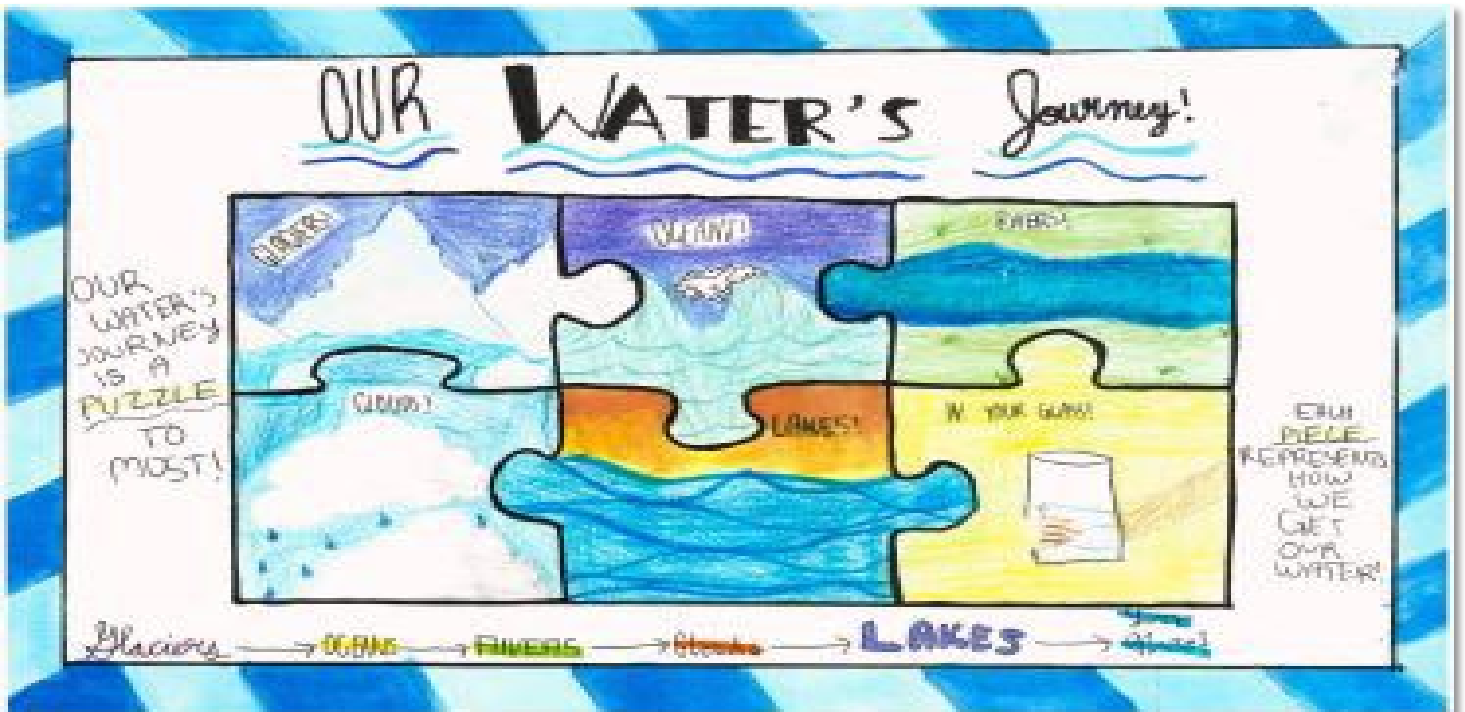




2025 Annual Budget

CITRUS HEIGHTS WATER DISTRICT



Water Awareness Poster Contest Grand Prize Winner: Nikki Sekhon, Ridgeview Elementary

**CITRUS
HEIGHTS
WATER
DISTRICT**



6230 Sylvan Road
Citrus Heights, CA 95610
(916) 725-6873
www.chwd.org

Board of Directors

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

Executive Staff

Hilary M. Straus, General Manager
Tammy Gordon, Director of Public Affairs
Annie Liu, Director of Administrative Services
Melissa Pieri, Director of Engineering & District Engineer
Rebecca Scott, Director of Operations

Appointed Officers

Hilary M. Straus, Secretary
Annie Liu, Treasurer

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INTRODUCTION

Frequently Asked Questions About the Budget

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Distinguished Budget Presentation Award

Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Citrus Heights Water District for its Annual Budget for the fiscal year beginning January 01, 2024. 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.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Citrus Heights Water District
California**

For the Fiscal Year Beginning

January 01, 2024

Christopher P. Morill
Executive Director

Letter of Transmittal

**CITRUS
HEIGHTS
WATER
DISTRICT**



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

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

December 10, 2024

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) 2025 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 20,300 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 phasing and funding water main replacements in CHWD's service area.

The District is currently in initial implementation phase of its Project 2030 Water Main Replacement program, which includes condition assessment work (ranging from non-invasive to invasive testing), refined water main replacement phasing and cost estimating, and continued customer engagement and education.



CHWD Staff Servicing a Water Meter

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 led 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.

CHWD continues to plan for water meter replacements by testing a representative sample of its meters each year. Further, CHWD has realized discounted pricing for the replacement of a batch of its water meters with a meter vendor it shares with neighboring Carmichael Water District.

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 two wells, 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 twenty-two (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

As identified by CHWD's Project 2030 Water Main Replacement program planning study, 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.

Despite the “new normal” of lower water usage, water agencies incur significant capital and operating expenses to deliver the first unit of water to its customers. Flat or declining water usage demand places a greater burden/challenge on the water rate for the water agencies.

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 January 2024, resulted in 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 eighty-three cents or higher 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.

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 and implementation of its infrastructure Master Plan update in 2025).

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

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

Reserve Policies and Special Funding

Each year, CHWD endeavors to transfer a portion of net revenue to its reserves. Placing ratepayer dollars in reserves ensures that CHWD can smooth-out its expenses and minimize its use of debt financing (which can add significant expense, delay, complication, and result in a loss of local control to CHWD as it implements its Capital Improvement Program). CHWD’s designated reserves, which are described in more detail in the Appendix section of the budget, include: Operating, Rate Stabilization, Debt

Services, Capital Improvement, Water Supply, Water Meter Replacement, Water Main Replacement, Fleet Equipment, Employment-Related Benefits, and Water Efficiency Reserves.

For 2025, the Project 2030 Dedicated Charge is estimated to generate approximately \$2.2 million. Additionally, a pro-rata share of CHWD's interest income will be transferred to the Water Main Replacement Reserve for future water main capital improvements.

Strategic Planning

Since 2016, CHWD has incorporated a Strategic Planning process into its annual budget development. The Strategic Planning process focuses on identifying important work program items over and above daily operations 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 expenditures and funding options, many of which incorporate Strategic Plan work program items, to ensure that the Strategic Plan is implemented as directed by the Board.

For 2025, 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) Continue Preparation to Implement the Project 2030 Water Main Replacement Program to Ensure a Reliable Water Distribution System; 4) Promote Organizational Effectiveness and Enhance Customer Service; and 5) 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 2024, CHWD hired its first Director of Public Affairs to coordinate a multi-faceted 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 Customer Advisory Committee (CAC) to learn about key CHWD policies, program and issues and to advise CHWD concerning portions of its work program.



A WaterSmart Class Demonstration at the Sylvan Ranch Community Garden

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

Focus on Non-Ratepayer Revenue

As an Irrigation District, CHWD does not receive a share of property tax and is highly dependent on rate-payer revenue. However, the District remains focused on identifying and pursuing non-rate-payer revenue opportunities whenever possible. Two areas of focus are on CHWD's investment strategy and pursuit of grants.

Implementation of Investment Strategy

CHWD has updated its cash management practices to optimize rates of return while ensuring required liquidity and safety. A new investment strategy was 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 floor to address on-going capital and operational expenses. With the new investment strategy, the District's interest revenues have quadrupled in 2023 with

comparable rates of return in 2024 and anticipated for 2025. The revenue benefit of CHWD’s new investment strategy is noteworthy as CHWD has very little non-rate payer revenue.

Pursuit of Grants

CHWD team has been actively pursuing grants opportunities to help with its capital and infrastructure projects. As of 2024, the District has been awarded \$6.637 million of Federal and State grants including: \$1.022 million from State Integrated Regional Water Management; \$3.53 million from California Department of Water Resource; and \$2.085 million of Federal earmark funding from the Environmental Protection Agency. These grants will be used to fund the District's two new ASR, which will significantly reduce the rate payers' burden for the capital funding.

2025 Budget for Wells #7 & #8: \$6.637 M, includes \$5.137 M (projected grants)

Awarding Agency	State/ Federal & Well	Amount Awarded	Status	Match %	Match Amount	Funding Year
Integrated Regional Water Management (IRWM)	State: Well #7	\$1,022,000	Approved, pending project completion	50%	\$511,000	2025
Environmental Protection Agency (EPA)	Federal: Well #7	\$585,000	Approved	20%	\$146,250	2025
EPA	Federal: Well #8	\$1,500,000	Pending	20%	\$300,000	2026
Dept. of Water Resources (DWR)	State: Well #8	\$3,530,000	Approved	N/A	\$0	2025
TOTAL		\$6,637,000				

All grant funding listed above is reimbursable after funds are expended and/or the projects are completed

Operating Budget

Looking ahead to Budget Year 2025, 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—Select and implement a new Enterprise Resource Planning (ERP) system.

- 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 2025 budget also highlights the District’s ongoing commitment to operational and financial efficiency.

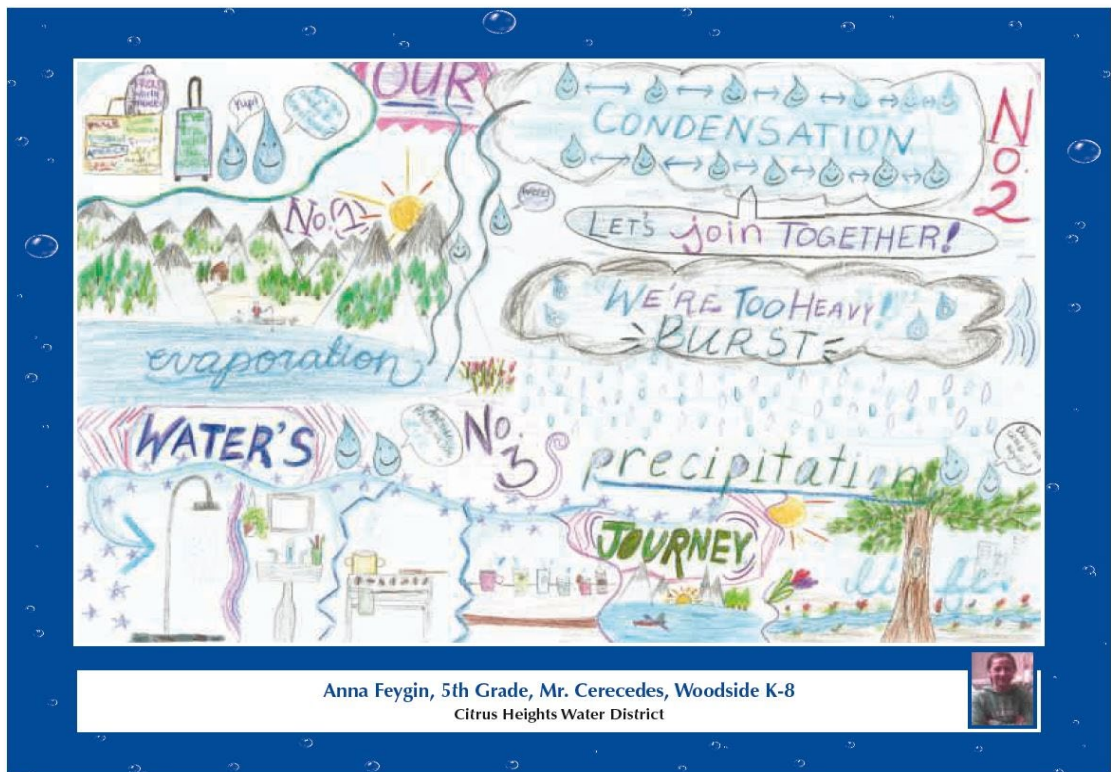
Respectfully submitted,



Hilary M. Straus
General Manager

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 – 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.



Water Awareness Poster Contest – CHWD First Place Winner

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 2024 by 38 full-time equivalent employees assigned to four departments: Administrative Services, Engineering, Operations, and Public Affairs. The General Manager and General Counsel are appointed by, and report directly to, the Board of Directors.

Water Supply

In 2023, the District purchased 90% of its water from SJWD, and delivered it to approximately 21,000 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.

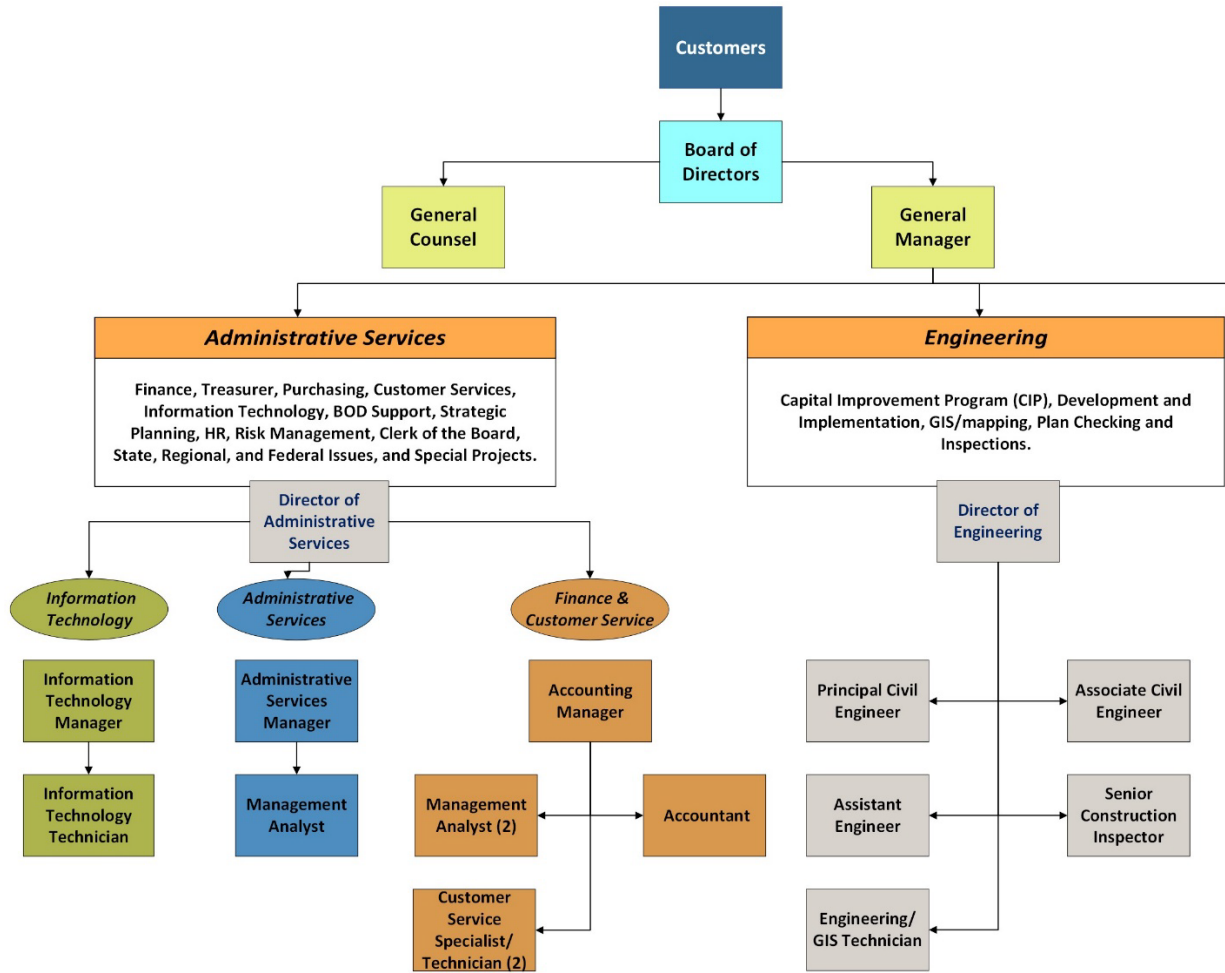
Demographic and Economic Statistics

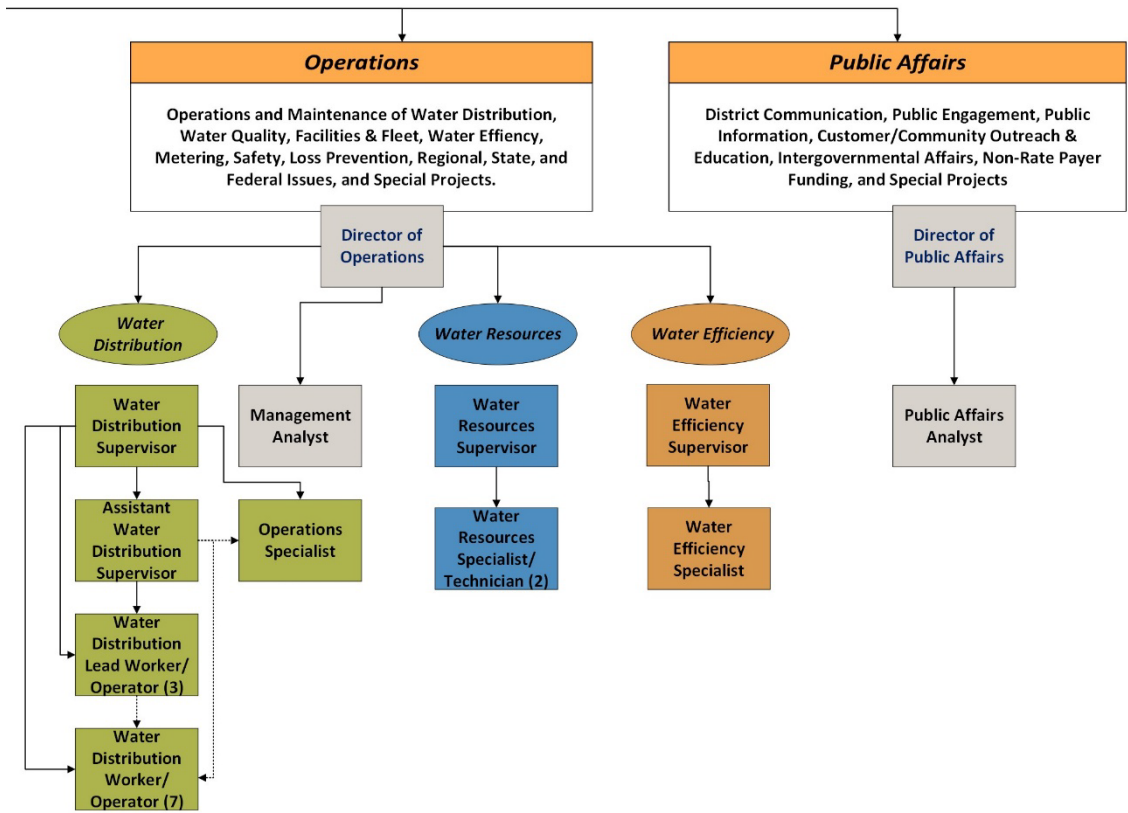
Demographic and economic statistics are provided for the City of Citrus Heights (City) and the County of Sacramento (County) because these statistics are not separately available for the District’s service area. The District is comprised of some areas of the City and unincorporated areas of the County. 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 Washing Material Out of Vacuum Excavator Holding Tank

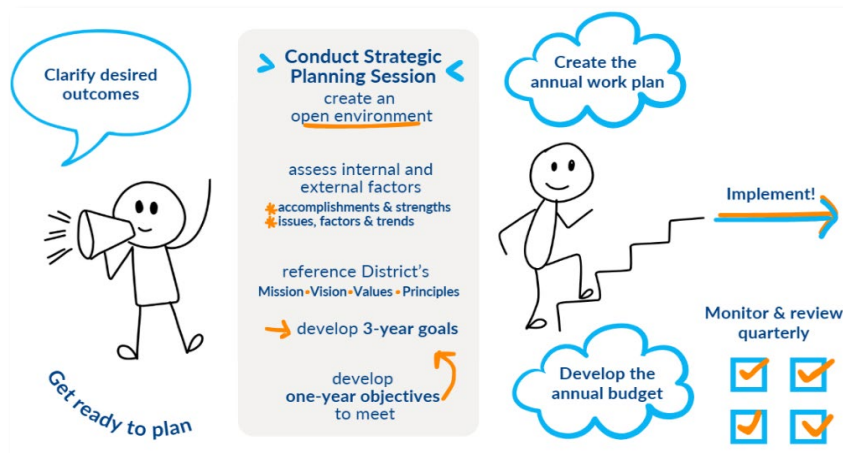
Organizational Chart





Strategic Planning

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



Strategic Planning Process Overview

KEY ISSUES FOR 2025	
<ul style="list-style-type: none"> • State and Federal regulations and unfunded mandates; for example, agency water budgets, electric vehicle (EV) mandates, and charging station requirements • Impacts of the Federal administration and likely expansion of environmental regulations. • Impacts of the Federal administration and likely expansion of environmental regulations. • Impacts of the Federal administration and likely expansion of environmental regulations • Increased construction costs and the availability of building materials impact all District construction projects. 	<ul style="list-style-type: none"> • Impacts to surface water supply. • Unfunded California Public Employees’ Retirement System (CalPERS) and Other Post-Employment Benefits (OPEB) liabilities, system changes, and city/county/district impacts. • More alternative water technologies/impacts and the need for more attention to Aquifer Storage • Increased statewide activity regarding well drilling. • Competition for contractors and supply chain issues/delay

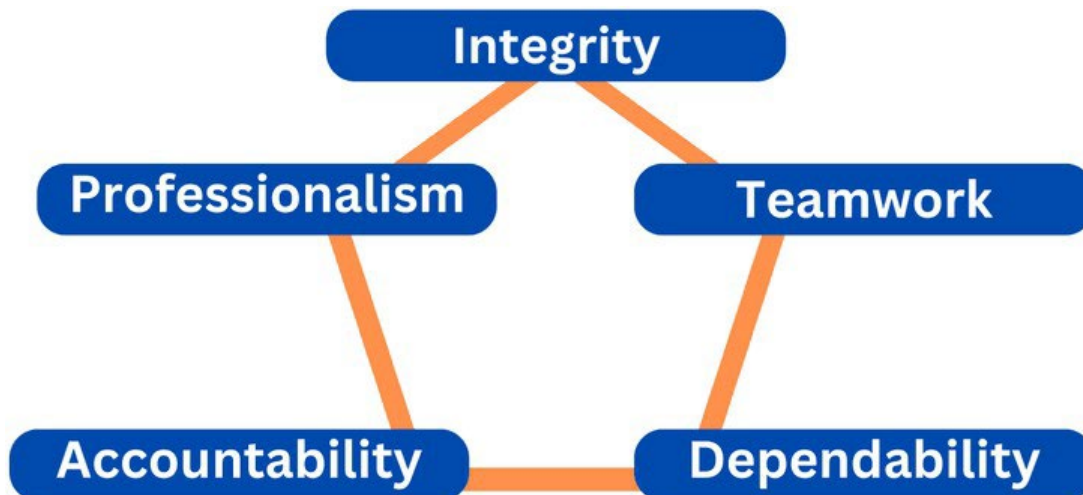
Our Mission

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

Our Vision

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

Our Values



Our Decision-Making Principles

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

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

Strategic Plan Goals and Objectives

During the Strategic Planning session, CHWD's leadership team 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 (2025) include:

- Facilities and Infrastructures: For 2025, objectives are focused on piloting condition assessment technology for the District's transmission and distribution mains for Project 2030, along with easement assessments and acquisition, as well as the design of the District Corporation Yard.
- Water Supply: In 2024, the objectives were focused on completing construction for Well Site #7, beginning design for Well Site #8, and possible acquisition of 1-2 additional properties for future well sites and storage. Previous objectives related to wells and property acquisition will carry into 2025, with a focus aimed at completing the drilling phase for Well Site #8.
- Water Efficiency: In addition to working towards improving attendance at customer education events, the Water Efficiency objectives for 2025 focus on increasing participation and developing content for WaterSmart classes.
- Organizational Effectiveness: The Organizational Effectiveness objectives for 2025 are also focused on selecting and implementing a new Enterprise Resource Planning (ERP) system, and budget process refinement utilizing ClearGov software.
- Customer Engagement: For 2025, objectives are focused on continued education and collaboration with 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 2025:

Strategic Plan Goal:	Manage and Diversify a Dependable Water Supply and Empower Customers to Use
#	OBJECTIVES
1	Complete construction for Well Site 7, which will include Aquifer Storage and Recovery (ASR).
2	Complete drilling 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 WaterSmart classes.

Strategic Plan Goal:	Manage the Improvement of and Reinvestment in District Infrastructure and Facilities
#	OBJECTIVES
1	Ongoing meter testing (test 200 meters).
2	Complete 50% plans, specifications, and cost estimate of the selected alternative for the Corporation Yard
3	Finalize funding plan for Corporation Yard build-out.
4	Complete the review of 150 locations as identified by the District-wide Easement Needs Assessment/Study and create a prioritized list for easement acquisition. Continue Easement acquisition as identified by the prioritized list.
5	Complete 75% of the Water System Master Plan.

Strategic Plan Goal:	Continue Preparation to Implement the Project 2030 Water Main Replacement Program to Ensure a Reliable Water Distribution System
#	OBJECTIVES
1	Perform pre-design alternatives analysis on key water mains from the Project 2030 list.
2	Perform a comprehensive leak detection pilot program for distribution and transmission mains.
3	Pilot condition assessment technology for distribution and transmission mains.
4	Select water mains from the Project 2030 list to complete \$2 million of water main replacements.

Strategic Plan Goal:	Promote Organizational Effectiveness and Enhance Customer Service
#	OBJECTIVES
1	Select and implement a new Enterprise Resources Planning (ERP) system.
2	Budget development/refining using ClearGov software.
3	Ongoing OnBase document scanning (45 Admin document types).
4	Increase the number of customer emails on the email listserv by 400 customers.
5	Continue analysis 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	Increase customer awareness and favorability of the District through traditional and digital media and in-person opportunities and evaluate effectiveness with a benchmark survey to be performed in 2025. Special focus on CHWD key pillars: <ul style="list-style-type: none"> • Groundwater expansion and reinvestments, • Water meter asset management, and • Project 2030 Water Main Replacements.
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.
4	Complete one panel/professional development presentation with industry organizations; e.g., ACWA, CSDA, CAPIO, ACWAJPIA

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 20 units of water in a one-month billing period, the average monthly bill would increase from \$87.89 under existing rates to \$95.65 under the proposed rates for 2025, a \$7.76 increase per month or approximately 8.83% increase. This means 20 units, or 14,960 gallons of water (one unit of water equals 748 gallons) will be delivered to the customer each month. Even with the proposed increase, the average CHWD water bill is expected to remain competitive and below average in the Sacramento region.

The District continues to repair and replace aging infrastructure throughout its system. Between July 2023 to June 2024, the District completed 221 water service replacements, 20 water valve replacements, 12 fire hydrant replacements, and 4,200 feet of water main installation and replacement projects. In 2024, the District also completed the construction of two water main installations and replacement projects, Reno Lane and Patton Avenue Water Main Projects. An additional water main project, Admiral Avenue and Anchor Circle Water Main Project, commenced construction.

For 2025, the District will commence design and/or construction on three water main projects. In addition, construction for Well #7 will be completed and construction for Well #8 will start. Capital projects scheduled for 2025, including project budget carryover from 2024, total \$18.3 million.

Long-Term Financial Planning

- **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 System Master Plan in 2025 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 and 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 reserve transfers, and is formulated using a priority-based budgeting approach, and as an outgrowth of CHWD’s strategic planning process.



Budget Overview

	2024 Adopted Budget	2025 Proposed Budget	Increase/ (Decrease)
<i>Operations & Maintenance</i>	\$8,565,613	\$9,451,874	\$886,261
<i>Salaries and Benefits</i>	6,764,454	7,737,430	972,976
<i>Contribution to Reserves</i>	1,774,099	2,200,000	425,901
<i>Capital Improvement Program</i>	13,808,790	16,852,412	3,043,622
	<u>\$30,912,956</u>	<u>\$36,241,716</u>	<u>\$5,328,760</u>

Table 1

The comparison in Table 1 reflects the proposed change in spending for the District’s base budget for 2025.

Operations and maintenance expenses are expected to increase due to increased needs for contracted service to update the Water System Master Plan and additional needs for support services related to the preparation for the Project 2030 Water Main Replacement Plan.

The 2025 Proposed Budget for purchased water is approximately at the same level compared with the 2024 Adopted Budget. Purchased water cost remains as the single largest outbound cost of the District's budget. According to the 2023 Wholesale Water Rate Study Report released in January 2024 by SJWD, it is anticipated the wholesale water rates will continue increasing in the next four years. Under the new Wholesale Water Rate Model, the fixed portion of the rate is 83%.

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 12% increase for employee health and other insurance. The increase also includes budget for two new Full-Time Equivalent (FTE) positions to meet the operational needs.

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. These transfers are funded through the Project 2030 Dedicated Charge, which took effect in 2022 and is proposed to be increased in 2025.

Financial Highlights

Projected Revenue:

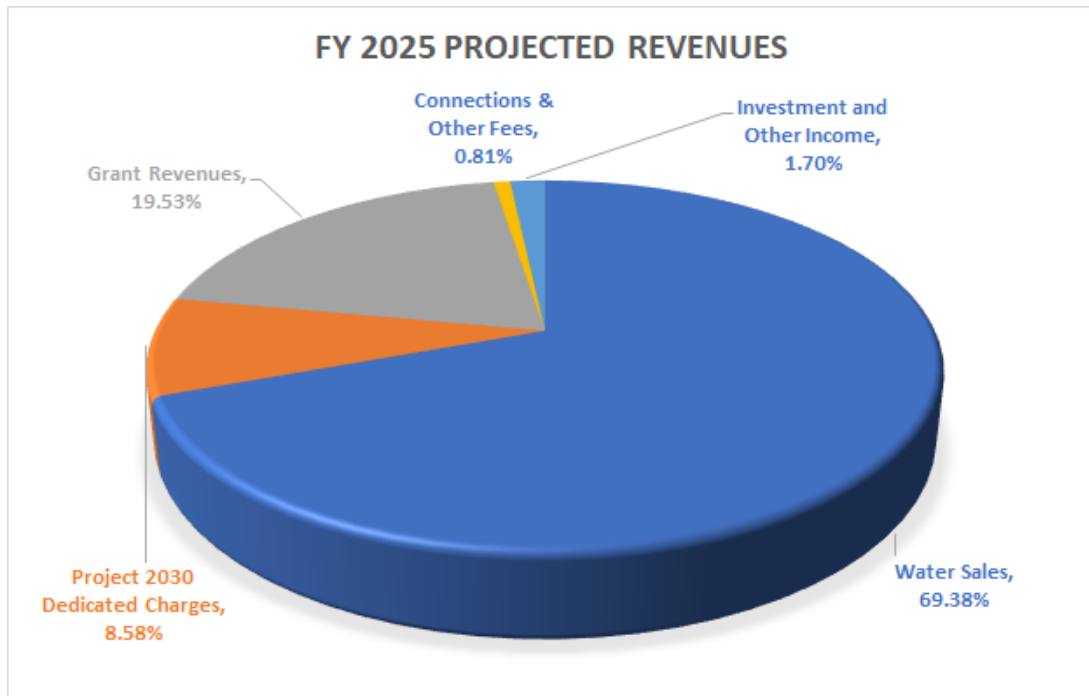


Figure 1

- Revenue Composition: For FY2025, Water Sales are projected to contribute 69% of the total revenues, reflecting a continued heavy reliance on ratepayer contributions. However, significant efforts have been made to diversify revenue streams, including a notable increase in Grant Revenues, which now account for 20% of the budget revenue.
- Enhanced Financial Strategy: In 2025, Grant Revenues are anticipated to cover a greater portion of the district's budget. This shift reduces reliance on ratepayers but highlights the challenges of securing competitive grants. Additionally, the District is optimizing its reserve investments, earning nearly 5% returns, ensuring maximum efficiency and value for the community despite not receiving property tax support.

Operating Budget:

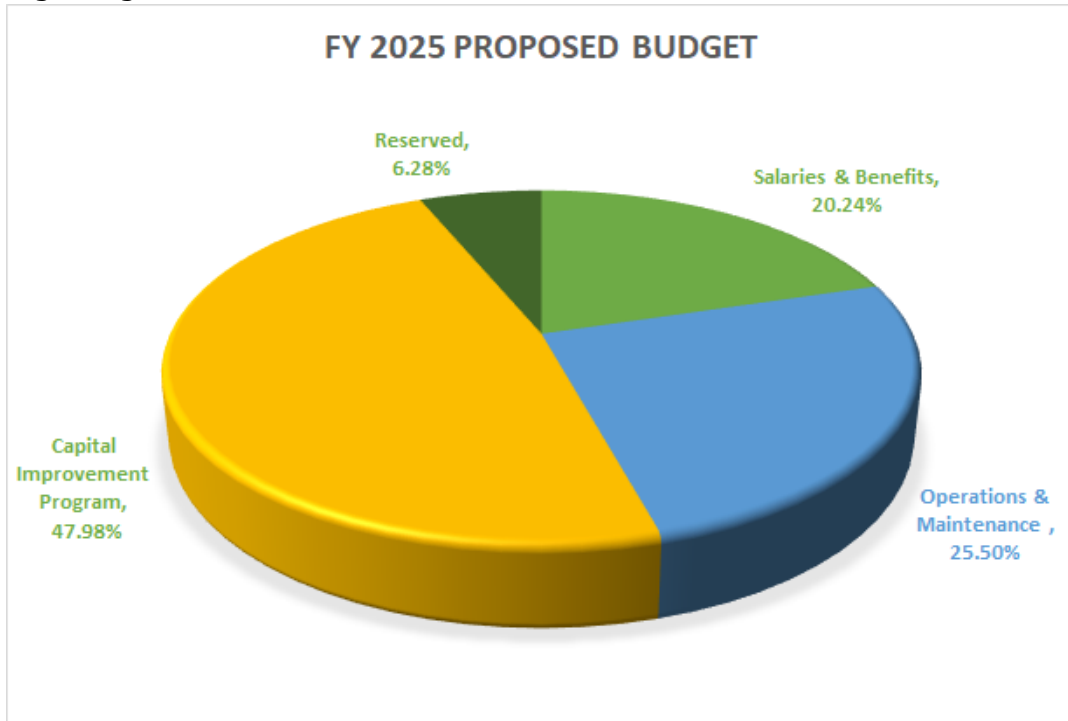


Figure 2

- The 2025 Operating Budget of \$19.9 million, including Salaries & Benefits, Operations & Maintenance, and transfer(contribution) to Reserves, represents an overall increase of about \$2.7 million from the 2024 Adopted budget.
 - Implement Strategic Planning items and Special Projects identified by the Board as priorities for 2025.
 - Addition of two new FTEs: an Information Technology Analyst/Technician position and a Public Affairs Analyst/Senior Analyst position.
 - Update the Water Master Plan (last update was in 1999).
 - Increasing work/cost related to the preparation for the Project 2030 Water Main Replacement Plan.
 - Transfer of an additional \$1.0 million of revenues (including interest revenue) from the Project 2030 Dedicate Charge to the Water Main Replacement Reserve.

Capital Improvement Budget:

- The total 2025 Capital Improvement Budget (CIP) budget is approximately \$18.3 million, of which \$7.4 million is carried over from 2024.
 - The budget includes approximately \$8.2 million for completing construction of the District’s seventh groundwater well (Well #7) and for

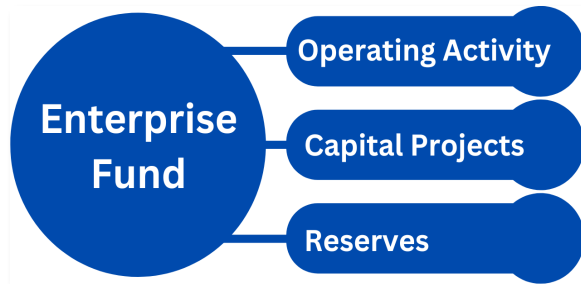
the design and construction of the District's eighth groundwater well (Well #8). The District has been awarded \$6.6 million in State and Federal funds towards the construction of Wells #7 and #8. \$5.5 million of the \$6.6 million grant funding is included in the 2025 CIP budget. There are very few opportunities for non-ratepayer funding, and the District continues to look for outside funding opportunities whenever possible.

- A major CIP budget for the Corporation Yard started in 2024 and will continue in 2025. \$3.0 million is budgeted for the design and first phase of the project in 2025.
- The 2025 budget includes a budget of \$400,000 for the implementation of a new Enterprise Record Planning system to streamline financial, operational and customer service processes.

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 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. 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 2024 through 2028. The forecast is grounded in an assumption of relatively stable revenues, as we do not anticipate any rate increases. Increased operating costs are based on the Consumer Price Index (CPI) 10-Year Average for San Francisco, and increased construction costs are based on the Engineering News Record Construction Cost Index (ENRCCI) 5-Year Average for San Francisco.

	2023 Actual	2024 Estimated	2025 Proposed	2026 Projected	2027 Projected	2028 Projected
Revenues						
Water Sales	\$ 18,583,311	\$ 20,718,816	\$ 18,248,406	\$ 18,248,406	\$ 18,248,406	\$ 18,248,406
Connection and Other Fees	236,324	413,140	213,400	213,400	213,400	213,400
Project 2030 Dedicated Charge	1,331,779	1,388,039	2,257,294	2,257,294	2,257,294	2,257,294
Grant Revenue	-	-	5,137,000	1,500,000	-	-
Investment and Other Income	586,228	485,113	447,213	447,213	447,213	447,213
Total Revenues	20,737,643	23,005,107	26,303,313	22,666,313	21,166,313	21,166,313
Expenses						
Salaries and Benefits	6,395,696	6,494,857	7,737,430	8,595,815	9,289,771	10,284,250
Other Operating & Maintenance Co	6,449,034	6,871,053	9,574,556	8,790,761	9,026,108	9,265,802
Debt Service	61,786	174,338	170,788	502,000	501,000	505,000
Transfers to Reserves	1,731,779	1,788,039	2,400,000	2,400,000	2,400,000	2,400,000
Total Expenses	14,638,294	15,328,288	19,882,774	20,288,576	21,216,879	22,455,052
Operating Income before Capital Outlay	6,099,349	7,676,820	6,420,539	2,377,737	(50,566)	(1,288,739)
Capital Outlay	2,288,321	6,251,130	18,339,387	10,412,454	10,830,708	9,881,094
Beginning Net Position	18,007,549	23,550,354	26,764,082	17,245,234	11,610,517	3,129,243
Operating Revenues	20,737,643	23,005,107	26,303,313	22,666,313	21,166,313	21,166,313
Operating Expenses	(12,906,515)	(13,540,248)	(17,482,774)	(17,888,576)	(18,816,879)	(20,055,052)
Capital Outlay	(2,288,321)	(6,251,130)	(18,339,387)	(10,412,454)	(10,830,708)	(9,881,094)
Ending Net Position	\$ 23,550,354	\$ 26,764,082	\$ 17,245,234	\$ 11,610,517	\$ 3,129,243	\$ (5,640,590)

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



CHWD Budget Process

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 course of a 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.

2025 Budget Development Schedule

Item	Start	Due Date
Strategic Planning	6/18/2024	6/18/2024
Departments work on Operating & Maintenance (O&M) Budget for 2025	6/27/2024	7/18/2024
Department begin to create Capital Improvement Projects (CIP) List for 2025	7/1/2024	7/18/2024
Finance team work on requested information	7/22/2024	8/1/2024
General Manager Review O&M Budget	8/5/2024	8/29/2024
Finance team meet with GM and Dept Heads to Review O&M, CIP Budgets submitted	8/12/2024	8/16/2024
Assemble operating and CIP budgets, prepare workshop staff report and presentation Finalize slides for Workshop	8/12/2024	9/12/2024
Budget Workshops	9/23/2024 & 9/30/2024	9/30/2024
Work on 2025 Misc. Charges and Fees	9/16/2024	10/16/2024
Revisions to detail budgets and rates per BOD direction	9/30/2024	10/31/2024
Public Outreach	Early October	Late November
Present Proposed Budget, Rate and Fees to Board of Directors at Public Hearing	12/10/2024	12/10/2024
Preparation / distribution of final budget including upload on the website	12/11/2024	12/19/2024
Preparation new rate update on the website and in the billing system	12/11/2024	12/19/2024

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 4.

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 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. While the District historically prioritizes pay-as-you-go funding, it is currently evaluating the potential issuance of debt within the next 12-18 months to support major infrastructure initiatives, such as the Corporation Yard Expansion and Project 2030. This approach will help ensure adequate funding for these critical long-term capital projects.

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.

Year	Series 2012B		Total Payment
	<u>Principal</u>	<u>Interest</u>	
2025	\$110,000	\$60,788	\$170,788
2026	115,000	57,488	172,488
2027	120,000	51,450	171,450
2028	130,000	45,150	175,150
2029	130,000	38,325	168,325
2030	140,000	31,500	171,500
2031	145,000	24,150	169,150
2032	155,000	16,538	171,538
2033	160,000	8,400	168,400
Total	<u>\$1,205,000</u>	<u>\$333,788</u>	<u>\$1,538,788</u>

Table 5

Operating Budget

Operating Revenue, Expenses, and Net Position

	2023 Actual	2024 Adopted	2024 Estimated	2025 Proposed
<u>Revenues</u>				
Water Sales	\$ 18,583,311	\$ 18,499,502	\$ 20,718,816	\$ 18,248,406
Connection and Other Fees	236,324	157,000	413,140	213,400
Project 2030 Dedicated Charge	1,331,779	1,372,000	1,388,039	2,257,294
Grant Revenue	-	3,107,000	-	5,137,000
Investment and Other Income	586,228	400,000	485,113	447,213
Total Revenues	20,737,643	23,535,502	23,005,107	26,303,313
<u>Expenses</u>				
Salaries and Benefits	6,395,696	6,764,454	6,494,857	7,737,430
Other Operating & Maintenance Costs	6,449,034	7,700,078	6,871,053	9,574,556
Debt Service	61,786	174,088	174,338	170,788
Total Operating Expenses	12,906,515	14,638,620	13,540,248	17,482,774
Transfers to Reserves	1,731,779	1,374,099	1,788,039	2,400,000
Total Expenses	14,638,294	16,012,719	15,328,288	19,882,774
Operating Income before Capital Outlay	6,099,349	7,522,783	7,676,820	6,420,539
Capital Outlay	2,288,321	13,808,790	6,251,130	18,339,387
<u>Net Change in Fund Balance</u>				
Operating Revenues	20,737,643	23,535,502	23,005,107	26,303,313
Operating Expenses	(12,906,515)	(14,638,620)	(13,540,248)	(17,482,774)
Capital Outlay	(2,288,321)	(13,808,790)	(6,251,130)	(18,339,387)
Ending Net Position	\$ 23,550,356	\$ 18,638,448	\$ 26,764,085	\$ 17,245,237

Table 6

As a special district formed under the California Irrigation Code, that does not collect property or sales tax, CHWD relies primarily on revenues charged in exchange for

providing water service. This revenue source comprises more 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 a reduction in water usage by the District’s customers of 18% in 2015 and 33% compared to 2013. Since then, CHWD customers have continued to conserve water as a long-term lifestyle change.

A historical comparison of water consumption is provided in Table 7.

Year	Surface Water Use acre feet	Ground Water Use acre feet	Total Water Use acre feet	Increase/Decrease
2023	9,719	1,124	10,843	-6%
2022	7,968	3,597	11,565	-4%
2021	7,749	4,334	12,084	-3%
2020	11,012	1,473	12,484	9%
2019	11,068	359	11,427	-3%
2018	9,941	1,842	11,783	1%
2017	10,910	713	11,623	8%
2016	9,597	1,173	10,769	8%
2015	9,133	841	9,973	-15%
2014	9,863	1,930	11,793	-21%
2013	14,416	466	14,882	

Table 7

Consumption is monitored monthly and compared to prior years to identify trends. Future consumption is estimated using trend analysis, combined with projections from consulting firm Harris & Associates, developed during their work on the Project 2030 Main Replacement Study. These projections guide CHWD’s long-term planning for water demand and infrastructure needs.

Water Rates

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.

	2022	2023	2024	2025 Proposed
<u>Consumption (per unit ccf)</u>				
Per Unit CCF (No tiers)	\$1.19	\$1.43	\$1.60	\$1.35
<u>Service Charge (bimonthly)</u>				
Commercial/Domestic/Irrigation 3/4"	\$56.08	\$60.35	\$55.71	\$72.77
Commercial/Domestic/Irrigation 1"	91.33	94.69	101.28	120.05
Commercial/Domestic/Irrigation 1-1/2"	150.08	151.92	177.23	198.85
Commercial/Domestic/Irrigation 2"	220.58	220.60	268.37	293.41
Commercial/Domestic/Irrigation 3"	443.82	438.07	556.98	592.85
Commercial/Domestic/Irrigation 4"	773.14	758.81	982.30	1,034.13
<u>Project 2030 Designated Charge (bimonthly)</u>				
Commercial/Domestic/Irrigation 3/4"	\$4.20	\$4.20	\$4.20	\$6.90
Commercial/Domestic/Irrigation 1"	10.50	10.50	10.50	17.25
Commercial/Domestic/Irrigation 1-1/2"	21.00	21.00	21.00	34.50
Commercial/Domestic/Irrigation 2"	33.59	33.59	33.59	55.20
Commercial/Domestic/Irrigation 3"	73.48	73.48	73.48	120.75
Commercial/Domestic/Irrigation 4"	132.30	132.30	132.30	217.35

Table 8

Employees by Department

Changes to Authorized Positions

In 2024, the Communications and Public Engagement Manager within the Administrative Services Department was reclassified to a director-level role, establishing CHWD's new Public Affairs Department. For 2025, a Public Affairs Analyst/Senior Analyst position is being added to support the District's strategic communications efforts. Additionally, an IT Technician/Analyst position is being added to the Administrative Services Department in preparation for implementation of the new Enterprise Resource Planning (ERP) system. The District reviews a Projected Staffing Requirements Report annually to determine if each department is adequately staffed.

Department	Position	FY23	FY24	FY25
Administrative Services				
	General Manager	1.00	1.00	1.00
	Director of Administrative Services	1.00	1.00	1.00
	Information Technology Manager	1.00	1.00	1.00
	Accounting Manager	1.00	1.00	1.00
	Administrative Services Manager	1.00	1.00	1.00
	Communications & Public Engagement Manager	1.00	-	-
	Senior Accountant	1.00	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
	Information Technology Technician / Analyst	-	-	1.00
	<i>Total Administrative Services</i>	<u>12.00</u>	<u>11.00</u>	<u>12.00</u>
Engineering				
	Director of Engineering	1.00	1.00	1.00
	Principal Civil Engineer	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	1.00
	<i>Total Engineering</i>	<u>6.00</u>	<u>6.00</u>	<u>6.00</u>
Operations				
	Director of Operations	1.00	1.00	1.00
	Management Analyst	1.00	1.00	1.00
	Senior Management Analyst	-	-	-
	Water Distribution Supervisor	1.00	1.00	1.00
	Water Efficiency Supervisor	-	1.00	-
	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
	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
	<i>Total Operations</i>	<u>20.00</u>	<u>20.00</u>	<u>20.00</u>
Public Affairs				
	Director of Public Affairs	-	1.00	1.00
	Public Affairs Analyst	-	-	1.00
	<i>Total Public Affairs</i>		<u>1.00</u>	<u>2.00</u>
Total FTE		<u>38.00</u>	<u>38.00</u>	<u>40.00</u>

Table 9

Administrative Services Department



Administrative Services Staff

Positions, Administrative Services	FY23	FY24	FY25
	12.00	11.00	12.00

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 Service, Information Technology, Board of Directors Support, Human Resources, Risk Management, 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.

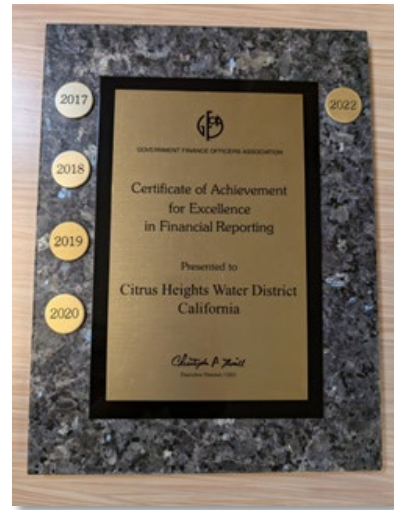
Performance Indicators	Strategic Plan Item?	Actual 2023	Actual 2024	Target 2025
Increase efficiency through regular policy review and update; policy categories updated	Yes	4	5	3
Successful recruitment and onboarding of vacant District positions	Yes	4	4	2
Obtain certificates of Achievement for District Annual Comprehensive Financial Report (ACRF)	No	Submitted and in the review process	Will submit after 2023 ACFR is completed	Yes

2024 Accomplishments

- Successful recruitment and onboarding for Water Resources Technician, Water Distribution Worker, Information Technology Manager, Director of Public Affairs
- Completed the 2024 Classification and Compensation Market Study Update
- Developed, implemented, and trained staff on the District's Workplace Violence Prevention policy and program Completed the Staffing Study update to project staffing needs through 2028
- Completed reviews and recommended updates for the District's Board Meeting Policies, Human Resources Policies, and Fiscal Management Policies
- Implemented Venmo/PayPal/American Express as payment options
- Enhanced cybersecurity by re-configuring the firewall to isolate Guest Wi-Fi from internal network
- Received Government Finance Officers Association (GFOA) Award for 2025 Budget
- Received GFOA Award for 2023 Annual Comprehensive Financial Report (ACFR)
- Strengthen IT system with upgrades to servers, switches, Helpdesk Portal, Inventory Control Application, network speed, and phone system
- Implemented KnowBe4 to provide cybersecurity awareness training Re-launching of the Customer Advisory Committee

2025 Key Initiatives

- 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 Cybersecurity Initiatives
- Finance
 - Implement new ERP system
 - Implement new options for Automated Clearing House (ACH)



Awards from the Government Finance Officers Association

Engineering Department



Engineering Department Staff

Positions, Engineering	FY23	FY24	FY25
	6.00	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 2023	Actual 2024	Target 2025
Perform non-invasive condition assessment on selected transmission mains	Yes	18,150 linear feet	12,500 linear feet	12,500 linear feet
Approved private development projects	No	11	10	8
Work orders completed with mapping updates	No	800	800	800

2024 Accomplishments

- Design began or completed for the following projects:
 - Water Main at Ensign Street and Anchor Circle
 - Water Main at Minnesota Avenue
 - Water Main at Fair Oaks Boulevard to Leafcrest
- Construction started or completed for the following projects:
 - Water Main at Reno Lane
 - Water Main at Patton Avenue
 - Water Main at Ensign Street and Anchor Circle
 - Water Main at Minnesota Avenue
 - Water Improvements as part of the Auburn Boulevard Complete Streets Project
 - Water Improvements as part of the Sacramento County Greenback Overlay Project
 - Water Improvements as part of the San Juan Avenue Complete Streets Project
 - Continued Project 2030 Implementation Plan (Public Engagement, Funding Program and Technical Components – began Phase 2 of Non-invasive Condition Assessment on 12,500 linear feet of Transmission Main)
 - Began or completed Phase 4 Group 2, 3, and 4 of the District-wide Easement Project
 - Continued the Corporation Yard Pre-Architectural Study, including evaluations of various sitting/building alternatives with key stakeholders

- Continued the creation of engineering design standards/procedures for development projects and engineering related policies
- Private Developments:
 - 4 Accepted Projects
 - 3 Approved Projects Currently Under Construction 5 Approved Projects Awaiting Construction
 - 7 Projects Under Plan Review
 - Updated Geographic Information System District Facility Map and completed 800 Work Orders with Mapping Updates

2025 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 Minnesota Avenue
 - Water Main at Fair Oaks Boulevard to Leafcrest
 - Water Main at Greenback Lane
- 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 Staff

Positions, Operations	FY23	FY24	FY25
	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 42 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 2023	Actual 2024	Target 2025
Complete Well #7	Yes	N/A	N/A	Completed
Implement District water meter testing program	Yes	N/A	Completed	N/A
Pursue acquisition of 1-2 potential sites for well/water storage	Yes	N/A	One site identified	One site identified

2024 Accomplishments

- Began design for Well Site #8
- Replaced 344 water service connections
- Replaced 171 water meters
- Replaced 192 meter registers
- 3,886 USA Markings completed
- 2,100+ maintenance work orders completed
- Managed the Garden Corps for the District's plots at the Sylvan Ranch Community Garden
- Annual Poster Contest
- Three virtual and two in-person WaterSmart classes
- Smart Controller Direct Install Program: 28+ installed YTD
- Pressure Reducing Valve Rebate Program: 10 rebates issued YTD
- Group Safety Presentations & Training, including forklift training and First Aid/CPR training

2025 Key Initiatives

- Complete Construction of Well Site #7 Complete drilling 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
- Continued progress on a joint purchasing program (which may include water meters) and/or participate in selected agency partnerships

Public Affairs Department



Customer Advisory Committee Members Group Activity

Positions, Public Affairs	FY23	FY24	FY25
	-	1.00	2.00

Due to the District’s recent organizational restructuring, the Public Affairs function has been separated from Administrative Services to form its own department. Public Affairs involve strategically planned communications that are reviewed and updated annually in alignment with the District’s mission and the latest Strategic Plan. In collaboration with the executive team during the discovery phase, key projects, goals, and initiatives for each department are identified. These elements are then prioritized as focal points for public attention throughout the year.

Performance Indicators	Strategic Plan Item?	Actual 2023	Actual 2024	Target 2025
Increase the number of customer emails on the email listserv	Yes	8,283	12,281	16,045
Increase the number of followers on CHWD social media platforms	No	2,616	2,735	2,850
Increase average monthly website traffic	No	8,150	8,619	9,030

2024 Accomplishments

- Increased email listserv to 15,281
- Distributed WaterLine newsletters
- Distributed This is Your Water mailer
 - Eblast had 65% open rate
- Showcased best practices at presentation at Special District Leadership Academy training
- Developed outreach strategy and mailer for wholesaler issues

2025 Key Initiatives

- Key pillars and operational message development
- Orient and engage the Customer Advisory Committee as District ambassadors
- Stakeholder engagement opportunities
- Non-rate payer funding
- Intergovernmental relations/Legislative & Regulatory Affairs

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. Table 10 summarizes 2025 Capital Expenditures.

Project #	Project Title	2024 Adopted Budget	2024 Carried Budget to 2025	Additional in 2025 Requested Budget	2025 Requested Budget
C15-104B	Document Management System	\$ 64,639			
C16-134	Auburn Blvd-Rusch Park Placer	538,021	488,021	412,264	900,285
C20-107	Well #7 Design & Construction (Ella)	4,442,536	2,942,536		2,942,536
C22-040D	SACOG AC Overlay Phase 1		55,000		55,000
C23-003	Fleet/Field Operations Equip	300,727			
C23-005	Facilities Improvements	9,548			
C23-020	Groundwater Well Improvements	100,000			
C23-040	Other City Partnerships	100,000			
C23-041	Misc Infrastructure Projects	100,000			
C23-103	Well #8 Highland Well	1,900,000	1,800,000	3,500,000	5,300,000
C23-104	Patton/Parda/AlonDra/Perdez	1,010,000			
C23-106	Admiral & Anchor 8-Inch	897,819			
C24-003	Fleet & Field Operations Eqpm	330,000	40,000		40,000
C24-004	Technology Hardware & Software	55,000			
C24-005	Facilities Improvements	108,000			
C24-010	Annual Water Main Pipeline Rep	51,500	31,500		31,500
C24-011	Valve Replacement	120,000			
C24-012	Water Service Connections	1,507,000	407,000		407,000
C24-013	Water Meter Replacement	125,000			
C24-014	Fire Hydrants-Repl, Upgrades,	175,000			
C24-020	Groundwater Well Improvement	200,000			
C24-101	Minnesota Drive	727,000	670,066		670,066
C24-102	Fair Oaks Blvd at Leafcrest Wy	344,000	319,000	396,000	715,000
C24-103	Menke Way	103,000	103,000		103,000
Total	Ongoing Projects	\$ 13,308,790	\$ 6,856,123	\$ 4,308,264	\$ 11,164,387
C25-003	Annual Fleet & Field Operations Equipment			40,000	40,000
C25-004	Annual Technology Hardware & Software			100,000	100,000
C25-005	Annual Facilities Improvements			112,000	112,000
C25-010	Annual Water Main Pipeline Replacement (Small)			53,000	53,000
C25-011	Annual Valve Replacements			135,000	135,000
C25-012	Annual Water Service connections			1,510,000	1,510,000
C25-013	Annual Water Meter Replacement			130,000	130,000
C25-014	Annual Fire Hydrants - Repl, Upgrades, Lnfill, New			175,000	175,000
C25-020	Annual Groundwater well Improvements			200,000	200,000
C25-040	Other City Partnerships			100,000	100,000
C25-041	Misc Infrastructure Projects			100,000	100,000
Total	New Annual Projects	\$ -	\$ -	\$ 2,655,000	\$ 2,655,000
C25-XXX	Greenback Lane from Birdcage to Burich			900,000	900,000
C25-XXX	Donnawood			100,000	100,000
C25-XXX	Corporation Yard and Administration Facility Improvements (Plans, Specifications, and Estimate)		500,000	2,500,000	3,000,000
C25-XXX	ERP System			400,000	400,000
C25-XXX	SCADA Upgrade			120,000	120,000
Total	New Projects	\$ -	\$ 500,000	\$ 4,020,000	\$ 4,520,000
FY2025 Totals		\$ 13,308,790	\$ 7,356,123	\$ 10,983,264	\$ 18,339,387

Table 10

Impact of Capital Investments on Operating Budget

The 2025 budget contains \$18.3 million in total capital expenditures. A percentage (40.1%) of these expenditures are made up of encumbered projects carried from previous years.

The District has been awarded \$6.6 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.



Aerial View of District Office and Corporation Yard

Capital Project Listing

Auburn Blvd-Rusch Park Placer			
Project #:	C16-134	Estimated Spending (CY 2024):	\$50,000
Category:	Infrastructure	Budgeted Spending CY 2025:	\$900,285
<p>The project is part of the City of Citrus Heights' Complete Street project on Auburn Blvd, from Rusch Park to Orlando Ave. Existing water facilities need to be relocated, adjusted to grade, or upgraded.</p>			

Minnesota Drive			
Project #:	C24-101	Estimated Spending (CY 2024):	\$56,934
Category:	Infrastructure	Budgeted Spending CY 2025:	\$670,066
<p>This project will replace 1,285 LF of aging (1960) 6" steel water main with 8" PVC. Steamer hydrants will be replaced and one new steamer hydrant added. Minnesota is a private road and there is no water easement, so easement acquisition will be required.</p>			

Fair Oaks Blvd at Leafcrest Wy			
Project #:	C24-102	Estimated Spending (CY 2024):	\$25,000
Category:	Infrastructure	Budgeted Spending CY 2025:	\$715,000
<p>This project will replace 975 LF of aging (1960) 8" steel water main with 8" PVC. A wharf hydrant will be replaced and one new steamer hydrant. An aging service lateral, fed from within Fair Oaks Blvd., will be replaced and relocated to Niessen Way.</p>			

Menke Way			
Project #:	C24-103	Estimated Spending (CY 2024):	\$0
Category:	Infrastructure	Budgeted Spending CY 2025:	\$103,000
<p>This project will abandon 950 LF of 4" ACP water main and replace 10 short side services and reconnect to the existing 8" ACP water main on the west side of the road.</p>			

Fleet & Field Operations Equipment

Project #: C24-003 **Estimated Spending (CY 2024):** \$290,000
Category: Infrastructure **Budgeted Spending CY 2025:** \$40,000

Procure and upgrade fleet vehicles and field operations equipment to enhance service delivery, improve operational efficiency, and ensure safety compliance.

Annual Water Main Pipeline Rep

Project #: C24-010 **Estimated Spending (CY 2024):** \$20,000
Category: Infrastructure **Budgeted Spending CY 2025:** \$31,500

This line item is dependent on main breaks. If there aren't any, there are less/zero expend.

Water Service Connections

Project #: C24-012 **Estimated Spending (CY 2024):** \$1,100,000
Category: Infrastructure **Budgeted Spending CY 2025:** \$407,000

Install and upgrade water service connections to accommodate new developments and improve service reliability for existing customers.

Patton/Pardal/Alondra/Perdez

Project #: C23-104 **Estimated Spending (CY 2024):** \$796,000
Category: Infrastructure **Budgeted Spending CY 2025:** \$0

The existing 6-inch cement mortar lined steel water main on Patton is nearing the end of its useful life. New main shall be upsized to 8-inch and connect to existing 8-inch to the north & south. The existing 4-inch asbestos cement pipe (ACP) water mains located in the three courts (Pardal Ct, Alondra Ct, & Perdez Ct) were installed in 1959 and nearing the end of its useful life. New main shall be upsized to 6-inch and connect to new 8-inch along Patton.

Patton Ave

Project #:	C22-104	Estimated Spending (CY 2024):	\$0
Category:	Infrastructure	Budgeted Spending CY 2025:	\$0

Upgrade water infrastructure along Patton Avenue to enhance water delivery, address aging pipelines, and reduce system interruptions.

SACOG AC Overlay Phase 1

Project #:	C22-040D	Estimated Spending (CY 2024):	\$0
Category:	Infrastructure	Budgeted Spending CY 2025:	\$55,000

This project is part of the County of Sacramento's Greenback Lane road improvement project from Fair Oaks Blvd to Hazel Ave. Existing valve boxes need to be adjusted to grade due to the road improvements.

Well #7 Design & Construction (Ella)

Project #:	C20-107	Estimated Spending (CY 2024):	\$1,500,000
Category:	Infrastructure	Budgeted Spending CY 2025:	\$2,942,536

Design and construct Well #7 at Ella to increase groundwater supply capacity and support the district's long-term water sustainability goals.

Well #8 Highland Well

Project #:	C23-103	Estimated Spending (CY 2024):	\$100,000
Category:	Infrastructure	Budgeted Spending CY 2025:	\$5,300,000

Develop Well #8 at Highland to expand the district's groundwater resources and strengthen supply reliability for the community.

Annual Fleet & Field Operations Equipment

Project #: C25-003 **Estimated Spending (CY 2024):** \$0
Category: Infrastructure **Budgeted Spending CY 2025:** \$40,000

Ongoing lifecycle replacement for fleet & equipment. 2025: new forklift (replacing 25-yr-old forklift)

Annual Facilities Improvements

Project #: C25-005 **Estimated Spending (CY 2024):** \$0
Category: Infrastructure **Budgeted Spending CY 2025:** \$112,000

Ongoing facilities needs, including tenant improvements and major HVAC repairs as needed.

Annual Technology Hardware & Software

Project #: C25-004 **Estimated Spending (CY 2024):** \$0
Category: Infrastructure **Budgeted Spending CY 2025:** \$100,000

IT Annual Update/Server.

Annual Water Main Pipeline Replacement (Small)

Project #: C25-010 **Estimated Spending (CY 2024):** \$0
Category: Infrastructure **Budgeted Spending CY 2025:** \$53,000

Used for major main breaks (emergency fund).

Annual Valve Replacements

Project #:	C25-011	Estimated Spending (CY 2024):	\$0
Category:	Infrastructure	Budgeted Spending CY 2025:	\$135,000

Ongoing valve replacements for the District's water distribution infrastructure.

Annual Water Service Connections

Project #:	C25-012	Estimated Spending (CY 2024):	\$0
Category:	Infrastructure	Budgeted Spending CY 2025:	\$1,510,000

Ongoing water service replacements.

Annual Water Meter Replacement

Project #:	C25-013	Estimated Spending (CY 2024):	\$0
Category:	Infrastructure	Budgeted Spending CY 2025:	\$130,000

Ongoing water meter replacements.

Annual Fire Hydrants - Repl, Upgrades, Lntill, New

Project #:	C25-014	Estimated Spending (CY 2024):	\$0
Category:	Infrastructure	Budgeted Spending CY 2025:	\$175,000

Ongoing fire hydrant replacements.

Annual Groundwater well Improvements

Project #:	C25-020	Estimated Spending (CY 2024):	\$0
Category:	Infrastructure	Budgeted Spending CY 2025:	\$200,000

Used for major groundwater well rehab/repair needs.

Other City Partnerships

Project #: C25-040 **Estimated Spending (CY 2024):** \$0
Category: Infrastructure **Budgeted Spending CY 2025:** \$100,000

This (parent) project number is for any small project that is initiated by the City of Citrus Heights or the County during 2025 that impacts District facilities. All projects will have a suffix project number (child). For example, 040A, 040B, etc.

Misc Infrastructure Projects

Project #: C25-041 **Estimated Spending (CY 2024):** \$0
Category: Infrastructure **Budgeted Spending CY 2025:** \$100,000

This (parent) project number is for any small project that is initiated by either the District or an outside agency during 2025 that impacts District facilities. All projects will have a suffix project number (child). For example, 041A, 041B, etc.

Greenback Lane from Birdcage to Burich

Project #: C25-XXX **Estimated Spending (CY 2024):** \$0
Category: Infrastructure **Budgeted Spending CY 2025:** \$900,000

The City of Citrus Heights plans to repave Greenback Lane from Birdcage to San Juan. The District has an aging 12" water main that has experienced several leaks in recent years. This project would replace the 12" water main in select areas along Greenback Lane from Birdcage to Burich prior to the City's paving project.

Donnawood

Project #: C25-XXX **Estimated Spending (CY 2024):** \$0
Category: Infrastructure **Budgeted Spending CY 2025:** \$100,000

This project will replace aging 4inch water main with 8-inch water main and tie into existing system at Cross Drive and Drywood Way. Install one fire hydrant.

Corporation Yard and Administration Facility Improvements (Plans, Specifications, and Estimate)

Project #: C25-XXX **Estimated Spending (CY 2024):** \$0
Category: Infrastructure **Budgeted Spending CY 2025:** \$3,000,000

Develop detailed plans, specifications, and cost estimates for upgrading the corporation yard and administration facilities to improve functionality, safety, and operational efficiency for district staff.

ERP System

Project #: C25-XXX **Estimated Spending (CY 2024):** \$0
Category: Infrastructure **Budgeted Spending CY 2025:** \$400,000

Implement a new Enterprise Resource Planning (ERP) system to streamline financial, operational, and customer service processes across the District.

SCADA Upgrade

Project #: C25-XXX **Estimated Spending (CY 2024):** \$0
Category: Infrastructure **Budgeted Spending CY 2025:** \$120,000

Upgrade the Supervisory Control and Data Acquisition (SCADA) system to improve real-time monitoring and control of water distribution and facilities.

Statistical Data

Principal Ratepayers

CITRUS HEIGHTS WATER DISTRICT			
Principal Employers ⁽¹⁾			
Current Fiscal Year and Ten Years Ago			
Schedule 12			
2023			
Employer	Employees	Rank	Percentage of Employment
State of California	113,610	1	15.89%
UC Davis Health	16,075	2	1.90%
County of Sacramento	13,611	3	1.66%
Kaiser Permanente	11,856	4	2.25%
United States Government	10,699	5	1.03%
Sutter Health	10,129	6	1.50%
Dignity Health	7,353	7	1.42%
San Juan Unified School District	5,346	8	0.60%
Intel	4,300	9	0.47%
Los Rios Community College District	3,366	10	0.75%
Total	<u>196,345</u>		<u>27.47%</u>
Total County Employment	715,102		100.00%
Notes:			
(1) Data is not separately available for the District's service area. As the District serves an area comprising, in large part, the City of Citrus Heights, and unincorporated areas of the County of Sacramento, information for the County of Sacramento has been presented.			
Source:			
Sacramento Business Journal			
U.S. Bureau of Labor Statistics			

Table 11

Principal Employers, Sacramento Region

CITRUS HEIGHTS WATER DISTRICT Principal Customers Current Fiscal Year and Ten Years Ago Schedule 7		
Customer	2023	
	Billed Units (ccf's)	Percentage of Total
San Juan Unified School District	100,925	2.21%
Sunrise Recreation Park District	92,737	2.03%
JMK Investments	77,302	1.70%
JRK Investors	50,851	1.12%
Mt Vernon Memorial Park	39,063	0.86%
Conference Claimants Endowment	28,939	0.58%
Wedgewood Commons Apts LLC	26,274	0.63%
City of Citrus Heights	26,160	0.57%
Salishan Apartments	23,722	0.54%
Knaggs Meadows LLC	21,588	0.51%
Total Billed Units: Principal customers	487,561	10.76%
Total Billed Units	4,560,425	100.00%
Source:		
District Administrative Services Department		

Table 12

Demographic and Economic Statistics

CITRUS HEIGHTS WATER DISTRICT									
Demographics and Economic Statistics									
Last Ten Calendar Years									
Schedule 10									
Fiscal Year	Total Number of Connections	City of Citrus Heights ⁽¹⁾				County of Sacramento ⁽¹⁾			
		Population ⁽³⁾	Unemployment Rate	Personal Income (thousands of dollars) ⁽²⁾	Personal Income (Per Capita) ⁽²⁾	Population ⁽³⁾	Unemployment Rate	Personal Income (thousands of dollars) ⁽²⁾	Personal Income (Per Capita) ⁽²⁾
2014	19,645	85,891	6.6%	5,212,811	60,691	1,478,137	6.3%	61,655,311	41,711
2015	19,785	86,759	5.7%	5,308,263	61,184	1,496,644	5.4%	65,485,904	43,755
2016	19,851	87,380	5.0%	6,043,288	69,161	1,514,460	5.0%	70,110,288	46,294
2017	19,902	87,931	3.8%	5,952,753	67,698	1,530,615	3.9%	72,878,844	47,614
2018	19,911	87,910	3.7%	6,388,859	72,675	1,540,975	3.8%	76,832,281	49,860
2019	19,937	87,796	3.2%	6,710,775	76,436	1,552,058	3.2%	80,968,990	52,169
2020	19,958	87,583	7.6%	7,102,719	81,097	1,559,146	8.3%	85,776,037	55,015
2021	20,201	87,404	4.4%	7,640,071	87,411	1,585,055	3.1%	90,909,126	57,354
2022	20,251	87,708	3.8%	7,581,480	86,440	1,576,639	3.5%	105,716,828	66,696
2023	20,289	86,239	4.4%	n/a	n/a	1,578,938	4.4%	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 2023.

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

Sources: U.S. Bureau of Economic Analysis
U.S. Bureau of Labor Statistics
U.S. Census Bureau

Table 13

Operating and Capacity Indicators

CITRUS HEIGHTS WATER DISTRICT Other Operating and Capacity Indicators Last Ten Fiscal Years Schedule 13						
Fiscal Year	Total Connections	Total Annual Demand (Acre Feet)	Pipeline (mi)	Wells	Meters	Hydrants
2014	19,645	11,937.24	243.80	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
2023	20,289	10,843.34	254.91	6	20,329	2,190
Source:	District Administrative Services Department District Engineering Department District Water Efficiency Department					

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 RESERVE

The District shall establish and maintain an Operating Reserve to meet the ongoing cash outlay obligations of District operations and capital improvement expenditures. The Operating Reserve 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 Reserve 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 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 target amount of funds to be maintained in the Operating Reserve 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 Fund.

Funds maintained in the Operating Reserve 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 Reserve at the end of the preceding calendar month and any amounts transferred to or from the Operating Reserve during the month.

6210.00 OPERATING FUND

The District shall establish and maintain an Operating Fund 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 Reserve to meet the estimated financial obligations of the District for the next 90 calendar days.

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 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.

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 District shall utilize the Local Agency Investment Fund (LAIF) or California Asset Management Program (CAMP), whichever is higher, to calculate interest on the Water Main Replacement Reserve funds. The interest calculations shall be conducted in accordance with LAIF or CAMP's prevailing rates and terms.

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

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.

The District may also enter into an agreement with a registered investment advisor for investment management/advisory services, and the investment advisor will operate under the direction of the Treasurer. If the District hires an investment

advisor to provide investment management services, the advisor is authorized to transact with its direct dealer relationships on behalf of the District. Such advisers shall provide recommendations and advice regarding the District's investment program including but not limited to the purchase and sale of investments in accordance with this Investment Policy. Such advisers must be registered under the Investment Advisers Act of 1940.

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.

Investment officials shall disclose to the Treasurer any material financial interests in financial institutions that conduct business with the District, and they will further disclose any personal financial or investment positions that could be related to the performance of the District's portfolio, particularly with regard to the timing of purchases and sales.

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. A permissible investment's term or remaining maturity is to be measured from the investment's settlement date to final maturity. Any forward settlement that exceeds 45 days from the time of investment is prohibited. 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 - 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 Obligations - Registered State Warrants or Treasury Notes or Bonds issued by the State of California, any of the other 49 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or

authority of the state, as defined in Government Code sections 53601(c), 53601(d) and 53651 and pursuant to Government Code section 53635.2. Obligations eligible for investment shall be rated "A" or its equivalent or better by a nationally recognized statistical rating organization. No more than 25 percent of the District's total portfolio may be invested in state obligations, and no more than 10 percent of any single issuer. Purchases may not have a term remaining to maturity in excess of five (5) years.

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. Obligations eligible for investment shall be rated "A" or its equivalent or better by a nationally recognized statistical rating organization. No more than 25 percent of the District's total portfolio may be invested in local agency obligations, and no more than 10 percent of any single issuer. Purchases may not have a term remaining to maturity in excess of five (5) years

E. Securities of the U.S. Government Agencies and Instrumentalities - Federal agency or United States government-sponsored enterprise obligations (GSEs) such as: Federal Farm Credit Bank Funding Corporation (FFCB), Federal Home Loan Bank (FHLB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Government National Mortgage Association (GNMA), Federal Agricultural Mortgage Corporation (FAMC) and Tennessee Valley Authority (TVA). Such securities are obligations of the federal agencies or United States government-sponsored enterprises and shall not have a term to remaining to maturity in excess of five (5) years. There is no limitation as to the percentage of the District funds which can be invested in this category. No more than 35 percent of any single issuer may be purchased. (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 25 percent of the District's money that may be invested pursuant to Government Code section 53601(g). However, no more than 5 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 25 percent of the District's total portfolio may be invested in eligible commercial paper; and,
 - (b) No more than 5 percent may be invested in any single issuer (Gov. Code, § 53601(h), 53635.)
- H. Non-negotiable Certificates of 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 \$250,000 of collateral security for such deposits can be waived if the financial institution is insured pursuant to federal and State law. The term of non-negotiable certificates of deposit is restricted to a maximum of one year. No more than 10 percent of the District's total portfolio may be invested in non-negotiable CD's, and no more than 5 percent of any single issuer.
- I. Negotiable Certificates of Deposits - Negotiable certificates of deposit issued by a nationally or state-chartered bank or a federal association, a state or Federal credit union, or by a federally licensed or state licensed branch of a foreign bank. The term of negotiable certificates of deposit is restricted for a minimum of 7 days and a maximum of one year. No more than 10 percent of the District's total portfolio may be invested in negotiable CD's, and no more than 5 percent of any single issuer. (Gov. Code, §§ 53601(i)).
- 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 total portfolio may be invested in medium- term notes, and no more than 5 percent of any single issuer. (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 total portfolio. Further, no more than 20 percent of the District's total 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. Asset-Backed Securities – Securities include mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds of a maximum remaining maturity of five (5) years or less. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by a nationally recognized statistical rating organization. Purchases of asset-backed securities may not exceed 20 percent of the total portfolio. No more than 5 percent of the portfolio may be invested in any single issuer. (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. Collateralized Bank Deposits – Section 6300.56 of this policy addresses collateralization requirements for deposits. These are authorized by California Government Code Section 53637. No more than 50 percent of the portfolio may be invested in any single bank.

- 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 a nationally recognized statistical ratings organization. Investments in Supranationals shall not exceed 30 percent of the total portfolio. No more than 5 percent of the portfolio may be invested in any single issuer. (Gov. Code, § 53601(q).)

6300.51 Investment Parameters

A. Diversification Constraints on Total Funds:

Permissible investments and limits are based on total funds at time of purchase (settlement date). This subset listing of authorized and permitted securities with specific limitations is determined to more closely fit the District's risk tolerance and requirements for liquidity. The following table lists the District's authorized and permitted investments and certain limitations thereon provided by this Investment Policy:

Investment Type	Maximum Maturity	Maximum % Holdings	Maximum % per Issuer	Minimum Rating
Securities of the U.S. Government	5 Years	100%	100%	N/A
Registered State Warrants, Treasury Notes, or Bonds of the State of California or other states in the United States	5 Years	25%	10%	A-
Bonds, Notes, Warrants, or Other Evidences of Indebtedness of any Local Agency within the State of California	5 Years	25%	10%	A-
Securities of U.S. Government Agencies and Instrumentalities	5 Years	100%	35%	N/A
Commercial Paper	270 days	25%	5%	A-1 Plus A- long Term
Corporate or Medium-Term Notes	5 Years	30%	5%	A-
Bonds of Supranationals (IBRD, IFC, IADB)	5 Years	30%	5%	AA-
Mortgage Pass-Through and Asset-Backed Securities	5 Years	20%	5%	AA-
Non-Negotiable Certificates of Deposit	1 Year	10%	5%	N/A
Negotiable Certificates of Deposit	1 Year	10%	5%	N/A
Money Market Mutual Funds	2(A) 7 Eligible	20%	20%	AAA / AAA
Local Agency Investment Fund	N/A	Max permitted by State Treasurer	Max permitted by State Treasurer	N/A
Collateralized Bank Deposits	N/A	100%	50%	N/A
Bankers' Acceptances	180 Days	25%	5%	N/A
Joint Powers Authority Pool	N/A	N/A	N/A	N/A

B. Maturity Constraints on Total Funds:

Every effort will be made to match investment maturities to cash flow needs. Matching maturities with expected cash flow needs will reduce the need to sell securities prior to maturity, thus reducing market risk. At all times, the District will maintain a minimum amount of funds to meet liquidity needs.

The portfolio's maximum weighted average maturity (WAM) shall not exceed 2.5 years.

The maximum percent of callable agency securities in the portfolio shall be 25 percent.

Maximum maturities by authorized and permitted investments are included above. Unless matched to a specific requirement and approved by the Board of

Directors, no investment may be made with a maturity greater than five (5) years. If greater than five-year maturity investments are approved and allowable by the Board of Directors, purchases of the investment instruments exceeding the five-year maturity shall not be made until after said approval.

Maturity Constraints	Minimum % of Total Portfolio
Under 5 years	100%
Maturity Constraints	Maximum of Total Portfolio in Years
Weighted Average Maturity	2.5
Maturity Constraints	Maximum % of Total Portfolio
Callable Agency Securities	25%

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
Consultant Services	\$75,000 or less	Greater than \$75,000
Public Works Projects	\$200,000 or less	Greater than \$200,000
Petty Cash	Less than \$500	None
Emergency Authority:	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 express 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 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 – \$60,000	At least one verbal or written quote
\$60,000.01 – \$199,999.99	At least two written quotes or use of bidder’s list
\$200,000 +	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.

The District may develop and utilize a bidder’s list in lieu of receiving two written quotes for public works. In such event, the District shall maintain a list of qualified contractors, identified according to categories of work. Minimum criteria for development and maintenance of the contractors list shall be determined by the General Manager or designee. All contractors on the list for the category of work being bid shall be mailed, faxed, or emailed a notice inviting informal bids unless the product or service is proprietary. All mailing of notices to contractors pursuant to this subdivision shall be completed not less than 10 calendar days before bids are due. The project shall be awarded to the lowest responsible and responsive bidder.

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 \$200,000 or greater. 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 Sections 6500.21 and 6500.22 of this Policy for public works, as applicable. 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. Except for emergency situations, 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
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.

