

# Introductory Section



## Frequently Asked Questions About the Budget

[How many people does the District serve? Page 15](#)

[Does the District have a policy that guides how to report, invest, and audit funds? Page 36](#)

[What is the District's annual revenue? Page 41](#)

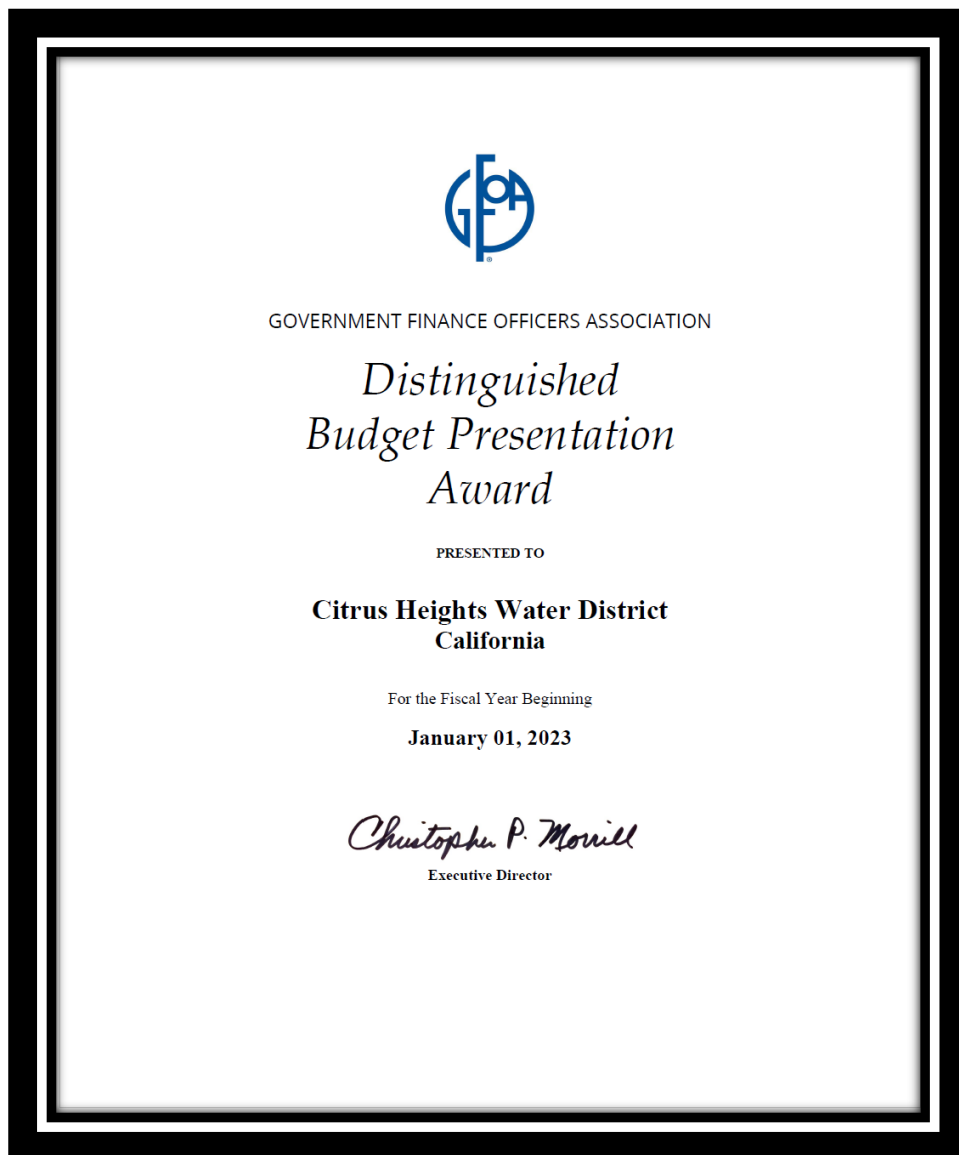
[How many employees work for the District? Page 43](#)

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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, 2023. 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. 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  
Annie Liu, Director of Administrative Services/Treasurer

November 14, 2023

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) 2024 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, key infrastructure and assets helps inform customers today about operational and capital cost drivers. The District formed in October 1920 under the State of California Irrigation Code with a three-member Board of Directors. 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 42-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 65 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 over 20,000 customers. Annually, a significant majority 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. CHWD's service area is nearly 13 square miles.

According to the American Water Works Association (AWWA), the average lifespan of a water main is 70 years. Therefore, water mains installed en masse beginning in 1960 will reach 70 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.

In 2021, the Citrus Heights Water District Board of Directors adopted the Project 2030 Water Main Replacement Study which will replace approximately 70 percent of the District's water mains over a 50 year period starting in 2030. Key elements of the Study include water main replacement phasing, project costs, a funding strategy, and an implementation plan. CHWD formed a Customer Advisory Committee (CAC) as part of the Study to assist the District find the best and most fair recommendation for the community.

The District is currently in the preparation phase of the Study which includes implementing a funding plan, customer engagement and outreach program, and in-field inspections of the District's transmission (large diameter) water mains. The inspection process will provide additional information to assist CHWD to prioritize the order of water main replacements.

### 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 20 years. Also, water meter technology is rapidly evolving as water meters become more information-technology-based, or "smarter." Newer meters offer web-based data/analytics to help utilities and customers better manage 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 took the lead to form a consortium of 11 water agencies, plus the Sacramento area Regional Water Authority, to explore opportunities to work together to realize significant long-term cost savings to replace water meters and more generally manage these assets 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 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 for its customers. The average lifespan of a well is approximately 50 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 introduce with the development of its next well, currently under development, is Aquifer Storage and Recovery (ASR). With ASR, CHWD's groundwater wells will be 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 injected water could be extracted in a later dry period. This groundwater injection capability will increase CHWD's capacity to better manage the area's groundwater aquifer and potentially serve to offset the District's costs. As CHWD is centrally located in the Sacramento region and maintains over 20 interconnections with surrounding water providers, CHWD is committed to working regionally to be able to effectively manage water resources.

CHWD is dedicated to guaranteeing water reliability through its partnerships and groundwater wells. Partnerships include purchasing surface water from San Juan Water District (SJWD), maintaining 22 interconnections with surrounding water providers, maintaining large-diameter water mains, adopting ASR technology in future wells, and participating in the Sacramento Regional Water Bank.

### ***Other Issues Impacting CHWD's Budget***

For every rate dollar CHWD's customers pay, approximately 66 cents go to a fixed charge and the remainder is charged based on 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.

Moreover, CHWD's wholesale water agency, San Juan Water District's (SJWD's), rates are expected to continue increasing. The new Wholesale Financial Plan and Rate Study distributed by the SJWD in 2023, indicate a significant increase in SJWD's wholesale water fixed charge. Under the new Wholesale Rate Structure, by significantly increasing the fixed portion of the wholesale rate, CHWD's groundwater assets—assets which CHWD has spent millions of ratepayer dollars developing and maintaining—are effectively stranded as CHWD will be forced to pay San Juan Water District over eighty (80) cents for every dollar CHWD spends pumping groundwater not to take surface water.

By stranding CHWD's groundwater assets, CHWD becomes more dependent on surface water, eroding local control of its water supply. Further, the new wholesale rate structure, by significantly increasing the fixed portion of the wholesale rate, will disproportionately burden CHWD's most economically disadvantaged customers and smaller water users as wholesale water costs will increase regardless how much water customers use. The proposed wholesale rate plan disincentivizes water efficient practices and the goals of the State of California to promote water efficiency. CHWD opposes this new rate plan and will continue to advocate for its customers concerning San Juan Water District's rate plan and other wholesale policy issues affecting CHWD and its customers.

### ***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; 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).

#### **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 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.

#### **Implementation of Investment Strategy**

CHWD has updated its cash management practices optimizing rates of return while ensuring the required liquidity and safety. A new investment strategy has been implemented during 2023, in which the District identified cash flow trends to incorporate into the portfolio strategy. Portfolios are constructed to invest funds over a multi-year period while providing an adequate cash flow to address on-going capital and operational expenses. With the new investment strategy, the District expects interest revenues will increase in 2024. The revenue benefit of CHWD's new investment strategy is noteworthy as CHWD has very little non-rate payer revenue.

#### 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, Water Mains, Operating and Capital Improvement.

#### 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 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 Customer Advisory Committee (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 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 2024, there are several one-year objectives organized under five three-year goals, including: 1) Manage and Diversify a Dependable Water Supply and Empower Customers to Use Water in an Efficient Manner; 2) Manage the Improvement of and Reinvestment in District Infrastructure and Facilities; 3) Promote Organizational Effectiveness and Enhance Customer Service; and 4) Engage Customers and Communicate the District's Priorities and Value-Added Programs. A summary of the CHWD's 2024-27 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 communications and outreach program. 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 25-member Customer Advisory Committee (CAC) to consider options for phasing, costs, and funding of water main and meter replacements.

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.



CHWD Demonstration Garden

The Customer Advisory Committee is made up of 17 residential customers, three commercial customers (representing the Citrus Heights Chamber of Commerce, Sunrise MarketPlace Property-based Business Improvement District and the Auburn Boulevard Business Association), and five 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 has worked 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 2024, CHWD will continue to strengthen and expand its public education and outreach program.

### ***Operating Budget***

Looking ahead to budget year 2024, some of the key work program items included in CHWD's budget include:

- **Water Supply**— Complete construction of Well Site #7, which will include Aquifer Storage and Recovery technology and begin construction for Well Site #8
- **CHWD Infrastructure and Facilities**—Continue planning work for Project 2030—Water Main Replacement Program, with additional non-invasive condition assessments
- **Organizational Effectiveness**— Continue analyses of regional water agency activity and potential impacts to CHWD
- **Engage Customers**—Continue to educate customers about intergovernmental activities that could impact CHWD's policies, operations, capital, finances, and water supply

### ***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***

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 2024 budget also highlights the District's ongoing commitment to operational and financial efficiency.

Respectfully submitted,



Hilary M. Straus  
General Manager

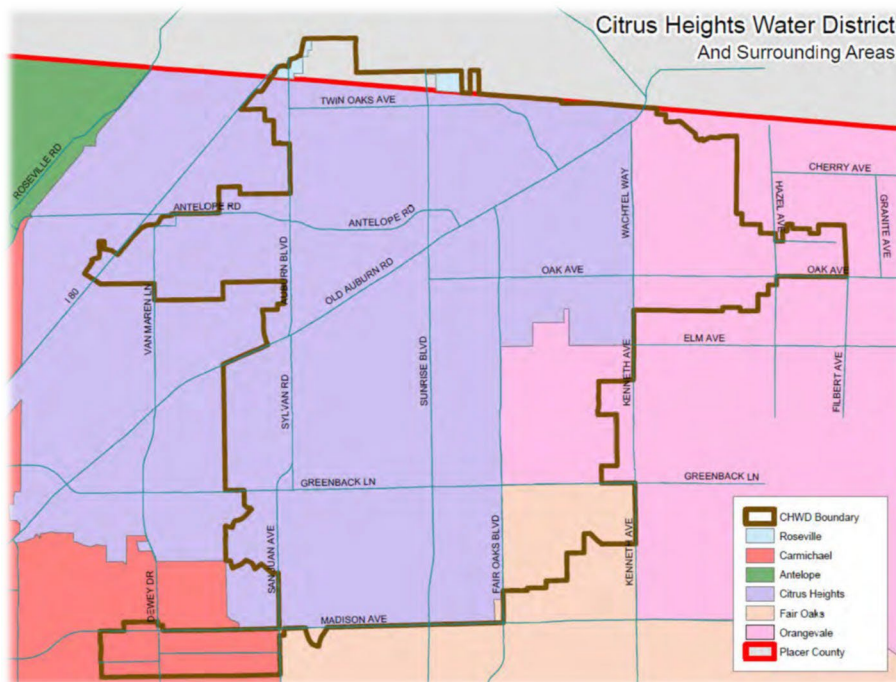
## About the District

The Citrus Heights Water District (the “District” or “CHWD”) was established in 1920 as the Citrus Heights Irrigation District. The District currently serves water to a population of approximately 67,000 people within an approximately 13- square-mile service area.

CHWD carries out its mission with highly-motivated and competent staff 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 Office



CHWD Service Area

The District provides the following programs to increase water efficiency:

- **Water Smart Classes** - Every year, CHWD offers a series of Water Smart Landscape classes for customers. These free classes provide many tips and tools to help residents maintain or upgrade their residences 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, high-efficiency washing machines and pressure reduction valves.
- **School Programs** - CHWD partners with schools within its service area to educate children about the importance of water efficiency and how they can help conserve water.



Poster Contest 1st Place Winner, 2023

- *Poster Contest* - In coordination with three neighboring agencies, CHWD conducts an annual poster contest where students in grades 4-6 can submit a drawing illustrating how they use water efficiently. A panel of judges review 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, which means that Directors are elected only by voters who reside within each Director's district.



The District was staffed in 2023 by 38 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 2022, the District purchased 69% of its water from SJWD, and delivered it to approximately 20,300 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.

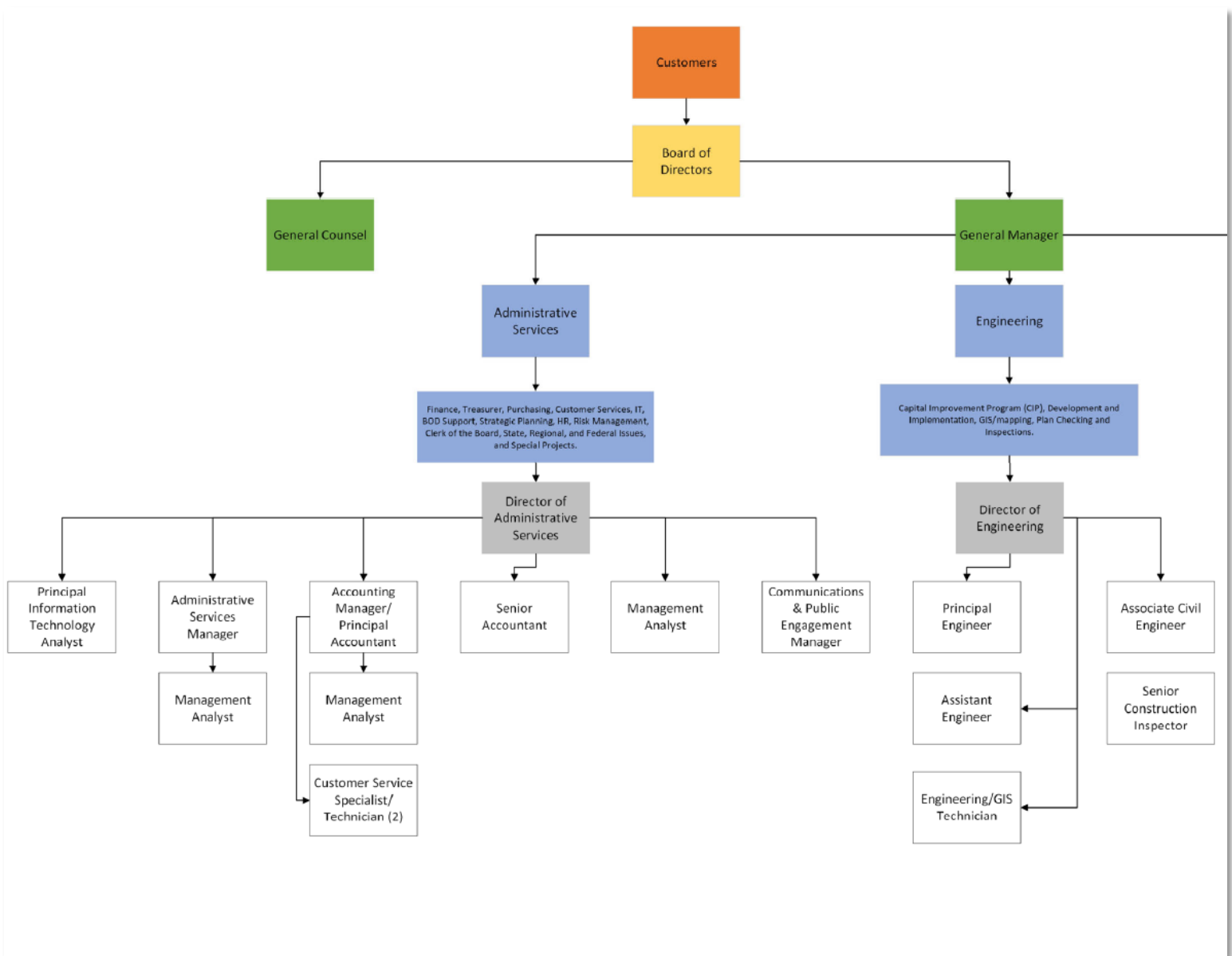
### Demographic and Economic Statistics

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.

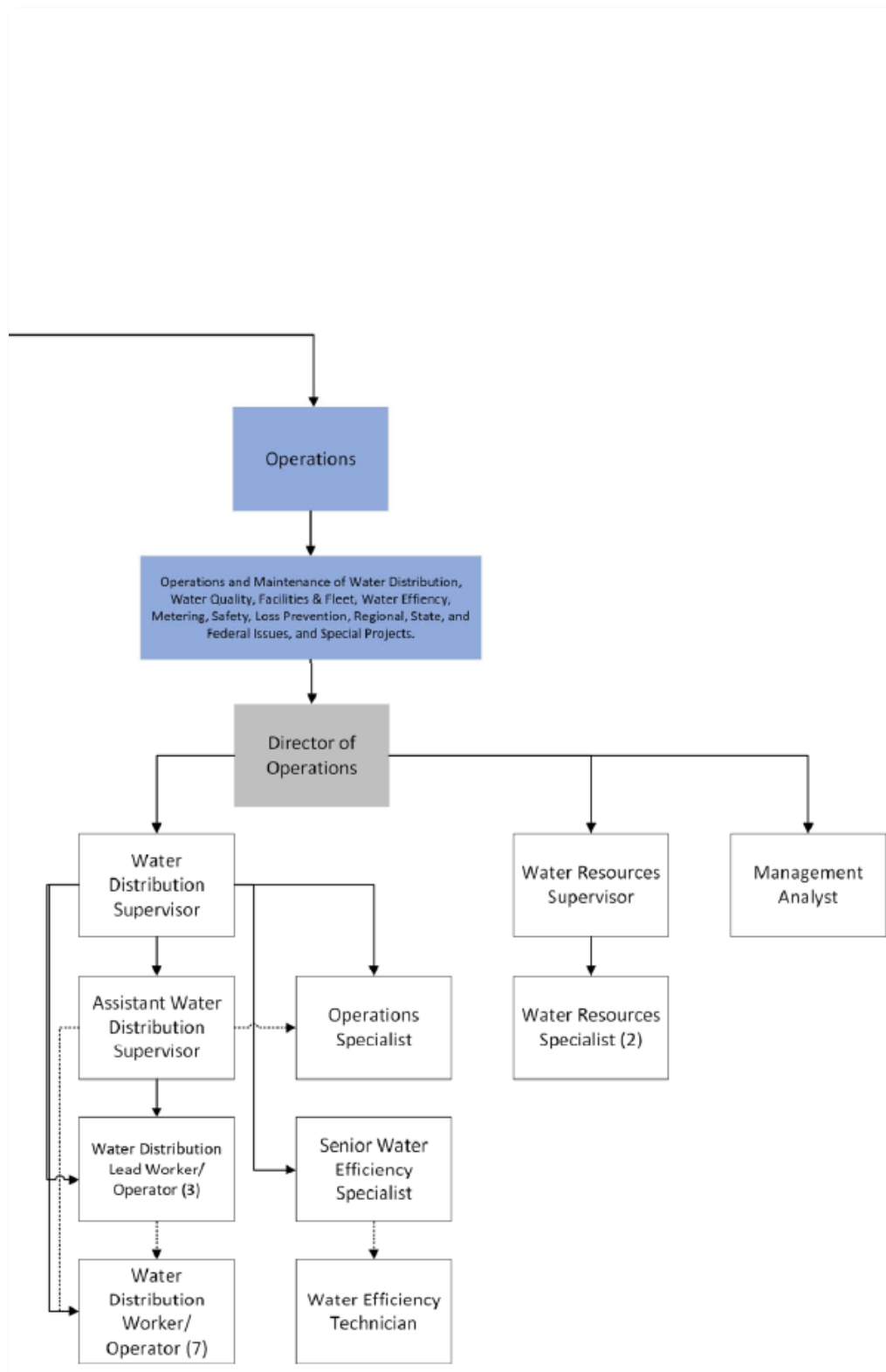


CHWD Staff Installing Test Ports Along District Main Transmission Line

## Organizational Chart



*Organizational Chart for 2024*



## 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.



### KEY ISSUES FOR 2024

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• State and Federal regulations and unfunded mandates; for example, agency water budgets, electric vehicle (EV) mandates, and charging station requirements.</li> <li>• Impacts of the Federal administration and likely expansion of environmental regulations.</li> <li>• Increased construction costs and the availability of building materials impact all District construction projects. Water supply and availability</li> </ul> | <ul style="list-style-type: none"> <li>• Unfunded California Public Employees' Retirement System (CalPERS) and Other Post-Employment Benefits (OPEB) liabilities, system changes, and city/county/district impacts.</li> <li>• More alternative water technologies/impacts and the need for more attention to Aquifer Storage</li> <li>• Increase in Statewide activity regarding well drilling; drillers are so busy that it is difficult to get a well drilled.</li> </ul> |
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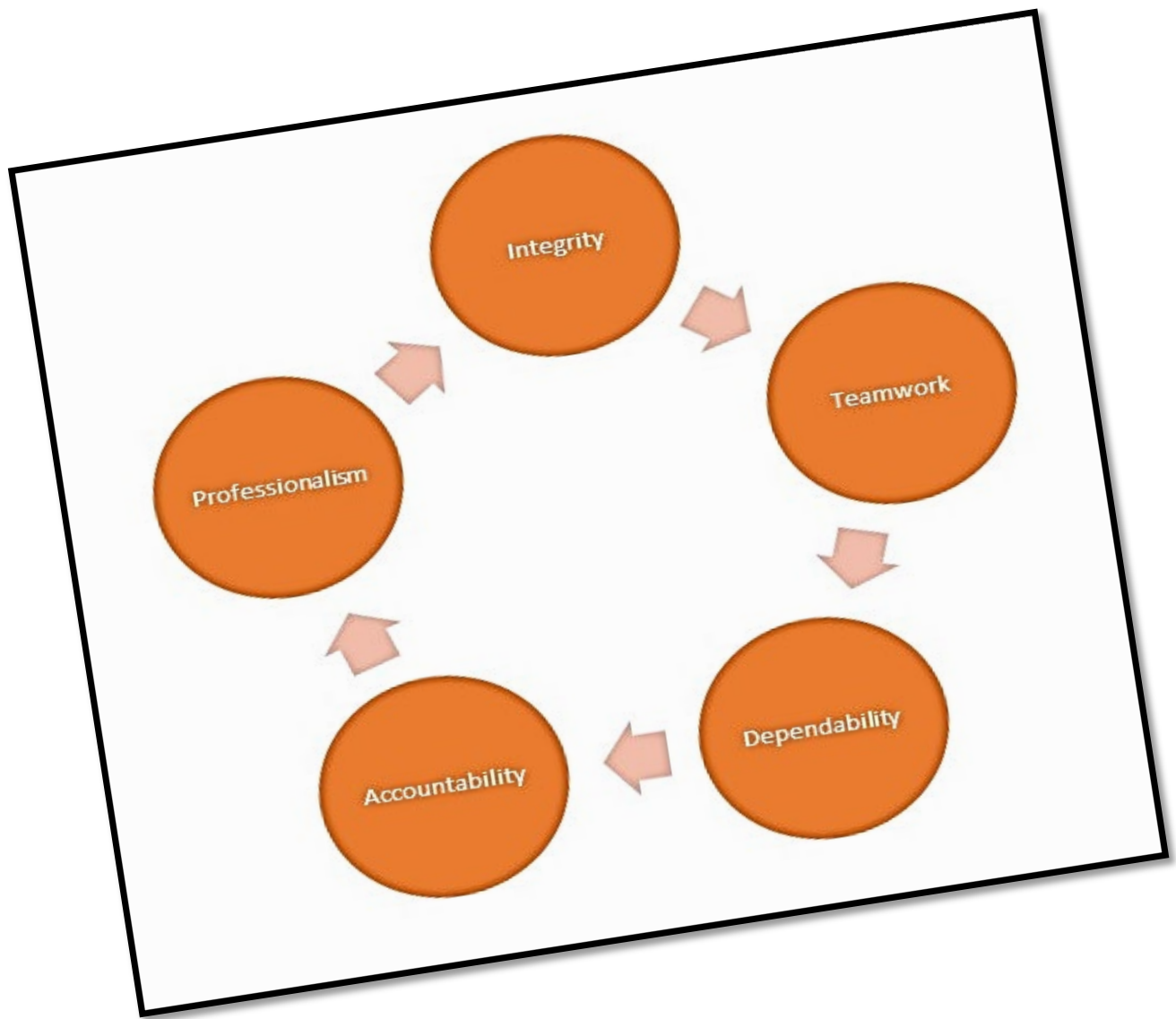
## Our Mission

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



## Strategic Plan Goals and Objectives

During the Strategic Planning session, CHWD's leadership team 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 highlights for goals and objectives for the coming budget year (2024) include:

- Facilities and Infrastructures: For 2024, objectives are focused on continuing condition assessments on the District's transmission mains for Project 2023 and easement acquisitions, as well as the design of the District Corporation Yard.
- Water Supply: In 2023, the objectives were focused on completing constructions for Well Site #7, and possible acquisition of 1-2 additional properties for future well sites and storage. Both previous objectives will carry into 2024, with an additional objective aimed at beginning the design phase for Well Site #8.
- Water Efficiency: In addition to working towards improving attendance at customer education events, the Water Efficiency objectives for 2024 focus on increasing participation and developing content for WaterSmart classes.
- Organizational Effectiveness: In addition to completion of the Information Technology (IT) implementation federated services, the Organizational Effectiveness objectives for 2024 are also focused on continued enhancement efforts for employee recruitment and retention.
- Customer Engagement: For 2024, objectives are focused on re-invigorating the Customer Advisory Committee (CAC) and developing an enhanced experience for participants including the Garden Corps members.

The following are the goals and objectives identified for 2024:

Strategic Plan Goal:	Manage and Diversify a Dependable Water Supply and Empower Customers to Use Water in an Efficient Manner
#	OBJECTIVES
1	Complete construction for Well Site 7, which will include Aquifer Storage and Recovery (ASR).
2	Begin design for Well Site 8.
3	Pursue acquisition of 1-2 potential sites for wells/water/asset storage.
4	Host three in-person and two online Water Smart classes.

Strategic Plan Goal:	Manage the Improvement of and Reinvestment in District Infrastructure and Facilities
#	OBJECTIVES
1	Implement a District meter testing program.
2	Implement a joint purchasing program (which may include water meters) and/or participate in selected agency partnerships.
3	Complete 75% design of the selected alternative for the Corporation Yard and develop financing options.
4	Continue Easement Acquisitions as identified by the District-wide Easement Needs Assessment/Study.
5	Continue non-invasive condition assessments on selected District transmission mains.

Strategic Plan Goal:	Promote Organizational Effectiveness and Enhance Customer Service
#	OBJECTIVES
1	Complete implementation of information technology (IT) federated services and single sign on.
2	Increase the number of customer emails on the email listserv by 5% (400 customers).
3	Continue to enhance employee recruitment and retention initiatives by providing additional resources (e.g., an advanced training and education program).
4	Continue analyses of regional water agency activity and impacts on CHWD.

Strategic Plan Goal:	Engage Customers and Communicate the District's Priorities Value-Added Programs
#	OBJECTIVES
1	<p>Increase customer awareness and impressions of the District through traditional and digital media and in-person opportunities, and evaluate effectiveness with a benchmark survey to be performed in 2024. Special focus on CHWD key pillars:</p> <ul style="list-style-type: none"> <li>• Groundwater expansion and reinvestment,</li> <li>• Water meter asset management, and</li> <li>• Project 2030 Water Main Replacement.</li> </ul>
2	Educate customers through traditional and digital media and in-person opportunities on intergovernmental activities that could impact CHWD's policies, operations, capital, finances, and water supply.
3	Engage stakeholders via the Garden Corps and Customer Advisory Committee (CAC) and develop an enhanced experience for participants. Empower members to act as CHWD ambassadors.



CHWD Staff Performing Testing A Backflow

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 revenue increase based on growth per year from the demands in small infill of housing or commercial development with 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 funded 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. Overall, District customers have decreased their water use significantly since 2013 in response to state-wide drought mandates. This decline in consumption and accompanying reduction in projected revenue have contributed to the need for an annual rate study and financial model update.

CHWD and its wholesale water supplier, SJWD, continue to encounter changes in operations due to new regulations; and the CHWD's wholesale water rates are expected to continue increasing as described in the Transmittal Letter. The impact of current and future regulations, and the resulting cost impact on water supply operations, are an ongoing challenge for the District.

For an average CHWD customer who has a 1-inch meter and uses 40 units of water in a two-month billing period, the average bill would increase from \$133.79 in 2023 to \$146.93 under the proposed rates for 2024, a \$6.57 increase per month. At \$146.93 per two months, 40 units or 29,920 gallons of water (One unit of water equals 748 gallons of water) will be delivered to the customer. The average CHWD water bill would remain below the Sacramento regional average.

The District continues to repair and replace aging infrastructure throughout its system. Between July 2022 to June 2023, the District completed 315 water service replacements, 50 water valve replacements, 17 fire hydrant replacements, and 3,531

feet of water main installation and replacement projects. In 2023, the District also commenced the construction of two water main installation and replacement projects, including the Reno Lane and Patton Avenue Water Main Projects. An additional water main project (Admiral Avenue and Anchor Circle Water Main Project) commenced the design phase.

For 2024, the District will commence design and/or construction on three water main projects, including Admiral Avenue and Anchor Circle, Minnesota Ave, and Fair Oaks Boulevard and Leafcrest Way. Capital projects scheduled for 2024, including project budget carryover from 2023, total \$13.8 million.

## Long-Term Financial Planning

CHWD 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 30-year forecast. The District expects to update the Water Master Plan in 2024 as the improvements identified in the 1999 Facilities Master Plan are almost complete.
- 10-Year Finance Plan - The Plan includes short and long-range projections of the District's revenues, operating and maintenance expenses, capital expenditures, and reserves over the next 10 years. The Plan is updated as changes in customer water use impact long-range financial projections and capital improvement and water supply plans evolve, and continues to support the development of current future annual CHWD 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

	2023 Adopted Budget	2024 Proposed Budget	Increase/ (Decrease)
<i>Operations &amp; Maintenance</i>	\$ 4,673,466	5,398,113	\$724,647
<i>Purchased Water</i>	3,200,000	3,167,500	(32,500)
<i>Salaries and Benefits</i>	6,345,892	6,764,454	418,562
<i>Contribution to Reserves</i>	1,774,099	1,774,099	-
<i>Capital Improvement Program</i>	8,225,699	13,808,790	5,583,091
	<u>\$ 24,219,156</u>	<u>\$ 30,912,956</u>	<u>\$ 6,693,800</u>

Table 1

The comparison in *Table 1* reflects the proposed change in spending for the District's base budget for 2024.

Operations and maintenance expenses are expected to increase due to an increase in the amount needed for contracted service to update the Water Master Plan in 2024 as well as other support service's needs.

The budget for 2024 for purchased water is approximately at the same level compared with the 2023 Adopted Budget. The 2023 budget for purchased water included SJWD's charges for Hinkle Debt Services; however, the charges were not assessed. The 2024 budget continues to include the Hinkle Debt Services cost. CHWD anticipates this cost to be applied in 2024; therefore, the expected purchase wholesale water cost will be much higher than the actual purchased water cost in 2023.

Salary and benefits are projected to increase due to increases in employer costs, such as pension increases, and other increases to the cost of benefits, such as increase for employee health insurance.

Budgeted contributions to reserves include 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.

In addition, the proposed budget includes: \$200,000 transfer to the Water Supply Reserve in anticipate capital needs for Well #9 starting 2025, and \$200,000 transfer to the Water Meter Replacement Reserve to meet the District's future capital needs related to water meters.

### Financial Highlights

#### ❖ Operating Budget:

- The 2024 Operating Budget of \$17.1 million, representing an overall increase of about \$1.1 million from the 2023 Adopted budget.
  - Implement Strategic Planning items and Special Projects identified by the Board as priorities for 2024.

#### ❖ Capital Improvement Budget:

- Total 2024 Capital Improvement Budget (CIP) is approximately \$13.8 million, of which \$4.2 million is carried over from 2023.
  - The budget includes approximately \$4.5 million for completing construction of the District's seventh groundwater well (Well #7) and \$1.9 million for the design and construction of the District's eighth groundwater well (Well #8).
  - The District has been awarded \$3.1 million in State and Federal funds towards the construction of Well #7 and #8. There are very few opportunities for non-ratepayer funding, and the District continues to look for outside funding opportunities whenever possible.
  - A major CIP budget for Corporation Yard starts in 2024; \$400,000 is budgeted for the designing of the project in 2024. Total Budget: \$30.9 million.

