

2023 Poster Contest Grand Prize Winner - Milana Levchanin, Woodside K-8, 5th Grade

# 2024 ANNUAL BUDGET



**CITRUS  
HEIGHTS  
WATER  
DISTRICT**

**CITRUS HEIGHTS WATER DISTRICT**

**CITRUS HEIGHTS, CALIFORNIA**



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chwd.com

**Board of Directors**

Raymond A. Riehle, President  
David C. Wheaton, Vice-President  
Caryl F. Sheehan, Director

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Hilary M. Straus, Secretary  
Annie Liu, Treasurer

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# 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](#)

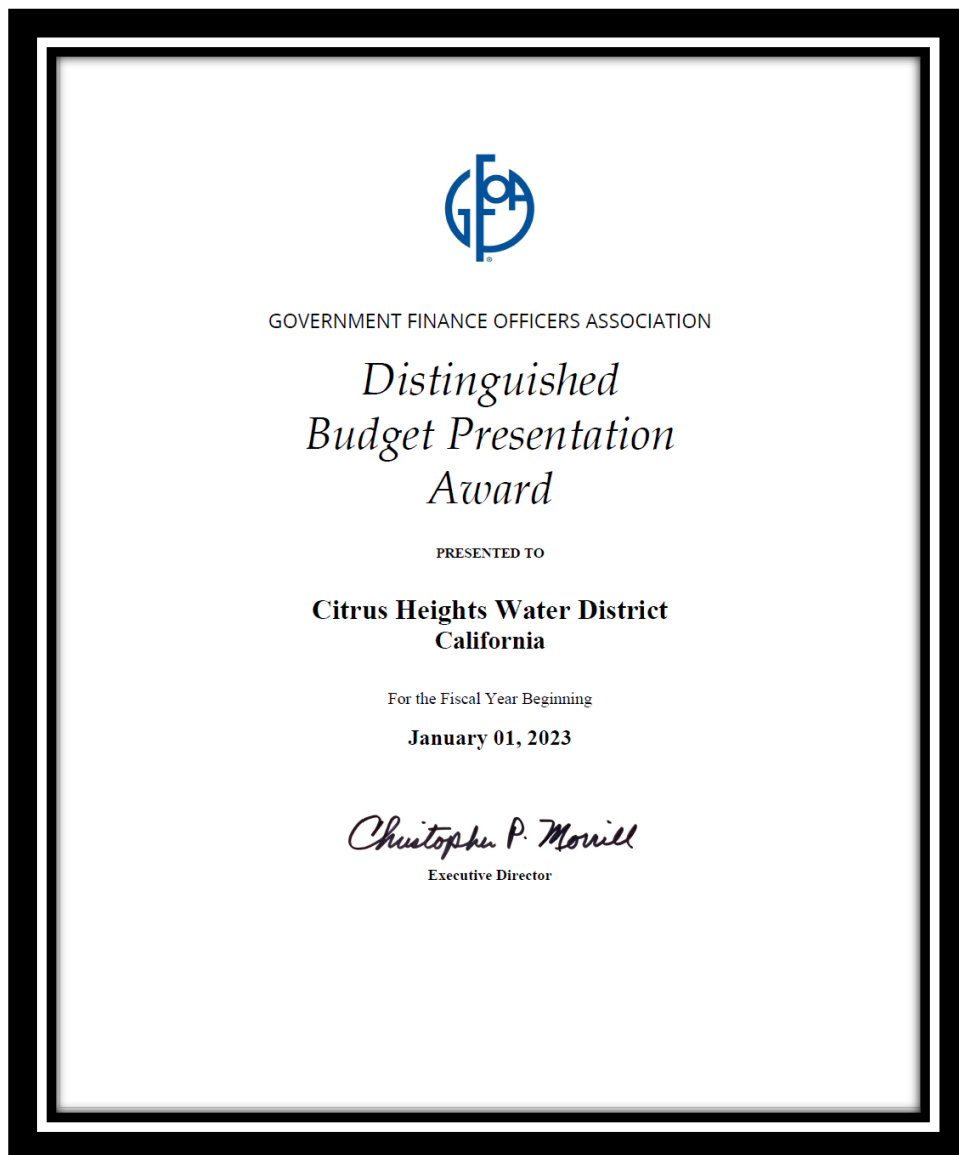
[How many employees work for the District? Page 43](#)

[What are the District's reserves? Page 63](#)

## 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 disincentives 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

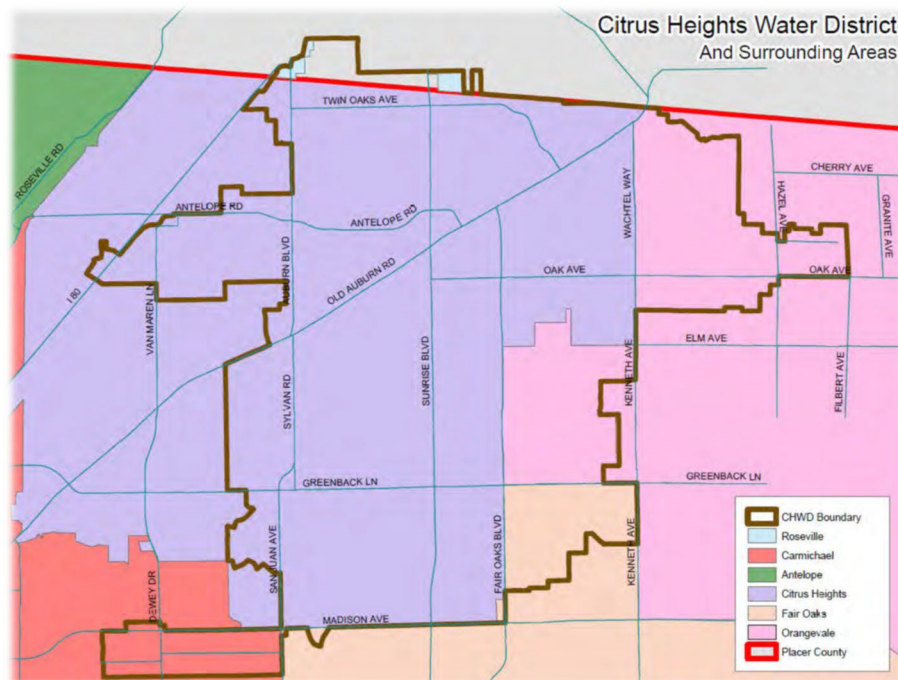
## About the District

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.

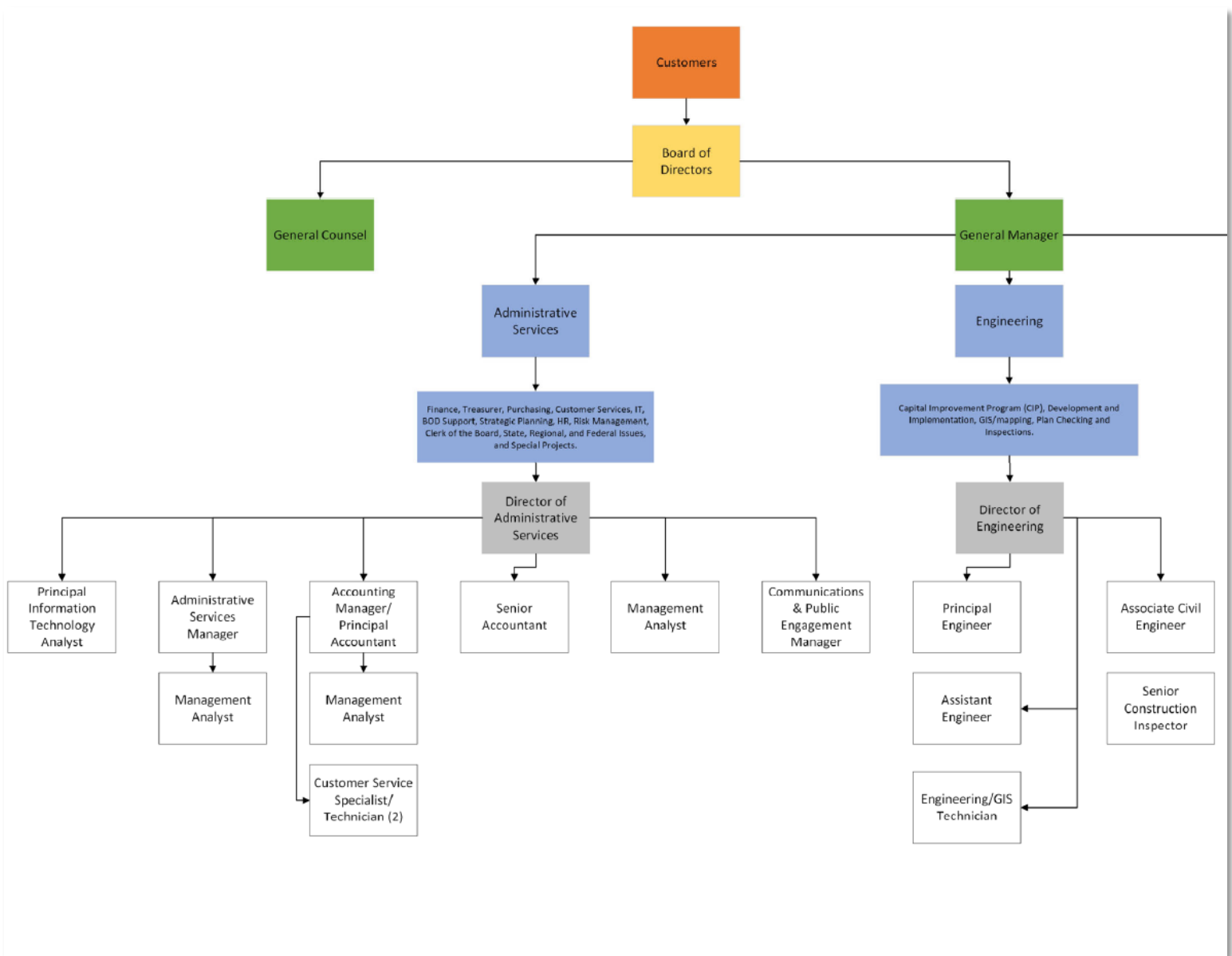
### Demographic and Economic Statistics

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.

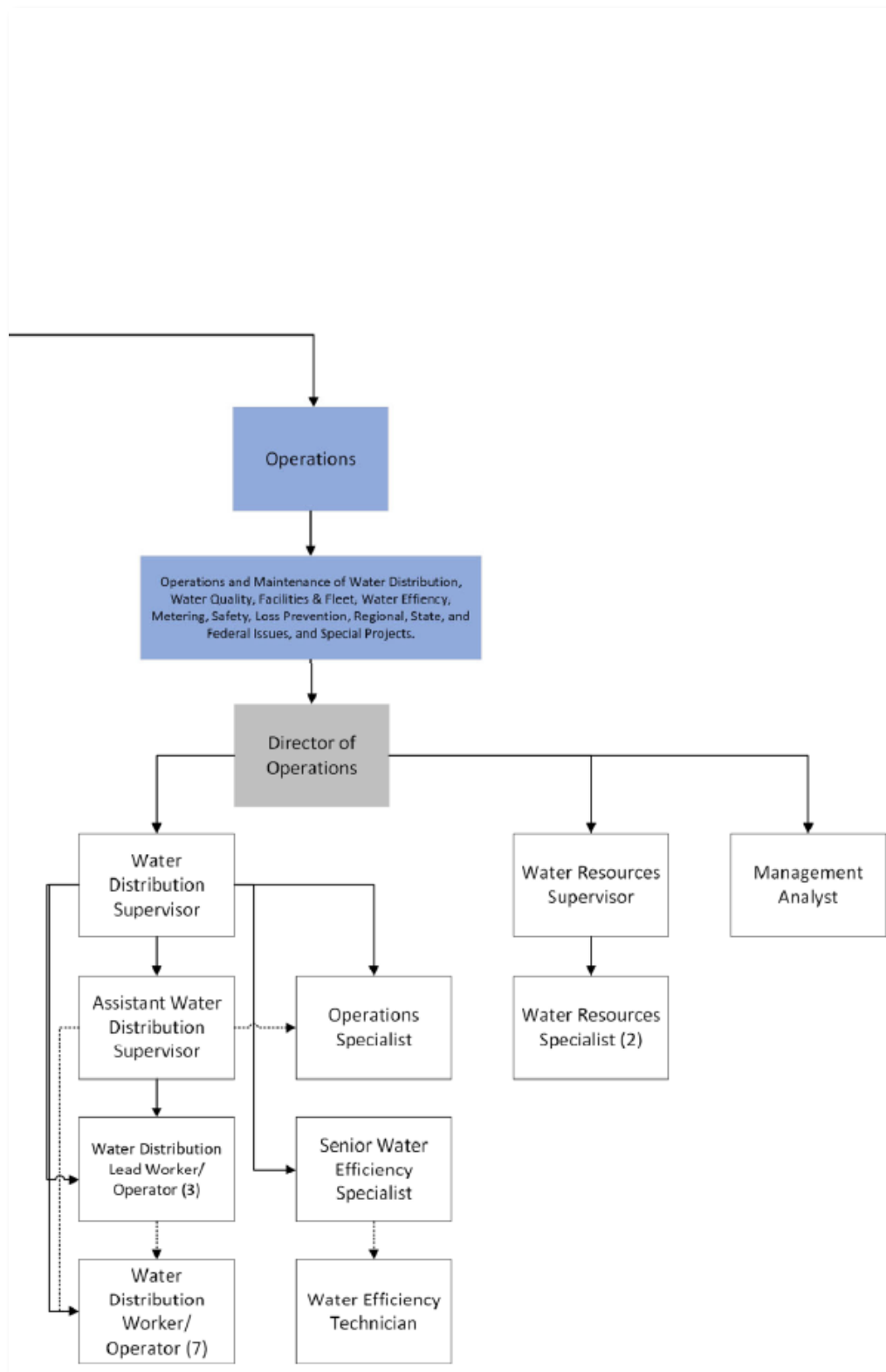


CHWD Staff Installing Test Ports Along District Main Transmission Line

## 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> |
|--|--|

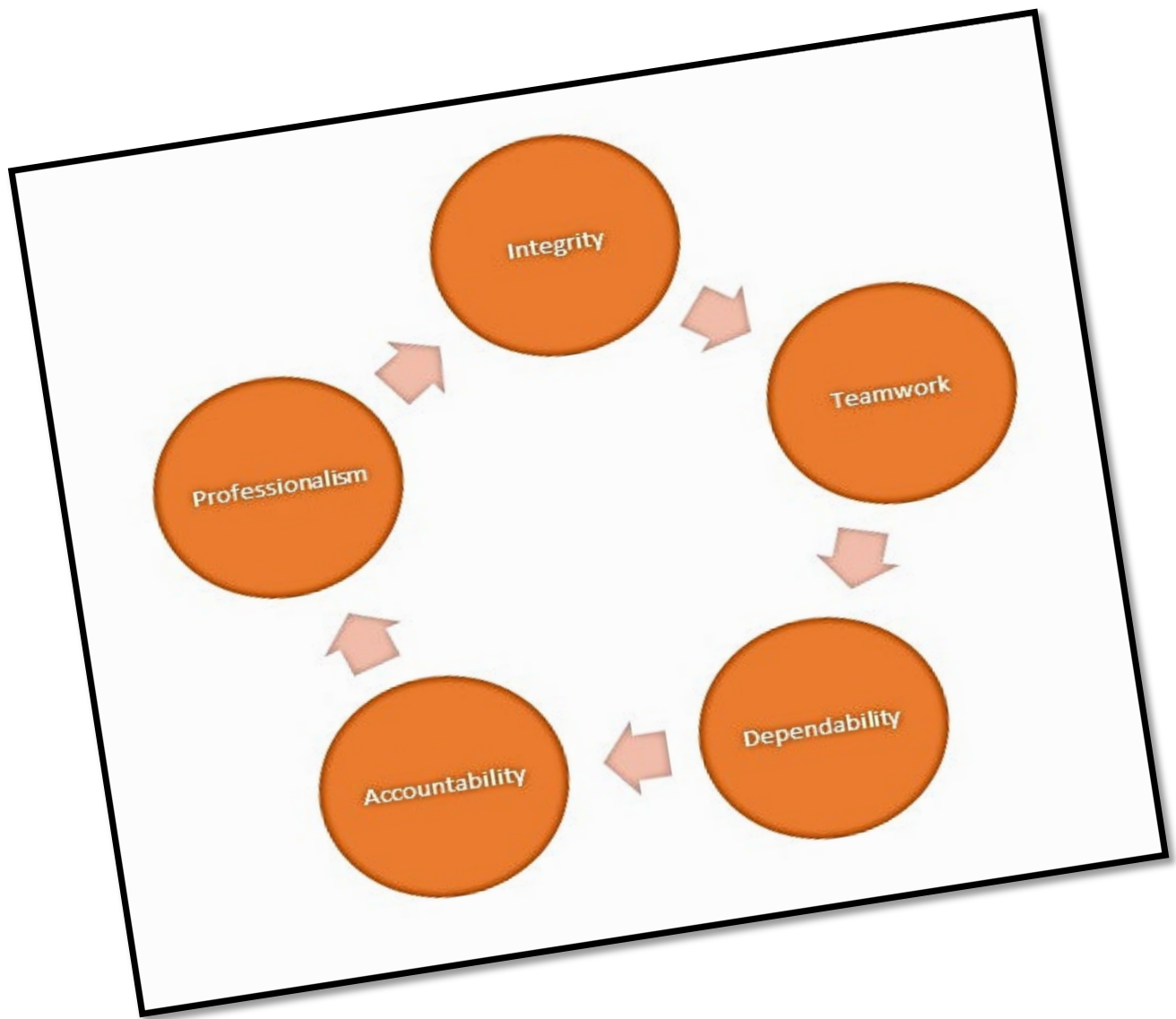
## Our Mission

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.



CHWD Staff Installing A Service line

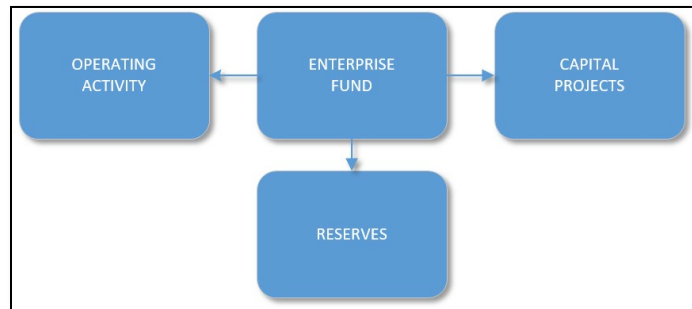


# Financial Policies & Goals

## Accounting and Budget Structure

### Fund Structure

CHWD operates as an enterprise fund with a fiscal year that begins January 1 and ends on December 31. The District operates with one major fund on the accrual basis of accounting. Generally accepted accounting principles (GAAP) require local governments to use a proprietary-type fund, such as an enterprise fund, to account for business-type activities similar to



CHWD Fund Structure

those found in the private sector. An enterprise fund is one in which the expenditures are supported by fees collected primarily through charging users in exchange for services. CHWD operations are supported almost entirely by fees collected from customers in exchange for providing water service, including providing customer service, continuously working to maintain and repair the District's infrastructure, and providing a dependable supply of clean, safe water.

CHWD's management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft, or misuse. The internal control structure ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). CHWD's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

CHWD's Board annually adopts a budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations, accountability for CHWD's enterprise operations, and capital projects. The budget is presented on the accrual basis of accounting and is consistent with the presentation of CHWD's Annual Comprehensive Financial Report. As part of the budget process the financial model is updated annually to analyze revenue and expenses along with capital improvements; more information regarding the District's financial model is provided in the "Financial Model" section. The District defines a balanced budget as one where current revenues are equal to or greater than current expenditures. The District also



allows a balanced budget to use reserves to augment current revenues.

## Financial Model

The Government Finance Officers Association of the United States and Canada (GFOA) recommends that government agencies complete a forecast of revenues and expenditures that extends several years into the future. The GFOA considers this to be a best practice for the budget preparation process.

In 2013, the District partnered with NBS Government Finance Group to develop a 10-year financial model. This model was first used to develop the 2014 Annual Budget. A financial model takes into account past revenues and expenditures, revenues and expenditures projected for the current and future years, economic and demographic trends, as well as expected cash flows, and produces an estimate on the financial position of the District based on these variables.

The financial model can be used to determine the appropriate service rates needed to achieve the desired financial result. This type of budgeting, commonly referred to as priority-based budgeting, is used to clearly define goals, set priorities, and deliver the best possible value to ratepayers.

In 2019, the District updated its financial model with Raftelis Financial Consultants (Raftelis). This model was further refined since 2019 with IB Consulting. As years pass, it is a best practice to update the assumptions and factors in a financial model, as assumptions used in prior models may no longer apply. In addition to updating assumptions, CHWD desired to reevaluate its rate structure and ensure a reasonable rate allocation ratio, which will be 66% fixed to 34% variable income for 2024. The final goal of the model update was to evaluate the current rate schedule and ascertain whether a recalibration of the rates was necessary.

As a result, the District determined that the fixed portion of the rate needed a recalibration in order to ensure that costs allocated to meters of different sizes accurately reflected the demand and usage each meter size placed on the District's water system. The rebuild of the financial model was presented to the Board of Directors at the August 2019 Board Meeting, which included a rate calibration component.

## Five Year Forecast

Table 2 outlines the District's five-year forecast of revenues and expenditures spanning from 2023 through 2027. The forecast is grounded in an assumption of relatively stable revenues, as we do not anticipate any rate increases. Increased operating costs based on the Consumer Price Index (CPI) 10-Year Average for San Francisco, and increased construction costs based on the Engineering News Record Construction Cost Index

(ENRCCI) (ENR CCI) 5-Year average for San Francisco.

	2022 Actual	2023 Estimated	2024 Proposed	2025 Projected*	2026 Projected	2027 Projected
<b>Revenues</b>						
Water Sales	\$ 17,745,107	\$ 17,125,156	\$ 18,499,502	\$ 18,500,000	\$ 18,500,000	\$ 18,500,000
Connection and Other Fees	499,297	373,877	157,000	113,000	116,000	119,000
Project 2030 Designated Charge	1,189,350	1,327,336	1,372,000	1,372,000	1,372,000	1,372,000
Grant Revenue	-	-	3,107,000	-	-	-
Investment and Other Income	(92,411)	485,113	400,000	400,000	400,000	400,000
<b>Total Revenues</b>	<b>19,341,343</b>	<b>19,311,481</b>	<b>23,535,502</b>	<b>20,385,000</b>	<b>20,388,000</b>	<b>20,391,000</b>
<b>Expenses</b>						
Salaries and Benefits	4,481,946	5,918,861	6,764,454	7,021,503	7,288,320	7,565,276
Water Purchases	2,785,929	2,733,834	3,167,500	3,325,875	3,492,169	3,666,777
Other Operating & Maintenance Cost	3,634,940	4,187,081	4,532,578	4,695,400	4,695,158	4,695,158
Debt Service	174,338	174,338	174,088	170,788	172,488	171,450
<b>Total Operating Expenses</b>	<b>11,077,153</b>	<b>13,014,114</b>	<b>14,638,620</b>	<b>15,213,566</b>	<b>15,648,135</b>	<b>16,098,662</b>
Transfers to Reserves	1,589,350	1,727,336	1,374,099	1,374,099	1,374,099	1,374,099
<b>Total Expenses</b>	<b>12,666,503</b>	<b>14,741,450</b>	<b>16,012,719</b>	<b>16,587,665</b>	<b>17,022,234</b>	<b>17,472,761</b>
Operating Income before Capital Outlay	6,674,840	4,570,031	7,522,783	3,797,335	3,365,766	2,918,239
Capital Outlay	2,536,268	4,021,267	13,808,790	9,815,203	10,553,099	11,081,027
<b>Beginning Net Position</b>	<b>18,007,549</b>	<b>23,735,469</b>	<b>26,011,568</b>	<b>21,099,661</b>	<b>16,455,892</b>	<b>10,642,658</b>
Operating Revenues	19,341,343	19,311,481	23,535,502	20,385,000	20,388,000	20,391,000
Operating Expenses	(11,077,153)	(13,014,114)	(14,638,620)	(15,213,566)	(15,648,135)	(16,098,662)
Capital Outlay	(2,536,268)	(4,021,267)	(13,808,790)	(9,815,203)	(10,553,099)	(11,081,027)
<b>Ending Net Position</b>	<b>\$ 23,735,469</b>	<b>\$ 26,011,568</b>	<b>\$ 21,099,661</b>	<b>\$ 16,455,892</b>	<b>\$ 10,642,658</b>	<b>\$ 3,853,969</b>

Table 2



Furthermore, this forecast considers the moderating effect of cooling inflation on operational costs, while acknowledging inflation is still at an elevated level compared to prior years. At the same time, construction costs are expected to rise, primarily due to increased materials costs. These factors play a vital role in shaping the financial outlook of the District.

The core objectives of this forecast remain consistent, including the strengthening of the Water Main Replacement Reserve to mitigate the financial implications of initiating the main replacement plan, as envisioned in the Project 2030 Study. The forecast also maintains its focus on ensuring that designated reserves are maintained at healthy levels and facilitating the construction of the District's seventh and eighth groundwater wells.

## Budget Process

The District's budget process begins with its Strategic Planning meeting, typically held in May of the preceding year. The Board adopted the current Strategic Plan in August 2023. Using the 10-year financial model, the Administrative Services department prepares the District's revenue budget, with the input of department managers and supervisors throughout CHWD. The Engineering and Operations departments review the 30-year capital improvement plan, and short-term needs to produce the annual capital budget.

Using the goals and objectives identified by members of the Board of Directors, CHWD leadership, and vested members of the community, each department prepares a draft operating budget, which is then reviewed by the General Manager. Once draft budgets are completed, they are presented to the Board in August or September in a study session, along with any recommended rate adjustments.

The Board then provides direction to District staff. This can either be a request for revision, or authorization to proceed with the budget process. Once the Board gives the authorization to proceed, staff will finalize the budget and, if necessary, issue a notice to its customers, pursuant to California Proposition 218 (Prop 218) including the maximum rate adjustment that the Board will consider at a scheduled public hearing. The Board then approves the budget in a public hearing held in November or December.

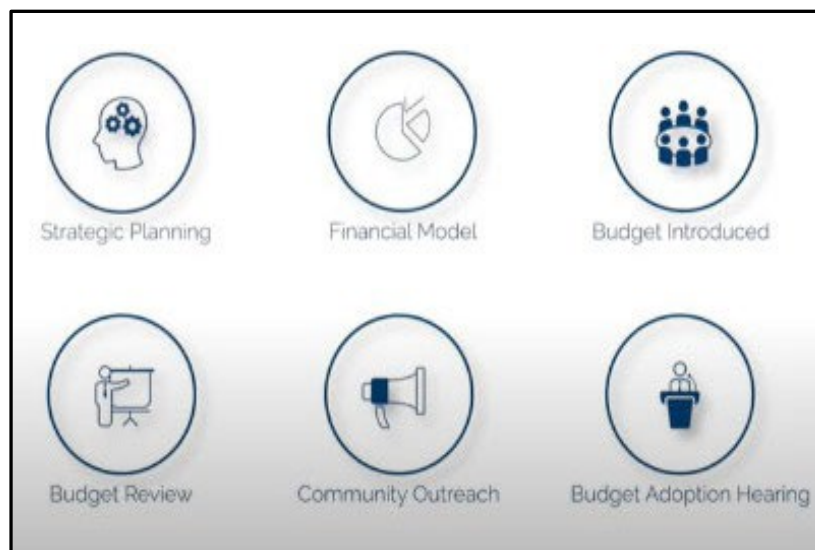
## Budget Amendments/Adjustments

During the year, it may be necessary to amend line items in the operating or capital budgets, or to transfer budgeted dollars between operating budget accounts, between capital projects, or between capital and operating budgets. Budgetary control rests with the General Manager up to the limits prescribed in CHWD's Purchasing Policy. When the amount exceeds the General Manager's authority, budgetary control rests with the

Board of Directors, and Board approval is required for any budget transfers.

### Budget Controls

The budget is monitored regularly by the Administrative Services department using budget-to-actual reports for both operating and capital budgets, as well as using purchase orders for large purchases. Budget reports are also reviewed by the General Manager and executive team. These reports are submitted monthly to the Board of Directors.



CHWD's Budget Process

## Budget Calendar

Item	Start Date	Due Date
Strategic Planning	5/23/2022	5/23/2023
Departments work on 2024 Operations & Maintenance (O&M) Budget	06/27/23	07/17/23
Regional Rate Survey	06/27/23	07/17/23
Departments begin to create 2024 Capital Improvement Projects (CIP) list and work on CIP forecast for Financial Plan	07/03/23	07/17/23
General Manager reviews O&M Budget	07/18/23	07/24/23
Create detail CIP worksheets for 2024	08/21/23	08/31/23
Board of Director (BOD) Budget and Rate Study/Review	08/21/23	08/21/23
Final adjustments to Budget & Rate Model	09/05/23	09/14/23
Public Outreach	Mid-September	Late October
Work on 2024 Misc. Charges & Fees and present to BOD	09/05/23	10/18/23
Revisions to detail budget and rates/fees per BOD direction	10/19/23	11/07/23
Present Proposed Budget and rates/fees to BOD at Public Hearings	11/14/23	11/14/23
Prepare binders / report / resolutions for Public Hearing	11/01/23	11/07/23
Preparation / distribution of final budget binders / 2024 rate schedule	11/20/23	11/29/23

Table 3

## Financial Policies

The CHWD financial policies include many of the District's financial management practices that are used for operational and strategic decision making. These policies also allow the Board of Directors and community stakeholders to monitor how effectively the District is managing its financial responsibilities, as well as providing a means for holding the District fiscally accountable. These policies are reviewed annually to incorporate minor changes to existing policy, or major shifts in financial priorities at the discretion of the Board of Directors. The financial policies underwent a comprehensive review and update during 2020, and have been reviewed and modified each year thereafter to reflect the most recent changes.

**Basis of Presentation - Fund Accounting:** The District's basic financial statements are prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District is accounted for as an enterprise fund and applies all applicable GASB pronouncements in its accounting and reporting. The more significant District accounting policies are described below.

**Investment Policy:** The Board has adopted an investment policy that conforms to state law, CHWD's ordinances and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity, and yield. Currently, funds are invested in various securities as authorized by CHWD's Investment Policy. The District will continue to look at ways to maximize return and account for changing markets within the limitations of local government investment rules.

**Reserves Policies:** The District has 10 Reserve accounts with supported policies to balance ongoing operations to capital improvement programs. These funds are allocated to the maintenance, repair, replacement, or improvement of water system infrastructure. Adequate reserves, along with sound financial policies, provide financial flexibility to counter unanticipated expenditures or revenue fluctuations.

**Basis of Accounting:** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of this fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The District uses the accrual basis of accounting. Under this method, revenues are

recorded when earned and expenses are recorded at the time liabilities are incurred. When funds are received but not earned, they are recorded as unearned revenue until earned. Earned but unbilled water services are accrued as revenue.

Water lines are constructed by private developers and then dedicated to the District, which is then responsible for their future maintenance. These lines are recorded as capital contributions when they pass inspection by the District, and are capitalized as donated pipelines at acquisition cost.

Operating revenues and expenses consist of revenues and expenses that result from the ongoing principal operations of the District. Primary operating revenues are from charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value Measurements:** Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs - other than quoted prices included within level 1 - that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months

or less to be cash equivalents. Cash and cash equivalents held include bank deposits and restricted and unrestricted investments authorized by CHWD's Investment Policy.

**Restricted Assets:** Certain proceeds of the District's long-term debt are classified as restricted investments on the balance sheet when applicable because their use is limited by applicable debt covenants.

**Investments:** Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

**Inventory:** Inventory consists primarily of materials used in the construction and maintenance of the water distribution facilities and is valued on a first-in, first-out basis.

**Prepaid Assets:** Prepaid assets consist primarily of insurance, maintenance agreements and other prepaid assets.

**Capital Assets:** Capital assets are tangible, personal property with a value of at least \$5,000 and a useful life of more than two years; any addition to the District's infrastructure for conveyance, treatment, pumping, or production of water with a value greater than \$15,000 and a useful life of more than two years; or any construction project, building, land, or improvement upon land with a value greater than \$15,000 and a useful life greater than two years.

Capital assets are recorded at historical cost. Donated capital assets, works for art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Self-constructed assets are recorded based on the amount of direct labor, material, and certain overhead charged to the asset construction calculated using the straight-line method, using the estimated useful lives in *Table 3*.

Description	Useful Life
Pipeline and Infrastructure	20 - 40 years
Equipment and Machinery	5 - 10 years
Buildings	15 - 40 years
Well Improvements	40 years
Donated Pipelines	40 years
Improvements	40 years

*Table 4*

**Bond Premiums and Bond Issuance Costs:** Bond premiums are deferred and amortized

over the lives of the bonds. Long-term liabilities are reported in net of the applicable bond premiums. Bond issuance costs are recognized as an expense in the period incurred.

## Debt Management

CHWD funds capital improvement requirements primarily on a pay-as-you-go basis. However, there have been instances when the District has issued debt to fund significant capital projects. The District's debt instruments are secured by net revenues derived from the operation of the water system. The District may not issue or incur any new debt obligations that are superior to the installment or parity obligations under existing debt covenants. The District has no legal debt limit, and no immediate plans to issue debt for 2024.

**2012 Revenue Refunding Bonds:** In April 2012, the District issued \$2,275,000 of Revenue Refunding Bonds with interest rates ranging from 3.00% to 5.25%. These 2012 Revenue Refunding Bonds were issued to retire the 2003 Certificates of Participation, which were issued to finance the cost of certain capital improvements to the District's water system. The District is required to collect rates and charges from its water system that will be sufficient to yield net revenues equal to 110% of debt service payments on any future debt issued, and to deposit the net revenues in a revenue fund pledged for such future debt service payments. Annual principal payments, ranging from \$70,000 to \$160,000 are due on February 1 through February 1, 2033, and semi-annual interest payments, ranging from \$4,200 to \$48,600 are due on February 1 and August 1, through February 1, 2033.

## Debt Service Schedule

Series 2012B			
Year	<u>Principal</u>	<u>Interest</u>	Total Payment
2023	\$105,000	\$69,338	\$174,338
2024	110,000	64,088	174,088
2025	110,000	60,788	170,788
2026	115,000	57,488	172,488
2027-2031	665,000	190,575	855,575
2032-2033	315,000	24,935	339,935
Total	<u>\$1,520,000</u>	<u>\$541,548</u>	<u>\$2,061,548</u>

Table 5



# Operating Budget



## Operating Revenue, Expense, and Net Position

	2022 Actual	2023 Adopted	2023 Estimated	2024 Proposed
<b>Revenues</b>				
Water Sales	\$ 17,745,107	\$ 16,874,307	\$ 17,125,156	\$ 18,499,502
Connection and Other Fees	499,297	700,000	373,877	157,000
Project 2030 Designated Charge	1,189,350	1,374,099	1,327,336	1,372,000
Grant Revenue	-	1,607,000	-	3,107,000
Investment and Other Income	(92,411)	400,000	485,113	400,000
<b>Total Revenues</b>	<b>19,341,343</b>	<b>20,955,406</b>	<b>19,311,481</b>	<b>23,535,502</b>
<b>Expenses</b>				
Salaries and Benefits	4,481,946	6,345,892	5,918,861	6,764,454
Water Purchases	2,785,929	3,200,000	2,733,834	3,167,500
Other Operating & Maintenance Cost	3,634,940	4,568,466	4,187,081	4,532,578
Debt Service	174,338	105,000	174,338	174,088
<b>Total Operating Expenses</b>	<b>11,077,153</b>	<b>14,219,358</b>	<b>13,014,114</b>	<b>14,638,620</b>
Transfers to Reserves	1,589,350	1,774,099	1,727,336	1,374,099
<b>Total Expenses</b>	<b>12,666,503</b>	<b>15,993,457</b>	<b>14,741,450</b>	<b>16,012,719</b>
Operating Income before Capital Outlay	6,674,840	4,961,949	4,570,031	7,522,783
Capital Outlay	2,536,268	8,225,699	4,021,267	13,808,790
<b>Beginning Net Position</b>	<b>18,007,549</b>	<b>23,735,469</b>	<b>23,735,469</b>	<b>26,011,568</b>
Operating Revenues	19,341,343	20,955,406	19,311,481	23,535,502
Operating Expenses	(11,077,153)	(14,219,358)	(13,014,114)	(14,638,620)
Capital Outlay	(2,536,268)	(8,225,699)	(4,021,267)	(13,808,790)
<b>Ending Net Position</b>	<b>\$ 23,735,469</b>	<b>\$ 22,245,817</b>	<b>\$ 26,011,568</b>	<b>\$ 21,099,661</b>

Table 6

As a special district, formed under the California Irrigation Code, that does not collect property or sales tax, CHWD relies on revenues charged in exchange for providing water service. This revenue source comprises greater than 95 percent of total revenues.

In 2015, the State of California instituted mandatory conservation requirements in response to a historic drought. This resulted in the reduction of water usage by the District's customers of 16.5% from 2014, and 33.0% from 2013. The District's customers have continued to conserve water as a lifestyle change.

Year	Surface Water Use acre feet	Ground Water Use acre feet	Total Water Use acre feet	Increase/ Decrease
2022	7,968	3,597	11,565	-4%
2021	7,749	4,334	12,084	-3%
2020	11,012	1,473	12,484	8%
2019	11,068	359	11,427	-3%
2018	9,941	1,842	11,783	1%
2017	10,910	713	11,623	7%
2016	9,597	1,173	10,769	7%
2015	9,133	841	9,973	-18%
2014	9,863	1,930	11,793	21%
Table 7				

Consumption is monitored monthly and compared to prior years to identify a trend. Future consumption is estimated using a trend analysis, along with estimates from consulting firm Harris & Associates, who completed these estimates in conjunction with their work on the Project 2030 Main Replacement Study. Although the COVID-19 pandemic caused an increase in consumption in 2020, it is unclear what the long-term effects will be. Therefore, CHWD has not changed its estimates for future water demand. A historical comparison of consumption is provided in Table 7.

## Water Rates

	2021	2022	2023	2024
<b><u>Consumption (per unit ccf)</u></b>				
Per Unit CCF (No tiers)	\$1.18	\$1.19	\$1.43	\$1.53
<b><u>Service Charge (bimonthly)</u></b>				
Commercial/Domestic/Irrigation 3/4"	\$57.54	\$56.08	\$60.35	\$56.56
Commercial/Domestic/Irrigation 1"	87.29	91.33	94.69	103.83
Commercial/Domestic/Irrigation 1-1/2"	136.86	150.08	151.92	182.60
Commercial/Domestic/Irrigation 2"	196.35	220.58	220.60	277.13
Commercial/Domestic/Irrigation 3"	384.74	443.82	438.07	576.48
Commercial/Domestic/Irrigation 4"	662.36	773.14	758.81	1,017.62
<b><u>Project 2030 Designated Charge (bimonthly)</u></b>				
Commercial/Domestic/Irrigation 3/4"	\$0.00	\$4.20	\$4.20	\$4.20
Commercial/Domestic/Irrigation 1"	-	10.50	10.50	10.50
Commercial/Domestic/Irrigation 1-1/2"	-	21.00	21.00	21.00
Commercial/Domestic/Irrigation 2"	-	33.59	33.59	33.59
Commercial/Domestic/Irrigation 3"	-	73.48	73.48	73.48
Commercial/Domestic/Irrigation 4"	-	132.30	132.30	132.30

Table 8

The District's rates are composed of three parts: a fixed bimonthly charge, a fixed bimonthly designated charge, and a variable, volumetric portion applied to actual consumption in Table 8.

## Employees by Department

Department	Position	FY22	FY23	FY24
<b>Administrative Services</b>				
	General Manager	1.00	1.00	1.00
	Director of Finance & Admin. Services	1.00	1.00	1.00
	Principal IT Analyst	1.00	1.00	1.00
	Accounting Manager	1.00	1.00	1.00
	Administrative Services Manager	-	1.00	1.00
	Communications & Public Engagement Manager	1.00	1.00	1.00
	Senior Management Analyst	1.00	-	-
	Senior Accountant	-	1.00	1.00
	Management Analyst	3.00	3.00	3.00
	Customer Service Specialist	1.00	1.00	1.00
	Customer Service Technician	1.00	1.00	1.00
	<b>Total Administrative Services</b>	<b>11.00</b>	<b>12.00</b>	<b>12.00</b>
<b>Engineering</b>				
	Director of Engineering	1.00	1.00	1.00
	Project Manager	1.00	1.00	1.00
	Assistant Engineer	1.00	1.00	1.00
	Engineering/GIS Specialist	1.00	1.00	1.00
	Senior Construction Inspector	1.00	1.00	1.00
	Senior/Associate Civil Engineer	-	1.00	1.00
	<b>Total Engineering</b>	<b>5.00</b>	<b>6.00</b>	<b>6.00</b>
<b>Operations</b>				
	Director of Operations	1.00	1.00	1.00
	Principal Management Analyst	1.00	1.00	1.00
	Senior Management Analyst	-	-	-
	Water Distribution Supervisor	1.00	1.00	1.00
	Water Efficiency Supervisor	-	-	-
	Water Resources Supervisor	1.00	1.00	1.00
	Assistant Water Distribution Supervisor	1.00	1.00	1.00
	Senior Water Efficiency Specialist	1.00	1.00	1.00
	Water Resources Specialist	2.00	2.00	2.00
	Water Distribution Lead Worker/Operator	3.00	3.00	3.00
	Water Distribution Worker/Operator I & II	7.00	7.00	7.00
	Operations Specialist	1.00	1.00	1.00
	Water Efficiency Technician	1.00	1.00	1.00
	<b>Total Operations</b>	<b>20.00</b>	<b>20.00</b>	<b>20.00</b>
<b>Total FTE</b>		<b>36.00</b>	<b>38.00</b>	<b>38.00</b>

Table 9

### Changes to Authorized Positions

During 2023, the following changes to authorized positions took place: A Senior Accountant position and a Senior/Associate Civil Engineer were added to the roster of employees. These two positions were added in preparation for all the work that is necessary to prepare the District for Project 2030. There was no recommendation for new positions in 2024. The District reviews a Projected Staffing Requirements Report annually to determine if each department is adequately staffed.



Installation of Water Infrastructure

## Administrative Services Department

Positions, Administrative Services	FY22	FY23	FY24
	11.00	12.00	12.00



Administrative Service Department Staff

The Administrative Services Department is responsible for the internal operations and support of the organization including but not limited to the General Manager, Finance, Customer Services, Information Technology, Board of Directors Support, Human Resources, Risk Management, Public Relations, and special projects.

The Finance and Customer Service division is responsible for accounting and finance duties, as well as billing and customer service. Finance provides financial and administrative support to all departments, including financial analysis, accounting budgeting, capital improvement program analysis and cost tracking, debt and treasury management, forecasting, rate setting, and purchasing. Accounting responsibilities include accounts payable, payroll processing, grant reporting, cash management, fixed asset management, and income and investment reporting. This department maintains the general ledger and all subsidiary ledgers, and ensures internal controls over all financial functions. They also ensure the District meets all state and federal financial reporting requirements, as well as compliance with General Accepted Accounting Principles (GAAP) and the Government Accounting Standards Board (GASB).

Customer billing is handled by the Customer Service team, who bill all water-related services, receive and process customer payments, notify customers of past-due accounts and follow through on collection activities. They also assist customers with new account activation, final bills, high consumption issues, leaks, and respond to customer account inquiries.



The Information Technology division has primary responsibility for overseeing Network Systems Administration and Information Systems, ensuring security of the District. The responsibilities include managing, implementation and maintenance of the District's website, voice, data and computer systems, providing technical support to District staff, and planning the future of technological needs for CHWD.

The Administrative Services division is primarily responsible for maintaining effective and timely communications between the publicly elected three-member Board of Directors and District staff. Responsibilities include prioritizing items that come before the Board for authorization and approval and assisting staff in the development and conduct of consistent procedures. The division is also responsible for preparing, publishing, and posting all legal notices and coordinating general election procedures and regulatory filings. This division focuses on strategic planning and creating more accountability and transparency of District operations.

The Administrative Services division also provides administrative and operational human resources (HR) support to District employees, retirees, directors, and all eligible dependents through HR services, benefits administration, payroll and safety mitigation. Duties include managing the District's workforce and employee development, recruitment, and training. Benefits administration involves coordination and education on District health, dental, vision, and life insurance benefits; short- and long-term disability programs; employee assistance programs; flexible spending accounts (FSA); and retirement benefits such as deferred compensation and the CalPERS pension program.

The Communication & Public Engagement division oversees customer engagement and outreach efforts, including print media, website management, and social media.

Performance Indicators	Strategic Plan Item?	Actual 2022	Actual 2023	Target 2024
Increase engagement on CHWD Facebook page; number of followers	No	1817	2162	2700
Press releases sent	No	3	3	3
Increase efficiency through regular policy review and update; policy categories updated	Yes	6	4	3
Successful recruitment and onboarding of vacant District positions	No	0	6	1
Obtain Certificate of Achievement for District Annual Comprehensive Financial Report	No	Submitted & in the review process	Will submit after 2023 ACFR is Completed	Yes

## 2023 Accomplishments

- Successful recruitment and onboarding for Customer Service Technician, Director of Administrative Services, Associate Civil Engineer, Principal Accountant, Senior Accountant, and Principal Civil Engineer
- Completed the 2023 Classification and Compensation Market Study Update
- Implementation of electronic onboarding experience module in ADP WorkforceNow
- Completed Cityworks upgrade and first phase of single sign-on
- Investment treasury implementation completed.
- 16 new videos to promote services and accomplishments of CHWD
- New “Thanks to Water” and “Great value right to your tap” campaigns
- Re-establishing of the Customer Advisory Committee
- Produced Winter and Summer edition of Waterline newsletter.
- Expanded CHWD email list by 80%
- Website enhancements including new “Job Interest” form.
- Intergovernmental relations

## 2024 Key Initiatives

### Public Information/Public Engagement

- Orient and engage the Customer Advisory Committee as District ambassadors.
- Consider new customer engagement opportunities.
- Educate customers on policy, operations, and finance issues with SJWD-W
- Continue to implement Project 2030 communications and public engagement plan
- Increase online bill pay enrollment by 5%
- Intergovernmental relations/Legislative & Regulatory Affairs

### Clerk of the Board

- Brown Act Compliance
- FPPC Compliance/Filings
- Public Meeting Management
- Public Records Act Requests
- Intergovernmental Relations/ Legislative Affairs



## Information Technology

- Implementation of Electronic Document Records Management System
- Utility Billing System Upgrades
- Increased Cyber Security Initiatives

## Finance

- GFOA award for 2022 ACFR
- Budget award for 2023 Budget
- Implement new options for Automated Clearing House (ACH)



## Engineering Department



Engineering Department Staff

Positions, Engineering	FY22	FY23	FY24
	5.00	6.00	6.00

The Engineering Department (Engineering) is responsible for the District's water main replacement program, which includes project design, construction administration and inspection services; oversight of outside engineering firms/contract administration; and review and inspection of private development projects. Private development includes subdivisions, commercial, single-family dwellings and mixed-use projects. Engineering also manages the District's Geographic Information System (GIS), easements and annexations; and maintains water facility records and archives. The Division is also heavily involved in the District's infrastructure analysis and development program.

Performance Indicators	Strategic Plan Item?	Actual 2022	Actual 2023	Target 2024
Perform non-invasive condition assessment on selected District transmission mains.	Yes	18,150 linear ft.	18,150 linear ft.	12,500 linear ft.
Approved private development projects	No	17	11	10
Work orders completed with mapping updates	No	900	800	800

### 2023 Accomplishments

- Design began or completed for the following projects:
  - Water Main at Reno Lane

- Water Main at Patton Avenue
  - Water Main at Admiral Avenue and Anchor Circle
- Construction started or completed for the following projects:
  - Water Main at Reno Lane
  - Water Main at Patton Avenue
- Continued Project 2030 Implementation Plan (Public Engagement, Funding Program and Technical Components- completed Phase 2 of Non-invasive Condition Assessment on 18,150 linear feet of Transmission Main)
- Completed Phase 4 Group 1 of the District-wide Easement Project
- Continued the Corporation Yard Pre-Architectural Study, including the structure demolition on the newly acquired property adjacent to the Corporation Yard
- Continued the creation of engineering design standards/procedures for development projects
- Private Developments:
  - 6 Accepted Projects
  - 4 Approved Projects Currently Under Construction
  - 7 Approved Projects Awaiting Construction
  - 5 Projects Under Plan Review
- Updated Geographic Information System District Facility Map and completed 800 Work Orders with Mapping Updates

## 2024 Key Initiatives

- Complete \$2 Million +/- of Water Main Replacement and Installation (including fire hydrants and water services), including the design and/or construction for the following projects:
  - Water Main at Admiral Avenue and Anchor Circle
  - Water Main at Minnesota Avenue
  - Water Main at Fair Oaks Boulevard
- Continue Project 2030 Implementation Plan (Public Engagement, Funding Program and Technical Components- perform Non-invasive Condition Assessment of 12,500 linear feet of Transmission Main)
- Continue easement acquisition for Phase 4 of the District-wide Easement Project
- Complete Corporation Yard Pre-Architectural Study
- Complete the creation of engineering design standards/procedures for development projects- Update District Policies 8000's & 9000's

## Operations Department



Operations Department Staff



Positions, Operations	FY22	FY23	FY24
	20.00	20.00	20.00

The Operations Department's primary responsibilities are to operate and maintain approximately 250 miles of water distribution pipelines ranging in size from four to forty-two inches in diameter and provide Water Efficiency services to the District's customers. The Department is made up of the following three divisions: Water Distribution, Water Resources and Water Efficiency. The Water Distribution and Water Resources Divisions maintain groundwater facilities; convey water to the District's customers with appropriate quality, quantity and pressure; and operate/maintain customer water services, backflow prevention devices, line valves, pressure reducing valves and fire hydrants. The Water Efficiency Division is responsible for conservation programs and functions, water meter program management and meeting mandated legislation and regulations for water efficiency, including monthly and annual reporting regarding consumption and water loss. In addition, the Division monitors and responds to leak alerts; performs irrigation audits for customers; administers the District-wide Safety Program; and facilitates community outreach and education programs related to water efficiency.

Performance Indicators	Strategic Plan Item?	Actual 2021	Actual 2022	Target 2023
Complete design for Well #7	Yes	N/A	Completed	N/A
Complete Garden webpage	Yes	N/A	Completed	N/A
Pursue acquisition of 1-2 potential sites for wells/water storage	Yes	N/A	One site identified	Continuing

## 2023 Accomplishments

- Replaced 364 water service connections.
- Replaced 32 water meters.
- Replaced 452-meter registers.
- 29 meters installed for new developments.
- 193 customer service requests completed.
- Managed the Garden Corps for the District's plots at the Sylvan Ranch Community Garden & on-boarded three new members.
- Annual Poster Contest
- Three Virtual and two in-person WaterSmart classes
- Smart Controller Direct Install Program: 27+ installed YTD
- Pressure Reducing Valve Rebate Program: 11 rebates issued YTD
- Group Safety Presentations & Trainings, including trenching & shoring and asbestos cement pipe.

## 2024 Key Initiatives

- Complete Construction of Well Site #7
- Begin design for Well Site #8
- Pursue acquisition of 1-2 potential sites for wells/water/asset storage
- Hold three in-person and two online WaterSmart classes.
- Implement a District meter testing program.
- Implement a joint purchasing program (which may include water meters) and/or participate in selected agency partnerships





# Capital Budget

## Capital Expenditures

Capital Expenditures are funds expended for Capital Improvement Projects (CIP). These projects include the purchase, construction, addition, or replacement of District facilities, infrastructure, and equipment. They are capitalized upon completion and depreciated based on the type of asset and its useful life. Capital expenditures are typically funded on a pay-as-you-go basis, through rate revenue.

Project Number	Description	2023 Budget	Carry-over from 2023 Budget to 2024	Additional in Adopted Budget 2024	Total Budget 2024
C16-134	Auburn Blvd-Rusch Park Placer	\$ 538,021	\$ 538,021	\$ -	\$ 538,021
C20-108	Corp Yard Pre-Architecture Study	\$ 98,324	\$ 98,324	\$ 1,676	\$ 100,000
C20-109	Corp Yard Plans Specs Estimate	\$ -		\$ 400,000	\$ 400,000
C23-011	Water Valve Replacements	\$ 15,000			
C21/C22/C23-012	Water Service Connections	\$ 1,086,500			
C23-013	Water Meter Connections	\$ 120,000			
C22/C23-014	Fire Hydrants	\$ 142,000			
C15-104B	Document Management System	\$ 127,639	\$ 64,639		\$ 64,639
C22/C23-004	Technology Hardware/Software	\$ 40,000	\$ -		
C23-003	Fleet/Field Operations Equip	\$ 425,000	\$ 300,727		\$ 300,727
C20-105	Walnut Drive	\$ 1,000	\$ -	\$ -	
C22/C23-104	Patton/Pardal/Alondra/Perdez	\$ 1,088,389	\$ 1,010,000		\$ 1,010,000
C22/C23-105	Reno Ln Main & Patton Ave Main	\$ 777,695	\$ -		
C23-106	Admiral & Anchor 8 inch	\$ 75,000	\$ 70,637	\$ 827,182	\$ 897,819
C21-041	Other Misc Infrastructure	\$ 56,747		\$ -	
C21-041B	Greenback Acquisition	\$ 50,000		\$ -	
C23-005	Facilities Improvements	\$ 113,000	\$ 9,548		\$ 9,548
C23-040	Other City Partnerships	\$ 100,000		\$ 100,000	\$ 100,000
C23-041	Misc Infrastructure Projects	\$ 100,000		\$ 100,000	\$ 100,000
C17-104	Groundwater Well Property Acq	\$ 115,015		\$ -	
C17-104B	Well # 8 Highland	\$ 6,518			
C20-107	Well #7 Design & Construction	\$ 2,949,118	\$ 2,042,536	\$ 2,400,000	\$ 4,442,536
C23-020	Groundwater Well Improvements	\$ 200,000	\$ 100,000	\$ -	\$ 100,000
C23-103	Highland Well	\$ 733		\$ 1,900,000	\$ 1,900,000
<b>Total</b>	<b>Continued Ongoing Projects</b>	<b>\$ 8,225,699</b>	<b>\$ 4,234,432</b>	<b>\$ 5,728,858</b>	<b>\$ 9,963,290</b>
	Annual Fleet & Field Operations Equipment			\$ 330,000	\$ 330,000
	Annual Facilities Improvements			\$ 108,000	\$ 108,000
	Annual Technology Hardware & Software			\$ 55,000	\$ 55,000
	Annual Water Main Pipeline Replacement (Small)			\$ 51,500	\$ 51,500
	Annual Valve Replacements			\$ 120,000	\$ 120,000
	Annual Water Service connections			\$ 1,507,000	\$ 1,507,000
	Annual Water Meter Replacement			\$ 125,000	\$ 125,000
	Annual Fire Hydrants - Repl, Upgrades, Infill, New			\$ 175,000	\$ 175,000
	Annual Groundwater well Improvements			\$ 200,000	\$ 200,000
<b>Total</b>	<b>New Annual Projects</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,671,500</b>	<b>\$ 2,671,500</b>
C24-1XX	Fair Oaks Blvd & Leafcress Way			\$ 344,000	\$ 344,000
	Minnesota Drive			\$ 727,000	\$ 727,000
	Menke Way			\$ 103,000	\$ 103,000
<b>Total</b>	<b>New Projects</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,174,000</b>	<b>\$ 1,174,000</b>
<b>FY2024</b>	<b>Totals</b>	<b>8,225,699</b>	<b>4,234,432</b>	<b>9,574,358</b>	<b>13,808,790</b>

Table 10





District Corporation Yard

## Impact of Capital Investments on Operating Budget

The 2024 budget contains \$13.8 million in total capital expenditures. A percentage (30.7 %) of these expenditures are made up of encumbered projects carried from previous years.

The District has been awarded \$3.1 million in State and Federal funds towards the construction of Wells #7 and #8. There are very few opportunities for non-ratepayer funding, and the District continues to look for outside funding opportunities whenever possible.

Annual Capital Projects are ongoing costs such as replacement of District infrastructure, such as water mains, water services, or fire hydrants due to maintenance and repair, or replacement of obsolete fleet vehicles.



# Statistical Data

## Principal Ratepayers

Customer	2022	
	Billed Units (ccf's)	Percentage Of Total
San Juan Unified School District	112,859	2.40 %
Sunrise Recreation Park District	77,623	1.65 %
JMK Investments	73,952	1.57 %
JRK Investors	51,117	1.09 %
Mt Vernon Memorial Park	45,073	0.96 %
Conference Claimants Endowment	29,154	0.62 %
Wedgewood Commons Apts LLC	26,216	0.56 %
Salishan Apartments	25,166	0.54 %
Knaggs Meadows LLC	25,140	0.54 %
Greenback Manor	21,913	0.47 %
Total Billed Units: Principal Customers	488,213	10.39 %
Total Billed Units	4,696,817	100%

Table 11

## Principal Employers, Sacramento Region

2022			
Employer	Employees	Rank	Percentage of Employment
State of California	107,876.00	1	15.42%
UC Davis Health	16,075.00	2	2.30%
County of Sacramento	13,252.00	3	1.89%
Kaiser Permanente	10,934.00	4	1.56%
United States Government	10,507.00	5	1.50%
Sutter Health	9,350.00	6	1.34%
Dignity Health	7,353.00	7	1.05%
Intel Corporation	5,000.00	8	0.71%
San Juan Unified School District	4,801.00	9	0.69%
Los Rios Community College District	3,049.00	10	0.44%
<b>Total</b>	188,197		27%
Total County Employment	699,800		100%

Table 12

## Demographic and Economic Statistics

Fiscal Year	Total Number of Connections	City of Citrus Heights <sup>(1)</sup>				County of Sacramento <sup>(1)</sup>			
		Population <sup>(3)</sup>	Unemployment Rate	Personal Income (thousands of dollars) <sup>(2)</sup>	Personal Income (Per Capita) <sup>(2)</sup>	Population <sup>(3)</sup>	Unemployment Rate	Personal Income (thousands of dollars) <sup>(2)</sup>	Personal Income (Per Capita) <sup>(2)</sup>
2013	19,591	85,123	8.3%	5,044,729	59,264	1,460,023	7.9%	61,654,690	42,229
2014	19,645	85,891	6.6%	5,212,811	60,691	1,478,137	6.3%	65,486,553	44,303
2015	19,785	86,759	5.7%	5,308,263	61,184	1,496,644	5.4%	70,110,138	46,845
2016	19,851	87,380	5.0%	6,043,288	69,161	1,514,460	5.0%	72,878,458	48,122
2017	19,902	87,931	3.8%	5,952,753	67,698	1,530,615	3.9%	76,832,120	50,197
2018	19,911	87,910	3.7%	6,388,859	72,675	1,540,975	3.8%	80,969,087	52,544
2019	19,937	87,796	3.2%	6,710,775	76,436	1,552,058	3.2%	85,775,621	55,266
2020	19,958	87,583	7.6%	7,102,719	81,097	1,559,146	8.3%	90,908,707	58,307
2021	20,201	87,404	4.4%	n/a	84,907	1,588,106	3.1%	n/a	n/a
2022	20,251	87,708	3.8%	n/a	n/a	1,584,169	3.5%	n/a	n/a

**Notes:**

(1) 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. As the District is primarily comprised of some areas of the City, and unincorporated areas of the County, the District believes that data from the City and the County is representative of the conditions and experience of the District.

(2) Personal income and per capita personal income is not yet available for Fiscal Year 2021.

(3) Population data is not yet available for Fiscal Year 2021.

Table 13

## Operating and Capacity Indicators

Fiscal Year	Total Connections	Total Annual Demand (Acre Feet)	Pipeline (mi)	Wells	Meters	Hydrants
2012	19,552	14,169.76	240.87	4	19,457	1,996
2013	19,591	14,881.54	242.51	4	19,488	2,037
2014	19,645	11,937.24	243.8	4	19,538	2,062
2015	19,785	9,973.47	245.56	4	19,594	2,087
2016	19,851	10,422.44	248.19	5	19,789	2,133
2017	19,902	11,014.52	249.31	6	19,912	2,160
2018	19,911	10,981.66	249.97	6	20,007	2,181
2019	19,937	11,001.23	250.26	6	20,043	2,368
2020	19,958	12,003.53	251.97	6	20,060	2,373
2021	20,201	11,505.25	252.57	6	20,282	2,367
2022	20,251	11,565.65	253.74	6	20,300	2,170

Table 14



# Appendix

## Glossary of Terms

**Accrual Basis of Accounting** - Method of accounting that recognizes the financial effect of transactions, and activities when they occur, regardless of the timing of related cash flows. Revenues are recorded when earned and expenses are recognized when incurred.

**Acre Foot** - an acre foot is enough water to cover an acre of land, about the size of a football field, one foot deep. It is the equivalent of about 326,000 gallons.

**Annual Required Contribution (ARC)** - The annual required contribution is the employer's periodic required contribution to a defined benefit OPEB plan. The ARC is the sum of two parts: (1) the normal cost, which is the cost for OPEB benefits attributable to the current year of service, and (2) an amortization payment, which is the catch-up payment for past service costs to fund the Unfunded Actuarial Accrued Liability over the next 30 years. Under GASB 45, it is not required that entities actually pay the ARC each year, but it does need to be calculated and disclosed in the public employer's annual financial statements.

**Aquifer** - An underground layer of water bearing permeable rock or unconsolidated materials (gravel, sand, silt) from which groundwater can be extracted.

**Aquifer Storage and Recovery (ASR)** - Technology that allows groundwater wells to also inject water into the aquifer for storage, as well as to draw water for consumption.

**Asset** - Anything of value such as an area of land, or a building, or an item of plant or equipment or infrastructure that provides service potential or future economic benefits over a period greater than one year and has a cost that is material (at least \$5,000).

**Audit** - An objective examination and evaluation of CHWD's financial statements by an independent Certified Public Accountant firm, performed to provide assurance that the financial statements are fair and accurately presented.

**Automated Meter Reader (AMR)** - A method of conveying water meter reads without interfacing directly with the meter or a contact point, normally through radio transmitters.

**Balanced Budget** - The District's current operating expenses will be paid from current revenues and reserves carried forward from the prior year.

**Beginning Balance** - The beginning balance is comprised of residual funds brought forward from the previous fiscal year.

**Board of Directors** - The three public officials elected to represent the population within the District's service area. Also referred to as "the Board".

**Bond** - A certificate of debt issued by an entity, guaranteeing payment of the original investment, plus interest, by a specified future date.

**Bond Covenant** - A legally binding term of agreement that specifies the obligations, restrictions, and terms of the bond between the bond issuer and bond holder. Bond



covenants are designed to protect the interests of both parties.

**Budget** - A financial plan showing authorized planned expenditures and their funding sources.

**Budget Process** - The schedule of key dates or milestones, which the District follows in the development, preparation, adoption, and administration of the budget.

**California Environmental Quality Act (CEQA)** - A California statute passed in 1970, shortly after the United States federal government passed the National Environmental Policy Act (NEPA), to institute a statewide policy of environmental protection. CEQA does not directly regulate land uses, but instead requires state and local agencies within California to follow a protocol of analysis and public disclosure of environmental impacts of proposed projects and adopt all feasible measures to mitigate those impacts.

**California Family Rights Act (CFRA)** - CFRA is a state law that generally conforms to the provisions of the Federal Family Medical Leave Act (FMLA) that governs family medical leave. It is applicable to employers with 50 or more employees.

**Capital Improvement Program (CIP)** - Authorized expenditures for tangible and long-term physical improvements or additions of a fixed or permanent nature.

**Capital Project** - Projects budgeted as capital projects fall within the definition of capital expenditures, which means (1) they create or extend the lives of assets, (2) their work products have a useful life of more than one year, and (3) they involve an expenditure of District resources equal to or greater than \$5,000.

**Centum Cubic-Feet (CCF)** - The standard rate of billing for water service. The District calculates one CCF as one unit of water. One CCF is equal to 100 cubic feet of water which is 748 gallons.

**Certificates of Participation (COP)** - A security in the form of a bond, which evidences a proportionate participation in a flow of payments between two parties. The District's COPs are secured by pledge of net revenues.

**Citrus Heights Water District (CHWD)** - A water agency that provides water to residents in the areas of Citrus Heights, CA, as well as unincorporated areas of Sacramento and Placer Counties.

**Classic Member** - An existing CalPERS member as of December 31, 2012; or a member that has a break in service of more than six months but returns to service with the same employer.

**Consolidated Omnibus Budget Reconciliation Act (COBRA)** - COBRA gives employees the right to pay premiums and keep the group health insurance that they would otherwise lose after they quit their jobs, lose their jobs, or reduce their work hours. COBRA benefits are typically available for 18 months.



**Consumer Price Index (CPI)** - The CPI is a measure that analyzes the average change over time of the total cost of a market basket of consumer goods and services for specific regions.

**Customer Advisory Committee (CAC)** - A group of CHWD customers appointed by the Board of Directors to work with a technical team to consider water main replacement options, while analyzing key financial and technical issues that promote equity of funding between today's and future CHWD customers.

**Debt Service** - The current year portion of interest costs and current year principal payments incurred on long-term debt.

**Delivery System** - The piping, valves and related infrastructure assets that convey water from one point in the water distribution system to another. For example, a delivery system can take water from the intake to the plant or from plant to the customer.

**Department** - A major organizational unit with overall managerial responsibility for functional programs of the District.

**Depreciation** - The reduction in value of a long lived asset from use or obsolescence. The decline in value is recognized by a periodic allocation of the original cost of the asset to current operations on an income statement.

**Engineering News Record Construction Cost Index (ENR CCI)** - The CCI is an index that measures construction costs using 200 hours of common labor at common rates, as well as a specific quantity of structural steel, portland cement, and lumber at an average cost from 20 cities in a region. This index is widely used in the construction industry to forecast construction costs.

**Enterprise Fund** - A fund established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through "user charges." An enterprise fund is a type of proprietary fund.

**Enterprise Resource Planning Software** - A software system that integrates the major processes of an organization such as purchasing, inventory, billing, payroll, finance, and human resources.

**Environment Impact Review (EIR)** - Written record submitted to a deciding authority that identifies and examines the likely environmental effects of the continuing operations of an existing facility or those of a proposed project, and proposes measures to avoid, mitigate, or offset the identified effects.

**Expense** - A cost incurred in the operations of the District, most often settled with the payment of cash.

**Federal Deposit Insurance Corporation (FDIC)** - A US government corporation that provides deposit insurance, which guarantees the safety of deposits in member banks up to \$250,000 per depositor per bank.

**Fire Service Charge** - A monthly charge assessed to cover the cost of the District providing additional fire flow capacity.

**Fiscal Year (FY)** - A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. (CHWD's fiscal year is January 1 through December 31).

**Flexible Spending Accounts (FSA)** - A tax- favored program offered by employers that allows their employees to pay for eligible out-of- pocket health care and dependent care expenses with pre-tax dollars.

**Full-Time Equivalent (FTE)** - A measure of labor requirement equal to the full time use of one worker (e.g., could be one person full time or two people half time).

**Fund** - A fund is a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**Generally Accepted Accounting Principles (GAAP)** - A collection of commonly- followed accounting rules and standards for financial reporting.

**Geographical Information Systems (GIS)** - An information system integrating maps with electronic data.

**Governmental Accounting Standards Board (GASB)** - A private, non-governmental organization that is the source of generally accepted accounting principles (GAAP) used by state and local governments in the United States.

**Governmental Finance Officers Association (GFOA)** - A professional organization for governmental finance officers. The GFOA issues the Distinguished Budget Award annually.

**Groundwater** - Water produced by pumping from an underground aquifer. CHWD typically receives around 10% of its current water supply from groundwater.

**Hydrologic** - Of or dealing with the science of occurrence, circulation, distribution, and properties of the waters of the earth and its atmosphere.

**Infrastructure** - The tangible physical components that ensure delivery of reliable, high quality water. Typical components are water mains, wells, water services, and fire hydrants.

**Integrated Resource Plan (IRP)** - A study developed as a long-term supply plan that will help the District meet water demands in the future.

**Local Agency Investment Fund (LAIF)** - An investment pool administered by the State of California's State Treasurer's Office. LAIF is a voluntary program created as an investment alternative for California's local governments and special districts.

**Major fund** - A fund whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for

all governmental and enterprise funds.

**Meter** - A device that measures and records the quantity of a substance, such as water or energy that has passed through it during a specified period.

**Mission Statement** - The District's core purpose.

**NBS Government Finance Group** - NBS is a financial consulting firm, previously hired by CHWD to create and update its long-term financial model.

**Net Position** - The District's unrestricted reserves balance. The District's financial policies define parameters for the source(s) and use(s) of these reserve funds and establishes maximum and minimum target fund balances.

**Operating Budget** - The normal, ongoing operating costs incurred to operate the District, including wages, materials, utilities, professional and outside services, and the revenues generated through operations, such as water sales and service charges, and developer paid fees to connect to the water system.

**Other Post-Employment Benefits (OPEB)** - Benefits, other than pensions, which a state or local government employee receives as part of his or her package of retirement benefits. The District's OPEB is limited to retiree health benefits.

**Pay-As-You-Go** - A capital financing strategy to pay-as-you-go by cash funding capital projects with current and accumulated revenues rather than borrowing funds that will be repaid with future revenues.

**PEPRA Member** - A new hire who has no prior membership in any California public retirement system prior to January 1, 2013; or an employee who is rehired by a different CalPERS employer after a break in service of greater than six months.

**Potable Water** - Water that is suitable for drinking.

**Pressure** - The amount of force per unit area. In water, this is expressed in pounds per square-inch (psi) or an equivalent of the weight of a water column at a specific height (feet) exerted in a confined space.

**Proprietary Fund** - A type of fund used to account for a government's ongoing activities that are similar to those often found in the private (business) sector.

**Regulatory** - Something that is required due to a permit requirement, mandated regulation, or legislation.

**Reliability** - The probability that a system performs a specified function or mission under given conditions for a prescribed time.

**Replenish** - A hydrologic process where water is moved through layers of sand, dirt, and rock to groundwater.

**Reserves** - The portion of cash and investments that are held for a specific future use.

**Revenue** - Income the District receives from a variety of sources such as rates and charges, fees, and interest earnings.

**Sacramento Groundwater Authority (SGA)** - A joint-powers authority created to collectively manage the Sacramento region's North Area Groundwater Basin.

**Sacramento Municipal Utility District (SMUD)** - A community-owned electric utility that provides electricity to Sacramento County and parts of Placer County.

**San Juan Water District (SJWD)** - A wholesale and retail water District that takes water from Folsom Lake, treats it, then distributes it to (a) one of several wholesale customers

(including CHWD), or (b) its retail customer base in the Granite Bay, CA area.

**Service Line** - Pipe from the common distribution main to provide water to individual customers for domestic, irrigation, or fire service.

**Strategic Plan** - The long-term goals, objectives, and performance measurement standards for the District.

**Transmission Main** - A large water main that transports water from the main supply or source, to a distant area where the water is then further distributed. Finished water transmission mains usually have no or few connections.

**Valve** - A device to regulate or isolate the flow of water.

**Vision** - A statement that describes long-term goals for an organization. CHWD's vision is "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."

**Water Distribution System** - A network of pipe, pumps, and storage facilities to transport potable water from the source/treatment facility to the consumer.

**Water Meter** - A device designed to accurately measure flow passing through it. Meters are of various types, materials and function with accuracy within certain flow ranges.

**Water Quality** - Various measures by which materials (contaminants) and appearance (aesthetics) are compared against what are considered appropriate levels for suitably potable water.

**Water Quality Monitoring** - Instrumentation and activities for measuring the quality of water.

**Water Treatment** - Any process that intentionally alters and improves the chemical, biological, or physical characteristics of water.

**Well** - (1) A subsurface source of water that is generally accessed through a drilled casing and pipe into the aquifer. (2) The entire system of the underground water source, pipe casing, pump, etc. Also called a borehole.

## Budget Policy

### 6000.00 BUDGET PREPARATION AND ADOPTION

A budget on a calendar year basis shall be prepared and adopted by Resolution of the Board of Directors.

#### 6000.01 Budget Preparation

The General Manager or designee, in consultation with other staff members, shall prepare a draft budget for initial review and discussion by the Board of Directors.

#### 6000.02 Budget Contents

The budget shall contain recommended appropriations of funds necessary to support the mission, operations and capital improvements of the District for the budget year.

Recommended dollar amount appropriations will be specifically identified for individual Expense Account Numbers as shown in the Citrus Heights Water District Chart of Accounts.

#### 6000.03 Public Review and Comment

The final draft budget, as modified and amended to reflect additional information and comments, shall be presented to the public for comment at a noticed Public Hearing to be conducted prior to the start of the new budget year, typically at the Board's regular meeting in November.

#### 6000.04 Budget Adoption

The final budget, including any modifications and amendments directed by the Board of Directors to reflect additional information and public comments, shall be considered for adoption by the Board of Directors prior to the start of the new budget year.

#### 6000.05 Budget Amendment

The Board may amend the budget during the budget year as deemed necessary or advisable.

## Reserve Policies

### 6200.00 OPERATING FUND

The District shall establish and maintain an Operating Fund to meet the ongoing cash outlay obligations of District operations and capital improvement expenditures. The Operating Fund shall be the source of monies for payment of the District's financial obligations including but not limited to District employee payroll and benefits costs, invoices for goods and services used by the District, debt obligations of the District and all other payments that are made by the District and reviewed by the Board of Directors on a monthly basis.

The Operating Fund shall be the repository for all monies received by the District that are not otherwise specifically restricted, assigned or committed to any of the other Funds and Reserves of the District. Monies may be transferred to or from the Operating Fund at the direction of the General Manager and designee in accordance with this Policy and the Policies setting forth the purpose, guidelines and restrictions for other District Funds and Reserves. Monies may also be transferred to or from the Operating Fund at the specific direction of the Board of Directors.

The target amount of funds to be maintained in the Operating Fund shall be monies sufficient to meet the estimated financial obligations of the District for 90 calendar days. Monies in excess of this amount that are not otherwise specifically restricted, assigned or committed to any of the other Funds and Reserves of the District shall be transferred to the District's Operating Reserve. Funds maintained in the Operating Fund shall be funds readily available to meet the financial obligations of the District.

The District Treasurer shall report in writing each month to the Board of Directors on the dollar balance of the Operating Fund at the end of the preceding calendar month and any amounts transferred to or from the Operating Fund during the month.

### 6210.00 OPERATING RESERVE

The District shall establish and maintain an Operating Reserve as a repository for monies received by the District that are not otherwise specifically restricted, assigned or committed to any of the other Funds and Reserves of the District, and are not required to be retained in the Operating Fund to meet the estimated financial obligations of the District for the next 90 calendar days.

Monies may be transferred to or from the Operating Reserve at the direction of the General Manager and designee in accordance with this Policy and the Policies setting forth the purpose, guidelines and restrictions for other District Funds and Reserves. Monies may also be transferred to or from the Operating Reserve at the specific

direction of the Board of Directors.

The District Treasurer shall report in writing each month to the Board of Directors on the dollar balance of the Operating Reserve at the end of the preceding calendar month and any amounts transferred to or from the Operating Reserve during the month.

#### **6220.00 RATE STABILIZATION RESERVE**

The District shall establish and maintain a Rate Stabilization Reserve to provide funds for use to ensure financial and customer rate stability in responding to conditions, including but not limited to, the following:

- Unanticipated operating and/or capital expenditures;
- Unanticipated revenue shortfall due to water shortages, drought or other conditions;
- Changes to the District's billing methods, policies and procedures;
- Natural or man-made disasters;
- Major transmission or distribution main failures; and,
- Purchase of water from other than normal or budgeted sources, including electrical expense associated with long-term use of the District's groundwater wells.

The target amount of funds to be maintained in the Rate Stabilization Reserve shall be \$1,000,000. Should transfers from the Rate Stabilization Reserve be made for any purpose, it shall be the policy of the Board of Directors to restore the Reserve to its \$1,000,000 target level at the earliest opportunity. Monies shall be transferred to or from the Rate Stabilization Reserve only at the specific direction of the Board of Directors.

The District Treasurer shall report in writing each month to the Board of Directors on the dollar balance of the Rate Stabilization Reserve at the end of the preceding calendar month and any amounts transferred to or from the Rate Stabilization Reserve during the month as directed by the Board of Directors.

#### **6225.00 DEBT SERVICES RESERVE**

The District shall establish and maintain a restricted Debt Services Reserve to provide funds for use, including but not limited to, maintaining debt coverage ratios in accordance with bond covenants or other agreements or requirements associated with the issuance of debt by the District.

The amount of funds to be maintained in the Debt Services Reserve shall be in compliance with the requirements set forth in the agreement with the financing institution. The District Treasurer shall report in writing each month to the Board of



Directors on the dollar balance of the Debt Services Reserve at the end of the preceding calendar month.

#### **6240.00 CAPITAL IMPROVEMENT RESERVE**

The District shall establish and maintain a Capital Improvement Reserve to provide funds for use in evaluating, designing, constructing, replacing or rehabilitating capital facilities to benefit District customers, including, but not limited to, the following:

- Water Transmission and Distribution Facilities and related appurtenances, including water services, water meters, water valves, fire hydrants, etc.;
- Pressure Control Facilities;
- In-Conduit Power Generation Facilities;
- Buildings and Improvements;
- Machinery and Equipment;
- Land and Right-of-Way Acquisition; and,
- Technology Hardware and Software Improvements.

Monies may be transferred to or from the Capital Improvement Reserve at the direction of the General Manager or designee in accordance with this Policy and the Policies setting forth the purpose, guidelines and restrictions for other District Funds and Reserves. Monies may also be transferred to or from the Capital Improvement Reserve at the specific direction of the Board of Directors.

The target amount of funds to be maintained in the Capital Improvement Reserve shall be the lesser of the following two amounts: 1) monies sufficient to meet the District's estimated capital outlays for evaluating, designing and constructing new capital facilities during the current and following fiscal year as determined by the capital improvement plan adopted by the Board of Directors; or 2) five percent (5.00%) of net total capital assets being depreciated, as determined by the District's most recent financial statements.

The District Treasurer shall report in writing each month to the Board of Directors on the dollar balance of the Capital Improvement Reserve at the end of the preceding calendar month and any amounts transferred to or from the Capital Improvement Reserve during the month.

#### **6245.00 WATER SUPPLY RESERVE**

The District shall establish and maintain a Water Supply Reserve to provide funds for use in evaluating, planning, designing, constructing, replacing or rehabilitating capital facilities to benefit District customers, including, but not limited to, the following:

- Groundwater Production Wells;
- Aquifer Storage and Recovery (ASR) Wells;
- Surface Water Supply Projects including but not limited to water diversion, treatment and transmission facilities;
- Recycled / Reclaimed Water Projects; and,
- Land and Right-of-Way Acquisition.

Monies may be transferred to or from the Water Supply Reserve at the direction of the General Manager or designee in accordance with this Policy and the Policies setting forth the purpose, guidelines and restrictions for other District Funds and Reserves. Monies may also be transferred to or from the Water Supply Reserve at the specific direction of the Board of Directors.

The target amount of funds to be maintained in the Water Supply Reserve shall be monies as a build up to meet the District's future estimated capital outlays for evaluating, designing and constructing new water supply facilities as determined by the capital improvement plan adopted by the Board of Directors.

The District Treasurer shall report in writing each month to the Board of Directors on the dollar balance of the Capital Improvement Reserve at the end of the preceding calendar month and any amounts transferred to or from the Capital Improvement Reserve during the month.

#### **6250.00      WATER METER REPLACEMENT RESERVE**

The District shall establish and maintain a Water Meter Replacement Reserve to provide funds for use in evaluating, designing, constructing, acquiring, replacing or rehabilitating capital facilities pertaining to meters to benefit District customers.

Monies may be transferred to or from the Water Meter Replacement Reserve at the direction of the General Manager or designee in accordance with this Policy and the Policies setting forth the purpose, guidelines and restrictions for other District Funds and Reserves. Monies may also be transferred to or from the Water Meter Replacement Reserve at the specific direction of the Board of Directors.

The target amount of funds to be maintained in the Water Meter Replacement Reserve shall be monies as a build up to meet the District's future estimated capital outlays for planning, evaluating, designing, constructing, installing and/or implementing new water meter technology and equipment as determined by the capital improvement plan adopted by the Board of Directors.

The District Treasurer shall report in writing each month to the Board of Directors on the dollar balance at the end of the preceding calendar month and any amounts

transferred to or from the Water Meter Replacement Reserve during the month.

#### **6255.00      WATER MAIN REPLACEMENT RESERVE**

The District shall establish and maintain a Water Main Replacement Reserve to provide funds for use in evaluating, planning, designing, constructing, replacing or rehabilitating capital facilities to benefit District customers, including, but not limited to, the following:

- Water Transmission and Distribution Facilities and related appurtenances, including water services, water valves, fire hydrants, etc.

Monies may be transferred to or from the Water Main Replacement Reserve at the direction of the General Manager or designee in accordance with this Policy and the Policies setting forth the purpose, guidelines and restrictions for other District Funds and Reserves. Monies may also be transferred to or from the Water Main Replacement Reserve at the specific direction of the Board of Directors.

The target amount of funds to be maintained in the Water Main Replacement Reserve shall be monies to meet the District's future estimated capital outlays for evaluating, planning, designing and constructing water transmission or distribution facilities as determined by the water main capital improvement plan adopted by the Board of Directors.

Investment earnings resulting from funds in the Water Main Replacement Reserve shall be reinvested in the Water Main Replacement Reserve as retained earnings. The General Manager will apply accepted accounting practices in the calculation and allocation of investment earnings to the Water Main Replacement Reserve.

The District Treasurer shall report in writing each month to the Board of Directors on the dollar balance at the end of the preceding calendar month and any amounts transferred to or from the Water Main Replacement Reserve during the month.

#### **6260.00      FLEET EQUIPMENT RESERVE**

The District shall establish and maintain a Fleet Equipment Reserve to set aside funds over an extended period of time to replace fleet equipment at the end of its useful life, including, but not limited to, the following:

- Pickup trucks and automobiles;
- Backhoes and loaders;
- Dump trucks;
- Crew trucks;
- Vacuum Trailer Excavation Systems;

- Vehicle-mounted equipment, such as tool boxes, cranes, safety lights and two-way radios; and,
- Trailer-mounted mobile equipment, such as air compressors.

Monies may be transferred to or from the Fleet Equipment Reserve at the direction of the General Manager or designee in accordance with this Policy and the Policies setting forth the purpose, guidelines and restrictions for other District Funds and Reserves. Monies may also be transferred to or from the Fleet Equipment Reserve at the specific direction of the Board of Directors.

The target amount of funds to be maintained in the Fleet Equipment Reserve shall be ten percent (10.00%) of the equipment and machinery capital assets cost (i.e., non-depreciated value), as determined by the District's most recent financial statements.

The District Treasurer shall report in writing each month to the Board of Directors on the dollar balance of the Fleet Equipment Reserve at the end of the preceding calendar month and any amounts transferred to or from the Fleet Equipment Reserve during the month.

#### **6270.00      EMPLOYMENT-RELATED BENEFITS RESERVE**

The District shall establish and maintain an Employment-Related Benefits Reserve to set aside funds over an extended period of time to pay the costs of employment-related benefits for existing and retired District employees, including, but not limited to, the following:

- Payment of accrued leave balances, including sick leave, annual leave, management leave, compensatory time off (CTO) and other leave types per District Policy, upon retirement or separation of employment from the District;
- Payments to employees under the District's Recognition, Rewards and Accountability Program; and,
- Defraying the future cost of other employment-related benefits for District employees.

Monies may be transferred to or from the Employment-Related Benefits Reserve at the direction of the General Manager or designee in accordance with this Policy and the Policies setting forth the purpose, guidelines and restrictions for other District Funds and Reserves. Monies may also be transferred to or from the Employment-Related Benefits Reserve at the specific direction of the Board of Directors.

The target amount of funds to be maintained in the Employment-Related Benefits Reserve shall be the sum of monies sufficient to meet the total of the following amounts: 1) the cost for payouts of accrued leave balances due to retirement or separation of employment from the District for the current and following fiscal year as

estimated by the General Manager or designee; and 2) the cost for payments to employees under the District's Recognition, Rewards and Accountability Program for the current and following fiscal year as estimated by the General Manager or designee.

The District Treasurer shall report in writing each month to the Board of Directors on the dollar balance of the Employment-Related Benefits Reserve at the end of the preceding calendar month, and any amounts transferred to or from the Employment-Related Benefits Reserve during the month.

#### **6280.00      WATER EFFICIENCY RESERVE**

The District shall establish and maintain a Water Efficiency Reserve to provide funds for use in a water supply shortage, water supply interruption, Federal/State/Regional/Local mandates, or other programmatic needs. The Water Efficiency Reserve is to be used for programs including, but not limited, to the following:

- Water Efficiency Projects;
- Drought Response;
- Temporary Labor;
- Consulting Services;
- Public Outreach and Communication;
- Water Use Monitoring;
- Workshops;
- Outdoor and Indoor Incentives;
- Information Technology Services;
- Regional Efficiency Programs;
- Water Loss Programs;
- Grants;
- Demonstration Garden; and,
- Cooling Towers.

Monies may be transferred to or from the Water Efficiency Reserve at the direction of the General Manager or designee in accordance with this Policy and the Policies setting forth the purpose, guidelines and restrictions for other District Funds and Reserves. Monies may also be transferred to or from the Water Efficiency Reserve at the specific direction of the Board of Directors.

The target amount of funds to be maintained in the Water Efficiency Reserve shall be \$200,000.

The District Treasurer shall report in writing each month to the Board of Directors on the dollar balance of the Water Efficiency Reserve at the end of the preceding calendar month and any amounts transferred to or from the Water Efficiency Reserve during the month.

#### **6290.00      Reserve Fund Management**

##### **6290.00      Purpose**

Funds in each of the Designated Reserves and for the Operating Fund may be comingled and invested in compliance with the District's Investment Policy 6300 and any applicable Government Code Section.

### **Investment Policy**

#### **6300.00      INVESTMENT OF DISTRICT FUNDS**

##### **6300.01      Purpose**

This fiscal management policy is intended to provide a policy and guidelines for the District's Treasurer or designee for the prudent and suitable investment of funds and monies of the District without regard to source. The ultimate goal is to enhance the economic status of the District while protecting its funds.

The District's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the District to invest operating and reserve funds to the fullest extent possible. The District shall attempt to obtain the highest yield, provided that all investments first meet the criteria established for safety and liquidity.

Funds not included in this Policy include deferred compensation funds.

##### **6300.10      Definition and Provision of the Government Code**

The Board of Directors and Officers authorized to make investment decisions on behalf of the District investing public funds pursuant to California Government Code sections 53600 et seq. and 53630 et seq. are trustees and therefore fiduciaries subject to the prudent investor standard. As an investment standard, any investment shall be made as if it is one which a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

#### 6300.20 Authority

The investment policies and practices of the District are based upon compliance with federal, state and local law and prudent money management. Investments will be in compliance with governing provisions of law (California Government Code sections 53600 et seq. and 53630 et seq. as amended) and this Policy. This Policy shall take precedence when more restrictive than the California Government Code.

6300.21 The Board of Directors delegates for a one-year period the day-to-day management of the District's investments to the Treasurer, subject to the conditions of this Policy. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of documentation and reporting pursuant to Section 6300.70 of this Policy.

#### 6300.30 Ethics and Conflicts of Interest

Directors and Officers involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

#### 6300.35 Prudence

Investments shall be made in the context of the "Prudent Investor" rule, which states that:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The General Manager, District Treasurer and their designees involved in the investment process, acting in accordance with this Investment of District Funds Policy and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

#### 6300.40 Objectives

6300.41 Safety of Principal - Safety of principal is the primary objective of the District. Each investment transaction shall seek to preserve the



principal of the portfolio, whether from institutional default, broker-dealer default or erosion of market value of securities. The District shall seek to preserve principal by mitigating the following two types of risk:

A. Credit Risk - Credit risk, defined as the risk of loss due to failure of an issuer of a security, shall be mitigated by investing in only very safe institutions and by diversifying the investment of District funds so that the failure of any one issuer would not unduly harm the District's cash flow.

B. Market Risk - The risk of market value fluctuations due to overall changes in the general level of interest rates shall be mitigated by limiting the weighted average maturity of the District's invested funds to three (3) years. It is explicitly recognized herein, however, that in a diversified portfolio, occasional measured losses are inevitable, and must be considered within the context of the overall investment return.

6300.42 Liquidity - Liquidity is the second most important objective. Investments shall be made whose maturity dates are compatible with cash flow requirements and which can be easily and rapidly converted into cash without substantial loss of value.

6300.43 Return on Investment - Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal, liquidity, and without undue risk.

#### 6300.50 Authorized Investments

District investments are governed by the California Government Code sections 53600 et seq. and 53630 et seq. Within the context of these sections the following investments are authorized:

A. Local Agency Investment Fund - The District may invest in the Local Agency Investment Fund (LAIF) established by the California State Treasurer and created by Government Code sections 16429.1 through 16429.4 for the benefit of local agencies up to the maximum permitted by the LAIF's Local Investment Advisory Board.

B. Securities of the U.S. Government and its Agencies - United States Treasury Bills, Notes, Bonds, or Certificates of Indebtedness, or those for which the faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of

the District funds which can be invested in this category as they are all safe and liquid. Purchases may not have a term remaining to maturity in excess of five (5) years. (Gov. Code, §§ 53601(b) and 53635(a).)

C. State of California Obligations - Registered State Warrants or Treasury Notes or Bonds of this State or any of the other 49 United States, as defined in Government Code sections 53601(c), 53601(d) and 53651 and pursuant to Government Code section 53635.2.

D. Local Agency Obligations - Obligations issued by any local agency, as defined by the Government Code, within the State. Obligations may be bonds, notes, warrants, or other evidences of indebtedness, as defined in Government Code sections 53601(e) and 53651 and pursuant to Government Code section 53635.2.

E. U.S. Agencies - Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. (Gov. Code, §§ 53601(f), 53651).

F. Bankers' Acceptances - Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the District's money that may be invested pursuant to Government Code section 53601(g). However, no more than 30 percent of the District's money may be invested in the bankers' acceptances of any one commercial bank pursuant to Government Code section 53601(g). (Gov. Code, §§ 53601(g), 53651)

G. Prime Commercial Paper - Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

- (1) The entity meets the following criteria:
  - (a) Is organized and operating in the United States as a general corporation.
  - (b) Has total assets in excess of five hundred million dollars (\$500,000,000).

- (c) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical rating organization.
- (2) The entity meets the following criteria:
  - (a) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
  - (b) Has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.
  - (c) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.

Eligible commercial paper shall have a maximum maturity of 270 days or less. In addition:

- (a) No more than 40 percent of the District's money may be invested in eligible commercial paper; and,
- (b) No more than 10 percent of the District's money that may be invested pursuant to this section may be invested in the outstanding commercial paper of any single issuer. (Gov. Code, § 53601(h), 53635.)

H. Investment of Surplus Funds in Deposits - Notwithstanding Government Code section 53601 or any other provision of the Government Code, the District, at its discretion, may invest a portion of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit. The following conditions shall apply:

- (1) The District shall choose a nationally or State-chartered commercial bank, savings bank, savings and loan association, or credit union in this State to invest the funds, which shall be known as the "selected" depository institution.
- (2) The selected depository institution may use a private sector entity to help place District deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, and are within the network

used by the private sector entity for this purpose.

(3) Any private sector entity used by a selected depository institution to help place District deposits shall maintain policies and procedures requiring both of the following:

(a) The full amount of each deposit placed pursuant to paragraph (2) above and the interest that may accrue on each such deposit shall always be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(b) Every depository institution where funds are placed shall be capitalized at a level that is sufficient, and be otherwise eligible, to receive such deposits pursuant to regulations of the Federal Deposit Insurance Corporation or the National Credit Union Administration, as applicable.

(4) The selected depository institution shall serve as a custodian for each such deposit.

(5) On the same date that the District's funds are placed pursuant to paragraph (2) above by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal initially deposited through the selected depository institution pursuant to paragraph (2) above.

(6) Notwithstanding Government Code section 53601.8 subdivisions (a) to (g), inclusive, a credit union shall not act as a selected depository institution under Government Code sections 53601.8 or 53635.8 unless both of the following conditions are satisfied:

(a) The credit union offers federal depository insurance through the National Credit Union Administration.

(b) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more certificate of deposit placement services and affirming that the monies held by those credit unions while participating in a deposit

placement service will always be insured by the federal government.

(7) Purchases of certificates of deposit pursuant to Government Code sections 53601.8 and 53635.8 shall not, in total, exceed thirty (30) percent of the District's funds that may be invested for this purpose.

(8) Excluding purchases of certificates of deposit pursuant to Government Code sections 53601.8, no more than ten (10) percent of the District's funds that may be invested for this purpose may be submitted, pursuant to paragraph (2) above, to any one private sector entity that assists in the placement of deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, for the District's account. (Gov. Code, §§ 53601.8, 53635.8.)

I. Certificates of Deposits and Time Deposits - The District may invest in nonnegotiable time deposits collateralized in accordance with the Uniform Commercial Code, in those banks and State and federal associations which meet the requirements for investment in negotiable certificates of deposit (NCD). When conditions so warrant, the first \$100,000 of collateral security for such deposits can be waived if the financial institution is insured pursuant to federal and State law.

J. Medium-Term Corporate Notes - Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five (5) years or less issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated "A" or better by a nationally recognized statistical rating organization. No more than 30 percent of the District's invested funds may be invested in medium-term notes. (Gov. Code, §§ 53601(k) and 53635.2)

K. Mutual Funds/Money Market Mutual Funds - To be eligible for investment pursuant to this subsection (K), these funds shall meet the following conditions in either paragraph (1) or (2) below:

(1) Shares of beneficial interest issued by diversified management companies (otherwise known as mutual funds) that invest in the securities and obligations as authorized by subdivisions. (a) to (k), inclusive, or (m) to (q) inclusive, of Government Code

section 53601 and that comply with the investment restrictions of Government Code sections 53600 et seq. and 53630 et seq.

However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily. To be eligible for investment pursuant to this paragraph (1), the companies must have either:

- (a) Retained an investment adviser registered with the Securities and Exchange Commission with not less than five (5) years' experience investing in securities and obligations and authorized by subdivisions (a) to (k), inclusive, (m) or (q) inclusive of Government Code Section 53601 and with assets under management in excess of five hundred million dollars (\$500,000,000); or,

- (b) Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) nationally recognized statistical rating organizations. (Gov. Code, § 53601(l)(1) & (3).)

(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15

U.S.C. Section 80a-1 et seq.). To be eligible for investment pursuant to this paragraph (2), the companies must either have:

- (a) Retained an investment adviser registered with the Securities Exchange Commission with not less than five (5) years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000); or

- (b) Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) nationally recognized statistical rating organizations. (Gov. Code, § 53601(l)(2) & (4).)

(3) The purchase price of shares of mutual funds and money market mutual funds purchased pursuant to this Section K of this Policy shall not include any commission that the companies may charge and shall not exceed.

20 percent of the District's funds that may be invested pursuant to Government Code Section 53601. Further, no more than 10 percent of the District's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1) above. (Gov. Code, § 53601(l)(5).)

L. Mortgage Pass-through Securities - Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum remaining maturity of five (5) years or less. Securities eligible for investment under Section L of this Policy shall be rated in a rating category of "AA" or its equivalent or better by a nationally recognized statistical rating organization. The purchase of securities authorized by this Section L may not exceed 20 percent of the District's surplus monies that may be invested pursuant to Government Code section 53601. (Gov. Code, §§ 53601(o), 53635.2.)

M. Joint Powers Authority - Shares of beneficial interest issued by a joint powers' authority organized pursuant to Government Code section 6509.7 that invests in the securities and obligations authorized in

subdivisions (a) to (r), inclusive, of Government Code section 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this Section M of this Policy, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
2. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive, of Government Code section 53601; and,
3. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000) (Gov. Code, § 53601(p).)

N. Passbook Deposits - Savings account(s) shall be maintained for



amounts under \$250,000 as a source of funds for immediate use if required for selective commercial accounts. Savings account deposits may exceed the specified amount for periods not to exceed 45 days in anticipation of payment of monthly accounts payable.

O. Supranationals - United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The maximum remaining maturity for these obligations must be five (5) years or less, and they must be eligible for purchase and sale within the United States. In addition, these investments must be rated “AA” or better by at least two (2) nationally recognized statistical ratings organizations and shall not exceed 30 percent of the District’s monies that may be invested pursuant to Government Code section 53601. (Gov. Code, § 53601(q).)

#### 6300.51 Non-Compliance with Authorized Investments

Investments which were obtained prior to adoption of this Policy which are currently not in compliance with said policy may be held until maturity pursuant to Government Code section 53601.6(b). Reporting of said non-compliant investments shall be made per Section 6300.70 of this Policy.

#### 6300.55 Designation of Depositories

The Board of Directors shall, by Resolution, and in accordance with Government Code sections 53600 et seq. and 53630 et seq., designate depositories for District funds. A State or federal credit union may not be designated as a depository for District funds if a member of the Board of Directors or any person with investment decision-making authority for the District serves on the Board of Directors, any committee appointed by the Board of Directors, or the credit committee or supervisory committee of the State or federal credit union.

As far as possible, all money belonging to, or in the custody of the District, including money paid to the Treasurer or other official to pay the principal, interest, or penalties of bonds, shall be deposited for safekeeping in State or national banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in this State, selected by the Treasurer or other official having legal custody of the money; or may be invested in the investments set forth in Government Code section 53601. To be eligible to receive District money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of

California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Government Code sections 53601.5 and 53601.6 shall apply to all investments that are acquired pursuant to this Government Code section 53635.2. (Gov. Code, § 53635.2).

#### 6300.60 Safekeeping of Securities

To protect against potential losses caused by the collapse of individual securities dealers, all securities may be delivered against payment and shall be kept in safekeeping pursuant to Government Code section 53608. Depositories having custody of the District's funds, securities, and other investment instruments shall be directed to forward copies of verification of such deposits in accordance with policies consistent with generally accepted reporting procedures of depositories. In no case shall funds be wired or transmitted in any manner to brokers.

#### 6300.70 Reporting Requirements

Under provisions of Government Code sections 53646 and 53607, the Treasurer shall render a monthly report to the District's Board of Directors and General Manager. The report shall include the type of investment, issuer, date of maturity, par value and the dollar amount invested in all securities, investments and monies held by the District, and shall additionally include a description of any of the District's funds, investments or programs, that are under the management of contracted parties, including lending programs. With respect to all securities held by the District, and under management of any outside party that is not also a local agency of the State of California Local Agency Investment Fund, the report shall also include a current market value as of the date of the report, and shall include the source of this same valuation.

In the report, a subsidiary ledger of investments may be used in accordance with generally accepted accounting practices.

The Treasurer shall report whatever additional information or data may be required by the District's Board of Directors.

For District investments that have been placed in the Local Agency Investment Fund, created by Government Code section 16429.1, in National Credit Union Share Insurance Fund-insured accounts in a credit union, in accounts insured or guaranteed pursuant to Financial Code section 14858, or in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in a county investment pool, or any combination of these, the Treasurer may supply to the District's Board of Directors and General Manager the most recent statement(s) received by the District from these institutions in lieu of the aforementioned information regarding the type of investment, issuer, date of

maturity, par value and the dollar amount invested in all securities, investments and monies held by the District.

The monthly Treasurer's report shall state compliance of the portfolio with this Investment of District Funds Policy, or manner in which the portfolio is non-compliant. The report shall include a statement denoting the ability of the District to meet its expenditure requirement for the next six months or an explanation as to why sufficient monies will not or may not be available.

#### 6300.90 Investment Policy Review

This policy governing Investment of District Funds shall be reviewed, modified as necessary and re-adopted or amended at a public meeting of the Board of Directors annually or more frequently if necessary.

## Purchasing Policy

### 6500.00 PURCHASING AND PROCUREMENT

#### 6500.01 Introduction

The District has a responsibility to acquire the best value in supplies, materials, equipment, operating and maintenance services, consultant services, and public works projects from various suppliers, contractors, and consultants.

This Policy provides guidance and instructions to employees involved in the purchasing and procurement process.

#### 6500.01 Objectives of Purchasing and Procurement Policy

This Purchasing and Procurement Policy has been developed to achieve the following objectives:

- Standardize the procedures by which the District conducts business with its suppliers, contractors, and consultants.
- Ensure impartiality and competition in purchasing and procurement transactions whenever possible.
- Establish purchasing and procurement authorization procedures, delegation of authority, and accountability.
- Implement effective documentation, processing, accounting, reporting, and audit trail systems to support purchasing and procurement activities.
- Maximize effective use of the District's financial and personnel resources.

#### 6500.02 Personnel Standards of Conduct

All personnel engaging in purchasing and procurement activities on behalf of the District shall employ the following standard practices:

- Consider, first, the interests and needs of the District in all transactions.
- Carry out the established policies of the District.
- Buy without prejudice and seek to obtain the maximum value for each expenditure of public funds.
- Subscribe to and work for honesty and truth in purchasing and procurement and denounce all forms of commercial bribery.

No District employee involved in purchasing shall maintain a financial interest or have any personal beneficial interest, directly or indirectly, in any contract or purchase of supplies, materials, equipment, services, or public works projects used by or furnished to the District.

#### 6500.10 Purchasing Categories

District purchases typically are within the following seven categories:

1. General Purchases
2. Consultant Services
3. Public Works Projects
4. Petty Cash Purchases
5. Emergency Purchases
6. Single Source Purchases
7. Real Property

When considering purchases or procurements in any category except emergency purchases, the District's current Operating Budget should be reviewed to ensure compliance with anticipated expenditures and revenues.

#### 6500.11 General Purchases

This category consists of the following general purchase classifications:

- Supplies including office and field supplies, fuels, etc.
- Material including waterworks materials, trench backfill material, etc.
- Equipment including office equipment, vehicles, tools, etc.
- Software and other intangible goods.
- Settling minor claims or potential claims against the District, including the payment of severance.

#### 6500.12 Services

This category includes Operating and Maintenance Services including service contracts and agreements, equipment repairs, etc. and specialized professional services including, but not limited to, surveyors, engineers, architects, attorneys/legal counsel, auditors, management consultants, financial consultants, technical consultants, and short-term personal services less than 30 days.

Individual members of the Board of Directors are authorized to directly consult with the District's attorneys/legal counsel.

#### 6500.13 Public Works Projects

This category comprises expenditures for public works projects that are typically related to capital improvements performed by independent contractors for the District's water distribution system, groundwater production facilities, and administrative/corporation yard facilities. Said contractors are to be considered for selection when a specific improvement project exceeds the available personnel, equipment, and technical expertise of the District.

Payment of the prevailing wage for construction labor classifications as determined by the State of California is required of contractors providing public works project construction for the District.

A 10 percent bid security is required for sealed competitive bids.

#### 6500.13 Petty Cash Purchases

This category is comprised of small, day-to-day, over-the-counter purchases made on behalf of the District using Petty Cash. A Petty Cash fund not to exceed.

\$500 shall be maintained and controlled by the District Treasurer. See also Petty Cash Policy 6480.

#### 6500.15 Emergency Purchases

This category constitutes purchases required during times of duress when the requirements for competitive purchasing and procurement can be waived. In such cases where purchases are made outside of normal procedures, records must be maintained to indicate the vendor, types, quantities, and disposition of items purchased or services procured. If possible, informal, or facsimile quotations should be obtained and documented. The General Manager or designee shall have the authority to issue purchase orders and make purchases/procurements during emergency conditions.

A report and full accounting of expenditures shall be provided to the Board of Directors whenever emergency purchases and procurements are made.

#### 6500.16 Single-Source Purchases

This category makes allowances for the infrequent, but sometimes necessary, purchase from a supplier that is the only acceptable vendor able to furnish a certain product or service. Inasmuch as single-source purchases are an exception to competition, care must be exercised, and consideration given to the following:

- Is there a lack of responsible competition for the product or

- service?
- Does the vendor possess exclusive and/or predominant capabilities?
- Is the product or service unique and easily established as one-of-a-kind?
- Would utilizing a single-source result in future operational or maintenance savings?
- Are there patented or proprietary rights that fully demonstrate a superior patented feature not obtainable from similar products, or a product or service available from only one source rather than dealers and retailers from which competition could be encouraged?
- Can the District's requirements be modified so that competitive products or services may be used without sacrificing product quality and vendor responsiveness?

Further, in accordance with Public Contract Code section 3400(c), the District may make a finding that is described in the invitation for bids or request for proposals that a particular material, product, thing, or service is designated by specific brand or trade name for any of the following purposes:

- In order that a field test or experiment may be made to determine the product's suitability for future use.
- In order to match other products in use on a particular public improvement either completed or in the course of completion.
- In order to obtain a necessary item that is only available from one source.
- In order to respond to an emergency declared by the District, but only if the declaration is approved by a unanimous vote of the Board.
- In order to respond to an emergency declared by the state, a state agency, or political subdivision of the state, but only if the facts setting forth the reasons for the finding of the emergency are contained in the public records of the District.

#### 6500.17 Real Property

This category includes easements, fee title and other interests in real property. Due to the individualized nature of real property, all purchases may be by negotiated purchase.

#### 6500.20 Purchasing Levels and Authority

Below are tables listing the various purchasing categories and the authority for individual purchases:



Category		
	General Manager	Board of Directors
General: Supplies, materials, equipment, O&M services	\$75,000 or less	Greater than \$75,000

Category		
	General Manager	Board of Directors
Consultant Services	\$75,000 or less	Greater than \$75,000
Public Works Projects	\$175,000 or less	Greater than \$175,000
Petty Cash	Less than \$500	None
Emergency	All amounts but General Manager shall notify Board of Directors at its next regular meeting	
Single Source	\$75,000 or less	Greater than \$75,000

Procurement limits shall apply on a single project basis for services or purchase basis for materials. Multiple procurements from a single provider or purchaser shall be judged individually. However, splitting or separating of materials, supplies, services, and projects for the expressed purpose of evading the requirements of this Policy, is strictly prohibited.

#### 6500.21 INFORMAL SOLICITATIONS

All purchases or contracts for materials, supplies, equipment and services will be based, whenever possible and practicable, on some form of competition. There may be exceptions to the competitive process for emergency conditions, supply or source limitations, or other circumstances with justifications for such a waiver being documented prior to the acquisition. Moreover, quotations are not required for consultant services or single source procurements. The following guidelines shall be used for obtaining quotes or proposals:

Estimated Value	Number and Type of Quotations
\$0 – \$5,000	At least one verbal or written quote
\$5,000.01 – \$40,000	At least two written quotes
\$40,000.01 – \$74,999.99	At least three written quotes
\$75,000 +	Formal Quotations

Written quotes may be either hard-copy quotes received in the mail, via facsimile or via electronic transmission. Written quotes or the justification for not obtaining quotes shall be maintained in the project file.

Quotes may not be available for common items normally found in retail establishments (i.e., Home Depot, Lowe's, etc.), unless in bulk or special order. The purchase of common consumer items is acceptable without a quote, but a contractor's discount should be sought if a business account is established.

#### 6500.22 Formal Quotations

Formal solicitation procedures shall be required for procurements estimated to be greater than \$75,000. The use of an online solicitation system is acceptable for formal solicitations, as well the receipt of formal solicitations (unless specifically stated otherwise within the solicitation documents). In addition, the notice to bidders or request for proposal shall:

1. At a minimum, be advertised in one general circulation newspaper within the District's geographic boundaries or advertised electronically on an appropriate regional purchasing website.
2. Whenever possible and practical, provide a minimum of fourteen (14) calendar days for response, unless otherwise required by the Public Contract Code.
3. Require the receipt of a minimum of two (2) competitive responses or more, when available.

Proposals and quotations may be publicly unsealed, and respective dollar amount(s) announced. Award details shall be made available following the award of a contract. The formal competitive solicitation process may be waived at the discretion of the General Manager or designee, when there is a compelling reason

to do so (e.g., public safety, prevent loss of life, imminent danger, or other valid reason). The General Manager shall document the reason and present it to the Board of Directors at the next regularly scheduled meeting. In addition, the formal competitive solicitation process shall not be required for services unless otherwise required by law. Written responses to the notice to bidders or request for proposal shall be maintained in the project file.

#### 6500.23 Public Works Bidding

The Irrigation District Law does not maintain competitive bidding for public works except in limited cases. In such cases or when required by law, the District shall utilize all competitive processes mandated by the Public Contract Code.

For other public works solicitations, the District shall utilize the process identified in Section 6500.22 of this Policy for public works. In addition to such procedures, public work bids shall be publicly unsealed, and respective dollar amount(s) announced. The Board of Directors may waive public bidding for any public work at its discretion and subject to the limits of applicable law.

#### 6500.25 Cooperative Purchasing

In lieu of conducting an informal or formal solicitation, the District may utilize cooperative and piggyback procurements that are based on competitive processes that are substantially consistent with the requirements of this Policy. Documentation of this finding and its basis shall be maintained in the project file.

#### 6500.26 Task Order Agreements

The District may execute task order agreements with vendors. The procurement process set forth in this policy shall apply to the initial award of the agreement. During the term of the agreement, the General Manager may issue individual task orders within budgeted amounts. The General Manager may approve amendments to update billing rates and fee schedules as necessary.

#### 6500.30 Change Orders

A change order is required when work or services performed pursuant to a contract will exceed the approved original contract amount or changes in the scope of work are required. A written request for change order must be completed and approved before a change order can be authorized. Board approval is required for any change order or amendment that exceeds ten percent of the initial contract amount. Subsequent change orders or

amendments shall be aggregated so that Board approval is required once the total amount approved by change order or amendment exceeds ten percent of the initial contract amount. The Board may delegate additional authority for change orders or amendments when approving any contract.

#### 6500.50 Purchasing Cycle

Regardless of the type of item or service being acquired, each transaction proceeds through the following nine distinct stages in varying degrees:

1. Assessment and determination of need
2. Research and/or development of specifications
3. Estimation of anticipated cost
4. Solicitation and evaluation of quotations, bids, or proposals
5. Selection and approval of purchase
6. Award of contract or order
7. Delivery and Inspection
8. Receipt of invoice, reconciliation with delivery ticket, verification of pricing by purchasing coordinator/agent
9. Payment

#### 6500.80 Purchase Orders

Purchase orders may be necessary from time to time to facilitate purchase of required products or services. The District's officers (Directors, Secretary, Assessor/Collector, and Treasurer), and the General Manager are authorized to execute purchase orders on behalf of the District.

#### 6500.90 Purchasing/Procurement Authority

Purchasing and procurement authority not heretofore specifically designated is hereby retained by the Board of Directors. The General Manager, at his or her discretion, may delegate purchasing authority to staff. Such delegation shall be in writing.

#### 6500.100 Project File

The General Manager or designee shall maintain a project file for each purchase. The project file may be maintained electronically or in hard copy consistent with applicable law and the District's retention policy.

## Capital Assets Policy

### 6700.00 FIXED ASSETS ACCOUNTING CONTROL

The purpose of this policy is to provide control and accountability over fixed assets of the District, and to gather and maintain information needed for the preparation of financial statements.

#### 6700.01 Definition of Fixed Assets

A fixed asset, also referred to as a capital asset, is defined under this Policy as:

- A. Tangible personal property that is owned, leased, controlled or possessed by the District with a dollar value of at least \$5,000.00 per item and a useful life of more than two years, and not consumed in the normal course of business.
- B. Any addition to the District's infrastructure for conveyance, treatment, pumping or production of water with a dollar value greater than \$15,000.00 and a useful life of more than one year.
- C. Any construction project, building, land, or improvement upon land with a dollar value greater than \$15,000.00 and a useful life of more than one year.

#### 6700.10 Valuation of Fixed Assets

Fixed assets shall be valued at cost including all ancillary charges necessary to place the asset in its intended location and condition for use. The value of fixed assets shall be determined as described in the sections that follow.

#### 6700.11 Purchased Fixed Assets

The value of purchased fixed assets shall be determined using the historical cost of the assets, including all sales taxes or other taxes, and all appropriate ancillary costs, less any trade discounts or rebates. If the historical cost of the asset is not available, or cannot be reasonably determined, an estimated cost may be determined using the best available information.

The capitalized value of land that is purchased by the District shall include the purchase price, plus any costs such as legal fees and any costs incurred to put the land in condition for its intended use.

The capitalized value of buildings purchased by the District shall include both acquisition and capital improvement costs. Capital improvements include

structures (e.g., office buildings, shop buildings, and other facilities) and all other property permanently attached to, or an integral part of, the structure (e.g., heating and air-conditioning equipment).

Furniture, fixtures, computer software, or other equipment that is not an integral part of a building are not considered capital improvements and should be classified as equipment. The cost for this type of asset shall reflect its actual or estimated cost.

#### 6700.12 Constructed Fixed Assets

The value of constructed fixed assets shall be determined using all direct costs associated with the construction, along with any design or project management costs. Actual project management costs may be used when they can be reasonably determined and directly associated with the construction.

#### 6700.13 Ancillary Costs

Ancillary costs should, when possible and practical, be included in the cost of a fixed asset. Minor ancillary costs that may not be measurable at the time a capital asset is recorded in the inventory system are not required to be capitalized, but may be capitalized if the information becomes readily available. Ancillary costs include items such as:

For land:

- Legal and title fees;
- Professional fees of engineers, attorneys, appraisers, financial advisors, etc.;
- Surveying fees;
- Appraisal and negotiation fees;
- Payment for damages;
- Site preparation costs; and,
- Costs related to demolition of existing structures.

For infrastructure:

- Professional fees of engineers, attorneys, appraisers, financial advisors, etc.
- Surveying fees;
- Appraisal and negotiation fees;
- Site preparation costs; and,
- Costs related to demolition of existing structures.

For buildings and improvements other than buildings:

- Professional fees of architects, engineers, attorneys, appraisers, financial advisors, etc.;
- Costs of fixtures permanently attached to a building or structure;
- Insurance premiums and related costs incurred during construction; and,
- Any other costs necessary to place a building or structure into its intended location and condition for use.

For furnishings, equipment, software, and other fixed assets:

- Transportation charges;
- Sales tax;
- Installation costs;
- Extended maintenance or warranty contracts purchased at the time the fixed asset is purchased; and,
- Any other normal or necessary costs required to place the asset in its intended location and condition for use.

#### 6700.14 Donated Fixed Assets

The value of donated assets shall be determined using the acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

#### 6700.20 Useful Life and Depreciation of Fixed Assets

The useful life of a fixed asset shall be determined using (a) general guidelines obtained from professional or industry organizations, (b) information for comparable assets of other governments, or (c) internal information.

#### 6700.21 Depreciation Method and Convention

Depreciable assets will be depreciated using the straight-line method of depreciation and the full month convention.

#### 6700.30 Physical Inventory of Fixed Assets

A physical inventory of the following categories of fixed assets shall be performed annually:

- Fleet Equipment
- Office Furniture and Fixtures
- Computer Equipment and Software
- Machinery and Equipment
- Office and Telephone Equipment

The results of the physical inventory shall be reconciled with the District's asset



inventory system, and any discrepancies shall be reported to the General Manager and the District Treasurer.

#### 6700.40 Disposal of Fixed Assets

Fixed assets that have become surplus to the needs of the District shall be disposed in accordance with Disposal of Surplus Property Policy 5750. At the time that a fixed asset is disposed, any remaining book value will be recorded as loss on disposal such that the asset's book value is zero.

