



INTRODUCTION

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Distinguished Budget Presentation Award

Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Citrus Heights Water District for its Annual Budget for the fiscal year beginning January 01, 2025. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

This award is valid for one year only. CHWD believes our current budget continues to conform to program requirements and will be submitting it to GFOA to determine its eligibility for another award.



Frequently Asked Questions about the budget

- How many people does the District serve?
 - Page 17
- Does the District have a policy that guides how to report, invest, and audit funds?
 - Page 37
- What is the District's annual revenue?
 - Page 34
- How many employees work for the District?
 - Page 45
- What are the District's reserves?
 - Page 11 & Page 82-87



Letter of Transmittal



Board of Directors
Raymond A. Riehle, President
Caryl F. Sheehan, Vice President
David C. Wheaton, Director

Hilary M. Straus, General Manager/Secretary
Annie Y. Liu, Director of Administrative Services/Treasurer

November 12, 2025

Honorable President and Members of the Board of Directors,

It is my pleasure to present you with the Citrus Heights Water District (CHWD or District) Fiscal Year (FY) 2026 Budget. This budget reflects CHWD’s continued dedication to delivering high-quality, cost-effective, and responsive services to our customers while maintaining our commitment to reinvesting in the District’s aging infrastructure and capital assets.

Agency History and Infrastructure/Asset Management

The Citrus Heights Water District’s (CHWD) history and infrastructure provide valuable context for today’s operational and capital cost drivers. CHWD was established in October 1920 under the State of California Irrigation Code with a three-member Board of Directors. Surface water was initially purchased by the North Fork Ditch Company, which had water rights to the American River, including what is now Folsom Lake. Water was conveyed to the Citrus Heights service area through a network of small canals and pipelines.

Water Mains and System Development

The construction of Folsom Lake in the mid-1950s led to the creation of CHWD’s wholesale water provider, the San Juan Water District (SJWD). Shortly thereafter, funding from a bond measure known as Project 1956 enabled the construction of a 42-inch transmission main extending west from Folsom Lake to the CHWD service area.

The transmission main, now is over 65 years old, along with a back-up, large-diameter Cooperative Transmission Pipeline (built in 1996 in partnership with SJWD, Sacramento Suburban Water District, Fair Oaks Water District, and Orange Vale Water Company)—serves the District’s primary conduits for delivering treated surface water to over 20,300 customers. The majority of CHWD’s water supply is surface water, supplemented by groundwater from the District’s wells.

Between 1960 and 1985, the District’s 13-square-mile service area underwent rapid urbanization. During this period, most of the District’s 250 miles of water mains were installed by private developers, inspected by CHWD, and ultimately dedicated to the District

for ongoing operation, maintenance, and replacement—responsibilities now supported by CHWD’s customers.

Infrastructure Renewal and Project 2030

According to the American Water Works Association (AWWA), water mains have an average lifespan of about 70 years. Many of CHWD’s mains, installed beginning in 1960, will reach that age by 2030, signaling the need for a comprehensive replacement program to mitigate the risk of main failures.

In 2021, the CHWD Board of Directors adopted the Project 2030 Water Main Replacement Study, a long-term plan to replace approximately seventy percent (70%) of the District’s mains over a 50-year period starting 2030. The study outlines replacement phasing, cost estimates, funding strategies, and an implementation roadmap.

A Customer Advisory Committee (CAC) was established to help ensure that the phasing and funding recommendations reflect community priorities and an equitable distribution of costs among different generations of customers will use and will rely upon CHWD’s water distribution system.

CHWD has now entered the initial implementation phase of Project 2030, which includes:

- Conducting detailed condition assessments
- Refining replacement phasing and cost projections
- Continuing proactive customer engagement and education

Cooperative Purchasing and Asset Management

Initiated as an exploration of partnerships with surrounding water agencies to reduce the costs of purchasing and managing water meters, as discussions continued, surrounding agencies expressed an interest to expand the investigation into many other asset types, more than seventy (70) in all. To that end, CHWD, with the support of the Sacramento Regional Water Authority (RWA), is leading those discussions on cooperative purchasing and piggy-back pricing to reduce asset unit costs for participating agencies. Those discussions are expected to continue throughout 2026 with a goal of launching a regional cooperative asset purchasing/piggybacking program in early 2027. As part of the discussions, asset management will be discussed. Meanwhile, CHWD continues to implement recommendations from the original meter study, conducted with surrounding agencies.

Groundwater Wells

Beyond managing water mains and water distribution system assets, a third key component of CHWD’s infrastructure and asset management program is its network of high-capacity groundwater wells. These wells, which produce between approximately 1,000 and 2,000 gallons per minute (GPM), supplement CHWD’s surface water supply to ensure both

reliability and cost stability for customers. With an average lifespan of about 50 years, each well represents a long-term capital investment, and CHWD continues to plan for reinvestment and potential expansion of its groundwater program as needed.

CHWD's two new wells, now in construction, incorporate Aquifer Storage and Recovery (ASR) technology, a significant advancement in groundwater management. ASR enables wells to not only extract groundwater but also inject surface water into the aquifer when surplus supplies are available through partnerships with other water providers. This stored water can then be recovered during dry periods, improving CHWD's ability to manage the regional aquifer sustainably while potentially reducing operating costs.

Centrally located in the Sacramento region and interconnected with more than 20 neighboring water providers, CHWD is committed to regional collaboration in effective water resource management. The District's efforts to ensure water reliability include purchasing surface water from the San Juan Water District (SJWD), maintaining 22 interconnections, operating large-diameter mains, implementing ASR in its future wells, and participating in the Sacramento Regional Water Bank.

Other Issues Impacting CHWD's Budget

As outlined in CHWD's Project 2030 Water Main Replacement Program Planning Study, the District is experiencing flat or even declining water demand due to increased per-capita water use efficiency. This trend reflects lasting changes in customer behavior following the post-2015 drought "new normal," the widespread implementation of water meters and metered billing, and the growing influence of state water efficiency regulations.

Despite this sustained reduction in water use, water agencies continue to face significant fixed capital and operating costs to deliver the first unit of water to customers. When water demand remains flat or declines, these fixed costs are distributed over fewer units of water sold—creating additional challenges for maintaining stable and equitable water rates.

Furthermore, the wholesale water rates charged by CHWD's supplier, the San Juan Water District (SJWD), are expected to continue rising. In January 2024, SJWD released a new Wholesale Financial Plan and Rate Study that substantially increased the wholesale fixed charge. Under this new rate structure, the fixed portion of the wholesale rate was significantly expanded—effectively stranding CHWD's groundwater assets, which have been developed and maintained through millions of dollars in ratepayer investment. As a result, CHWD must now pay SJWD eighty-three cents or more for every dollar it spends pumping groundwater, even when not using surface water. This structure discourages the use of CHWD's groundwater supplies and increases dependence on surface water, reducing local control over the community's water resources.

Focus on Long-Range Planning

CHWD has a long-standing tradition of planning and managing its long-term capital and operational needs and accompanying financial planning. CHWD's focus on long-range planning is exemplified by its water main master planning (e.g., 1999 Water Distribution System Master Plan that focused on water main replacements; Project 2030—Water Main Replacement Program; Water Meter Replacement Study and Consortium-based Meter Replacement Asset Management Program; maintaining a 10-year financial forecast as a driver for annual budgeting; and the use of Strategic Planning, focusing on three-year goals and one-year objectives as a driver for annual budgeting and an update to its Water Distribution System Master Plan update in 2025.

Implementation of an Annual Budget Based on a 10-Year Budget Forecast

Given the significant capital and asset management-related one-time and ongoing expenses projected, CHWD has developed and maintained a 10-year budget forecast and Financial Model. The Financial Model is updated regularly with actual revenues and expenses, and serves as a key policy, operational, capital, and financial planning tool as the District considers policy, operational, capital and budget options. A summary of the 10-Year Financial Model is included in the "Financial Model" section of the budget.

Reserve Policies and Special Funding

Each year, CHWD endeavors to transfer a portion of net revenue to its reserves. Placing ratepayer dollars in reserves ensures that CHWD can smooth-out its expenses and minimize its use of debt financing which can add significant expense, delay, complication, and result in a loss of local control to CHWD as it implements its Capital Improvement Program. CHWD's designated reserves, which are described in more detail in the Appendix section of the budget, include: Operating, Rate Stabilization, Debt Services, Capital Improvement, Water Supply, Water Meter Replacement, Water Main Replacement, Fleet Equipment, Employment-Related Benefits, and Water Efficiency Reserves.

For 2025, the Project 2030 Dedicated Charge (developed as part of the Project 2030 strategy developed by the CAC and adopted by the Board) is estimated to generate approximately \$2.2 million in revenue. Additionally, a pro-rata share of CHWD's interest income will be transferred to the Water Main Replacement Reserve for future water main capital improvements.

Strategic Planning

Since 2016, CHWD has incorporated a Strategic Planning process into its annual budget development. The Strategic Planning process focuses on identifying important work program items over and above daily operations, maintenance and capital of the District. These work program items are intended to address complicated issues that can significantly impact the District, internally and/or externally, or that can take CHWD to the next level.

Strategic Planning is undertaken as one of the initial activities of the budget development process, and includes a review of the prior year's work program, and an examination/re-examination of the District's three-year goals and one-year objectives, organized under each goal. One-year objectives are then assigned to a CHWD staff member, who is chiefly responsible for the implementation of that objective, along with a team of CHWD staff and/or consultants in a supporting role.

CHWD Board Members and leadership staff (General Manager, department heads, division managers and key staff), as well as members of CHWD's CAC participate in a Strategic Planning session held as a public meeting, typically between May to July of each year. From there, CHWD finance staff prepare a draft budget with expenditures and funding options, many of which incorporate Strategic Plan work program items, to ensure that the Strategic Plan is implemented as directed by the Board.

For 2026, there are several one-year objectives organized under the following five three-year goals, including: 1) Manage Dependable Water Supply and Empower Customers to Use Water in an Efficient Manner; 2) Manage, Improve, and/or Reinvest in District Infrastructure, Facilities and Other Assets; 3) Continue Preparation to Implement the Project 2030 Water Main Replacement Program to Maintain a Reliable Water Distribution System; 4) Enhance Organizational Effectiveness and Promote Best Practices to Local Government; and 5) Engage Customers and Communicate the District's Priorities and Value-Added Programs. A summary of the CHWD's 2026-29 Strategic Plan is included in the "Strategic Planning" section of the budget.

Public Education/Outreach

Given the significant service and financial implications of many operational and capital initiatives, over the years CHWD has increasingly committed resources to public education and outreach. Some of CHWD's platforms for communication include its website, social media (YouTube, Facebook, Nextdoor, Instagram and X (formerly Twitter), its direct-mail Waterline newsletter, annual visits to neighborhood associations, and its establishment of a Customer Advisory Committee (CAC) to learn about key CHWD policies, programs and issues and to advise CHWD concerning key elements of its work program.

Also, CHWD maintains a Garden Corps of customers who maintain its Water Efficient Demonstration Garden at the Sylvan Ranch Community Garden. Lastly, the CHWD staff team participates in and maintains active memberships with many community groups, including Rotary, Kiwanis, Soroptimist, Citrus Heights Chamber of Commerce and the Orangevale Chamber of Commerce.

Focus on Non-Ratepayer Revenue

As an Irrigation District, CHWD does not receive property tax revenue and relies primarily on ratepayer funding. Nevertheless, the District remains committed to pursuing alternative

revenue sources whenever possible, with a particular focus on strategic investments and grant opportunities.

Implementation of Investment Strategy

To strengthen financial performance, CHWD refined its cash management strategy to balance safety, liquidity, and yield. An investment approach launched in 2023 integrates cash flow forecasting into portfolio planning, allowing the District to invest funds over a multi-year horizon while maintaining adequate cash reserves for operations and capital projects. The strategy has produced exceptional results—interest revenues increased fourfold in 2023, with similarly strong returns continuing through 2024, 2025, and expected in 2026. The strategy is under continual review in light of changing market conditions, including recent and projected reduction in interest rates. This revised investment strategy has been especially impactful given CHWD’s limited sources of non-ratepayer revenue.

Pursuit of Grants

The CHWD team has been actively pursuing grant opportunities to support its capital and infrastructure projects. As of 2025, the District has secured a total of \$6.637 million in federal and state funding, including \$1.022 million from the State Integrated Regional Water Management program, \$3.53 million from the California Department of Water Resources, and \$2.085 million in federal earmark funding from the Environmental Protection Agency. The grants partially offset ratepayer funding for the District’s two new Aquifer Storage and Recovery (ASR) projects, significantly reducing the financial burden on ratepayers for capital improvements.

Moreover, as a capacity-building measure in 2026, CHWD will hire an analyst whose focus will be on identifying grants, working with funding advocacy partners, coordinating with other grant management support services and managing grants awarded.

Operating and Capital Budget Highlights

Looking ahead to Budget Year 2026, some of the key work program items include:

- **Water Supply**— Substantially complete construction of Well Site #8, which will include Aquifer Storage and Recovery technology, and undertake planning for the relocation of the Sylvan Corporation Yard Well, Canelo Hills Well and Palm Avenue Well.
- **CHWD Infrastructure and Facilities**—Continue planning work for Project 2030—Water Main Replacement Program, with additional non-invasive condition assessments, completion/initial implementation of the Water System Master Plan and

implementation of the Facilities Modern and Expansion (FME) projects at the Madison Avenue and Sylvan Corporation Yard sites.

- Organizational Effectiveness—Implement a new Enterprise Resource Planning (ERP) system and develop Organizational Development (OD) initiatives
- Customer Engagement—Continue to educate customers about intergovernmental activities that could impact CHWD’s policies, operations, capital, finances, water efficiency and water supply and other value-added programs CHWD offers

District's Capital Improvement Program (CIP)

CHWD is proud that its CIP continues to be its single largest budgeted expense. The CIP focuses on replacement of water mains, meters, CHWD’s groundwater program and system-wide appurtenances and other facility replacements and improvements. The CIP also includes buildings, grounds, and fleet, which support CHWD’s ongoing operations and capital improvement work programs. A summary of CHWD’s Capital Improvement Program is included in the "Capital Budget" section of the budget.

Conclusion

CHWD’s 2026 budget prioritizes completing vital long-range infrastructure and asset management initiatives, expanding the groundwater program, enhancing public services and customer engagement, and sustaining strong financial reserves. It reflects the District’s dedication to efficiency and fiscal responsibility.

Respectfully submitted,

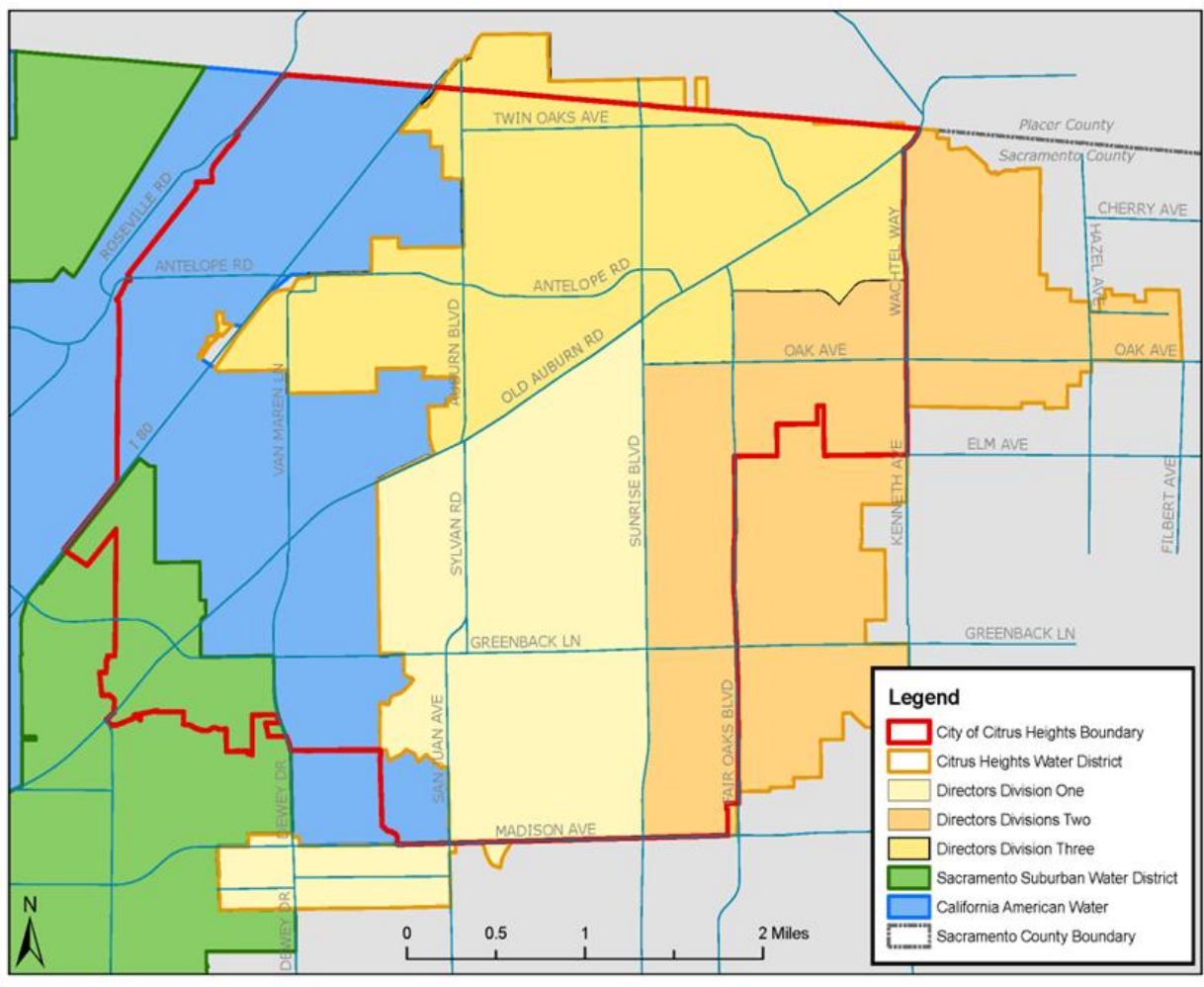


Hilary M. Straus
General Manager

About the District

The Citrus Heights Water District (CHWD or “the District”) was founded in 1920 as the Citrus Heights Irrigation District. Today, the District provides water service to approximately 70,000 residents across a 13-square-mile service area.

CHWD fulfills its mission through a team of highly motivated and skilled staff who are empowered to serve the community by prioritizing customer needs and well-being. Every day, CHWD staff work diligently to uphold the District’s mission: “to furnish a dependable supply of safe, quality water delivered to its customers in an efficient, responsive, and affordable manner.”

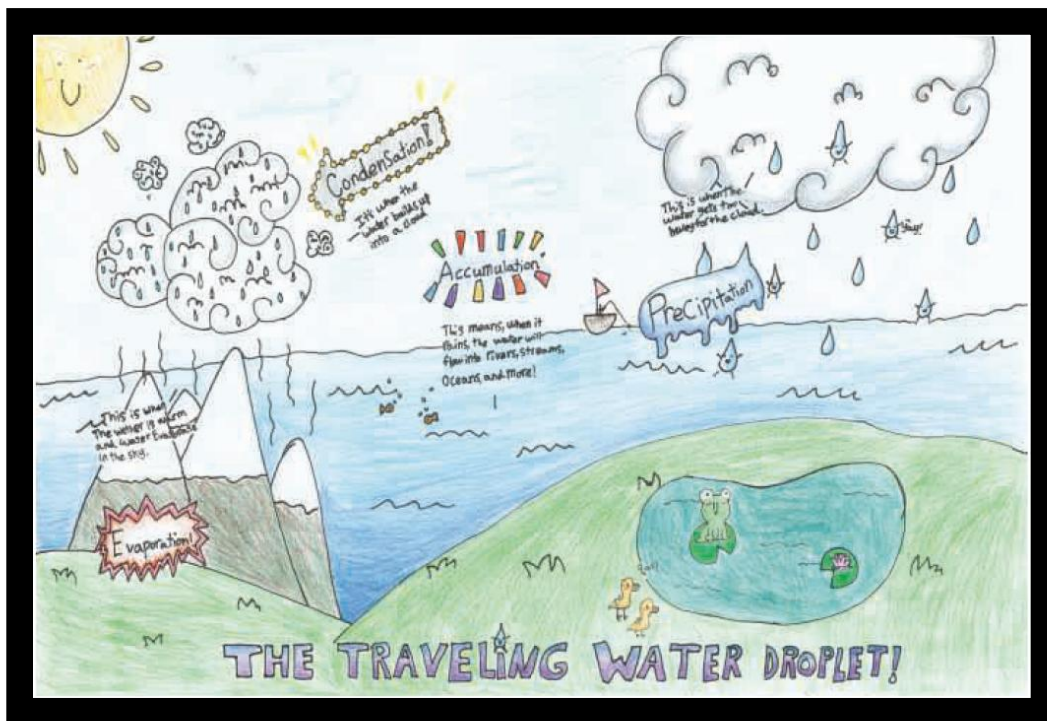


CHWD Service Area

Water Efficiency Programs

The District offers several programs to help customers use water more efficiently:

- **Water Smart Classes** – Each year, CHWD hosts a series of free Water Smart Landscape classes designed to help customers maintain and upgrade their landscapes using water-wise techniques. Participants learn practical tips and tools to make their homes more water-efficient.
- **Free Irrigation Efficiency Reviews** – CHWD provides no-cost Landscape Irrigation Reviews to help customers better manage and maintain their irrigation systems. After the review, participants receive a detailed report with recommendations for improving system performance and a customized 12-month irrigation schedule tailored to their landscape needs.
- **Rebate Programs** – To support water conservation, CHWD offers rebates for the purchase and installation of ultra-low-flush (ULF) toilets, high-efficiency washing machines, and pressure reduction valves.
- **School Programs** – CHWD partners with local schools to teach students about the importance of water efficiency and ways they can help conserve water.
 - **Poster Contest** – In collaboration with three neighboring agencies, CHWD sponsors an annual poster contest for students in grades 4–6. Participants create artwork illustrating how they use water efficiently, and a panel of judges selects the winning entries.



Poster Contest 1st Place Winner, 2025

Governance and Organizational Structure

CHWD is a special district established under the State of California Water Code as an Irrigation District. The District is governed by a three-member Board of Directors, each elected to a four-year term. CHWD operates under a by-district electoral system, meaning that Directors are elected only by voters residing within their respective divisions.

Beginning in 2026, the District will employ 42 full-time equivalent staff across four departments: Administrative Services, Engineering, Operations, and the General Manager’s Office, including Public Affairs. The General Manager and General Counsel are appointed by, and report directly to, the Board of Directors.

Water Supply

In 2025, the District purchased approximately 94% of its water supply from SJWD, providing service to about 21,000 residential and commercial connections. The District also operates six groundwater wells and maintains roughly 250 miles of pipeline. CHWD has been treating and delivering groundwater to customers since 1943.

Demographic and Economic Statistics

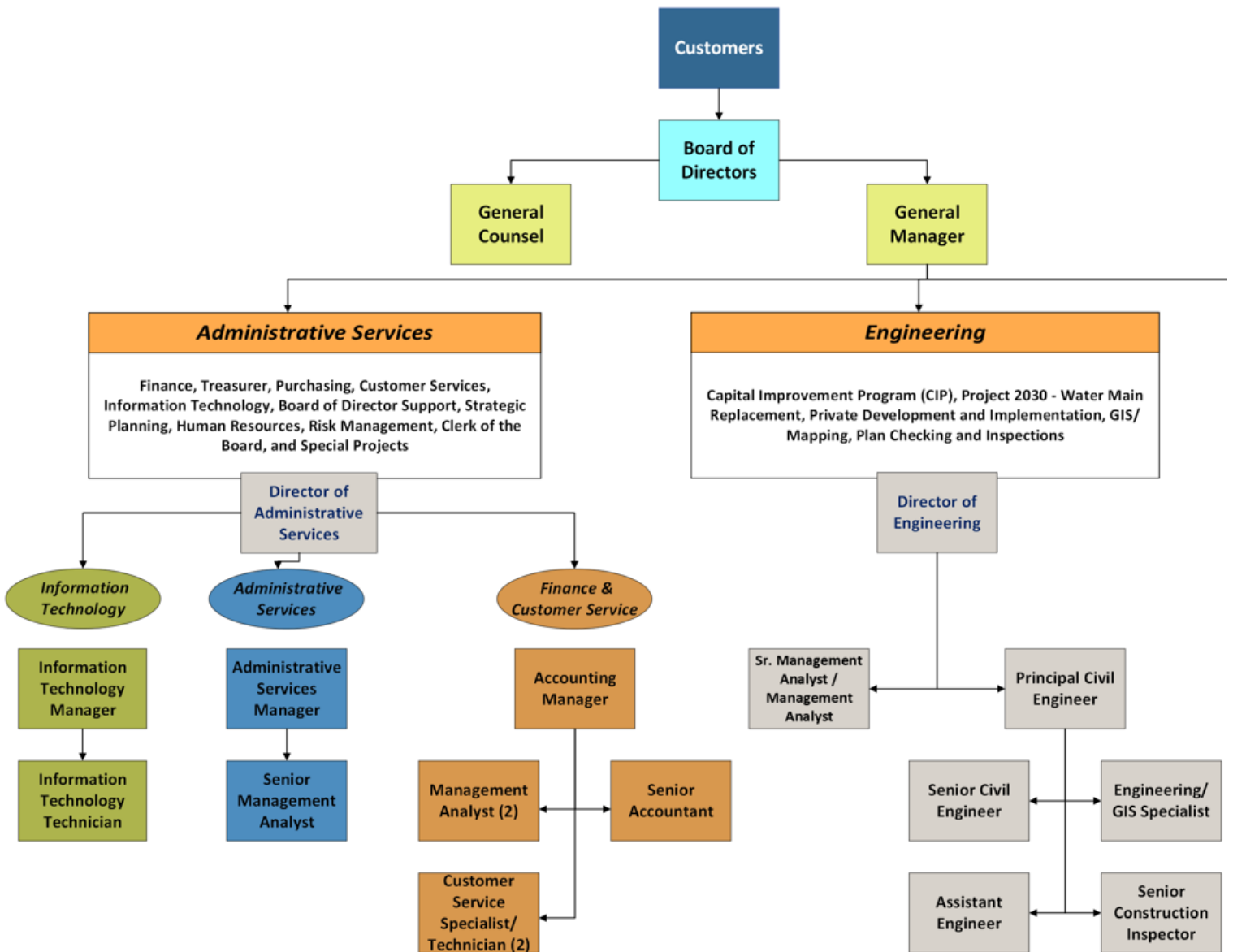
Demographic and economic statistics are presented for the City of Citrus Heights (City) and Sacramento County (County) because data specific to the District’s service area are not available. The District includes portions of both the City and unincorporated areas of the County; therefore, information from these jurisdictions is considered representative of the District’s overall conditions. These statistics are provided in the “Statistical Data” section of the Budget.

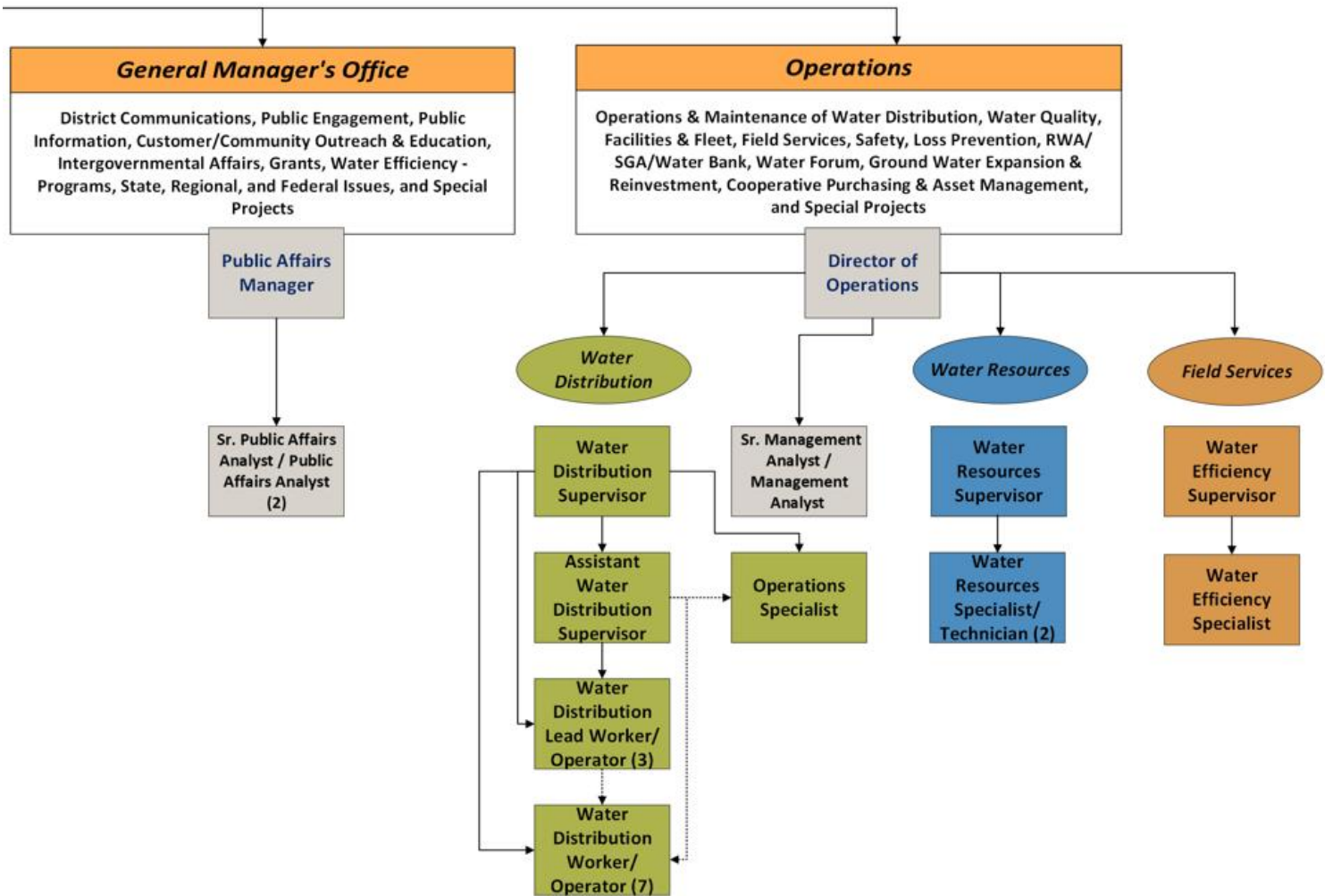


Well #7

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Organizational Chart





Strategic Planning

Strategic planning involves establishing a vision for the future, setting a mission statement, providing direction, and defining what the organization stands for and what it has pledged to accomplish. Since 2016, CHWD has held a strategic planning workshop for the Board of Directors, management, and members of the community at-large. The purpose of the workshop is to review the District’s mission statement and values, and to formulate the District’s three-year goals and one-year organizational objectives which emphasize CHWD’s commitment to efficiency, water supply, capital improvement and organizational wide support. The Strategic Plan forms the basis for the District’s priority-based budgeting efforts.



Strategic Planning Process Overview

KEY ISSUES FOR 2026

- | | |
|---|--|
| <ul style="list-style-type: none"> • Future wholesale costs and impacts on retail agencies • Economic uncertainty and inflation; increased construction costs • State and Federal Operation of Folsom Lake • Challenges and opportunities to being an employer of choice • State and Federal regulations and unfunded mandates; for example, agency water budgets, electric vehicle (EV) mandates, and conservation requirements • Cybersecurity and Artificial Intelligence (AI) impacts | <ul style="list-style-type: none"> • Accelerated pay-down of CHWD’s California Public Employees’ Retirement System (CalPERS) and Other Post-Employment Benefits (OPEB) liabilities, system changes, and city/county/district impacts. • Space needs to address work programs • Impacts of Federal Policy of funding availability • Emerging water contaminant issues and increased water regulations • Changes in how information is consumed • Alternative water technologies |
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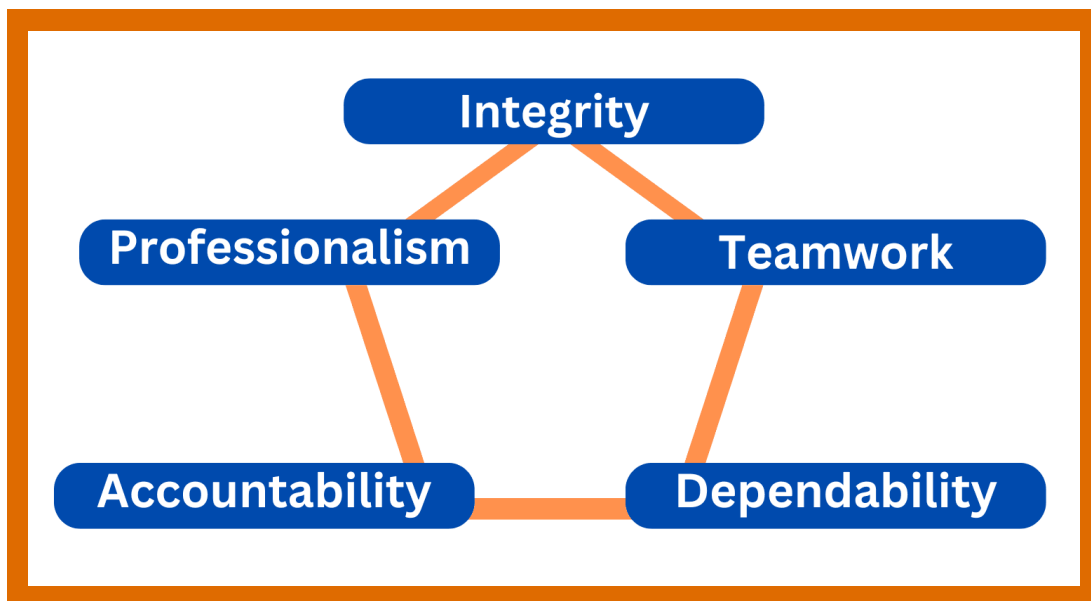
Our Mission

It is the mission of the Citrus Heights Water District to furnish a dependable supply of safe, quality water delivered to its customers in an efficient, responsive, and affordable manner.

Our Vision

The Citrus Heights Water District will continue to evolve as a dynamic provider of municipal water service to assure that our customers receive the best value without giving it a second thought.

Our Values



Our Decision-Making Principles

The Mission, Vision, and Values are incorporated in the following decision-making principles upon which Board of Directors policy decisions for the District shall be made. CHWD will:

1. Educate and engage customers.
2. Protect customers from unfair cost burdens and opposing unfunded mandates.
3. Safeguard multi-generational investments in District assets and water supply sources.
4. Fulfill its purpose to advance local, community decision-making.

Strategic Plan Goals and Objectives

During the Strategic Planning session, CHWD's leadership team develops a set of goals representing the priorities that will drive the District's activities. Goals are for three years but are reviewed each year to determine whether they are still relevant for the coming budget

year. Under each goal, individual objectives are identified to address the issues that pertain to that goal.

Some key highlights for goals and objectives for the coming budget year (2026) include:

- Facilities and Infrastructures: For 2026, objectives are focused on condition assessment for the District’s transmission and distribution mains for Project 2030, update of the District’s Water System Master Plan, easement acquisition, and design and construction of the District’s Facilities Modernization and Expansion Project.
- Water Supply: In 2025, the objectives were focused on completing construction for Well Site #7 and completing drilling Well Site #8, and possible acquisition of 1-2 additional properties for future well sites and storage. Previous objectives related to wells and property acquisition will carry into 2026, with a focus aimed at assessing the injection and extraction capabilities of the Aquifer Storage and Recovery (ASR) technology for Well Site #7.
- Water Efficiency: The Water Efficiency objectives for 2026 focus on continuing to build awareness, support, and participation in water efficiency programs through a new tree rebate program.
- Organizational Effectiveness: The Organizational Effectiveness objectives for 2026 are also focused on completing implementation of a new Enterprise Resource Planning (ERP) system and implementing an organizational development program to strengthen technical and organizational skills and enhancing recruitment and retention initiatives.
- Customer Engagement: For 2026, objectives are focused on implementing a comprehensive customer engagement strategy that fosters meaningful connections and collaborations with the community, including the Customer Advisory Committee (CAC), Garden Corps members, neighborhood associations, community organizations, service clubs, and businesses.

The following are the goals and objectives identified for 2026:

Strategic Plan Goal:	Manage a Dependable Water Supply and Empower Customers to Use Water in an Efficient Manner
#	OBJECTIVES
1	Complete construction for Well Site 7; assess the injection and extraction capabilities of the Aquifer Storage and Recovery (ASR) technology; Initiate ASR permit process with the State of CA.
2	Complete design and bid phase for Well Site 8 equipping.
3	Pursue the acquisition of 1-2 potential sites for water facilities for groundwater and distribution.
4	Continue to build awareness, support and participation in water efficiency programs through a new tree rebate program.

Strategic Plan Goal:	Manage, Improve, and/or Reinvest in District Infrastructure, Facilities, and Other Assets
#	OBJECTIVES
1	Determine whether AMR (drive-by meter reading) or AMI (real-time networked reading) will be pursued, based on analysis in the Water System Master Plan, to modernize the system and enhance customer service.
2	Determine the need for above-ground storage based on analysis in the Water System Master Plan.
3	Project 2030 Workflow 6: Complete 100% construction documents for the Facilities Modernization & Expansion Project (Madison Avenue and Sylvan Road facilities).
4	Project 2030 Workflow 6: Begin construction of the Facilities Modernization & Expansion Project, completing 100% of improvements at Madison Avenue & 15% of improvements at Sylvan Road.
5	Complete Easement Acquisitions on the "high priority" locations as identified by the prioritized list.
6	Project 2030 Workflow 2: Complete the Water System Master Plan and incorporate projects into the District's rate model.

Strategic Plan Goal:	Continue Preparation to Implement the Project 2030 Water Main Replacement Program to Ensure a Reliable Water Distribution System
#	OBJECTIVES
1	Project 2030 Workflow 4: Perform pre-design alternatives analysis on one key water main from the Water System Master Plan list.
2	Project 2030 Workflow 3: Implement an Annual Pipeline Condition Assessment Program focused on structural integrity inspections and leak detection to establish baseline data.
3	Project 2030 Workflow 1: Select water mains from the Project 2030 list to complete \$2 million of water main replacements.

Strategic Plan Goal:	Enhance Organizational Effectiveness and Promote Best Practices to Local Government
#	OBJECTIVES
1	Complete implementation of the SpringBrook Enterprise Resource Planning (ERP) system, including a utility billing module to improve efficiency and customer service.
2	Formalize IT five-year work plan/roadmap. Complete Assessment and Foundation phase and work on Infrastructure Upgrades & Virtual Private Network (VPN) Consolidation phase to enhance cybersecurity measures and to improve efficiency.
3	Implement an organizational development program to strengthen technical and organizational skills at individual and team levels to support the district's strategic objectives and improve recruitment and retention.
4	Engage with regional water agencies to protect CHWD customers' financial interests and water supply.
5	Demonstrate industry leadership through presenting at one professional association event such as ACWA, CSDA, CAPIO, RWA, ACWAJPIA, etc.

Strategic Plan Goal:	Engage Customers and Communicate the District's Priorities Value-Added Programs
#	OBJECTIVES
1	<p>Increase customer awareness and favorability of the District through outreach using both traditional and digital media, as well as in-person engagement opportunities. Conduct market research and use the data collected to inform and evaluate effectiveness of the strategy and beyond.</p> <p>Special focus on CHWD key pillars:</p> <ul style="list-style-type: none"> • Project 2030 water main replacements • Groundwater expansion and reinvestment • Asset management
2	<p>Advocate for and protect customer interests with regard to legislative and regulatory issues and through intergovernmental relations. Monitor and analyze activities that impact CHWD's policies, operations, capital, finances, and water supply; and update customers on relevant matters.</p>
3	<p>Implement a comprehensive customer engagement strategy that fosters meaningful connections with the community, including the CAC, Garden Corps, neighborhood associations, community organizations, service clubs and businesses. Enrich the experience for participants and empower them to act as ambassadors for CHWD.</p>
4	<p>Develop and implement a strategy to secure grants, loans, and other non-rate payer funding to offset customer costs.</p>

CHWD serves a primarily residential community, with a few commercial centers located within its boundaries. Because the District's service area is largely built out, significant revenue growth from new development is not anticipated.

The District projects modest revenue increases over time, driven by limited infill housing and commercial development within its boundaries. However, these gains are expected to be offset by minimal changes—or even slight declines—in overall water demand.



As an enterprise-funded Irrigation District, CHWD's operations are fully supported by customer rates and fees rather than tax revenue. Operating income is primarily derived from water sales and bimonthly service charges. Since 2013, District customers have substantially reduced water use in response to statewide drought mandates. This reduction in consumption, and the resulting impact on projected revenues, underscores the importance of conducting annual rate studies and updating the District's financial model.

CHWD and its wholesale water supplier, SJWD, continue to adapt to operational changes driven by new regulations. As noted in the Transmittal Letter, CHWD's wholesale water rates are expected to rise further. The financial impact of current and future regulatory mandates remains an ongoing challenge for the District's water supply operations.

For an average CHWD customer with a 1-inch meter using 20 units of water per month (equivalent to 14,960 gallons, with one unit equaling 748 gallons), the average monthly bill would increase from \$95.65 under existing rates to \$100.23 under the proposed 2026 rates—a \$4.58, or approximately 4.79%, increase. Even with this adjustment, CHWD's average water bill is projected to remain competitive and below the regional average in the Sacramento area.

The District continues to make substantial investments in maintaining and upgrading its aging infrastructure. Between January 2025 and October 2025, CHWD completed 99 water meter replacements, 345 water meter register replacements, 20 valve replacements, 6 fire hydrant replacements, and installed or replaced approximately 1,887 feet of water mains. In 2025, construction was completed on the Minnesota Drive, Fair Oaks Blvd at Leaforest Way, and Sacramento County Greenback Lane Road Improvements Water Main Projects. Work neared completion on the Auburn Blvd Rush Park, Placer, and Sayonara Drive projects, while new construction began on the Greenback–Birdcage Street to Burich, Greenback–Sunrise Blvd to Birdcage, and Donnawood Way Water Main Projects.

During 2026, the District plans to initiate design and/or construction activities for one other water main project. Construction of Well #7 is expected to be finalized, while construction of Well #8 will be concluded. Total capital investments for 2026, including \$5.77 million in project budgets carried over from 2026, amount to \$25.84 million.

Long-Term Financial Planning

CHWD utilizes a number of planning strategies when considering long-term financial forecasts.

- **Project 2030 Water Main Replacement Plan** – Developed through the strategic planning process, this plan serves as a cornerstone strategy for engaging customers in long-range water main replacement initiatives. It aims to educate customers about existing challenges and outline the steps being taken to maintain water supply reliability and address aging infrastructure.
- **Capital Improvement Plan** – The Strategic Plan establishes the framework for the Capital Improvement Plan (CIP), detailing project timelines and cost projections for production and water supply facilities identified in the 1999 Facilities Master Plan. As a 30-year forecast, the CIP guides long-term infrastructure investment. With most projects from the 1999 Facilities Master Plan nearly complete, the District will update the Water System Master Plan in 2026.
- **10-Year Financial Plan** – The Plan provides both short- and long-term projections of the District’s revenues, operating and maintenance expenses, capital investments, and reserve levels over a 10-year period. It is updated annually to reflect changes in customer water use, evolving capital improvement and water supply plans, and continues to inform the development of current and future CHWD budgets. Additional details about the financial model can be found in the “Financial Model” section of the budget.
- **Annual Budget** – A central element of CHWD’s financial planning is the District’s annual budget, which is prepared, reviewed, and adopted each year. Every summer, staff from all departments collaborate to develop a draft budget that is presented to the Board of Directors for approval before the start of the new fiscal year. The budget provides projections for revenues, operating and capital expenditures, and reserve transfers. It is developed using a priority-based budgeting approach and is closely aligned with CHWD’s strategic planning process.



Budget Overview

Table 1

	2025 Adopted Budget	2026 Proposed Budget	Increase/(Decrease)
Operations & Maintenance	\$6,324,339	\$6,749,687	\$425,348
Water Purchase	3,127,035	3,283,400	156,365
Salaries & Benefits	7,737,430	8,220,715	483,285
Contribution to Reserves	2,400,000	2,900,000	500,000
Capital Improvement Program	18,339,387	25,843,756	7,504,369
	\$37,928,191	\$46,997,558	\$9,069,367

The comparison in Table 1 reflects the proposed change in spending for the District’s base budget for 2026.

Operations and maintenance expenses are projected to rise due to continued planning and implementation efforts for Project 2030 – Water Main Replacement Program. This includes expanded non-invasive condition assessments, completion and initial implementation of the Water Distribution System Master Plan, and advancement of the Facilities Modernization and Expansion (FME) projects.

The 2026 Proposed Budget for purchased water reflects an increase of \$156,000 compared to the 2025 Adopted Budget. Purchased water remains the District’s largest single expenditure at \$3.28 million projected for 2026. Based on the 2023 Wholesale Water Rate Study Report released by SJWD in January 2024, wholesale water rates are expected to continue rising over the next several years. Under the new Wholesale Water Rate Model, the fixed portion of the rate accounts for 83% of total charges.

Salary and benefits are anticipated to increase due to higher employer costs, including pension contributions and health insurance premiums. The budget also incorporates funding for two new Full-Time Equivalent (FTE) positions to enhance operational capacity, support implementation of the Project 2030 Water Main Replacement Program and strengthen efforts in grant acquisition and customer engagement.

Budgeted contributions to reserves include transfers to the Water Main Replacement Reserve to prepare for implementation of the Project 2030 Water Main Replacement Plan.

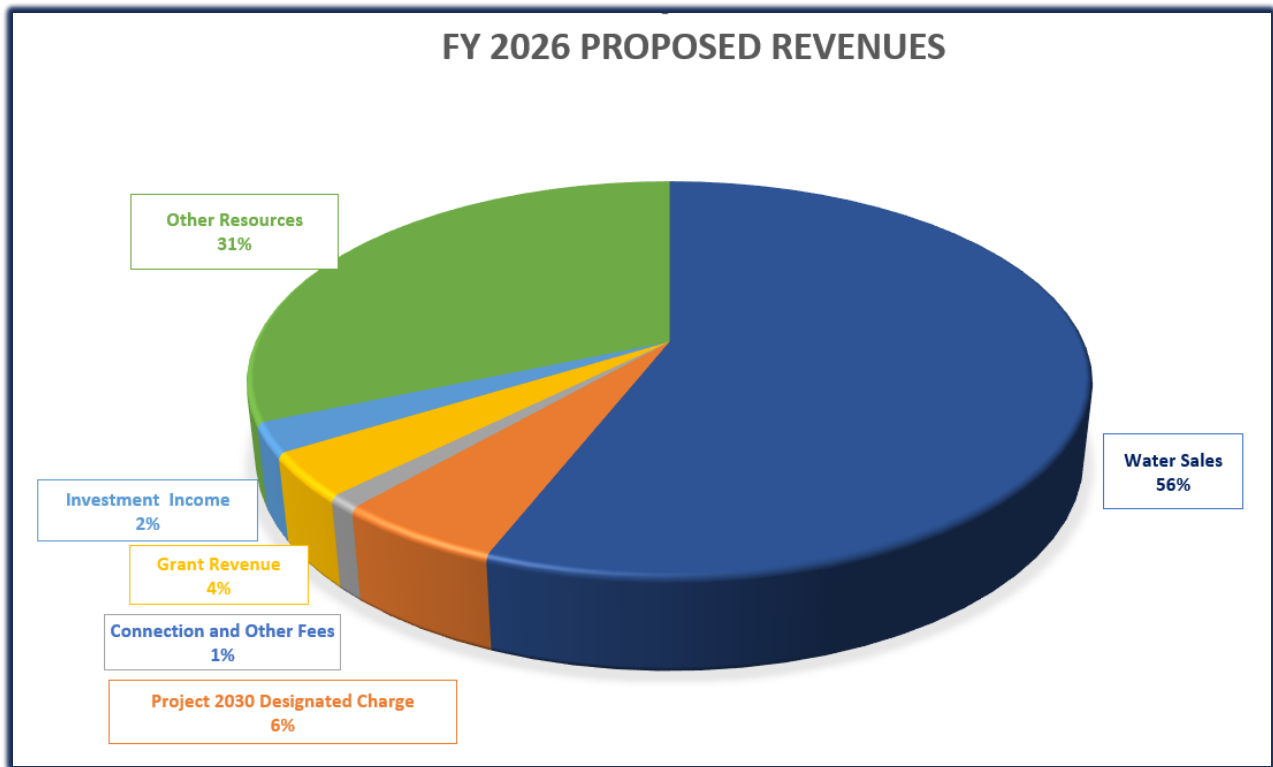
This initiative will significantly expand the District’s annual infrastructure replacement efforts, funded through the Project 2030 Dedicated Charge. In addition, \$500,000 will be transferred to the Water Supply Reserve to continue the District’s efforts to invest in and reinvest in groundwater supplies.

Financial Highlights

Projected Revenue:

Water Sales, inclusive of Project 2030 Dedicated Charges, are expected to generate 62% of total FY2026 revenues, indicating an ongoing dependence on ratepayer funding. At the same time, strategic initiatives to diversify income have strengthened other sources—particularly Grant Revenues and Investment Earnings—which together represent more than 6% of the FY2026 budget.

Table 1b



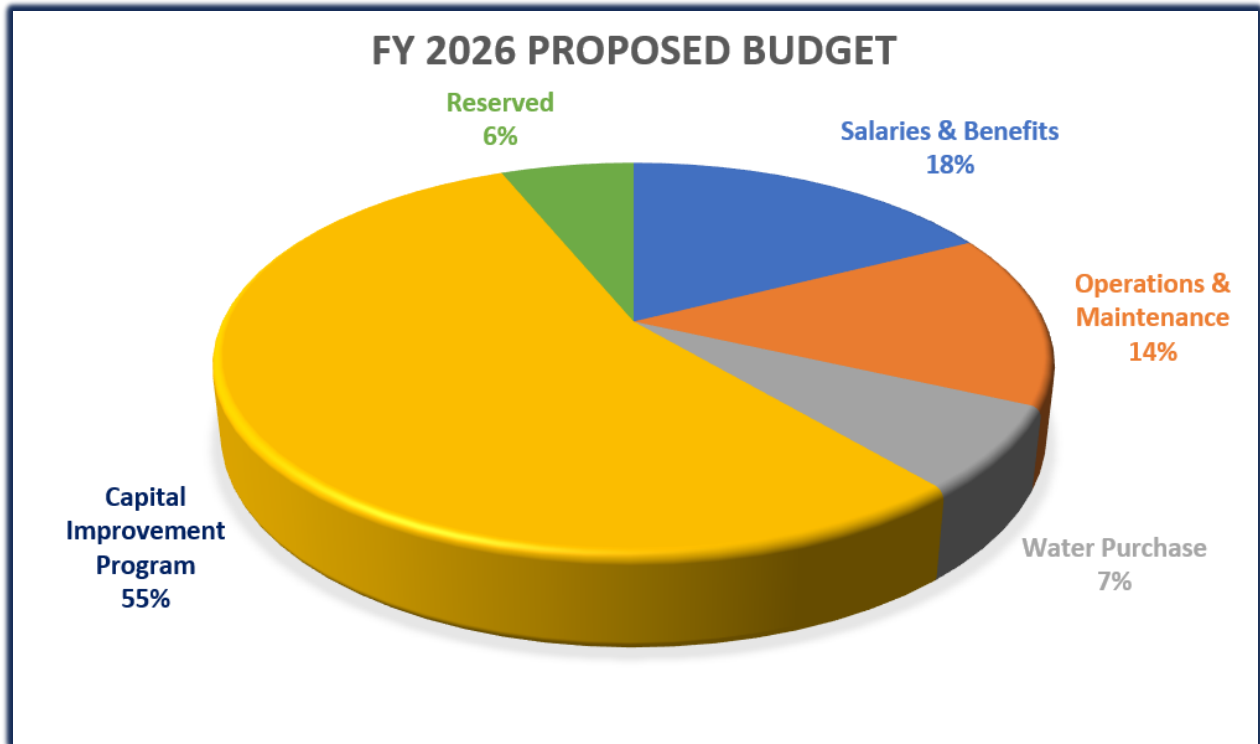
Beginning in 2026, the District will implement a comprehensive funding approach designed to promote intergenerational equity. This strategy leverages financing tools to distribute project costs more evenly among current and future customers who will benefit from long-term capital investments—such as the Facilities Modernization and Expansion (FME) Project and other 2030 Water Main Replacement initiatives. By spreading costs over time, the District can minimize immediate rate impacts on today’s customers while ensuring that future beneficiaries share in the investment costs. A total of \$13 million in financing proceeds is budgeted as other resources to support the 2026 budget.

Operating Budget:

The 2026 Operating Budget of \$21.1 million, including Salaries & Benefits, Operations & Maintenance, and transfer(contribution) to Reserves, represents an overall increase of about \$1.1 million from the 2025 Adopted budget. Some key factors contributing to the increase include:

- Implementation of Strategic Planning initiatives and special projects identified by the Board as 2026 priorities.
- Addition of two new full-time positions: a Management Analyst for Engineering and a Public Affairs Analyst/Senior Analyst.
- Expanded work and associated costs for implementing the Project 2030 Water Main Replacement Plan.
- An additional \$500,000 transfer to the Water Supply Reserve to strengthen long-term funding

Table 1c



Capital Improvement Budget:

The total 2026 Capital Improvement Budget (CIP) budget is approximately \$25.8 million which includes \$5.8 million is carried over from 2025.

- Groundwater Wells: About \$5.1 million is allocated to complete construction of the District’s eighth groundwater well (Well #8). The District has been awarded \$6.6 million in State and Federal funding for the construction of Wells #7 and #8, with \$1.5 million of that grant funding included in the 2026 CIP budget. Because external funding sources are limited, the District continues to pursue non-ratepayer funding opportunities whenever possible.

- **Water Main and Operational Projects:** The 2026 CIP budget includes \$2.8 million for ongoing Water Main Projects and \$2.7 million for annual operational-related CIP projects.
- **Infrastructure and Facilities:** Major investments in Project 2030—the District’s Facilities Modernization and Expansion (FME) initiative—will continue through 2026 and 2027. The 2026 budget allocates approximately \$13 million for the project at the Madison Avenue and Sylvan Corporation Yard sites.
- **Enterprise System Implementation:** The budget also includes \$350,000 carried forward for the implementation of a new Enterprise Resource Planning (ERP) system, designed to streamline financial, operational, and customer service processes.

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