

ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT

FINANCIAL MANAGEMENT PLAN (Adopted as Amended January, 2018)

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I. Introduction and Purpose

Since 2010, the Rosedale-Rio Bravo Water Storage District (Rosedale or District) Board of Directors (Board), in consultation with staff, has identified a number of capital improvement projects and land acquisitions (collectively “CIP’s”) that are designed to increase the recharge and recovery capacity of Rosedale as well as the water supplies available to landowners within Rosedale. The CIPs were to be accomplished, in part, through the expansion and improvements of existing facilities, acquisition of additional properties, and the construction of facilities to capture, store and recover water on some of the newly acquired properties. The intent of these projects was to augment Rosedale’s existing water supplies by increasing Rosedale’s ability to capture and store high-flow water supplies, when available, and to develop water management programs designed to generate water supply benefits to Rosedale.

Upon reviewing the costs associated with the CIP’s, staff conducted a thorough analysis of Rosedale’s sources of revenue and financial obligations to evaluate the fiscal impacts of the proposed projects. The financial analysis prepared by staff indicated that funding of the projects was best accomplished through securing long-term financing. Revenues to cover the costs of the projects’ financing were principally pledged from water management programs. Generally speaking, such revenues have been sufficient to cover the costs of the CIP’s while also maintaining relatively low assessment levels for Rosedale landowners.

In 2014, California enacted legislation known as the Sustainable Groundwater Management Act (SGMA), which provides a framework for sustainable management of groundwater supplies by local authorities like Rosedale. The act requires the formation of local groundwater sustainability agencies (GSAs) that must assess conditions in their local groundwater basins and adopt locally-based management plans. The act requires GSAs to implement plans and achieve long-term groundwater sustainability within approximately 20 years. Rosedale anticipates that its District Project (described below) in the future will include additional water management programs, such as the acquisition of additional water supplies and/or the implementation of demand management measures, in order to implement sustainable groundwater management within the District boundaries.

Rosedale is also a Member Unit of the Kern County Water Agency (Agency) and receives water from the California State Water Project (SWP) pursuant to a contract with the Agency (under which the Agency passes through a portion of its SWP contract costs to Rosedale). The annual cost of the SWP contract has increased significantly over the years and this trend is expected to continue. At the same time, the reliability and supply available from the SWP have diminished due to environmental and regulatory restrictions in the Delta and (more recently) drought conditions throughout California. The California Department of Water Resources (DWR) is currently proposing the “California Water Fix” project, which is designed to stabilize the reliability of SWP supplies in the future over those that would be available under the current SWP. Based on all information available regarding the “California WaterFix” Project at this time, it appears that Rosedale will incur significant cost increases in its SWP bill in the future through participation in the “California Water Fix” project.

With a large portion of existing water management program revenues pledged to the CIP’s, Rosedale has conducted a series of Special Board Meetings to review and discuss projected water supplies through 2040, the planning horizon of the GSP, as well as projected District revenues and expenses. These water supply and expense projections have highlighted the need to augment District revenues through an increase in the current assessment rates and the implementation of a District water charge. However, Rosedale must conduct an election pursuant to Proposition 218 prior to increasing its assessments. A complete discussion of the District’s need for an adjustment to the assessment level and the proposed water charge can be found in the *2018 Engineer’s Report in Support of Proposed Assessment Increase and Implementation of a Water Charge*, which is being prepared by GEI Consultants and will be maintained at the District’s office.

While Rosedale has demonstrated an ability to provide a balanced water supply since 1995, projected reductions in the reliability of the State Water Project (SWP), recent historical drought conditions, increasing costs of the SWP, including the California Water Fix, and increased competition for scarce water resources, has prompted Rosedale to re-evaluate its methods of generating revenues from sources outside of its water management programs. These evaluations have led the Board to the conclusion that Rosedale must increase the maximum assessment levels and implement a volumetric water charge on certain groundwater pumping.

The purpose of this Financial Management Plan is to detail the historical operations and financing of the Rosedale Project, and to describe the principles and practices to be followed in administering Rosedale's financial resources. It also establishes a certain reserve fund and its target level and addresses the setting of rates and charges to ensure financial obligations are met and operational goals and objectives are maintained.

II. The Rosedale Project

A. Original Project

Rosedale is an independent special district, organized on August 27, 1958, under the provisions of the California Water Storage District Law (Division 14 of the Water Code of the State of California) (the "Act"). Rosedale encompasses approximately 44,000 acres and is comprised of both lands used for agricultural development, predominantly the western portion of Rosedale, as well as lands developed for urban uses, predominantly along the eastern edge of Rosedale. Formation of Rosedale was approved by the majority of landowners pursuant to an election held May 5, 1959. The results of the election were certified by the Department of Water Resources of the State of California.

Rosedale was formed by landowners for the purpose of construction and operation of a groundwater recharge project. Historically, surface water from the Kern River overflowed into the Goose Lake Slough channel, which traverses Rosedale, on average of once every three years. Landowners were aware that these Kern River flows had a beneficial effect on water levels because of the increase in water levels after such events.

In order to convey, capture and recharge Kern River waters, Rosedale acquired lands and constructed several recharge basins adjacent to the Goose Lake Slough. Construction of the first phase of the Rosedale Project was completed in 1962 and primarily consisted of water conveyance and recharge facilities. Since that time, Rosedale has acquired additional interests in lands adjacent to the Goose Lake Slough and the Cross Valley Canal in order to increase its ability to convey, capture and recharge Kern River (and other) water supplies.

B. Kern River

Subsequent to the formation of the District, a water supply contract was negotiated and entered into with the owners of interests in the waters of the Kern River under an agreement dated August 31, 1961 ("Kern River Agreement"). Today this owner of interest is the City of

Bakersfield. Under the Kern River Agreement, Rosedale owns contractual rights to 10,000 acre-feet annually, provided that the water is used on property within Rosedale. The term of the Kern River Agreement is in perpetuity, until both parties agree to terminate. The yield of the right varies with hydrology on the Kern River, with more water available to Rosedale in wetter years.

The other major contractual source of Kern River water available to Rosedale is water purchased from the City of Bakersfield (the “City”). Rosedale entered into a contract with the City on June 6, 1976 (“City Contract”), whereby the City has agreed to sell up to one-third of its Miscellaneous Quantity Water (basically comprised of surplus Kern River water not needed by the City to satisfy its other obligations) under certain terms.

C. State Water Project

On May 5, 1966, Rosedale entered into a water supply contract with the Kern County Water Agency for 35,000 acre-feet of water from the State Water Project (SWP). Of the 35,000 acre-feet of water, 29,900 is considered “Firm” and the remaining 5,100 acre-feet is considered “surplus”. The amount and reliability of water delivered to Rosedale from the SWP has diminished due to environmental and regulatory restrictions on pumping water from the Sacramento-San Joaquin Delta “Delta” and, more recently, drought conditions throughout California. As a result, this water supply has been reduced to a long-term average of approximately 62% of the contracted amount. In light of these restrictions, and the resulting inability of the SWR to reliably deliver full contract amounts, DWR is currently proposing the “California Water Fix” project, which is designed to stabilize the reliability of SWP supplies in the future over those that would be available under the current SWP.

To have a means for transporting SWP water to Rosedale from the California Aqueduct, Rosedale participated in the construction of the 21-mile long Cross Valley Canal (CVC). Upon reaching Rosedale, the water supplies were to be delivered directly to recharge areas for direct replenishment of the underlying groundwater aquifer or to landowners within Rosedale who had access to turnouts on the Goose Lake Slough or other District conveyance facilities for direct delivery. Direct delivery to landowners results in less water being pumped and is credited as “in-lieu” recharge.

D. Water Management Programs

Recognizing the increasing cost of water and the potential impacts to water supply reliability resulting from both environmental and regulatory restrictions in the Delta, Rosedale has sought to implement a plan designed to ensure a reliable and cost-effective water supply into the future. To accomplish this, Rosedale has acquired and developed additional water recharge facilities and other lands. Additionally, Rosedale has developed and entered into a number of water management agreements with other water districts, both within and outside of the County. These agreements are designed to either increase its available water supplies, or to generate revenues to subsidize the cost of water to Rosedale landowners. Capitalizing on its strategic location and favorable aquifer characteristics, Rosedale has developed a number of water banking programs whereby other water districts bring water in wet years and “bank” it in Rosedale for a future return. The customary benefit of these banking programs is that for every two acre-feet of water delivered to Rosedale, only one is obligated to be returned. This 2:1 ratio allows Rosedale to augment its water supplies and mitigate fluctuations or reductions in its supplies. Examples of various Rosedale water management programs are as follows:

- **Kern-Tulare Agreement.** Rosedale entered into its first 2:1 banking program agreement with the Kern-Tulare Water District (“Kern-Tulare”) in 2001 for a term of 30 years. Kern-Tulare holds a federal water supply contract through the Central Valley Project (“CVP”) and has access to high-flow water supplies from the Friant Kern Canal. This partnership allows Rosedale to gain access, through the banking arrangement, to the CVP water supplies. Kern-Tulare has delivered over 165,000 acre-feet to Rosedale under this agreement, which has generated over 73,000 acre-feet of water supply benefits.
- **Castaic Lake Water Agency Agreement.** Rosedale and Castaic Lake Water Agency (“Castaic”) entered into a water banking agreement in 2005 whereby Castaic has the right to recharge and recover its SWP supplies within Rosedale, subject to capacity being available. This banking agreement provides for a 1:1 return, adjusted for certain evaporation and other losses, and has a term of 30 years. While this agreement does not provide for an additional water supply benefit beyond specified losses, Castaic deposited \$6.0 million with Rosedale for

storage capacity and the right to bank water. Castaic is responsible for all costs associated with the operation of this banking agreement.

- **Delano-Earlimart Agreement.** Rosedale has developed and entered into 30-year agreement with Delano-Earlimart Irrigation District (“DEID”), the largest CVP contractor in the Bureau’s Friant Kern Division. The agreement with DEID allows DEID to bank its CVP supplies in Rosedale. Rosedale, upon a request by DEID, will return one-half of the water to DEID (i.e., a 2:1 basis). DEID is required to pay the recovery costs and Rosedale is obligated to pay the costs to move water through the Cross Valley Canal (currently approximately \$6 an acre-foot). This program is anticipated to generate significant water supply benefits over its term. To date DEID has delivered over 103,000 acre-feet to Rosedale under this agreement, which has generated over 46,000 acre-feet of water supply benefits.
- **Arvin-Edison Agreement.** To expand upon its prior year-to-year banking agreements with Arvin-Edison Water Storage District (“Arvin”), Rosedale developed and entered into a 30-year agreement with Arvin in 2009, under terms identical to those of its agreement with DEID. Rosedale and Arvin have an historic relationship with water banking activities going back to the early 1990’s. Since 2004, Arvin has delivered over 169,000 acre-feet to Rosedale under this agreement, which has generated over 70,000 acre-feet of water supply benefits.
- **Short-Term Exchange Agreements.** The 2016-2017 water year was an historically wet year, producing numerous water supplies in amounts not generally available. Rosedale was able to take advantage of recent improvements and acquisitions (including those within the CIPs) to enter into short-term banking arrangements with various entities. These short-term arrangements included various “exchange rates” (e.g., 2:1, 5:2, and 4:1) all generating water supplies for Rosedale.
- **Onyx Ranch Project.** In 2013 Rosedale acquired approximately 3,600 acres within the South Fork of the Kern River Valley. A portion of these lands, approximately 1,650 acres, have pre-1914 water rights. Rosedale anticipates,

subject to compliance with the California Environmental Quality Act (CEQA) and execution of any necessary approvals and/or agreements to store and/or transport the water, that the Onyx Ranch Project may yield between 7,000 and 10,000 acre-feet per year.

- **McAllister (now “James”) Ranch Project.** In 2011 Rosedale and Buena Vista Water Storage District acquired approximately 2,000 acres west of the City of Bakersfield that has commonly been referred to as the “McAllister Ranch.” In 2015, the seller of the property exercised an option to purchase approximately 600 acres of the property (which was subsequent acquired by Buena Vista), leaving approximately 1,400 acres of the McAllister Ranch property in joint ownership with Rosedale and Buena Vista. Rosedale anticipates developing a portion of the property to a long-term recharge and recovery project for the benefit of Rosedale landowners.
- **Strand Ranch / Stockdale Integrated Banking.** Rosedale and Irvine Ranch Water District (Irvine) have entered into a water management program whereby lands owned by Rosedale and lands owned by Irvine are jointly operated by Rosedale for water recharge and recovery purposes. First priority use of the recharge and recovery capacities developed on the properties is dedicated to the respective fee owner with second priority rights available to the other party. Rosedale also has the right to recharge on the entirety of the property during certain periods of high flows.

III. Rosedale’s Revenue Structure – Historical

In order to pay for the capital and ongoing operational costs of Rosedale, a number of financing mechanisms have been established and utilized. The following represent the past and present financing mechanisms available to Rosedale.

A. Rosedale Project Financing – Bonds & Loans

To finance the costs of the construction of the Original Project, including engineering and other related costs, the lands in the district were assessed at \$64.6124 per acre, but only 7.43% of the original per-acre assessment was required to be paid in the fiscal year ended June 30, 1969. Certain landowners paid the full assessment at that time. This additional payment of 92.57% by

the remaining landowners amounted to a total of \$57,969.44. Long-term financing was obtained to complete the financing of the project. Only those landowners not paying the full \$64.6124 per acre were assessed the annual per acre charge for debt service.

On May 14, 1974, the district issued the Rosedale-Rio Bravo Water Storage District 1974 Bonds, Series “A” in the principle amount of \$1,880,000 (“Rosedale Bond”). Maturity dates of these bonds ranged from May 1, 1977 to May 1, 2006, with interest rates of 7% on maturities through May 1, 1988, and 6.6% on subsequent maturities. The Series “A” bonds were retired in 2006.

Rosedale also contracted with the Department of Water Resources (DWR) of the State of California for a 4.374% construction loan in the amount of \$550,000 and these proceeds were received and deposited by the district on July 3, 1974. No interest payments or any principal payments were due for five years. Principal, interest and the differed interest for five years (which totaled \$120,285) was to be repaid in 71 equal semi-annual installments of \$16,700. The DWR Loan was retired on schedule.

B. Rosedale Assessments & Charges - Historically

Rosedale has historically collected (and currently collects) amounts needed to pay debt service and its annual operations and maintenance costs through revenue from annual assessments and charges levied on property owners. Rosedale has historically levied three different charges, the Administrative Service Charge (“Administrative Charge”), the Water Toll Charge (“Water Toll”) and the Debt Service Charge (“Debt Charge”).

1. Administrative Charge

The Administrative Charge has been levied on all lands in the District. The Administrative Charge is used to make payments for administrative costs associated with operations, maintenance and replacement of facilities, such as office expenses, salaries and wages, consultant fees, insurance etc. The current Administrative Charge is \$5.50 per acre.

2. Water Toll

The Water Toll is collected from all lands within Rosedale which have utilized groundwater. For purposes of collecting the Water Toll, there are three distinct zones, which were established based upon the assessed properties’ proximity to the Goose Lake Slough (the District’s primary water conveyance facility). Assessed properties within 1 mile of the Goose

Lake Slough fell into Zone 1; assessed lands falling beyond 1 mile but within 2 miles of the Goose Lake Slough fell into Zone 2; and lands falling greater than 2 miles from the Goose Lake Slough fell into Zone 3. There are approximately 12,051 acres of Zone 1 lands, 15,309 acres of Zone 2 lands, and 10,880 acres of Zone 3 lands. Lands within Rosedale which have never utilized groundwater as a source of supply have not historically paid the Water Toll.

The Water Toll has varied between the zones. In particular, the water toll for Zone 2 was less than Zone 1, and the toll for Zone 3 was set less than Zones 1&2. With regard to the water toll differential between zones, the higher charge was set for the zone closest to the Goose Lake Slough (Zone 1), where the District's recharge operations take place, and slightly lower charges were set for the two zones which are more distant from the Goose Lake Slough. The differential in this charge between zones is understood to reflect greater perceived water-level benefit closer to the Slough and relatively lesser benefit with distance from the Slough historically.

3. Debt Charge

The Debt Charge was utilized to collect revenues for repayment of prior debt obligations. The Debt Charge was eliminated in 2006 with the retirement of the Rosedale Bond.

C. Water Revenue Programs

To generate a revenue source capable of mitigating for cost increases, Rosedale has entered into several agreements which provide for the sale of water determined to be excess to Rosedale's needs and banking of water within the groundwater aquifer underlying lands within the District. The water sale agreements provide Rosedale the ability to market water deemed excess to its needs to water districts that need additional supplies to meet their demands. The price for the water is contractually set and was based upon market prices at the time of the agreements. A summary of Rosedale's water revenue programs is as follows:

- **Coachella Valley Water District (Assignee of Glorious Land Co.).** In 2005 Rosedale entered into an agreement with Glorious Land Company ("GLC"), a private development corporation in the Coachella Valley in Southern California. Rosedale, after conducting a detailed analysis of its water supply and needs, identified a quantity of water which, through its access to high-flow Kern River water and other sources, was determined to be surplus to its needs. The agreement with GLC requires GLC to purchase a "minimum" amount of water

each year and provides an option to purchase up to the “maximum” amount identified within the Agreement. The quantity of water to be sold to GLC started at 1,500 acre-feet for 2007 and is increased each year to a final quantity, at 2035, of 16,500 acre-feet. The total volume of water committed to the sale program is 260,000 acre-feet. The sale to GLC generated approximately \$1.18 million of revenues in 2009, and the price escalates each year based on the CPI. In recent years, annual revenue from the program has been on the order of approximately \$4.4 million. The Agreement with GLC has been assigned to the Coachella Valley Water District. Upon the assignment to Coachella, the annual quantity to be delivered was adjusted to 9,500 acre-feet per year.

Rosedale’s ability to deliver water to Coachella and subsequently receive payment is contingent upon 1) having demonstrated that the District has met all overlying landowner demands and is in balance; and 2) having an adequate accounting of “exportable” water available for delivery to Coachella. Reduced yield from SWP supplies, as well as the reduced frequency and amount of high-flow Kern River supplies available to Rosedale, have diminished the balance of supplies available under the program. These conditions are expected to continue for the foreseeable future. In light of these conditions, Rosedale staff is projecting that revenue from the program will not be as reliable in the future as it has been in the past.

- **Castaic Lake/Buena Vista Sales Program.** Rosedale, through a partnership with the Buena Vista Water Storage District (“Buena Vista”), entered into an agreement with the Castaic Lake Water Agency (“Castaic”) to sell surplus Buena Vista water to Castaic. The quantity of water purchased by Castaic is fixed at 11,000 acre-feet per year, with the total water supply provided by Buena Vista. While the total quantity of water sold is provided by Buena Vista, Rosedale uses a portion of its banking capacity and its SWP surface supplies to facilitate 75% of the delivery to Castaic, and Rosedale receives a like amount of previously banked water from Buena Vista. Rosedale and Buena Vista equally split the revenues generated from this program, which in 2017 generated revenues of approximately \$4.4 million, each.

D. Assessment Levels

Rosedale's assessments have remained relatively stable and low in spite of significant cost increases associated with water, power and operations and maintenance. Increases to the assessments have been avoided by pursuing and implementing the programs described above, which have been used to offset costs associated with the recovery and conveyance of water and other costs associated with the District's Project. Looking forward, Rosedale will continue to aggressively pursue water management programs to reduce costs and improve water quality.

IV. Rosedale Revenue Structure – Future (Anticipated)

A. Assessments - Generally

As noted above, the various District charges (Administrative Charge, Water Toll, and Debt Service Charge) were instituted at the formation of the District. Subsequently, the Debt Service Charge was retired and the Administrative and Water Toll have been merged into one enterprise fund. The Administrative Charge has remained relatively constant. As explained above, the differential in the Water Toll between the zones was attributable to an assumption that the District's then existing water spreading operations benefitted groundwater levels for lands closer to the spreading ponds more than lands more distant from the ponds. While this differential in the Water Toll has persisted for the last 40 years, it has never been increased; rather, it has remained at a relatively nominal amount. Any differential in water-level benefit is believed to be transitory and relatively small considering the dynamic nature of groundwater levels in response to highly-variable spreading and relatively constant pumping and, further, considering large-scale groundwater recharge and recovery operations that have been developed both inside and outside the District. Further, all lands within the District have equal access to groundwater enhanced by the District's Project. Therefore, it has been recommended to the District that the differential be eliminated, and that one assessment should be levied upon each assessed acre equally. The elimination of the differential and the levy of a single assessment upon all lands equally, will require a Proposition 218 election.

B. Assessment – Annual Rate Setting Process

Annually, the District develops a budget which reflects the revenues and expenses of constructing, operating, and maintaining the District's Project. The level of the District's annual assessment shall continue to be established based upon the total revenues available from the

District's Project, including any revenues generated from water management programs, leases, etc, less any expenses associated with and attributable to the District's Project and its water management program. If approved in the Proposition 218 election, the assessment on a given parcel would be the annually adopted rate per acre multiplied by the Assessor's acreage for the parcel.

C. Water Charge

The Board of Directors is considering the implementation of a "Water Charge" that is based on the volume of water used over and above the amount that the District's Project generates on a per-acre basis for use within the District boundaries. This is a new charge and is driven by the desire to minimize or prevent overdraft in the District and the need to manage the underlying groundwater reservoir in a sustainable manner. The Water Charge usage will be estimated on an annual basis and will be calculated as the amount of consumptive use, as determined by Rosedale, less the supply available from the Rosedale Project and a landowner's share of basin safe yield. The Water Charge shall be calculated annually, as part of the annual budget process, and shall be based upon the lesser of either 1) the cost to acquire and retire land within Rosedale, or 2) the cost to acquire new water supplies.

D. Pool Charge

From time to time, Rosedale may identify water supply/management projects and/or water supplies (Supplemental Programs) which do not meet the District's objectives, as defined in the Rosedale Strategic Plan. In the event these Supplemental Programs are presented to and ultimately rejected by the Rosedale Board, they may be offered to landowners as "Pool Projects." Such Pool Projects shall be managed by Rosedale and funded by a "Pool Charge" that is paid by participating landowners. Pool Projects shall be subject to the first priority use of all assets, facilities, and resources of the Rosedale Project for the benefit of all District landowners.

V. Rate Stabilization Reserve Fund - Future

The establishment of properly funded reserves prevents short term swings in assessments by allowing Rosedale to utilize reserves to account for the following: (1) potential reductions in water management program revenues; (2) costs which vary with hydrology such as energy costs associated with necessary groundwater recovery; and (3) anticipated aging infrastructure replacement needs. Recognizing the benefit of properly funded reserves and budget projections

to prevent or mitigate for significant one-time expenditures, it is anticipated that assessments may be adjusted in the near-term (if approved through the Proposition 218 process) to meet the proposed rate stabilization reserve target (described below) and to cover projected increases in operating expenses or a reduction in revenues from the District's water management programs.

- **Water Management Program Revenues**

As is discussed above, District staff believes that revenue from the Coachella/GLC program will not be as reliable in the future as it has been in the past. Staff has modeled operations through 2040 using the 1998-2016 and 1995-1997 hydrologic period, and found that District groundwater accounts may be insufficient to meet the program's needs in 4 of 22 years, which could cause the loss or delay of receipt of revenues in an amount of up to approximately \$5,000,000 per year, or \$10,000,000 over two years.

- **Drought Groundwater Recovery Energy Costs**

Generally speaking, the District can fulfill its delivery obligations under its water management programs by utilizing available surface water to exchange deliver necessary water supplies to the District's partners. However, in light of reduced SWP reliability in the recent past and the foreseeable future, the District must occasionally rely on extraction capacity, which causes the District to incur increased energy costs which are not typically budgeted. Staff has modeled operations through 2040 using the 1998-2016 and 1995-97 hydrologic period and found that groundwater recovery would likely be required in 7 of 22 years in an amounts ranging between \$600,000 - \$1,500,000 per year, or approximately \$1,800,000 over two years.

- **Infrastructure Replacement**

The District currently maintains capital infrastructure with a present value of \$26.5M, and capital equipment with a replacement value of approximately \$690k. The useful lifespan of such facilities and equipment ranges from 0 to 50 years, and the District has recently needed to replace certain capital facilities, such as the replacement of the District's Kern River Headworks in 2016 at a cost of approximately \$750,000. Assuming typical life cycles of facilities and equipment, the District faces a replacement cost of existing facilities and equipment of \$63M over the next 45 years, \$15M of which will likely be needed between the present and 2040. District staff has determined that it would be appropriate to set aside funds to cover such replacements, which will help to prevent the need for assessment increases during or after times

when the District's facilities and equipment are in need of replacement. Note that natural disaster replacement was considered but costs not included. In those situations, the District would apply for available FEMA and Cal OES grant funds. The District would either wait to initiate repairs until funds would be available or make short term loans to cover costs until disaster relief funds were realized.

- Contribution and Fund Targets

In light of the foregoing, District staff has recommended to the Board that it establish an annual \$2.5M (escalated at cpi) Rate Stabilization Reserve Fund contribution. Per staff's recommendation, any unexpended funds would be set aside to establish a Rate Stabilization Reserve Fund of up to \$7.0M (escalated at CPI). Through adoption of this Financial Management Plan, Rosedale's Board adopts the Staff's recommendations, and will consider setting aside such funds to be used for the specified purposes as part of its annual budgeting and assessment setting processes, assuming the Board has sufficient assessment authority to set assessments at a level that is sufficient to make such contributions.