPA VALLEY WATER DISTRICT
ADDING DELINQUENT NON-PAID SEWER CHARGES TO ANNUAL TAXES LEVIED UPON THE PROPERTY FOR WHICH THE CHARGES ARE DELINQUENT IN RIVERSIDE COUNTY

WHEREAS, the Board of Directors of the Yucaipa Valley Water District has prepared a report and statement of those delinquent unpaid charges for sewer service within the District which were delinquent and unpaid for sixty (60) days or more on July 18, 2012; and

WHEREAS, the Board of Directors has decided that said delinquent and unpaid charges are to be included in the property tax levied on said property.

NOW THEREFORE, the Board of Directors of the Yucaipa Valley Water District does hereby resolve, determine and order as follows:

Section 1. That the report of the Yucaipa Valley Water District's delinquent and unpaid charges for sewer service within the District which remain unpaid and delinquent for sixty (60) days or more on July 18, 2012 is hereby adopted and approved by the Board.

Section 2. That the unpaid and delinquent charges listed in said report, for the parcel of property, are fixed at the amount listed in said report or released administratively upon payment.

Section 3. That the Secretary shall file with the County Auditor of the County of San Bernardino, and the Board of Supervisors of San Bernardino County, in the time and manner specified by the County Auditor and Board of Supervisors, a copy of such written report with a statement endorsed hereon over the signature of the Secretary that such a report has been finally adopted and approved by this Board of Directors and that the County Auditor shall enter the amount of such charges against the respective lot or parcel of land as it appears on the current assessment roll.

Section 4. That the County Tax Collector shall include the amount of charges on bills for taxes levied against the respective lot and parcel of land and, thereafter, the amount of such unpaid and delinquent charges shall be collected at the same time and in the same manner by the same person as, together with and not separately from the general taxes, if any, for the District or the County of San Bernardino and shall be delinquent at the same time and thereafter be subject to the same delinquency penalties.

Section 5. That any parcel collected through this method of collection remain on the Annual Property Tax Roll and charged the monthly sewer service charge annually.
.

4. This Resolution is effective immediately upon adoption.

PASSED AND ADOPTED this 18th day of July 2012.

YUCAIPA VALLEY WATER DISTRICT

Jay Bogh, President Board of Directors

ATTEST:

Joseph B. Zoba, General Manager

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE
AND SAN BERNARDINO

I, Joseph B. Zoba, Secretary of the Board of Directors of the Yucaipa Valley Water District, California, do hereby certify that the foregoing resolution being Resolution No. xx-2012 was duly passed, approved and adopted by said Board, approved and signed by the President, and attested by the Secretary at the Regular Meeting held on the 18th day of July 2012, and that the same was passed and adopted by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Executed this 18th day of July 2012 at Yucaipa, California.

Joseph B. Zoba, Secretary of the Yucaipa Valley Water District and of the Board of Directors

(Seal)

Request For Liens
Riverside County
July 18, 2012

ACCOUNT	APN	ADDRESS	WRITE-OFF
96-00053-03	409020012-0	273 E COUNTY LINE RD	436.53
96-00174-03	410020008-7	371 W COUNTY LINE RD	436.53
96-00180-03	411255002-4	423 MYRTLEWOOD DR	364.11
96-00308-02	411100003-6	915 CALIMESA BLVD	395.72
96-00391-02	410020007-6	367 W COUNTY LINE RD	965.32
96-00504-01	411200011-3	639 W AVENUE L	155.37
96-00516-01	411190002-4	1071 7TH ST	436.53
96-00529-04	411100028-9	928 AVENUE B	170.19
96-00618-04	411241004-3	1186 HOLLY LN	164.90
96-00665-04	411200002-4	749 W AVENUE L	208.27
96-00678-03	410140014-3	146 W AVENUE L	616.12
96-00973-05	411251006-6	468 MYRTLEWOOD DR	436.53
96-01092-05	410040016-6	951 3RD ST	436.53
96-01206-03	411100032-2	943 CALIMESA BLVD	186.22
96-01338-03	409112008-1	246 LORETTA WAY	335.02
96-01362-01	411150015-2	427 W COUNTY LINE RD	443.44
96-01377-04	409112023-4	234 E AVENUE L	570.19
96-01390-02	410070021-3	228 W AVENUE L	981.88
96-01418-02	409030004-4	927 DOUGLAS STREET	436.53
96-01445-02	409140002-2	227 E AVENUE L	436.53
96-01464-03	411160023-0	418 W AVENUE L	395.52
96-01492-01	410061009-5	997 4TH ST	426.99
96-01567-03	409140005-5	235 E AVENUE L	258.47
96-01639-01	410080049-0	347 W AVENUE L	890.69
96-01644-03	411100021-2	941 AVENUE B	872.93
96-01645-08	411172008-4	1061 4TH ST	258.91
96-01662-03	410062024-1	1016 3RD ST	1236.09
96-01694-02	411171017-9	1093 5TH ST	465.63
96-01710-01	409030011-0	933 DOUGLAS ST	873.14
96-01777-02	409042017-3	914 HOLMES WAY	482.16
96-01886-01	411171022-3	1060 4TH ST	491.69
96-01917-07	409140011-0	279 E AVENUE L	436.53
96-02063-01	411150009-7	934 4TH ST	480.72
96-02127-02	411160034-0	1045 5TH ST	220.92
96-02131-02	411160002-1	991 5TH ST	436.53
96-02178-01	411171011-3	461 W AVENUE L	436.53
96-02197-01	411150014-1	441 W COUNTY LINE RD	1167.45
96-02202-02	413082005-7	801 W COUNTY LINE RD	436.53
96-02508-11	409140029-7	241 GREEN TREE CIRCLE	436.53
96-02676-04	410020027-4	380 ROGERS CT	436.53
96-02877-04	410162017-4	1054 BARNES CT	436.53
96-02905-02	410120041-5	177 VICTORIA LN	1161.82
		Riverside County Lien Total	**21,351.30**

Yucaipa Valley Water District

Workshop Memorandum 12-142

Date: **July 10, 2012**

Subject: **Appropriation Limit for Fiscal Year 2012-2013**

Article XIII B of the State Constitution provides a limit on the total amount of money collected as General Fund property taxes that a governing Board could appropriate (authorize for expenditures) in a year. This limitation is adjusted each year based on changes in the growth in per capita personal income or increase in assessed valuation of new construction and population change.

The District has completed the computation associated with the appropriation limitation for fiscal year 2012-2013 ("FY 2013"). Based on the attached calculation, the proposed adjustment to the District's appropriation limit includes an increase of 10.10% for the increase in non-residential assessed valuation of new construction and a weighted average increase of 1.08% for population change. These percentages have been used to calculate an increase in the appropriation limit from $46,928,967 in FY 2012 to $52,219,216 in FY 2013. This represents an overall increase of 11.28% in the appropriation limit.

The District receives only a portion of the entire appropriation limit each year in ad valorem taxes; therefore, the appropriation limit has a limited impact on the District's projects or programs.

Yucaipa Valley Water District

12770 Second Street, Yucaipa, California 92399

Appropriation Limit for the Yucaipa Valley Water District

Fiscal Year 2012-2013

Prepared by: Vicky Elisalda, Controller

Overview of Appropriation Limit

Introduction

In the 1970s soaring property values in California led to dramatic increases in property taxes, prompting a tax revolt that resulted in the passage of Proposition 13 in the June 1978 California primary. Proposition 13 reduced local property taxes by 57% and thereby slashed the revenue base for local governments and schools. Over the years the revenue loss has been made up by a varying mix of state funds and new revenue from specialized local fees and taxes, as well as by outright local budget cuts.

The California tax revolt did not end with Proposition 13. Seventeen months later, in November 1979, voters passed the Proposition 4, known as the Gann Amendment. Proposition 4 imposed a limit on most state and local government expenditures from tax sources. The limit is calculated annually according to a formula based on population and the cost of living. Under Proposition 4, excess revenues must be returned to the taxpayers.

Both Propositions 13 and 4 have been modified in the years since their passage. While weakened by the changes, Propositions 13 and 4 remain constraints on California state and local budgeting, and continue to be focal points in the public policy debate about California taxing and spending.

Summary of Proposition 4 and Related Voter Initiatives

Modern spending limits in California began in 1979 with the passage of Proposition 4 (Article XIII B of the California Constitution). Also called the Gann Initiative after its chief sponsor, Paul Gann, Proposition 4 places an appropriations limit on most spending from tax proceeds. The limit for each year is equal to the prior year's spending with upward adjustments allowed for changes in population and the cost of living. Most state and local government appropriations are subject to the limit. However, the law exempts certain appropriations from the limit including capital outlay, debt service and local government subventions. When the limit is exceeded, Proposition 4 requires the surplus to be returned to the taxpayers within two years. Appropriations in the two year period can be averaged before becoming subject to the excess revenue provisions of the Gann limit.

Voters approved the Gann limit in a November 1979 special election by a 74% margin. The late 1970s were a time of surplus state revenues in California, and voter exasperation at the inability of the legislature and the governor to agree on a plan to return the surplus to the taxpayers in the form of refunds or property tax relief helped fuel the tax revolt that led first to Proposition 13 and then to Proposition 4. With the Gann limit, voters took the matter of spending limits into their own hands, and ignored objections that spending limit formulas are an artificial constraint on policy making and hamper the government's ability to address citizen needs.

During the early 1980s, increases in population and the consumer price index outpaced the growth in state revenue, and the Gann limit was not reached. However, a surge in state revenues in 1987 caused the limit to be breached, and led to the first refund to taxpayers.

Voters have modified the Gann limit in a series of initiative measures. Proposition 99 (1988) and Proposition 10 (1998) exempted new tobacco taxes from the Gann limit. Proposition 98 (1988) required public schools to receive a share of revenues exceeding the Gann limit. That share was changed to a flat 50% by Proposition 111 (1990). Proposition 111 also added three exemptions to the Gann limit: capital outlay spending, appropriations supported by increased gas taxes, and appropriations resulting from national disasters. Most significantly, Proposition 111 changed the formula used for calculating annual adjustments to the Gann limit. Under Proposition 111, the population factor is based on a weighted average of population and K-14 school enrollment growth (instead of population only), and the cost of living factor is based solely on California per-capita personal income growth (and no longer takes into account the Consumer Price Index).

The changes to the Gann limit formula under Proposition 111 substantially raised the Gann limit, making it less likely that the limit will be reached in the future. Many observers believe that in its current weakened state the Gann limit has ceased to be a meaningful constraint on state spending.

How the Appropriations Limit Works

Which Revenues Are Subject to Limit?

Article XIII B places a limit on appropriations from most, but not all, government revenue sources. The limit applies to appropriations from proceeds of taxes from both the general fund and special funds of government entities. Proceeds of taxes include tax revenues, interest earnings on invested tax revenues, and any revenues collected by a regulatory license fee or user charge in excess of the amount needed to cover the cost of providing the regulation, product, or service.

Which Appropriations Are Subject to Limit?

Appropriations for almost all government functions are subject to limitation under Article XIII B. However, there are some important exceptions. The original Proposition 4 provided that the following appropriations are not limited, even if made from proceeds of taxes:

- Subventions from the state to local governments and schools, the use of which is unrestricted (these subventions are not subject to the state's limit, but instead are counted as subject to the local entity's limit);
- Appropriations to pay for costs of complying with federal laws and court mandates;
- Payments for interest and redemption charges on pre-existing (i.e., pre-Proposition 4) or voter-approved bonded indebtedness;
- Withdrawals from previously appropriated reserve funds; and
- Refunds of taxes.

Proposition 111 excluded capital outlay from the appropriations limit. This change reflects the fact that while capital outlay appropriations are made during a single budget year, they reflect long-term investments that are utilized over a number of years. Appropriations directly related to an emergency, such as a fire, earthquake, or other natural disaster, were also excluded from the limit by Proposition 111. No reduction in future limits is required for appropriations made for these emergency purposes.

The "Base Year" Limit.

The first year that limits were in effect was FY 1980-81. The base year for determining the appropriations limit in FY 1980-81 was FY 1978-79. Actual appropriations in the FY 1978-79 fiscal year that had been financed by the proceeds of taxes were the starting point. Appropriations not subject to limitation were subtracted from that figure and this became the "base year" level of appropriations for computing all subsequent years' limits. Proposition 111 updated the base year for calculating the limit for each government entity to FY 1986-87. For fiscal years beginning with FY 1990-91, the limit for each entity is the FY 1986-87 limit adjusted annually as specified by Article XIII B as amended by Proposition 111.

Annual Adjustments to the Limit.

The appropriations limit for each year since FY 1980-81 is calculated by adjusting the base year limit for changes in the cost-of-living and population. Proposition 111, passed by the voters in June 1990, revised each of the adjustment factors. Specifically, annual adjustments to limits, either upward or downward, are made as follows:

- Cost-of-Living.
  - State and schools are adjusted by the change in California per capita personal income.
  - Local agencies are adjusted by the change in California per capita personal income or the change in the local property tax roll due to the addition of new nonresidential construction.
- Population.
  - The State uses a population factor calculated by adding: (a) the change in the state's total population weighted by the percent of the budget spent on non-educational programs, and (b) the change in average daily attendance (ADA) for K-14 education weighted by the percentage of the budget spent on K-14 education.
  - Local agencies use a population factor that is the percentage change in the jurisdiction or in the county in which the jurisdiction is located. Special districts located in two or more counties may use the change in the county in which the district has the highest assessed valuation.
  - Counties. The population change for counties can be calculated by using one of three methods: (a) the percentage change in population within the county; (b) the percentage change in population for both the county itself and contiguous counties; or (c) the percentage change in population within the incorporated portion of the county.
  - K-14 Schools use the change in population is the percentage change in average daily attendance.
- Program Transfers. Limits of governmental entities are modified to reflect transfers of financial responsibility from one level of government to another. The limit of the new service provider is increased by the amount the former service provider's limit is reduced.
- Funding Transfers. Adjustments either upward or downward are made to account for transfers of program funding sources, for example from tax revenues (subject to limit) to fees (not subject to limit).

The level of appropriations actually made by a government entity in any year does not have any bearing on the calculation of the appropriations limit for the subsequent years. Each year's limit is computed based on the prior year's limit, not the prior year's appropriations.

If the governing body actually appropriates less money than what would be permitted by the limit, it has "room" under its limit, and the limit will be further adjusted the following year for cost-of-living and population changes. A government entity does not "lose" room under its limit for the future by appropriating less than the maximum permitted in any year.

Appropriations Permitted in Excess of the Limit.

Article XIII B sets forth two circumstances under which governments may make appropriations in excess of their limits:

- Emergency. Appropriations for declared emergencies do not count towards and may be made in excess of the limit. Proposition 111 removed the requirement that the limits for future years must be reduced over a three-year period so that there would be no total increase in allowable appropriations.
- Voter Approval. Article XIII B permits voters of a jurisdiction to authorize an increase in the appropriations limit. However, no voter-approved increase may be in effect for more than four years. At the end of the four-year period, either the voters must approve another increase or the limit must return to the level it would otherwise have been.

When Revenues Exceed the Appropriations Limit.

A government entity may receive revenues during a fiscal year that exceed its appropriations limit. Proposition 111 allows governments to average appropriations over a two year period before becoming subject to the excess revenue provisions of Article XIII B. In other words, a government entity can offset appropriations that exceeds its appropriations limit in one year of a two-year period by appropriating less than the limit in the other year. If, after taking this two year averaging into account, authority to appropriate is not provided by either an emergency declaration or voter approval, Article XIII B as amended by Propositions 98 and 111 sets forth a process for disposing of the excess State revenues:

- Education Programs. After the two-year averaging period, 50% of any excess revenues are transferred to the State School Fund for elementary, secondary and community college education. A portion of this excess revenue (25%) may effectively be built into the base used to calculate future funding required by Proposition 98 if the excess funds are used for a specified purpose. The transfer to education is not required if the state's average expenditure per student and average class size is equal to or exceeds that of the ten states with the best performance in these areas.
- Return of Excess. The 50% of excess revenues remaining after the transfer to education must be returned to taxpayers within the following two years. The return can be made through a reduction in the tax rate or as a fee reduction.

Sources:

- "Government Appropriations Limit: Article XIII B of the Constitution." In: *Revenue and Taxation Reference Book 2003*. Sacramento: Assembly Revenue and Taxation Committee, Chapter 5, January 2004, pp. 150-7.
- "Tax and Expenditure Limitation in California: Proposition 13 & Proposition 4", Institute of Governmental Studies, University of California at Berkeley (http://www.igs.berkeley.edu/library/htTaxSpendLimits2003.html)

Calculation of Appropriation Limitation

Appropriation Limit Calculation – Part I

Greater of California per capita income or increase in non-residential assessed valuation of new construction		1.1010
Population percentage change factor	x	1.0108
Ratio of change		1.1128

Appropriation Limit Calculation – Part II

Ratio of change		1.1128
Prior year appropriation limit (2011-2012)	x	$46,925,967
Current year appropriation (2012-2013)		$52,219,216

Computation of Appropriation Limitation

Adjustment Factors

Cost of Living Price Factor: The computation of the appropriation limitation involves the greater of the two cost of living factors:

Percentage change in per capita income[1]		Percentage change in local assessment roll due to addition of non-residential new construction[2]
	or	
3.77%		**10.10%**

Population: The computation of the appropriation limitation involves the greater of the following factors for each county:

Growth within San Bernardino County[3]		Growth within the City of Yucaipa
	or	
0.86%		**1.08%**

Growth within Riverside County[4]		Growth within the City of Calimesa
	or	
0.99%		**1.11%**

The underlined factors above were used in calculating the District's appropriation limit for the fiscal year 2012-2013. The resolution adopted by the Board of Directors will specify these factors.

[1] State of California, Department of Finance correspondence dated May 2012 (Enclosure I)
[2] Ms. Conchita White Eagle, Controller Office, General Accounting Section, Sept. 2011 (909) 386-8776
[3] State of California, Department of Finance correspondence dated May 2012 (Enclosure II-SB)
[4] State of California, Department of Finance correspondence dated May 2012(Enclosure II-RIV)

Procedure for Administering Revenue and Taxation Code Section 2228(a)

The Revenue and Taxation Code, Section 2228(a) requires the following:

If a special district is located within a single county or within more than one city or any combination of cities and incorporated area within a single county, the annual percentage change in population for the district shall be that established for the county or the weighted average of the percentage change of each city and the unincorporated area.

If a special district is located within more than one county, the annual percentage change in population for the district shall be the weighted average of the percentage change of each county or city or unincorporated area within the district or any combination provided that the areas selected are mutually exclusive.

The State of California, Department of Finance has specified that the weights applied shall be the relative share of the assessed valuation (A.V.) of the district in each local agency.

Population Percentage Change Factor:

Local Agency	Percentage Population Change		Assessed Valuation	=	Percentage Change x A.V.
San Bernardino County	1.08%	x	4,941,793,991	=	53,371,375
Riverside County	1.11%	x	753,105,905	=	8,359,475
Total District			5,694,899,896		61,730,850

Weighted Average Percent Change:

$$\frac{\text{Total District (Percentage Change x A.V.)}}{\text{Total District Assessed Valuation}} = \frac{61,730,850}{5,594,899,896} = 0.010839$$

Attachments

DEPARTMENT OF FINANCE
EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 2012

Dear Fiscal Officer:

Subject: Price and Population Information

Appropriations Limit
The California Revenue and Taxation Code, Section 2227, mandates the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2012, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2012-2013. Enclosure I provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2012-2013 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county and incorporated areas' summed population percentage change. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts
Some special districts must establish an annual appropriations limit. Consult the Revenue and Taxation Code, Section 2228 for further information regarding the appropriations limit. You can access the Code from the following website: "http://www.leginfo.ca.gov/calaw.html" check box: "Revenue and Taxation Code" and enter 2228 for the search term to learn more about the various population change factors available to special districts to calculate their appropriations limit. Article XIII B, Section 9(C), of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. Consult the following website: "http://www.leginfo.ca.gov/.const/.article_13B" for additional information. Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this issue should be referred to their respective county for clarification, or to their legal representation, or to the law itself. No State agency reviews the local appropriations limits.

Population Certification
The population certification program applies only to cities and counties. Revenue and Taxation Code Section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2012.**

Please Note: Prior year's city population estimates may be revised.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

ANA J. MATOSANTOS
Director
By:

MICHAEL COHEN
Chief Deputy Director

Enclosures

Fiscal Year 2012-2013

May 2012

Enclosure I

A. **Price Factor**: Article XIII B specifies that local jurisdictions select their cost-of-living factor to compute their appropriation limit by a vote of their governing body. The cost-of-living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the 2012-2013 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2012-2013	3.77

B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2012-2013 appropriation limit.

2012-2013:

Per Capita Cost of Living Change = 3.77 percent
Population Change = 0.68 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.77 + 100}{100} = 1.0377$

Population converted to a ratio: $\frac{0.68 + 100}{100} = 1.0068$

Calculation of factor for FY 2012-2013:

$1.0377 \times 1.0068 = 1.0448$

Fiscal Year 2012-2013

Enclosure II
Annual Percent Change in Population Minus Exclusions
January 1, 2011 to January 1, 2012 and Total Population, January 1, 2012

County City	Percent Change 2011-2012	--- Population Minus Exclusions --- 1-1-11	 1-1-12	Total Population 1-1-2012
San Bernardino				
Adelanto	0.12	31,017	31,053	31,066
Apple Valley	0.87	69,431	70,033	70,033
Barstow	1.19	22,363	22,630	23,019
Big Bear Lake	1.05	5,035	5,088	5,088
Chino	1.08	71,380	72,149	79,171
Chino Hills	0.75	75,089	75,655	75,655
Colton	0.71	52,319	52,690	52,690
Fontana	1.07	197,786	199,898	199,898
Grand Terrace	0.73	12,069	12,157	12,157
Hesperia	0.68	90,420	91,033	91,033
Highland	0.75	53,263	53,664	53,664
Loma Linda	0.64	23,177	23,325	23,389
Montclair	0.69	36,909	37,163	37,163
Needles	0.76	4,857	4,894	4,894
Ontario	0.79	164,836	166,134	166,134
Rancho Cucamonga	1.07	167,701	169,498	169,498
Redlands	0.72	69,002	69,498	69,498
Rialto	0.92	99,888	100,606	100,606
San Bernardino	0.76	208,407	209,994	211,674
Twentynine Palms	1.34	16,751	16,976	25,713
Upland	0.83	73,957	74,568	74,568
Victorville	1.08	112,486	113,697	119,059
Yucaipa	1.08	51,544	52,100	52,100
Yucca Valley	0.73	20,764	20,916	20,916
Unincorporated	0.79	283,848	286,086	295,233
County Total	0.86	2,014,097	2,031,505	2,063,919

(*) Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.

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Fiscal Year 2012-2013

Enclosure II
Annual Percent Change in Population Minus Exclusions
January 1, 2011 to January 1, 2012 and Total Population, January 1, 2012

County / City	Percent Change 2011-2012	Population Minus Exclusions 1-1-11	Population Minus Exclusions 1-1-12	Total Population 1-1-2012
Riverside				
Banning	0.61	29,723	29,965	29,965
Beaumont	2.15	38,034	38,851	38,851
Blythe	0.98	13,201	13,330	20,400
Calimesa	1.11	7,910	7,998	7,998
Canyon Lake	0.78	10,606	10,689	10,689
Cathedral City	1.07	51,353	51,901	51,952
Coachella	1.37	41,339	41,904	41,904
Corona	0.96	153,047	154,520	154,520
Desert Hot Springs	1.32	27,277	27,638	27,638
Eastvale	2.80	54,090	55,602	55,602
Hemet	0.98	79,309	80,089	80,089
Indian Wells	0.90	4,990	5,035	5,035
Indio	1.62	76,817	78,065	78,065
Lake Elsinore	1.40	52,149	52,879	53,024
La Quinta	1.03	37,688	38,075	38,075
Menifee	1.83	79,139	80,589	80,589
Moreno Valley	1.05	194,451	196,495	196,495
Murrieta	0.90	104,051	104,985	104,985
Norco	0.78	22,837	23,015	27,053
Palm Desert	1.13	48,920	49,471	49,471
Palm Springs	1.00	44,829	45,279	45,279
Perris	0.97	69,506	70,180	70,180
Rancho Mirage	0.60	17,399	17,504	17,504
Riverside	0.80	306,010	308,452	308,511
San Jacinto	0.86	44,421	44,803	44,803
Temecula	1.81	101,255	103,092	103,092
Wildomar	0.94	32,414	32,719	32,719
Unincorporated	3.05	451,347	452,725	453,089
County Total	0.99	2,194,112	2,215,850	2,227,577

(*) Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.

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PIP1112

COUNTY OF SAN BERNARDINO
PROPERTY INFORMATION SYSTEM
AGENCY PERCENTAGE CHANGE REPORT

DATE 09/09/2011
PAGE 7

AGENCY	NEW CONST INCREASE	TOTAL INCREASE	PERCENTAGE CHANGE
VICTOR VALLEY RDA - 1993	45,960,422.00	191,568,970.00-	23.9990-
VICTOR VALLEY UNION HIGH SCH DIST	50,647,444.00	193,554,436.00-	26.1670-
VICTORVILLE OLD/MIDTOWN RDA	3,212.00	2,604,392.00-	0.1233-
VICTORVILLE RDA BEAR VALLEY ROAD	8,834,315.00	14,264,842.00	61.9306
VICTORVILLE STREET LIGHT DISTRICT	11,617,491.00	29,404,677.00-	39.5089-
VICTORVILLE WATER DISTRICT	47,860,042.00	172,581,460.00-	27.7318-
WEST VALLEY MVCD	87,864,472.00	190,535,621.00	46.1144
WEST VALLEY WATER DISTRICT	15,463,323.00	126,983,697.00-	12.1774-
YERMO COMMUNITY SERVICES DISTRICT	5,054.00	3,484,347.00-	0.1450-
YUCAIPA RDA	2,154,446.00	1,483,531.00-	145.2241-
YUCAIPA VALLEY WATER DISTRICT	2,425,456.00	24,024,402.00	10.0958
YUCAIPA-CALIMESA JOINT UNIFIED	2,791,388.00	20,921,864.00	13.3419
YUCCA VALLEY RDA	2,066,613.00	4,799,174.00-	43.0618-
29 PALMS CEMETERY DISTRICT	4,535,614.00	7,492,248.00	60.5374

PI163
20:22:12

SAN BERNARDINO COUNTY AUDITOR-CONTROLLER
PROPERTY TAX DIVISION
AGENCY NET VALUATIONS

08/04/11
PAGE 286

AGENCY: WW29 YUCAIPA VALLEY WATER DISTRICT

ADDRESS: P.O. BOX 730
YUCAIPA, CA 923990730

	ACCT CODE	ACCT NAME	NET VALUE BEFORE RDA	RDA INCREMENT	NET VALUE AFTER RDA	HOME OWNERS EXEMPTION	TAX ROLL VALUE
	DA01	DEBT SERVICE IMP 2					
LOCAL SECURED			698,794,702	61,012,059	637,782,643	9,927,400	627,855,243
SECURED UTILITY			0	0	0	0	0
UNSECURED			12,857,380	5,026,450	7,830,930	0	7,830,930
TOTAL			711,652,082	66,038,509	645,613,573	9,927,400	635,686,173
	GA01	GENERAL TAX LEVY					
LOCAL SECURED			3,299,546,382	141,944,021	3,157,602,361	60,391,271	3,097,211,090
SECURED UTILITY			0	0	0	0	0
UNSECURED			64,920,166	14,502,720	50,417,446	0	50,417,446
TOTAL			3,364,466,548	156,446,741	3,208,019,807	60,391,271	3,147,628,536
	GAC2	GENERAL TAX LEVY IMP DIST A					
LOCAL SECURED			1,951,177,634	67,547,097	1,883,630,537	39,047,636	1,844,582,901
SECURED UTILITY			0	0	0	0	0
UNSECURED			37,110,409	8,135,120	28,975,289	0	28,975,289
TOTAL			1,988,288,043	75,682,217	1,912,605,826	39,047,636	1,873,558,190

1 06/28/2011 DISTRICT VALUATIONS - ASSESSORS NET FY11-12 PRPCA060 PAGE 31

-	DIST. NO.	DISTRICT NAME	SBE	LOCAL SECURED	TOTAL SECURED	UNSECURED	TOTAL VALUE
0	04-4889	CVWD WTR ASMT #65		64,251,572	64,251,572	11,576,810	75,828,382
0	04-4891	PINE COVE COUNTY WATER		183,858,614	183,858,614	357,379	184,215,993
0	04-4892	PINYON PINES COUNTY WATER		9,887,898	9,887,898		9,887,898
0	04-4893	WEST VALLEY WATER		106,489,795	106,489,795	21,095,786	127,585,581
0	04-4895	YUCAIPA VALLEY CO WATER ANX					
0	04-4896	YUCAIPA VALLEY COUNTY WATER		576,169,579	576,169,579	11,577,925	587,747,504
0	04-4897	YUCAIPA VALLEY CO WTR IMP #1		176,936,326	176,936,326	7,941,779	184,878,105

06/11/2012

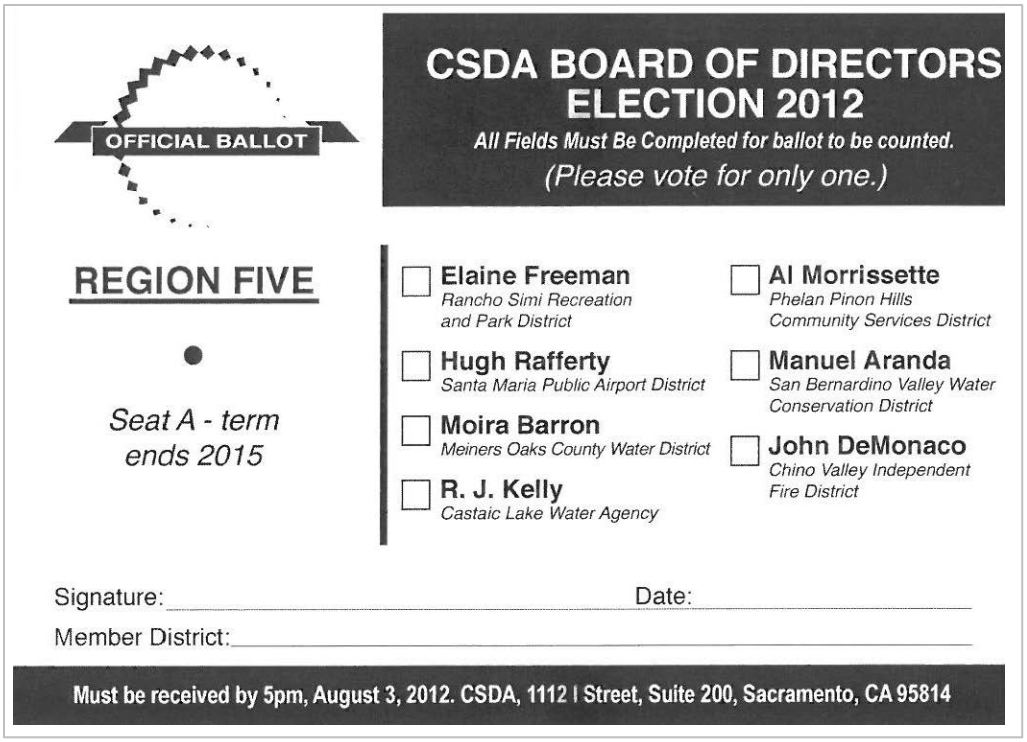
Yucaipa Valley Water District

Workshop Memorandum 12-143

Date: **July 10, 2012**

Subject: **Election for the California Special District Association Board of Directors Region 5 – Seat A**

The District has received a ballot to elect a representative to the California Special District Association Board of Directors Region Five, Seat A. There are seven candidates on the ballot for the 2012 election.



OFFICIAL BALLOT

CSDA BOARD OF DIRECTORS ELECTION 2012

All Fields Must Be Completed for ballot to be counted.

(Please vote for only one.)

REGION FIVE

Seat A - term ends 2015

- ☐ **Elaine Freeman** — *Rancho Simi Recreation and Park District*
- ☐ **Hugh Rafferty** — *Santa Maria Public Airport District*
- ☐ **Moira Barron** — *Meiners Oaks County Water District*
- ☐ **R. J. Kelly** — *Castaic Lake Water Agency*
- ☐ **Al Morrissette** — *Phelan Pinon Hills Community Services District*
- ☐ **Manuel Aranda** — *San Bernardino Valley Water Conservation District*
- ☐ **John DeMonaco** — *Chino Valley Independent Fire District*

Signature: _____ Date: _____

Member District: _____

Must be received by 5pm, August 3, 2012. CSDA, 1112 I Street, Suite 200, Sacramento, CA 95814

At the board meeting on July 18, 2012, the District staff will be requesting that the board vote for one individual for the available seat.

California Special Districts Association
Districts Stronger Together

RECEIVED
JUN 22 2012
YUCAIPA VALLEY WATER DISTRICT

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

2012 BOARD ELECTIONS – REGION 5

MAIL BALLOT INFORMATION

Regarding the CSDA Board election ballot that was recently mailed to you, there is a correction. Moira Barron is representing the **Meiners Oaks County Water District**, not the Ojai Valley Sanitary District as stated on the ballot. Included is an updated ballot. Please, if you have not mailed in your vote quite yet, send in the new ballot with this revision. We apologize for any inconvenience this may cause. Thank you for your understanding. If you have any questions, please feel free to call.

Please utilize the enclosed return envelope to return the completed ballot. Ballots must be received at the CSDA office at 1112 I Street, Suite 200, Sacramento, CA 95814 by **5:00pm on Friday, August 3, 2012.**

If you do not use the enclosed envelope, please mail in your ballot to:
California Special Districts Association
Attn: 2012 Board Elections
1112 I Street, Suite 200
Sacramento, CA 95814

Please contact Charlotte Lowe toll-free at 877.924.CSDA or charlottel@csda.net with any questions.



Dear CSDA Members:

The California Special Districts Association does an incredible job of watching out for all special districts in the State. Their on-going efforts include the offering of educational classes and conferences and the active monitoring of legislative and policy proposals that greatly affect District operations. It is my belief that special districts are the best provider of local services and that is why it would be an honor to serve on the Board of Directors and to assist in promoting the value of special districts and to help continue the great work of the organization. My qualifications include both public and private experience including serving as a Board member on the Rancho Simi Recreation Park District since 2003.

I currently serve as Vice President of the Ventura County Special District's Association ("VCSDA"), as one of the Special District Board Members on the LAFCO Commission, as a member of the California Special District's ("CSDA") Legislative Committee, and as a member of the Santa Monica Mountains Conservancy Advisory Committee. I am also owner of Urban Strategies, a land use and government policy consulting firm, which was recognized as business of the year by the Simi Valley Chamber of Commerce in 2004. I am very proud to have been selected as the 38th Assembly District Woman of the Year for 2002 by State Assemblyman Keith Richman, M.D. and was awarded the Strathearn Lifetime Achievement Award by the Simi Valley Chamber of Commerce. I would very much appreciate the opportunity to serve as a Region 5 Representative on the CSDA Board of Directors and respectfully ask for your vote.

Elaine Freeman
Board Member, Rancho Simi Recreation and Park District

My name is Hugh Rafferty, and I am asking your support in electing me to the Board of Directors of the California Special Districts Association representing Region 5, Seat A.

I serve on the Board of the Santa Maria Public Airport District in Santa Maria, CA. I am the Chairman of the Educational Committee of the Santa Barbara Chapter of CSDA, and serve on both the Educational Committee and the Elections and Bylaws Committee at the State level.

In addition to the above, I currently serve or have served on other boards and committees as follows:

Immediate Past President of the Santa Maria Public Airport District.
Chairman of the Santa Barbara County Taxpayers' Association
Chairman of the Committee to Improve North (Santa Barbara) County
Chairman of Coast Hills Federal Credit Union
Chairman of Leadership Santa Maria Valley, sponsored by the Chamber of Commerce
Chairman of the Allan Hancock Community College District Measure I Bond Oversight Committee
Past Chairman of the Santa Maria Joint Union High School District Measure C Bond Oversight Committee
Member of the Santa Maria Public Airport District Finance Committee
Judge Advocate of Coastal Valleys Detachment 1340, Marine Corps League

I am the recipient of the Phi Delta Kappa Educational Foundation Lay Citizen Award for my work while serving as Chairman of the Santa Maria Joint Union High School District Bond Oversight Committee.

My purpose in running for the CSDA Board is to: first, serve the members of Region 5 by representing their concerns at the State level, and second, work develop programs to bring an increased level of education to members of the Association.

As a retiree, I can devote the time it takes to work with CSDA and other organizations on your behalf.

Thank you for your consideration,

Hugh J. Rafferty
Director, Santa Maria Public Airport District

R.J. Kelly
Castaic Lake Water Agency

Candidate Statement
Region 5

I have served on the Board of Castaic Lake Water Agency for nine years. During that time I served as Vice President for four years and President for two years and currently Chair the Finance Committee.

I have been involved in CSDA through my attendance at the annual conferences and seminars for approximately five years. It was during my Presidency that I was awarded the CSDA President of the Year Award. I also completed the Special District Institute programs with both CSDA and SDI.

Through CLWA's membership in ACWA I was on Region 8 and the Finance Committee held in Sacramento.

My background is finance, accounting and tax planning. I am a hard worker and think outside the box. I know that I can commit the time, energy and knowledge to assist the CSDA Board representing Region 5.

I look for your VOTE and support.

Thank you

RJ Kelly

Al Morrissette
Candidate Statement

The CSDA is viable in representing a variety of California Special Districts under one umbrella and weaving the fabric of our current and future needs into a ripstop government fiber.

I have a 40 year entrepreneurial background in the fields of horticulture, restoration, environment, business consulting and journalism. My community based background began in 1996 as an appointed member of the Pinon Hills Municipal Advisory Council, 2003 to the San Bernardino County Zone-L Water Board and in 2008 elected to the Phelan Pinon Hills Community Service District. I have help write legislation, community programs, and seek capital through the public and private sectors as a Grant Writer and Community Liaison. I serve my District as the Chairman of the Government Affairs, Park and Recreation and a variety of Adhoc Committees.

Currently I represent your interest in CSDA on the Membership Committee, Education Committee and the Adhoc LAFCO Committee.

I seek a seat on the Board of Directors to help maintain the balance of the Board, bring fresh ideas and represent our districts. I feel it is vital to maintain regular communication with your district and give our region a strong voice.

Candidate Statement of Manuel Aranda, Jr.
San Bernardino Valley Water Conservation District (SBVWCD)

The SBVWCD has been a member of California Special Districts Association (CSDA) for over a decade. I have over the years attended CSDA monthly meetings. I have served on ACWA's various committees, including:

- Legal Committee
- Legislative Committee
- Federal Committee
- Groundwater Committee
- Communications Committee (Presently)

I have also served as California's representative for The Western Coalition of Arid States (WESTCAS) for several years. In addition I have over the years on a regular basis presented water issues to local service clubs, churches and schools. I feel that my experience in water permits me to serve on the CSDA Board that would continue to address the concerns of water districts in California.

Dear CSDA Colleagues,

My name is John DeMonaco and I am seeking election to a seat on the Board of Directors of the California Special Districts Association (CSDA), Region 5.

I serve on the Board of Directors of the Chino Valley Independent Fire District. I am very proud to state that the Fire District is the first fire district to receive the District of Distinction accreditation from the Special Districts Leadership Foundation (SDLF). We became a District of Distinction in 2008. I serve on the CSDA Education Committee and the Membership Committee.

I am a retired Fire Chief with 33 years of Fire Service experience. I have been involved in city, county, JPAs and special districts in various capacities. My commitment to public service and local government is demonstrated by my extensive experience in the public sector. I served as Fire Chief for the Cities of San Marino and Westminster and as a Chief Fire Officer with the Orange County Fire Authority before retiring. I also worked for the cities of California City, Placentia, and Hawthorne. My education has been devoted to the public sector as well. I have a Bachelor of Arts degree in Public Management and I am a graduate of the National Fire Academy as an Executive Fire Officer.

I understand, and I am committed to legislative advocacy for special districts. I recognize the importance of working together to represent the common interest of all California special districts and the residents that we serve. Special districts provide one of the most effective, efficient, and accountable forms of local service. It is vital that we continue to work together to influence and monitor policy decisions affecting California special districts.

We are facing another challenging year. The state budget is almost as bad as ever.. Unfortunately it does not appear that there is a cheerful outlook for the budget anytime in the near future. Another thing that affects us is the abundance of new legislation that is already in process and the legislation that is proposed, both known and unknown. Historically, the state has looked at local government to rescue them from their past bad decisions. I believe the state will continue to do so. I also believe that the state believes that Special Districts are a prime target. I am committed to work as hard as I can to keep our districts intact.

My commitment and extensive experience, education in public service and as a special district board member & policy-maker, provides me with the ability to effectively serve as a CSDA Board Member representing all California special districts. I look forward to your support!

If you would like to speak with me, I can be reached at (909) 816-8396 or by email at johndemonaco@verizon.net

Thank you for your consideration.

John DeMonaco

Yucaipa Valley Water District

Workshop Memorandum 12-144

Date: **July 10, 2012**

Subject: **Design of Sewer Mainline Facilities in Western Yucaipa**

On July 18, 2012, the Board of Directors will be considering a development agreement for a commercial project located on 15th Street and Yucaipa Boulevard. To meet the District's obligations pursuant to the development agreement, a sewer mainline extension will be required. The District staff has requested the attached proposal from Krieger & Stewart to update existing sewer mainline designs in the area.

KRIEGER & STEWART
INCORPORATED

ENGINEERING CONSULTANTS
WATER AND WASTEWATER SPECIALISTS

CIVIL ENGINEERING
ENVIRONMENTAL ENGINEERING
FORENSIC ENGINEERING
PUBLIC FINANCE ENGINEERING
WATER RESOURCES ENGINEERING
ENGINEERING APPRAISALS
ENVIRONMENTAL ANALYSES
SPECIAL INVESTIGATIONS
CONTRACT ADMINISTRATION
CONSTRUCTION MANAGEMENT
CONSTRUCTION INSPECTION
CONSTRUCTION SURVEYING
LAND SURVEYING

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ENGINEERING SERVICES PROPOSAL FOR THE WESTERN INTERCEPTOR SEWER (AVENUE E, 15TH STREET, KENTUCKY STREET, AND 14TH STREET)

MAY 29, 2012

Prepared by

KRIEGER & STEWART, INCORPORATED
Riverside, California

PMW/blt
000-63.34
(000-63P34-PRO-B)

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SECTION I
PROJECT UNDERSTANDING

A. INTRODUCTION

The Yucaipa Valley Water District (District) has requested a proposal to prepare construction drawings for installation of the 15" and 18" Western Interceptor Sewer in Avenue E, 15th Street, Kentucky Street, and 14th Street. The proposed sewer will complete 90% of the Western Interceptor project and will allow the District to decommission the 16th Street Lift Station.

B. ESSENTIAL CONSIDERATIONS

In order for a sewer project to be successful (i.e. constructed on time and within budget with minimal conflicts and interruptions to the District), a number of items must be considered and addressed during design of the project. Based on our design, contract administration, and inspection experience, we consider the following items to be the most essential.

1. Avoiding Existing Utilities

From our experience, we have learned that most problems that arise during construction of sewers are due to utility interferences. To minimize these interferences, Krieger & Stewart uses the following systemic approach to identify and locate existing utilities:

a. Krieger & Stewart utilizes Underground Service Alert's online database to obtain a list of all utilities and agencies that have facilities in the project area. Thereafter, Krieger & Stewart submits letters to each identified utility or agency requesting copies of their atlas sheets and construction drawings for all existing facilities. We also request information on any proposed facilities.

b. Krieger & Stewart maintains a checklist to ensure each utility or agency either advises that they have no facilities in the project area or that each utility or agency provides copies of their facility drawings.

c. During the design survey, Krieger & Stewart pre-marks (with white paint) all manholes, valves, water services, fire hydrants, vaults, and other visible facilities to simplify the photo identification of same and to provide a more accurate representation of the location of utilities.

d. During preparation of base construction drawings, Krieger & Stewart plots utilities based on a combination of drawings received from the utilities or agencies and the pre-marked facilities.

e. Once the preliminary base construction drawings are completed, Krieger & Stewart field reviews the sewer alignment to ensure the construction drawings reflect actual field conditions. Thereafter, Krieger & Stewart revises the construction drawings based on the results of the field review.

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f. Krieger & Stewart submits preliminary construction drawings to all of the utilities and agencies that have facilities in the project area. For each utility, their facilities are highlighted on the drawings and they are requested to review the drawings and advise Krieger & Stewart if their facilities are correctly shown. If they are not shown correctly, the utilities are requested to show any revisions on the drawings and return them to Krieger & Stewart.

g. Once the sewer alignment is selected, Krieger & Stewart potholes all interfering utilities. It is Krieger & Stewart's policy to be present during all field potholing to measure both the top and the bottom of utilities. We measure the utilities in two manners; first with survey level equipment, and second with a tape measure (distance from finished paving). We then cross-check our measurements against those submitted by the subconsulting firm retained to perform the physical potholing to identify any discrepancies.

For this project, we have estimated that five (5) potholes will be required.

2. Designing Connections to Existing System

Connections to existing facilities require special attention to ensure that the existing facilities remain in service until the new sewer is completed and that the new sewer is tested and video-inspected prior to connecting to the existing system. This will be accomplished by providing detailed construction notes which include construction sequence, testing procedures, connection procedures, and abandonment procedures (if necessary).

Connections to existing facilities will be shown on the construction drawings in sufficient detail to clearly define the work to be performed. They will include temporary plugging requirements.

3. Expediting Permitting

A permit will be required from the City of Yucaipa. In addition, an underground classification may be required from the Division of Occupational Safety and Health, Mining and Tunneling Unit for any casings to be bored and jacked.

In order to incorporate the requirements of the jurisdictional agencies in the Contract Documents, we will meet with representatives of the City early in the project design, submit preliminary construction drawings as early as possible, and respond to all of their comments immediately.

4. Completing the Project on Schedule

There are several steps we will take to expedite the design of the project.

a. As stated above, we will request utility records from all of the affected utilities. Since it typically takes three to six weeks to receive the utility information, we will request those records immediately.

b. We utilize our own survey and field marking crews; therefore, we can schedule them to perform their work immediately. We will utilize two crews; one to perform the field

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survey and the other to immediately set targets and paint utilities so that the project can be flown as soon as possible by the aerial photogrammetry firm. While the aerial firm is processing the flight information and preparing base topographic sheets, we will establish existing right-of-way and organize all of the utility information so we can prepare the base construction drawings as soon as we receive the aerial photogrammetry.

c. The design engineer will be in the field during potholing and will make profile and alignment changes immediately as required. If interferences are encountered that require minor alignment changes, we will direct our potholing subcontractor to expose utilities crossing the revised alignment. This will eliminate having to reschedule the pothole crew and re-establish traffic control.

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SECTION II
SCOPE OF SERVICES

We have organized our scope of services into the following components:

1. Records Search
2. Design Survey
3. Base Construction Drawings
4. Utility Review
5. Geotechnical Investigation
6. Submit Preliminary Construction Drawings to Public Agencies
7. Preliminary Contract Documents (90%)
8. Review Meeting (90%) with District Staff
9. Submit Final Construction Drawings to Public Agencies
10. Final Contract Documents (100%)
11. Utility Verification (Potholing, If Required)

The order of our scope of services is the general order in which the various components will be performed. However, many of the items will be performed simultaneously as shown on our proposed schedule (see **Section III**). Engineering services for the above components are discussed in the following subsections:

1. Records Search

Our records search will consist of obtaining copies of all assessor's maps, records of survey, tract maps, parcel maps, right-of-way maps, and utility information which pertain to the project. Right-of-way information will be obtained from the City of Yucaipa. Utility information will include atlas sheets from the District, Southern California Gas Company, Southern California Edison Company, Verizon, AT&T, cable television companies, and any other affected utility or agency.

We will attend conferences with City of Yucaipa staff. Said conferences will focus on right-of-way, permit, existing improvements, proposed improvements, and master planned facilities.

2. Design Survey

We will perform a centerline survey along the route, which will consist of locating existing survey monuments and providing aerial targets to provide one foot contours for mapping purposes. We will perform target identification using a systematic point numbering system. In addition, we will paint all water valves, water services, fire hydrants, utility vaults, utility markings, and other visible facilities to simplify photo identification of their locations. We will use aerial photogrammetry to prepare the base construction drawings.

The survey data will be referenced to the California State Plane Coordinate System, Zone VI, and we will tie all found or set monuments to said coordinate basis. We will establish the elevation of each target using differential leveling procedures to ensure vertical closure and we will tie all vertical control to existing benchmarks.

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3. Base Construction Drawings

Inland Aerial Surveys will provide us with aerial topographic data in digital AutoCAD format. We will then prepare the base construction drawings on 24" x 36" mylar sheets with standard District title block. The drawings will be prepared at a horizontal scale of 1" = 40' and a vertical scale of 1" = 4' and will be capable of being reduced 50% without loss of clarity.

We will add the required signature blocks, location and size of utilities (including water, sewer, storm drains, electrical, telephone, and cable television), location of improvements (including pavement limits, curbs, gutters, sidewalks, driveways, fences, landscaping, power poles, and mail boxes), easements (including temporary construction easements), property lines, public and private rights-of-way, street centerlines, and survey data in order to complete the base construction drawings. The base construction drawings will be prepared using the District's standards for symbols, line types, line styles, line size, and layer assignments. After we complete the base construction drawings, our project engineer will field review the construction alignment to ensure that all existing improvements and conditions are correctly represented. In addition, we will determine which sewers should be video inspected to locate existing sewer laterals.

When the base construction drawings are complete, a Krieger & Stewart design review committee will review project components and conditions and provide comments regarding design criteria and critical design factors. Said committee will be composed of registered engineers who have expertise pertinent to project details.

4. Utility Review

Once the base construction drawings are completed, we will submit a copy of same to all utilities requesting that they review the drawings to ensure that their facilities are correctly shown. The submittal will include a form to be returned to Krieger & Stewart indicating that the construction drawings are correct. If the construction drawings are incorrect, then the utility representative is requested to show the corrections on the drawings and return them to Krieger & Stewart.

5. Geotechnical Investigation

The Geotechnical Consultant will be retained separately by the District.

6. Submit Preliminary Construction Drawings to Public Agencies

a. <u>City of Yucaipa</u>

As soon as the alignment within the City of Yucaipa is approved by District staff, we will submit said drawings to the City for their review and comments. Our main concern will be to obtain their approval of the sewer alignment, backfill requirements, compaction requirements, working hours, traffic control requirements, pavement (base and overlay) replacement requirements, and to obtain the encroachment permits on behalf of the District. In addition, we will coordinate the District's project with any proposed City of Yucaipa projects.

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b. Division of Occupational Safety and Health, Mining & Tunneling Unit (If Required)

As soon as construction drawings are completed for any casing installations, we will submit said drawing to the Division of Occupational Safety and Health, Mining & Tunneling Unit for their determination of the underground classification related to the casings.

c. California Department of Public Health

Even though we will not send construction drawings to CDPH, we will review separation requirements from existing water pipelines and confirm compliance with CDPH requirements.

7. Preliminary Contracts Documents (90%)

Based on comments received from District staff during review meetings and the results of the utility verification, we will prepare the preliminary contract documents. We anticipate the sewer construction drawings will consist of eight sheets (one cover sheet, four plan and profile sheets, one detail sheet, and two traffic control plans). The following information will be included on the construction drawings:

a. Cover Sheet

The cover sheet will include project title, vicinity map, location map, signature lines, general notes, and an index to sheets.

b. Plan and Profile Sheets

The plan and profile sheets will consist of four sheets. The plan portion of the sewer drawings will show all existing and future improvements and utilities (all based on survey data, record maps, and field reviews), centerline control, topographic data, proposed sewer locations, and sewer appurtenances (manholes and laterals). The profile portion of the drawings will show existing and proposed ground surface or pavement elevations over the centerline of the proposed sewer, sewer flowline elevations, slopes, utility crossings, and sewer appurtenances.

c. Detail Sheet

The detail sheet will address connections to the existing system.

d. Traffic Control Plans

Traffic control plans for construction within public rights-of-way will consist of two sheets. The traffic control plans will show construction sequence, traffic lanes, required traffic signs, number and spacing of delineators, and flagmen (if required). Traffic control plans will meet City of Yucaipa standards.

The specifications will be prepared by Krieger & Stewart in District's standard format. Krieger & Stewart will prepare bid sheets and special conditions. The bid sheets will include bid items for mobilization, trench protection, traffic control, sewer, boring and jacking casing(s) (if required), manholes, laterals, connections, and pavement replacement. The special conditions will address survey monuments (preservation, removal, and replacement), permits, traffic control, utilities, storage of materials and equipment, notifications to residents, sewer materials, construction tolerances, excavation,

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bedding, backfill, trench compaction, traffic striping (temporary and permanent), subgrade preparation, placement of base materials, asphalt concrete pavement requirements, adjustment of facilities to grade, construction sequence, boring and jacking, and connections.

8. Review Meeting (90%) with District Staff

After the construction drawings and specifications are 90% complete, we will arrange the 90% review meeting with District staff. One week prior to the 90% review meeting, we will submit three sets of preliminary construction drawings and specifications for District staff review.

The 90% review meeting will be used to review the sewer alignment, profile, connections to existing system, and draft specifications.

9. Submit Final Construction Drawings to Public Agencies

As soon as we receive comments from the City of Yucaipa regarding the construction drawings submitted, we will review same with District staff. We will revise the construction drawings if necessary, resubmit signed drawings to obtain final approval, and obtain the District's encroachment permits. In addition, we will prepare the traffic control plans and obtain the City's approval of same.

10. Final Contract Documents (100%)

Based upon comments received from District staff during the 90% review meeting, we will prepare the 100% construction drawings and specifications and will prepare a detailed construction cost estimate. Once the final construction drawings and specifications are complete, we will provide the District with the original signed and stamped mylars and a set of signed and stamped specifications. In addition, we will provide electronic files of the final cost estimate, construction drawings, and specifications.

11. Utility Verification (Potholing, If Required)

Once the alignment for the proposed sewer is reviewed and approved by District staff, we will provide a recommendation of utilities to be excavated and exposed.

If required, Krieger & Stewart will request that Underground Service Alert (USA), as well as any utilities that are not members of USA, locate and mark facilities along the proposed alignment. We will arrange and conduct a field meeting with all of the affected utilities, and will field review the utilities to be located and marked. One of our surveyors will mark the location of the excavations and determine the dimensions and horizontal and vertical locations of each facility as it is excavated and exposed.

We will arrange with SAF-r-DIG Utility Surveys, Inc. to excavate and expose said utilities. For our proposal, we have assumed five (5) potholes will be required.

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SECTION III
PROPOSED SCHEDULE AND ESTIMATED FEE

A. ESTIMATED FEE

Our estimated fee for providing the engineering services as set forth in our Scope of Services is summarized as follows:

Preparation of Construction Drawings and Specifications	$48,235
Utility Verification (Potholing)	$5,685
Total:	**$53,920**
Total Rounded:	**$53,900**

A tabulation of our fee estimate by element of service is shown on **Table III-1** attached. We have also attached a copy of our 2011 fee schedule in **Appendix "A"**. Our Scope of Services is subject to negotiation at the District's discretion.

Our proposal is based on the following:

1. CEQA documentation and permits (initial study, negative declaration, etc.) will be prepared separately.

2. Geotechnical report will be prepared separately by District's geotechnical consultant.

3. The District will pay for all permits; however we will provide any required construction drawings for said permits.

4. A maximum of 5 utilities will be potholed for utility verification.

B. SCHEDULE

Our proposed project schedule for design services (organized by elements of service) and for construction of the project is set forth in **Table III-2** attached. Assuming we receive Notice to Proceed by June 11, 2012, the Contract Documents should be completed by August 18, 2012 (68 calendar days).

TABLE III-1
YUCAIPA VALLEY WATER DISTRICT
WESTERN INTERCEPTOR SEWER
ESTIMATED FEES FOR ENGINEERING SERVICES

COMPONENT	PRINCIPAL IN CHARGE [1] HOURS	PRINCIPAL IN CHARGE [1] $	PROJECT ENGINEER [2] HOURS	PROJECT ENGINEER [2] $	CADD SERVICES [3] HOURS	CADD SERVICES [3] $	CLERICAL [4] HOURS	CLERICAL [4] $	2-MAN SURVEY CREW [5] HOURS	2-MAN SURVEY CREW [5] $	OUTSIDE SERVICES $	TOTAL $
1. RECORDS SEARCH			4	652			8	648				1,300
2. DESIGN SURVEY			24	3,912					18	4,770	3,000 [6]	11,682
3. BASE CONSTRUCTION DRAWINGS			8	1,304	32	3,552						4,856
4. UTILITY REVIEW			4	652	4	444	4	324				1,420
5. GEOTECHNICAL INVESTIGATION	PROVIDED BY DISTRICT											
6. SUBMIT PRELIMINARY CONSTRUCTION DRAWINGS TO PUBLIC AGENCIES (INCL TRAFFIC CONTROL PLANS)			16	2,608	24	2,664	4	324				5,596
7. PRELIMINARY CONTRACT DOCUMENTS (90%)	8	1,384	24	3,912	32	3,552	32	2,592				11,440
8. REVIEW MEETING (90%) WITH DISTRICT STAFF	2	346										346
9. SUBMIT FINAL CONSTRUCTION DRAWINGS TO PUBLIC AGENCIES			2	326	4	444	4	324				1,094
10. FINAL CONTRACT DOCUMENTS (100%)	16	2,768	16	2,608	16	1,776	24	1,944				9,096
SUBTOTAL:	26	4,498	98	15,974	112	12,432	76	6,156	18	4,770	3,000	46,830
REIMBURSABLES @ 3%:												1,405
TOTAL**:												$ 48,235
11. UTILITY VERIFICATION (POTHOLING) *			10	1,630	5	555					3,500 [7]	5,685
TOTAL WITH UTILITY POTHOLES:												53,920
TOTAL ROUNDED:												**$ 53,900**

[1] PRINCIPAL IN CHARGE @ $173 /HR
[2] PROJECT ENGINEER @ $163 /HR
[3] CADD SERVICES @ $111 /HR
[4] CLERICAL @ $81 /HR
[5] 2-MAN SURVEY CREW @ $265 /HR

[6] INLAND AERIAL SURVEYS
[7] SAF-R-DIG UTILITY SURVEYS, INC.

* ASSUMES 5 POTHOLES REQUIRED
** EXCLUDING UTILITY POTHOLING

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APPENDIX "A"

FEE SCHEDULE

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FEE SCHEDULE
2011

CLASSIFICATION	RATES $/Hr.
Consulting, Design, Construction, Engineering, Environmental, Geologic, and Surveying Services (Office)	
Consultant	245.00
Principal III	224.00
Principal II	204.00
Principal I	184.00
Senior III	173.00
Senior II	163.00
Senior I	153.00
Associate III	148.00
Associate II	143.00
Associate I	138.00
Staff III	133.00
Staff II	117.00
Staff I	102.00
Technician III	87.00
Technician II	82.00
Technician I	77.00
Forensic Services	
Principal Expert:	
Testimony, Deposition, and Trial	350.00
Investigation and Preparation	250.00
Associate Expert:	
Testimony, Deposition, and Trial	325.00
Investigation and Preparation	225.00
Computer Aided Design Services	
Senior Operator III	117.00
Senior Operator II	111.00
Senior Operator I	105.00
Staff Operator III	100.00
Staff Operator II	91.00
Staff Operator I	86.00
Surveying Services (Field)	
2 Man Crew with Standard Equipment and Survey Truck	265.00
1 Man Crew with Standard Equipment and Survey Truck	230.00
3rd Man on Crew	117.00
Construction Services (Field)	
Engineer	133.00
Inspector	
Regular Time	102.00
Overtime	
Weekdays (8 hours to 12 hours)	123.00
Weekdays (More than 12 hours)	150.00
Saturday (12 hours or less)	123.00
Saturday (More than 12 hours)	150.00
Sunday and Holiday (Holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day and the Day After, Christmas Day)	150.00

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FEE SCHEDULE
2011
(continued)

CLASSIFICATION	RATES $/Hr.
Support Services	
Senior Secretary II	81.00
Senior Secretary I	77.00
Staff Secretary II	71.00
Staff Secretary I	63.00
Utility Clerk II	59.00
Utility Clerk I	56.00
Outside Services	
Special Consultants and Purchased Services	Cost + 15%
Reimbursable Expenses	
Vehicle Mileage	0.72 $/Mile
Travel and Subsistence, including Air Fare, Ground Fare, and Vehicle Parking	Cost
Specialized Rental Equipment	Cost
Copies, Delivery, Postage, Prints, Telephone, and Sundry Charges	Cost

The above rates are subject to change on or about January 1 each year due to salary and cost increases, except for Construction Inspector and Survey Crew rates which are also subject to change if California Department of Industrial Relations issues new prevailing wage determinations during the course of the year. A gasoline surcharge may be included in response to increased prices; no such surcharge will be included on project invoices without prior notification.

TERMS OF PAYMENT:

Unless charge accommodations have been established beforehand, all accounts shall be prepaid. For accounts having charge accommodations, payment in full shall be made within 30 days of date of invoice. Any amount unpaid within said 30 days will be assessed a service charge of 1-1/2% per month (18% annual percentage rate), with a minimum charge of $1.00. Accounts with a past due balance of 30 days or more are subject, without notice, to credit discontinuance and mechanic's lien or stop notice. If it becomes necessary for Krieger & Stewart to initiate legal proceedings for the collection of any balance due, the action shall be brought and tried in the Judicial Districts wherein Krieger & Stewart offices are located. Client agrees that the court may award reasonable attorney's fees and costs of suit to the prevailing party.

2011-FEES (2/1/2011)