

**Resolution by the Meiners Oaks County Water District  
Board of Directors Establishing Cost of Service Allocations  
March 31, 2008  
Resolution No. 33108-2**

*Whereas*, the Meiners Oaks County Water District operates a potable water production and distribution system under the authority of the California Water Code and by permit of the California Department of Health Services and;

*Whereas*, to assure reliable, quality service the District has developed a five year financial plan that estimates the cost of operations and projects the District's resource requirements, and;

*Whereas*, as part of the five year operating cost estimate the District has identified three major cost centers, and;

*Whereas*, the three major cost centers are: fixed operating costs, water production costs, and capital facility replacement costs, and;

*Whereas*, fixed operating cost represent approximately 45% of total costs, production cost represent 20% of total costs, and capital replacement cost represent 35% of total costs, and;

*Whereas*, the Board of Directors has adopted a resolution "Defining the Benefit to Properties Receiving Water Service and Establishing The Associated Water Service Rate Structure" thereby establishing four revenue centers to cover the cost of operations, and;

*Whereas*, those revenue centers are monthly water availability charges, monthly capacity charges, water sales, and taxes, and;

*Whereas*, monthly water availability charges, monthly capacity charges, and taxes are non-variable revenue sources that provide a reliable source of funding for the fixed costs of operations, and;

**Whereas**, water sales revenues vary seasonally and generally correspond to water production costs, and;

**Whereas**, capital replacement costs vary from year to year and generally revenues can be accumulated over several years to fund major expenditures, and;

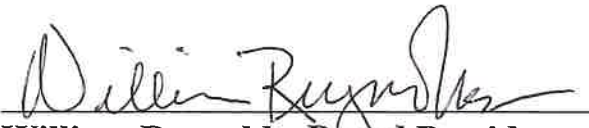
**Whereas**, the Board finds that the majority of the burden of capital replacement is most equitably placed on the use of the District's facilities and that the use of the facilities is best measured by water deliveries, and;

**Therefore, Now Be It Resolved** By The Meiners Oaks County Water District Board of Directors that the estimated costs of operations shall be generally allocated to the District's revenue centers as follows:

- Fixed operating costs, as well as approximately 10% of Capital Replacement, shall be funded by monthly service fees and taxes.
- Production costs as well as approximately 90% of Capital Replacement shall be funded by water sales.
- Shortfalls in water sales revenues shall be funded from the District's Capital Reserves.

**It is Further Resolved**, that the Board of Directors acknowledges that the allocation of costs contained in this Resolution are intended as guidelines in establishing fees, rates and charges and that actual operational costs and associated revenues may vary from year to year.

**PASSED, APPROVED, AND ADOPTED THIS 31<sup>ST</sup> DAY OF MARCH, 2008.**

  
William Reynolds, Board President

**ATTEST:**

  
Sherrie Russell, Board Secretary