

Introductory Section

**C I T R U S
H E I G H T S**

**W A T E R
D I S T R I C T**



Frequently Asked Questions about the Budget

[The Citrus Heights Water District isn't part of the City of Citrus Heights? Page 11](#)

[How many people does the district serve? Page 11](#)

[Does the district have a policy that guides how to report, invest, and audit funds? Page 31](#)

[What is the district's revenue per year? Page 37](#)

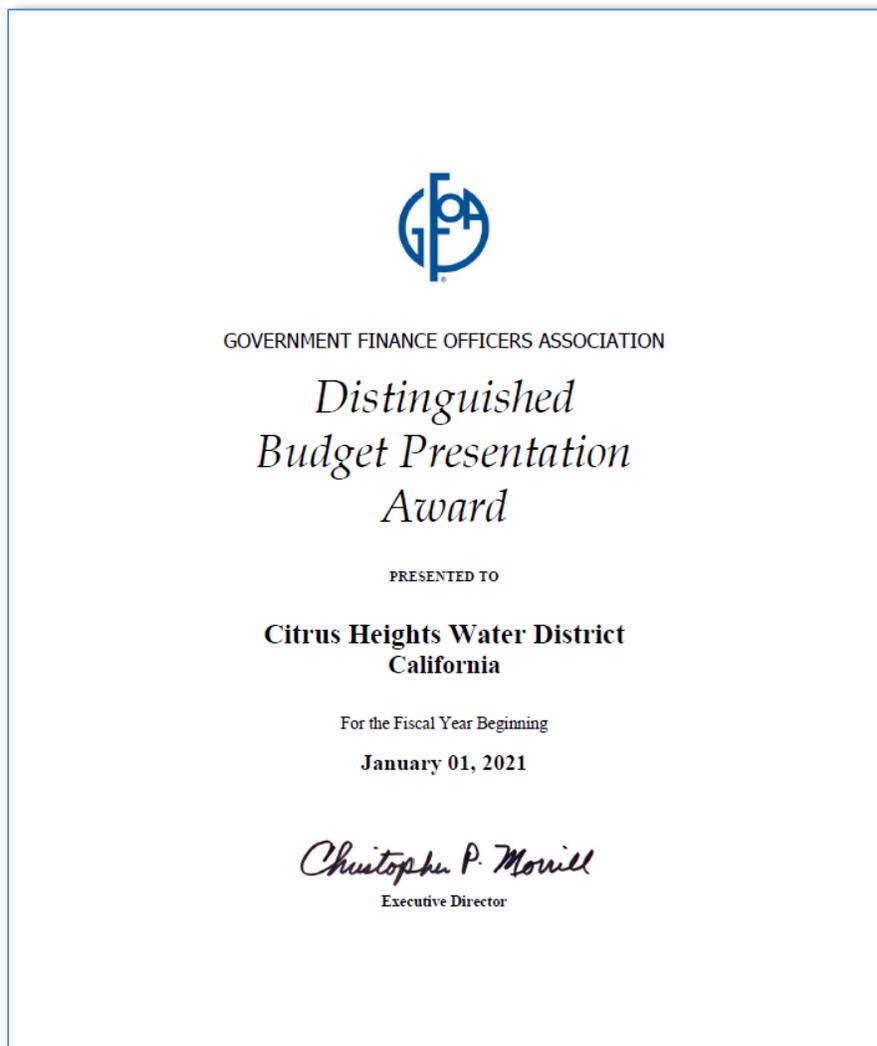
[How many employees work for the district? Page 39](#)

[What are the reserves of the district? Page 60](#)

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, California, for its Annual Budget for the fiscal year beginning January 01, 2021. In order 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 a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



Letter of Transmittal

**CITRUS
HEIGHTS
WATER
DISTRICT**



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

Hilary M. Straus, General Manager/Secretary
Susan K. Talwar, Director of Finance & Admin. Services/ Treasurer
Alberto Preciado, Accounting Manager/Assessor/Collector

November 10, 2021

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) (FY) 2022 Budget. This year's budget demonstrates CHWD's continuing commitment to providing high quality, economical, and responsive services to our customer base while continuing the District's commitment to reinvest in its aging infrastructure and capital assets.

Agency History and Infrastructure/Asset Management

A review of the District's history and key infrastructure and assets help to inform customers today about operational and capital cost drivers. In 2021, CHWD celebrated its Centennial. The District formed in October 1920 under the Irrigation Code with a three-member Board of Directors. The initial service area was 4.7 square miles (mostly agricultural), and the District provided water service to about 225 farms. Surface water was 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

With the construction of Folsom Lake in the mid-1950s came the formation of CHWD's wholesale water provider, San Juan Water District. Soon after, as a result of funding from a bond measure, called "Project 1956," a forty-two inch transmission main was constructed from just west of Folsom Lake to provide water service to the CHWD service area. That transmission main, which is now over sixty years old, along with a back-up, large-diameter Cooperative Transmission Pipeline built in 1996 in partnership with San Juan Water District, what is now Sacramento Suburban Water District, Fair Oaks Water District, and Orange Vale Water Company, serve as the primary pipelines to convey treated surface water from Folsom Lake via the San Juan Water District to CHWD's

nearly 20,000 customers. Annually, more than ninety percent of the water served to CHWD's customers is this surface water. The remaining water comes from CHWD's groundwater wells.

The District's service area urbanized in the period between 1960 and 1985. Most of CHWD's 250 miles of transmission and distribution water mains were installed by private developers, and were inspected by CHWD during that time period. These water mains were then donated to CHWD, and the responsibility for the operation, maintenance, repair, and replacement was transferred to CHWD's rate payers. During that period of urbanization, CHWD's service area grew to its present-day size of nearly thirteen square miles.

According to the American Water Works Association (AWWA), the average lifespan of a water main is seventy years. Therefore, those water mains that were installed en masse beginning in 1960 will reach seventy years of age in 2030, and CHWD forecasts that it will need to undertake a significant program of water main replacements beginning in 2030, and for several decades thereafter, to reduce the likelihood and consequence of water main failures in its service area.

Water Meters

Federal and State mandates in the early 1990s required CHWD to install and use water meters with its customers, and the District became fully metered with metered billing by 2009. AWWA reports that the average lifespan of a water meter is only twenty years. Also, the technology platforms of water meters are rapidly evolving, as water meters become more information-technology-based, or "smarter," offering web-based data/analytics for CHWD and its customers to assist in better managing water distribution and consumption.

Like water mains, CHWD is facing the challenge of replacing its aging water meters en masse. To address this challenge, CHWD has taken the lead to form a consortium of 11-water agencies, plus the Sacramento Regional Water Authority, to take advantage of economies of scale, and identify opportunities to work together to realize significant long-term cost savings to replace water meters throughout the Sacramento region.

Groundwater Wells

Beyond the management of water mains and water meters, a third major area of infrastructure and asset management is the development, operations, maintenance and repair of CHWD's network of six high capacity groundwater wells. These groundwater wells range in capacity from approximately 1,000-2,000 gallons per minute (GPM). CHWD has historically undertaken, and continues to maintain a network of groundwater wells, supplemental to its surface water supply, to ensure supply reliability and price stability to its customers.

The average lifespan of a well is approximately fifty years, and CHWD continues to plan for capital reinvestment, and as it deems necessary, for expansion of its groundwater program. One new, but potentially significant groundwater management technology that CHWD will explore during 2022 is Aquifer Storage and Recovery (ASR). With ASR, CHWD’s groundwater wells could be converted to being able to not only extract groundwater, but inject surface water into the ground, in partnership with a water provider who has surface water availability and excess supply. This groundwater injection capability could increase CHWD’s capacity to better manage the area’s groundwater aquifer and potentially serve to offset the District’s costs. An ASR feasibility study will be completed by CHWD in November 2021. A larger region-wide ASR feasibility analysis has also been undertaken by the Sacramento Groundwater Authority (SGA) and the respective studies at CHWD and at the regional level complement one another.

Other Short-term Issues Impacting CHWD’s Budget

For every rate dollar CHWD’s customers pay, seventy cents goes to a fixed charge and thirty cents is charged based upon a customer’s water usage. As identified by CHWD’s project 2030 master plan, CHWD is facing flat, and even declining, water demand tied to increased water use efficiency per capita. Water efficiency is tied to changed water use habits in the post-2015 drought era (thought to be a “new normal” of lower water usage), the implementation of water meters/metered-billing and the increasing impact of state water efficiency regulations.

Flat or declining water usage demand places a greater burden on the fixed portion of the rate as water agencies incur significant capital and operating expenses to deliver the first unit of water to its customers.

Year	Projected SJWD-W Fixed Charge	Net Change on Fixed Charge
2020	Fixed - \$1,951,068	
2021	Fixed - \$2,163,289	10.9% Increase
2022	Fixed - \$2,163,289	

Figure 1: Estimated Future Charges from the San Juan Water District

Moreover, Citrus Heights Water District’s wholesale water agency, San Juan Water District’s, rates continue to escalate as shown in Figure 1. San Juan Water District reports that their capital improvement program is \$60 million underfunded, and the agency has aging facilities and equipment in need of repair, remodel and replacement.

Notwithstanding the above, the COVID-19 Virus Pandemic of 2020 has, at least in the short term, impacted consumption. As CHWD is a largely residential water provider, social distancing, resulting in increased time spent at home, contributed to a substantial increase in consumption. It is unclear if this increase in usage will have long-term impacts on the District’s budget, and is therefore not presently viewed as a factor that will substantially impact the District’s water demand forecast as described above. District staff will continue to monitor the Pandemic and consumption closely, and will

note any potential changes to its water demand forecast if it is updated in future budget communications.

A potential offset to the impact of the pandemic is a decrease noted in the rate of growth tied to a partial return to work. Additionally, the rate of water usage has declined due to drought conditions and water usage reduction messaging at the state-wide, regional, and CHWD levels.

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 Master Plan that focused on water main replacements; Project 2030—Water Main Replacement Program (the successor planning effort to the 1999 Master Plan); Water Meter Replacement Study and Consortium-based Meter Replacement Asset Management Program; maintaining a 10-year financial forecast as a driver for annual budgeting; use of Strategic Planning, focusing on three-year goals and one-year objectives, as a driver for annual budgeting).

Implementation of an Annual Budget Based on a Ten-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 or 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 both designated and undesignated 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: Water Efficiency, Water Supply, Debt Services, Employment-Related Benefits, Fleet Equipment, Rate Stabilization, Water Meter Replacement, Operating and Capital Improvement. Finally, in anticipation of the completion of its Project 2030—Water Main Replacement Study and program in 2021, the District established a Water Main Replacement Reserve in 2020.

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 of the District. These work program items are intended to address complicated issues that can significantly impact the District and/or that can help 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 three 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 manager and key staff), as well as members of CHWD's Customer Advisory Committee (CAC) participate in a Strategic Planning session held as a public meeting, typically in June, July or August of each year. From there, CHWD finance staff prepare a draft budget with expenditure 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 2022, there are several one-year objectives organized under five (5) three-year goals, including: 1) Manage and/or Diversify a Dependable Water Supply; 2) Manage Water Efficiency Effectively and Empower Customers to Use Water in an Efficient Manner; 3) Manage the Efficient Improvement of and Reinvestment in District Infrastructure and Facilities; 4) Promote Organizational Effectiveness to Enhance Customer Service.

A summary of the CHWD's 2022-25 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. In 2021, CHWD hired its first Communications and Public Engagement Manager to coordinate a multifaceted communication and outreach program. Some of CHWD's platforms for communication include its website (recently redesigned and re-launched as part of CHWD's Centennial in 2020), its direct-mail Waterline newsletter (and more recently its Facebook site), annual visits to neighborhood associations, and through its establishment of a 25-member Customer Advisory Committee (CAC) to consider options how to phase, cost and fund water main and meter replacements. Also in 2021, CHWD launched its new Garden Corps of customers to plant and maintain its Water Efficient Demonstration Garden at the Sylvan Ranch Community Garden.



CHWD Demonstration Garden

The Customer Advisory Committee is made up of 17 residential customers, 3 commercial customers (representing the Citrus Heights Chamber of Commerce, Sunrise MarketPlace Property-based Business Improvement District and the Auburn Boulevard Business Association), and 5 public agencies (City of Citrus Heights, Sacramento Metropolitan Fire District, San Juan Unified School District, Sunrise Recreation and Park District and Sylvan Cemetery District).

The CAC works with CHWD leadership, technical staff, and a team of engineering and financial planning consultants to

analyze capital and financial planning options for the replacement of water mains and meters, and it makes policy recommendations on these topics to CHWD's Board of Directors.

As we look ahead to 2022, CHWD will continue to strengthen and expand its public education and outreach program.

Operating Budget

Looking ahead to budget year 2022, some of the key work program items included in CHWD's budget, include:

- **Water Supply**— Complete design for Well Site #7
- **Water Efficiency**— Develop a Community Garden page for the CHWD website
- **CHWD Infrastructure and Facilities**— Complete the District-wide Easement Project
- **Organizational Effectiveness**— Increase customer participation in online bill pay enrollment

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 the CHWD's Capital Improvement Program is included in the "Capital Budget" section of the budget.

Conclusion

This year's budget focuses on completing important long-range infrastructure and asset management planning, expanding CHWD's groundwater program, continuing to provide enhanced public services, providing expanded opportunities for customer participation and maintaining adequate reserves. CHWD's 2022 budget also highlights the District's ongoing commitment to operational and financial efficiency.

Respectfully submitted,



Hilary M. Straus
General Manager

About the District

The Citrus Heights Water District (the “District” or “CHWD”) was established in 1920, as the Citrus Heights Irrigation District.

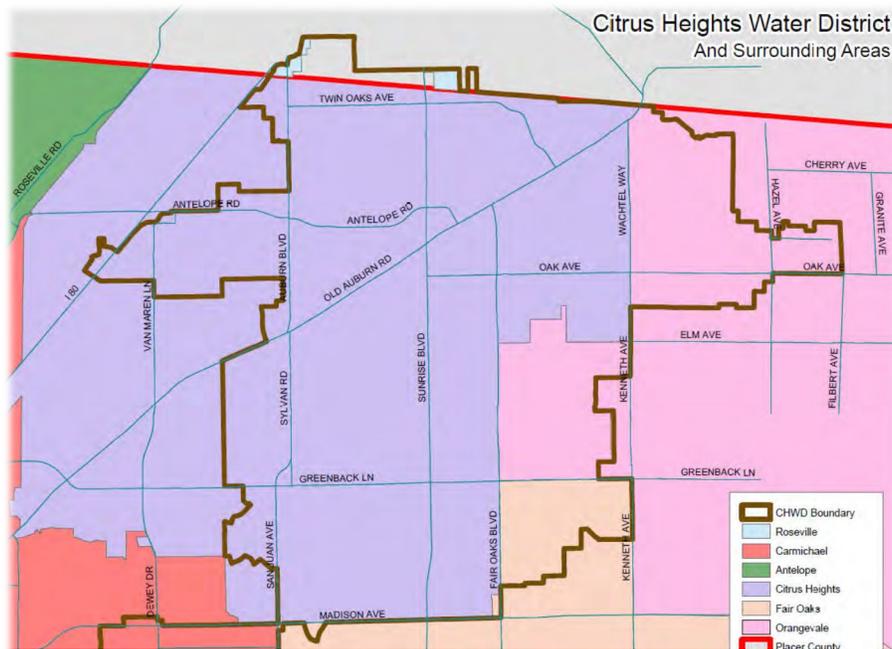
At that time, the District encompassed slightly more than 4.7 square miles, serving approximately 225 farms.

The District currently serves water to a population of approximately 67,000 people within an approximate 12 square mile service area.



CHWD Offices

Citrus Heights Water District carries out its mission with a highly-motivated and competent staff that is empowered to conduct CHWD’s business by placing the customers’ needs and welfare first. Each day, CHWD employees strive to carry out their work, mindful of 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

The District provides these programs to increase water efficiency:

- **Water Smart Classes** - Every spring and summer, CHWD a series of Water Smart Landscape classes for their customers. These free classes provide many tips and tools to help residents maintain or upgrade their yards in the most water-efficient ways.
- **Free Irrigation Efficiency Review** - CHWD can arrange a Landscape Irrigation Review at no cost to customers to help manage and maintain their irrigation systems. Upon completion of the Review, customers receive a written report that includes recommendations for improving irrigation system performance, and a 12-month irrigation schedule based on the customers' personal landscape needs.
- **Rebates** - To assist customers in conserving water, the District provides rebates for the purchase and installation of ultra-low flush (ULF) toilets. It also currently participates in a limited cooperative washing machine rebate program with Sacramento Municipal Utility District (SMUD).
- **School Programs** - Citrus Heights Water District partners with schools within its service area to educate children about the importance of water efficiency and how they can help conserve water.

- *Presentations* - CHWD offers one-hour interactive classroom presentations to demonstrate to students how they can conserve water every day. The classroom presentations are tailored for grades K-3, 4-6 and 7-8.



Poster Contest 1st Place Winner, 2021

- *Poster Contest* - CHWD conducts an annual poster contest where students in grades 4-6 can submit a drawing illustrating how they have fun conserving water. A panel of judges from other public and community organizations such as the Citrus Heights Chamber of Commerce, City of Citrus Heights, and Sunrise Recreation and Parks District review all of the drawing submissions and select the winners.

Governance and Organizational Structure

CHWD is a special district established as an Irrigation District under the State of California Water Code. The District is governed by a three-member Board of Directors that is elected to a four-year term. CHWD has a by-district electoral system, Directors are elected only by voters who reside within each Director's district. The District was

staffed in 2021 by 36 full-time equivalent employees assigned to three departments: Administrative Services, Engineering, and Operations. The General Manager and General Counsel are appointed by, and report directly to, the Board of Directors.

Water Supply

In 2020, the District purchased 91.74% of its water from San Juan Water District (SJWD), and delivered it to approximately 19,960 residential and commercial service connections. Additionally, the District maintains six groundwater wells and approximately 250 miles of pipeline. CHWD has been treating and delivering groundwater to customers since 1943.

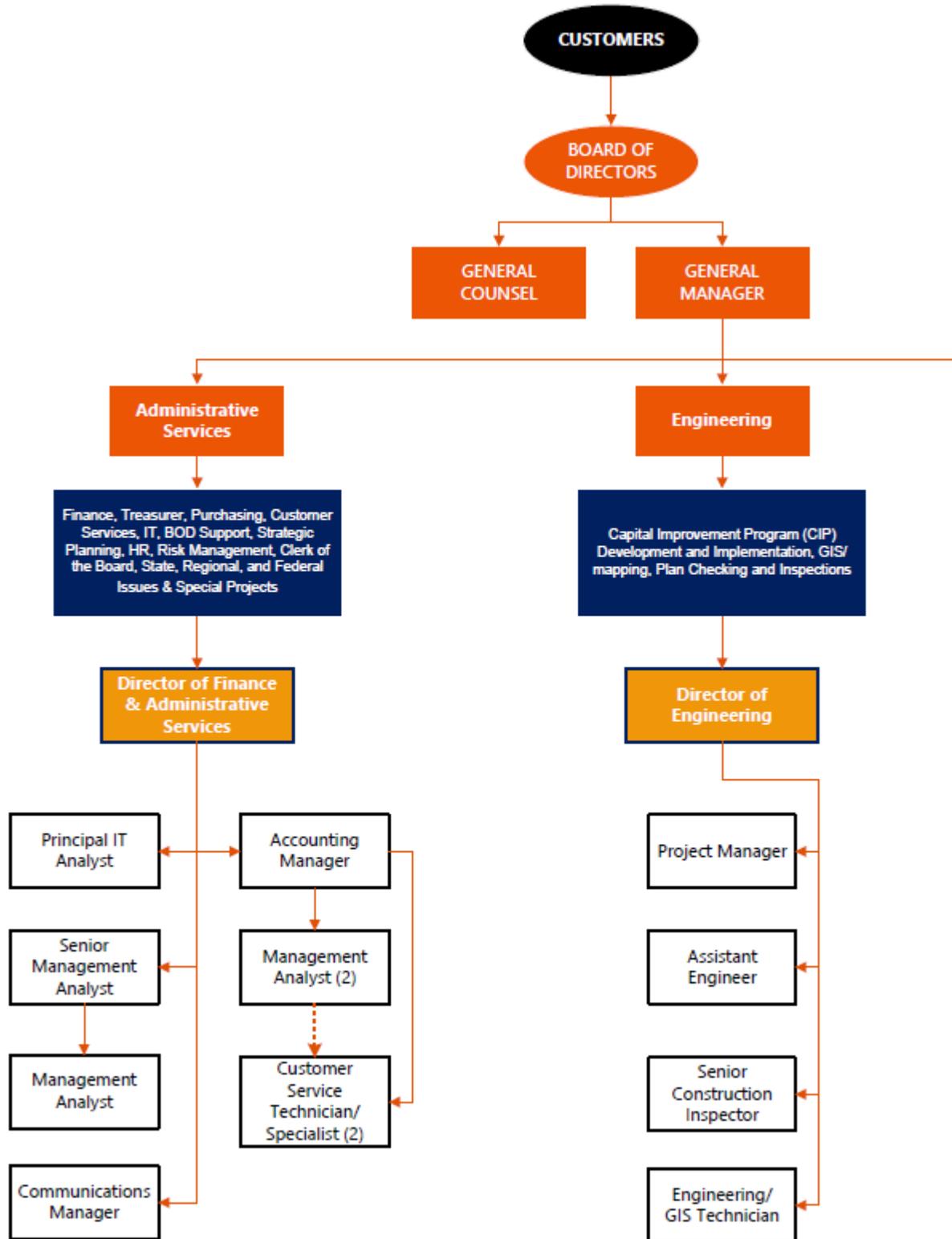
Demographic and Economic Statistics

Demographic and economic statistics are provided for the City of Citrus Heights (City) and the County of Sacramento (County) because these statistics are not separately available for the District’s service area. The District is comprised of some areas of the City and unincorporated areas of the county. The District believes that data from the City and County is representative of the conditions and experiences of the district. These statistics may be found in the “Statistical Data” section of the Budget.

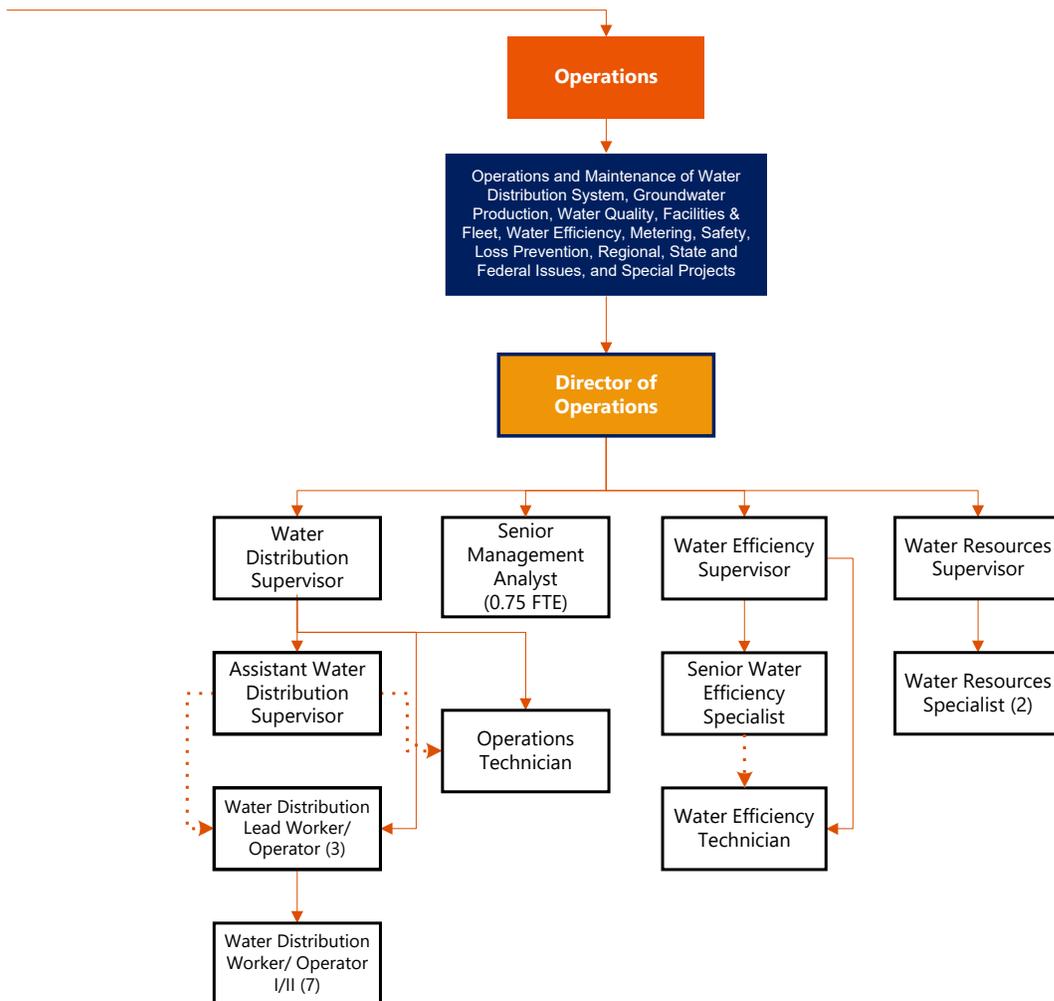


CHWD Staff Completing Underground Service Alert Marking

Organizational Chart



Organizational Chart for 2021



Strategic Planning

Strategic Plan - 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 one-year and 5-year organizational goals 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.



2019 Pre-Pandemic Strategic Planning Session Participants

KEY ISSUES FOR 2022

- Customer education on Policy, Operations, and Interagency Issues
- Implement Board-directed Branding Project
- Complete Design of Well Site 7
- Implement District Meter-Testing Program
- Implement Study for Information Technology Security Updates
- Begin Project 2030 Infrastructure Replacement Implementation Plan
- Complete District-Wide Easement Project
- Create Engineering Design Standards & Procedures
- Research Automated Clearing House (ACH) Payment Options

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



Strategic Plan Goals and Objectives

During the Strategic Planning session, CHWD's leadership puts together 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 differences between the current year (2021) and the coming budget year (2022) include:

- **Project 2030:** 2021 Objectives included developing the methods of testing, as well as outreach and funding for the preferred strategy. For 2022, this goal was combined with the "Infrastructure and Facilities" Goal. Objectives for 2022 include the implementation of the outreach and engagement plan for the preferred alternative identified in the Project 2030 Water Main Replacement Study.
- **Water Supply:** In 2021, the objectives were focused evaluating the potential for Aquifer Storage and Recovery technology as part of the District's water supply portfolio, completing acquisition of sites for the next two District groundwater wells, and planning for the replacement of the Hinkle Reservoir cover. For 2022, objectives focus on completing the design for Well Site #7, as acquisition of the property was completed in 2021. Although SJWD has postponed the commencement of the Hinkle Reservoir Cover project, CHWD is focused on assisting with the project as needed.
- **Water Efficiency:** In addition to working towards improving attendance at customer education events, the Water Efficiency objectives for 2021 focused on improving and expanding educational content for our customers, and on developing a volunteer program to assist with demonstrations and the operation of the interactive garden. For 2022 in addition to continuing the attendance objectives, new objectives focus on providing customers with tools for improving their home water usage through rebates.
- **Infrastructure and Facilities:** The focus for 2021 the completion of the Meter Replacement Study and final report, as well as pre-architectural design and options for improving District facilities. For 2022, in addition to the Project 2030 objectives, focus areas include the implementation of a District meter testing program, and the completion of the District-Wide Easement Project.
- **Organizational Effectiveness:** For 2021, objectives included increasing employee efficiency and improving our communication with customers, as well as reviewing and updating District policies for Accounts Receivable. For 2022, objectives focus on developing Information Technology (IT) policies, and updating Operations, Water Service, and Water Distribution policies, improving IT security at the District, and increasing customer engagement and participation in online account tools.

The following are the goals and objectives identified for 2022:

Strategic Plan Goal:	Manage And Diversify A Dependable Water Supply
#	OBJECTIVES
1	Participate in the Hinkle Reservoir Cover Replacement Project.
2	Develop one intertie with a neighboring agency contingent upon their participation.
3	Complete design for Well Site 7.

Strategic Plan Goal:	Manage Water Efficiency Effectively and Empower Customers to Use Water in an Efficient Manner
#	OBJECTIVES
1	Increase CHWD Customer attendance by 10% at Water Smart Classes.
2	Increase participants in the Pressure Reduction Valve Rebate Program by 10%.
3	Increase participants in the Irrigation Efficiency Review and Smart Controller Program by 10%.
4	Develop a Community Garden page for the CHWD Website.

Strategic Plan Goal:	Manage The Efficient Improvement Of And Reinvestment In District Infrastructure And Facilities
#	OBJECTIVES
1	Implement a District meter testing program.
2	Work with the Regional Water Authority to complete the transition of leadership for the Water Meter Replacement Program.
3	Start Corporation Yard Pre-Architectural Study and develop design alternatives for consideration.
4	Complete the District-wide Easement Project.
5	Perform non-invasive condition assessment on selected District transmission mains.

Strategic Plan Goal:	Promote Organizational Effectiveness To Enhance Customer Service
#	OBJECTIVES
1	Complete development of Information Technology Policies (10,000's).
2	Complete update of the Operations Policies (5,000's).
3	Complete update and development of engineering design standards/procedures for development projects (8,000's-Water Service and 9,000's-Water Distribution Facilities).
4	Implement study for information technology (IT) federated services and single sign on.
5	Research virtual desktop options for potential implementation.
6	Implement Enterprise Resource Planning (ERP) software migration.
7	Implement outreach and engagement plan on the preferred alternative from the Project 2030 Water Main Replacement Study.
8	Implement Board-directed rebranding or brand refresh.
9	Increase number of emails on email listserv by 5%.
10	Educate customers on policy, operations, and finance issues with SJWD-Wholesale.
11	Increase online bill pay enrollment by 5%.
12	Research new options for Automated Clearing House (ACH).
13	Implement redistricting/district division update.
14	Enhance employee recruitment and retention initiatives by providing additional resources (e.g., an advanced training and education program).

Economic Condition, Outlook and Major Initiatives



Water Meter Testing In Progress

CHWD is primarily a residential community, with some commercial centers within its boundaries. The District's service area is largely built out; therefore, the District does not anticipate a significant growth in revenue based solely upon new development. The District is forecasting a slow but steady revenue increase based on 1.0% growth per year from the

demand in small infill of housing or commercial development within District boundaries, which is tempered by a minimal change, if not decrease in demand.

CHWD operates as an enterprise fund, meaning the costs of providing water service and protecting groundwater resources are financed by rates and fees charged to District customers. Since the District receives no revenue from taxes, operating revenues consist primarily of water sales and bimonthly service charges. Although water use increased in 2020 as a result of customers staying at home during the COVID-19 Pandemic shutdowns, overall, District customers have decreased their water use significantly since 2013 in response to state-wide drought mandates. This created a gap between the amount of water customers were projected to use, and the amount they actually used, and contributed to the need for a new rate study and financial model rebuild.

CHWD and its wholesale water supplier, San Juan Water District (SJWD), continue to encounter changes in operations due to new regulations; moreover, SJWD staff reports that the capital needs for that district are severely underfunded. The impact of current and future regulations, and the resulting cost impact on water supply operations, are an ongoing challenge for the District. CHWD received a 10% rate increase from its wholesale water supplier in 2021.

As of January 1, 2021, CHWD charges a uniform rate of \$1.18 per unit of water, and a bimonthly fixed charge of \$87.29 for a 1-inch meter. One unit of water equals 748 gallons which means that the cost per gallon is 0.16 cents. At \$806.94 per year, the cost of water service for a typical single family home using 179,520 gallons of water annually remains a good value for CHWD's customers.

The District continues to repair and replace aging infrastructure throughout its system. During 2021, the District completed 346 service replacements, completed water main replacement projects, including the Wisconsin Drive Main Replacement and the Wells

Avenue Main Replacement. An additional three projects completed the design phase, including the Antelope-Rusch Park Water Main Project. Capital projects scheduled for 2022 total \$8.7 million.

Long-Term Financial Planning

Citrus Heights Water District utilizes a number of planning strategies when considering long-term financial forecasts.

- **Project 2030 Water Main Replacement Plan** - This plan was identified during the strategic planning process as a key strategy for engaging customers in long-range water main replacement planning efforts. The purpose of this plan is to inform customers about our challenges, and the current actions being undertaken to ensure water supply reliability, and prepare for the replacement of aging infrastructure.
- **Capital Improvement Plan** - The Strategic Plan lays the groundwork for the Capital Improvement Plan, which includes project schedules and projected costs for production and water supply facilities identified in the 1999 Facilities Master Plan. The Capital Improvement Plan is a thirty year forecast.
- **10-Year Finance Plan** - The previous Finance Plan was completed by NBS Government Finance Group in June 2013, and includes short and long-range projections of the District’s revenues, operating and maintenance expenses, capital expenditures, and reserves over the next ten years. The plan is updated as changes in customer water use impact long- range financial projections and capital improvement and water supply plans evolve. Raftelis Financial Consultants began work on a new finance plan, which was completed in 2019. This finance plan was further revised in 2020 by IB Consulting and used to plan the 2021 and 2022 Budgets. Additional information about the financial model is located in the “Financial Model” section of the budget.
- **Annual Budget** - A key component of financial planning is the District’s budget, which is prepared, reviewed and adopted annually. Every summer, District staff from each department prepare a draft budget which is presented to the Board of Directors for approval prior to the beginning of the next fiscal year. The annual budget includes forecasts for revenues, operating expenditures capital



expenditures, and reserves transfers, and is formulated using a priority-based budgeting approach, and as an outgrowth of CHWD’s strategic planning process.

Budget Overview

	2021 Adopted Budget	2022 Proposed Budget	Increase / (Decrease)
<i>Operations & Maintenance</i>	4,745,211	4,538,973	(206,238)
<i>Purchased Water</i>	3,177,864	3,135,754	(42,110)
<i>Salary & Benefits</i>	5,332,066	5,971,747	639,681
<i>Contribution to Reserves</i>	-	1,374,099	1,374,099
<i>Capital Improvement Program</i>	7,208,814	8,690,939	1,482,125
	<u>20,463,955</u>	<u>23,711,512</u>	<u>3,247,556</u>

Table 1

The comparison in *Table 1* reflects the proposed change in spending for the District’s base budget for 2022. Operations and maintenance expenses are expected to decrease due to a decrease in the amount needed for contracted service with the Project 2030 study being finalized

Purchased water costs are expected to stay largely unchanged, as both fixed and variable costs from SJWD will not change for 2022.

Salary and benefits are projected to increase due to increases in employer costs, such as pension increases due to a reduction in the CalPERS discount rate, and other increases to the cost of benefits, such as an 11% increase for employee health insurance.

Budgeted contributions to reserves are for transfers to the Water Main Replacement Reserve in preparation for the implementation of the Project 2030 Water Main Replacement Plan, which will substantially increase the amount of annual infrastructure replacement completed by the District.

Financial Highlights

- ❖ Operating Budget:
 - A 2022 Operating Budget of \$13.6 million, representing an overall increase of about \$390,000 from 2021 authorized budget levels.
 - Implement Strategic Planning items and Special Projects identified by the Board as priorities for 2022.
- ❖ Capital Improvement Budget:
 - Total 2022 Capital Improvement Budget is \$9.8 million, of which \$8.7 million will be spent in 2022.
 - 2022 Capital Improvement Budget request of \$5.6 million in 2022 projects, with another \$4.2 million in projects carried over from prior years.
 - The budget includes approximately \$3.2 million for the design and construction of the District’s seventh groundwater well.
- ❖ Total Budget: \$23.7 million



CHWD Staff Performing Infrastructure Installation