

## TREASURER'S PROPOSED BUDGET FOR 2014

The proposed budget for 2014 represents hours of discussion by the Board and encompasses the financial expenses of last year and consideration was given for the year prior to that that was so horrible.

### BUDGET FOR WATER OPERATIONS:

The cost of CFE for this past year was much lower than expected and with installation of the new pump and new water supply line going directly from the La Huerta well to the Loop's aljibi, and even though there is an expected CFE tariff increase, this should still allow us a reduction in the budget from last year.

The installation of a system to chlorinate the water at each well site should be completed prior to this year's AGM. The 'Laboratorio de Calidad del Agua' for the State of Jalisco recommends analysis of the water 4 times per year for the minimum of coliformes totales and coliformes fecales rather than a full water analysis.

The La Huerta well now has a water meter that allows the fontenero to gage the water usage and water loss for each well. While a loss is unacceptable it still falls well short of CNA's 40% experience level. As an example, during the month of January, the La Calma system experienced a loss of 30.7% and the La Huerta system was 15%. The loss factor is very important because the tariff in the future when we will have to pay the extraction tax will be based on the total water pumped.

The Board did not hire an assistant this last year, but, anticipates doing so this year. The fontenero has employed more outside workers this year.

The present price of delivered water is 10/15/20 per cubic meter. The proposed price for the delivered water for the 1<sup>st</sup> tier is 9 pesos per cubic meter, a decrease of 1 peso per cubic meter of delivered water. The 2<sup>nd</sup> & 3<sup>rd</sup> tier rate is to remain unchanged at this present time.

The Board has discussed an amendment to the by-laws that would allow the Board to change the water rate at the end of every quarter based on the prior quarter delivery or expenses. The Board feels that this would allow a more timely decrease or increase in the water delivery rate.

### CAPITAL IMPROVEMENT EXPENDITURES:

Project #1 was completed this last year with the installation of a new 17meter high electrical concrete post, a transformer, a control column and electrical meter. This project was budgeted at 136,200 pesos and came in at 115,245.85 pesos which represents a savings of 20,954.15 pesos.

Last year's expected completion of project #2 and project #3 could not be done because of the lack of funding. Both projects have been placed on-hold and the money set aside until such time as a positive funding means is established. The Board has discussed in-depth the financial burden placed on those

that have already paid and the solution necessary to continue with the projects, the fact that 47 lots owned by members have not paid while 51 lots have already paid in full the AGM approved capital improvements. Meanwhile the projected cost continues to increase. It is estimated that the amount needed would be 7,750 pesos more for each of those that have paid already. If project #2 (the water storage tower) was selected to be completed the projected cost would be 3,448 pesos and if project #3 was selected to be completed the projected cost would be 4,300 pesos.

#### ADMINISTRATION BUDGET:

Again this year, the major ticket item in the budget is for legal fees. The lawyer that had been hired to get the AC titles and concessions for the 3 wells was successful. The Board has hired another lawyer that specializes in water matters and has experience in getting concessions. The concession is crucial in getting a lower tariff rate for water extracted. The rate discussed with 'Comision National de Agua' is 8 pesos per cubic meter of water and the rate with a concession from Poncitlan is 0.8064pesos per cubic meter – a considerable price difference.

The monies budgeted for legal fees last year in part had to be used to establish the accounting requirements of the regulatory authorities and for discussions with CNA.