

**BOARD MEETING AGENDA
REGULAR MEETING OF THE BOARD OF DIRECTORS OF
CITRUS HEIGHTS WATER DISTRICT (CHWD)
NOVEMBER 12, 2025 beginning at 6:00 PM**

**CITRUS HEIGHTS EVENT CENTER, SOUTH FLEX ROOM
6300 FOUNTAIN SQUARE DRIVE, CITRUS HEIGHTS, CA**

****Please Note the Change in Location for this Meeting****

In compliance with the Americans with Disabilities Act, if you have a disability and need a disability-related modification or accommodation to participate in this meeting, please contact the General Manager at (916) 725-6873. Requests must be made as early as possible, and at least one full business day before the start of the meeting. The meeting will be held at the listed physical location.

Members of the public may attend the meeting at the location specified above.

Materials related to an agenda item for an open session of a regular meeting of the Citrus Heights Water District are posted on the Citrus Heights Water District website at www.chwd.org.

CALL TO ORDER:

Upon request, agenda items may be moved to accommodate those in attendance wishing to address that item. Please inform the Chief Board Clerk or Deputy Board Clerk.

ROLL CALL OF DIRECTORS:

PLEDGE OF ALLEGIANCE:

PUBLIC COMMENT:

The Public shall have the opportunity to directly address the Board on any item of interest to the public before or during the Board's consideration of that item pursuant to Government Code Section 54954.3. Public comment on items of interest within the jurisdiction of the Board is welcome. The Presiding Officer will limit comments to three (3) minutes per speaker.

(A) Action Item

(D) Discussion Item

(I) Information Item

PUBLIC HEARINGS:

PH-1. Water Rates Effective 2026 (A)

Recommendations:

1. Conduct a Public Hearing on the Proposed Water Rates Effective 2026.
2. Adopt Resolution No.16-2025 Establishing Water Rates Effective Fiscal Year 2026.

PH-2. Miscellaneous Fees and Charges and Capacity Fees Effective 2026 (A)

Recommendations:

1. Conduct a Public Hearing on the Proposed Miscellaneous Fees and Charges, and Capacity Fees Effective 2026.
2. Adopt Resolution No. 17-2025 Adopting Miscellaneous Fees and Charges, and Capacity Fees Effective 2026.

PH-3. Assembly Bill (AB) 2561 Vacancy Report (A)

Recommendation:

Conduct a Public Hearing as Required by AB 2561 and Government Code Section 3502.3, which must be held before the final budget is adopted.

PH-4. 2026 Operating and Capital Improvement Budget (A)

Recommendations:

1. Conduct a Public Hearing on the Proposed Budget for 2026
2. Adopt Resolution No. 18-2025 Establishing the Fiscal Year 2026 Operating and Capital Improvement Budget.

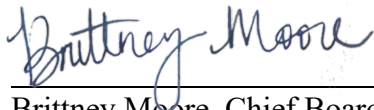
FUTURE CHWD BOARD OF DIRECTORS MEETING DATES:

November 18, 2025	6:30 PM	Regular Meeting
December 15, 2025	6:30 PM	Regular Meeting

ADJOURNMENT:

CERTIFICATION:

I do hereby declare and certify that this agenda for this Regular Meeting of the Board of Directors of the Citrus Heights Water District was posted in a location accessible to the public at the District Administrative Office Building, 6230 Sylvan Road, Citrus Heights, CA 95610 and the Citrus Heights Event Center, 6300 Fountain Square Drive, Citrus Heights, CA 95621 at least 72 hours prior to the special meeting in accordance with Government Code Section 54954.2.



Brittney Moore, Chief Board Clerk

Dated: November 6, 2025

CITRUS HEIGHTS WATER DISTRICT

DISTRICT STAFF REPORT TO BOARD OF DIRECTORS NOVEMBER 12, 2025 REGULAR MEETING

Subject:	Water Rates Effective 2026
Status:	Action Item
Report Date:	November 12, 2025
Prepared By:	Annie Liu, Director of Administrative Services

OBJECTIVE:

Conduct a Public Hearing on the proposed Water Rates effective in 2026 and consider adoption of the resolution establishing Water Rates for the Citrus Heights Water District (CHWD) effective in 2026.

BACKGROUND AND ANALYSIS:

This report presents the proposed water rates to take effect in 2026. In addition, a proposed resolution adopting water rates effective 2026 is included for consideration ([Attachment 1](#)).

Notice of this Public Hearing was mailed to all District property owners and customers of record prior to September 24, 2025, in accordance with Proposition 218 (Prop. 218) requirements ([Attachment 2](#)). The notice was also posted on the District's website.

The Board held two budget and rate study sessions on August 18, 2025, and September 2, 2025. During these sessions, the Board reviewed several rate options and evaluated their operational and capital impacts based on the District's Long-Term Financial Plan (Rate Model). The discussions also included progress on Project 2030—Water Main Replacement Project, CHWD's groundwater expansion and reinvestment program, cooperative purchasing and asset management program, ongoing operations and maintenance, capital and service delivery needs, and financial considerations related to the San Juan Water District (SJWD) wholesale water supply.

Regarding the San Juan Water District (SJWD), a wholesale pass-through provision to address any wholesale rate increases was originally adopted on November 10, 2021, and remains in effect as outlined in the accompanying resolution for Board consideration. This provision helps protect CHWD's financial stability and provides an opportunity to inform customers about SJWD—its role and its impact on CHWD rates. The Board initially approved the pass-through provision for the period of 2022 through 2026. The newly proposed provision would extend coverage for the subsequent period of 2026 through 2030 based on the Prop. 218 notice provided to customers.

The maximum rate adjustment that the Board may consider at the Public Hearing on November 12, 2025, is determined by a financial analysis demonstrating the projected annual increases—including the 2026 adjustment—which will enable the District to meet its operational budget requirements and fund essential Capital Improvement projects in combination with other available funding sources.

As of the date this report was distributed to the Board, the District has received four written protests from property owners ([Attachment 3](#)). Copies of these protests were included in the Directors' agenda packets for this meeting. Any additional written protests received prior to the Public Hearing will be presented to the Board at the Hearing.

2026 Schedule of Water Rates

A schedule comparing the current 2025 water rates with the proposed 2026 rates is included with Resolution 16-2025 ([Attachment 1](#)). Key components of the water rate schedule effective in 2026 are summarized below:

- For a typical CHWD customer with a 1-inch meter who uses 20 units of water per month (billed every two months), the average bill is projected to increase from \$191.30 in 2025 to \$200.46 in 2026, reflecting an average monthly increase of \$4.58 (or \$9.15 per billing period). Even with this adjustment, the average CHWD water bill would remain below the Sacramento regional average.
- CHWD's wholesale water supplier, the San Juan Water District (SJWD), is expected to continue implementing rate increases. According to SJWD's 2023 Wholesale Financial Plan and Rate Study (issued January 2024), approximately 83 percent of SJWD's wholesale water charges will consist of fixed costs. In 2021, CHWD's Board of Directors adopted a resolution authorizing a five-year pass-through of SJWD rate increases. This year's recommendation includes a proposed extension of that pass-through provision. For 2026, SJWD's surface water costs are projected to represent roughly seven percent (7%) of CHWD's total budgeted expenses, making it a significant operating cost component.
- In accordance with Government Code Section 53756, on November 10, 2021, the Board of Directors approved automatic rate adjustments to reflect future increases in wholesale water charges imposed by agencies such as the San Juan Water District. The resolution requires that customers be notified of any rate adjustment at least 30 days before it becomes effective, as specified in Section 53756(d). This year's recommendation includes a proposed extension of the pass-through provision for the 2026–2030 period.
- Updates to the Water Shortage Rate Structure are proposed to align CHWD's drought stages with those of the State of California, as outlined in the District's Urban Water Management Plan (UWMP) adopted by the Board on June 16, 2021. It is important to note that revising the Water Shortage Rate Structure does not authorize implementation of the Water Shortage Rates. If activation of the structure becomes necessary to address future

revenue shortfalls caused by drought or other water supply emergencies, a separate action by the Board will be required.

A copy of the District's Public Hearing Notice of proposed water rate increases required by Proposition 218 accompanies this report ([Attachment 2](#)).

RECOMMENDATION:

1. Conduct the Public Hearing on the proposed Water Rates effective 2026; and
2. Adopt Resolution No. 16-2025, establishing Water Rates for Citrus Heights Water District effective 2026 (Attachment 1)

ATTACHMENTS:

1. Resolution No. 16-2025 Establishing Water Rates Effective 2026
2. CHWD Proposition 218 Notice for 2026 Proposed Water Rate Adjustments
3. 2026 Proposed Water Rate Adjustments Customer Protest Letters received by November 6th, 2025.

ACTION:

Moved by Director _____, Seconded by Director _____, Carried _____

Attachment 1

Resolution 16-2025 Establishing Water Rates Effective 2026

CITRUS HEIGHTS WATER DISTRICT
RESOLUTION NO. 16-2025

RESOLUTION ADOPTING
WATER RATES FOR
CITRUS HEIGHTS WATER DISTRICT EFFECTIVE 2026

WHEREAS, the Board of Directors of the CITRUS HEIGHTS WATER DISTRICT wishes to establish water rates in order to pay for the operations and maintenance of the water system, pay interest charges and principal payments on all outstanding bonds as they come due, and provide reasonable cash reserves, and capital improvement funds to cover needed capital improvements, unforeseen expenses, and emergencies; and

WHEREAS, the proposed rates reflect the cost of providing service to all customers through the apportionment of costs based on capacity and demand characteristics; and

WHEREAS, it has been determined that the recommended rates do not exceed the reasonable cost of providing water services; and

WHEREAS, CITRUS HEIGHTS WATER DISTRICT has identified the potential financial impacts of water shortage due to drought or other water supply emergencies; and

WHEREAS, the District has developed a Water Shortage Rate Structure for offsetting the resulting financial deficit; and

WHEREAS, at least forty-five days in advance of the public hearing at which this Resolution was considered, notice of the public hearing, and notice of written protests procedures against the proposed rates increases were mailed to all property owners in compliance with Article XIID of the California Constitution (also referred to as Proposition 218); and

WHEREAS, a noticed Public Hearing was held on November 12, 2025, for the purpose of receiving public comment on the proposed Fiscal Year 2026 Water Rates; and

WHEREAS, upon motion duly moved, seconded, and carried, the following water rates were adopted and will become effective fiscal year 2026; and

WHEREAS, pursuant to Section 53756 of the Government Code, on November 10th, 2021, the Board of Directors authorized the automatic adjustments to the rates to reflect future increases in wholesale water charges imposed on the District by another agency, such as the San Juan Water District, provided that notice of any adjustment shall be provided to the customers at least 30 days before the effective date of the adjustment in accordance with Section 53756(d); and

THEREFORE, BE IT RESOLVED the Board of Directors of the CITRUS HEIGHTS WATER DISTRICT hereby adopts the Fiscal Year 2026 Water Rates (Exhibit A), accompanying this Resolution, and incorporated herein by this reference.

THEREFORE BE IT FURTHER RESOLVED that the Board of Directors of the CITRUS HEIGHTS WATER DISTRICT hereby adopts the Water Shortage Rate Structure (Exhibit B) . In addition and pursuant to Section 53756 of the Government Code, the District may adopt a rate schedule which provides for automatic adjustments to pass along unanticipated increases in wholesale water charges. Pursuant to Section 53756, the Board of Directors hereby authorizes the following automatic adjustments to the rates to reflect future increases in wholesale water charges imposed on District by another agency, such as the San Juan Water District. These automatic adjustments may be made whenever the other agency increases the standard wholesale cost of water beyond the current wholesale cost assumed by District in the rate structure, provided that notice of any adjustment shall be provided to the customers at least 30 days before the effective date of the adjustment in accordance with Section 53756(d).

PASSED AND ADOPTED by the Board of Directors of the CITRUS HEIGHTS WATER DISTRICT, this 12th day of November 2025, by the following vote, to-wit:

AYES: Directors:
NOES: Directors:
ABSTAIN: Directors:
ABSENT: Directors:

S E A L

RAYMOND A. RIEHLE, President
Board of Directors
Citrus Heights Water District

ATTEST:

HILARY M. STRAUS, Secretary

Attachments:

- Exhibit A – Fiscal Year 2026 Water Rates
- Exhibit B – Water Shortage Rates

Exhibit A

Fiscal Year 2026 Water Rates

CITRUS HEIGHTS WATER DISTRICT
WATER RATES EFFECTIVE 2026
Proposed - November 12, 2025

Type of Charge	Applied Basis or Frequency	2026 Proposed*
<u>Charges for Metered Rate Customer Accounts</u>		
<i>Service Charge, Domestic, Commercial & Irrigation Meters</i>		
¾-inch meter	bi-monthly, per meter	\$71.57
1-inch meter	bi-monthly, per meter	\$128.00
1½-inch meter	bi-monthly, per meter	\$222.05
2-inch meter	bi-monthly, per meter	\$334.91
3-inch meter	bi-monthly, per meter	\$692.30
4-inch meter	bi-monthly, per meter	\$1,218.98
<i>Service Charge, Combination Meters</i>		
Low flow bypass meter		
4-inch meter	bi-monthly, per meter	\$334.91
6-inch meter	bi-monthly, per meter	\$692.30
8-inch meter	bi-monthly, per meter	\$1,218.98
10-inch meter	bi-monthly, per meter	\$3,984.05
<u>Other Service Charges</u>		
<i>Service Charge, Construction Meters</i>		
2½-inch and 3-inch meters	bi-monthly, per meter	\$334.91
<i>Service Charge, North Ridge Country Club Meter (multiplier = 3.00, not annexed)</i>		
	bi-monthly, per meter	\$214.71
<i>Service Charge, Mount Vernon Memorial Park (multiplier = 2.31, based upon property annexed)</i>		
Low flow bypass meter	bi-monthly, per meter	\$0.00
8-inch Combination meter	bi-monthly, per meter	\$1,599.21
<u>Usage Charges for Water Consumed</u>		
	<i>1 unit = 100 cubic feet = 748 gallons</i>	
<i>Domestic, Commercial, Irrigation, Combination</i>		
All meter sizes	per unit	\$1.3800
<u>Project 2030 Designated Charge</u>		
<i>Service Charge, Domestic, Commercial & Irrigation Meters</i>		
¾-inch meter	bi-monthly, per meter	\$6.90
1-inch meter	bi-monthly, per meter	\$17.25
1½-inch meter	bi-monthly, per meter	\$34.50
2-inch meter	bi-monthly, per meter	\$55.20
3-inch meter	bi-monthly, per meter	\$120.75
4-inch meter	bi-monthly, per meter	\$217.35
<i>Service Charge, Combination Meters</i>		
Low flow bypass meter		
4-inch meter	bi-monthly, per meter	\$55.20
6-inch meter	bi-monthly, per meter	\$120.75
8-inch meter	bi-monthly, per meter	\$217.35
10-inch meter	bi-monthly, per meter	\$724.50

* Proposed Rates for Charges for Metered Rate Customer Accounts include the automatic adjustments to the rates to reflect increases in wholesale water charges imposed on District by the San Juan Water District. The rates will be updated if further changes are made to the wholesale Rates, with proper notice.

Exhibit B

Water Shortage Rates

Citrus Heights Water District Water Shortage Fee Schedule*

SUPPLY SHORTAGE	STAGE 1	STAGE 2	STAGE 3	STAGE 4	STAGE 5	STAGE 6
Target Reduction Goal	10%	20%	30%	40%	50%	60%
Water Usage Charges (\$/CCF)**						
Standard Water Usage Rate (a)	\$1.38	\$1.38	\$1.38	\$1.38	\$1.38	\$1.38
Water Shortage Charges (b)	\$0.14	\$0.31	\$0.54	\$0.83	\$1.24	\$1.86
Full-Loaded Water Shortage Contingency Plans Rate	\$1.52	\$1.69	\$1.92	\$2.21	\$2.62	\$3.24

* This schedule shows the proposed Water Shortage Charges applied to the Standard Water Usage Rates

** 1 CCF equals 100 cubic feet which equals 748 gallon of water

Attachment 2

Citrus Heights Water District Proposition 218 Notice for 2026 Proposed Water Rate Adjustments

Rebates & Programs

Citrus Heights Water provides a range of rebates and programs designed to help customers save money.



Ultra-Low Flush (ULF) Toilet Rebate — We offer a \$75 rebate on a new ULF toilet.



Pressure Reducing Valve (PRV) Rebate — Rebates are available if you install a PRV on your service connection and pass the on-site inspection by one of our representatives.



High-Efficiency Washer Rebate — We offer a \$50 rebate for an Energy Star washer and a \$75 rebate for a washer on the EPA’s “Most Efficient” list.



Smart Controllers Program — With our smart irrigation controller, you can adjust your watering schedule anytime, anywhere. They are available for FREE to qualifying customers.



New Tree Rebate (Coming Soon) — We’ll soon offer a rebate when you plant approved, water-efficient shade trees that help you save—and cool your home!



For information on rebates, visit chwd.org/Rebates.

How To Protest The Proposed Rate Adjustments

All property owners receiving Citrus Heights Water service and customers of record are invited to attend the Public Hearing on November 12, 2025 at 6 p.m. at the Citrus Heights Events Center, South Flex Rooms, 6300 Fountain Square Drive, Citrus Heights, California to comment on the proposed rate adjustment that would take effect on January 1, 2026. Proposition 218 allows property owners or customers to file a written protest before or during the Public Hearing. Only one written protest per identified parcel or property will be counted to determine whether there is a majority protest. If written protests are presented by a majority of the affected parcels, a rate adjustment will not be approved.

The written protest must be signed by a property owner(s) or customer(s), and must include a description of the affected property, including address and/or Assessor’s Parcel Number.

Written protests can be mailed to: **District Secretary | Citrus Heights Water District**
P.O. Box 286, Citrus Heights, CA 95611-0286

Written protests may also be hand-delivered to Citrus Heights Water officials or staff at the District Administration Office by 5:30 p.m. **November 12, 2025**, or until the close of the Public Hearing on the night of the Board of Directors meeting, **November 12, 2025 at 6 p.m.** at the Citrus Heights Events Center, South Flex Rooms, 6300 Fountain Square Drive, Citrus Heights, California. Electronic delivery of protests by fax or e-mail will not be accepted. Pursuant to California Government Code 53759, challenges to any new, increased, or extended fees or charges are subject to a 120-day statute of limitations.

The Citrus Heights Water Administration Office is located at 6230 Sylvan Road, Citrus Heights, CA 95610. Office hours are Monday through Thursday, 8 a.m. to 5:30 p.m. For the latest information from Citrus Heights Water about the proposed rate adjustment, please visit our website: chwd.org/Rates.



6230 Sylvan Road
Citrus Heights, CA
95610-5610



PRSR STD
US POSTAGE
PAID
SACRAMENTO CA
PERMIT NO. 1890



Notice of Public Hearing on
Proposed Water Rate Adjustments
Beginning in 2026

Securing Our Future: Stopping Catastrophic Failures Before They Happen

Proactively replacing pipes before they fail helps prevent emergency outages, costly after-hour repairs, and avoidable property damage. The average lifespan of a pipe is 70 years and over 70% of the District’s pipes were installed between 1960 and 1985. The District must plan carefully to safeguard our community’s aging water system. By planning ahead, the District is taking a more efficient and cost-effective approach, reducing the risk of issues like sinkholes or other complications from catastrophic failures.

Anticipating potential failures is just one of the many ways the District is working to protect its customers. We are committed to responsive customer service, infrastructure improvements, ongoing maintenance, water efficiency programs, pursuing grants to lower the impact of costs on your rates, and advocacy at the local, regional, state, and federal levels. Through strategic planning and timely investments, we continue to keep water rates for our customers below the regional average.

We appreciate your continued support of Citrus Heights Water. To ensure a reliable water system and service, the District is proposing a rate adjustment for 2026. Because we are a not-for-profit government agency, the law requires that our rates cover the cost of service—and no more. The District doesn’t receive any tax revenue, so it must cover the cost to operate through water rates. Also, by implementing small rate adjustments in a timely manner, large unplanned rate adjustments that are implemented in a reactive way are more avoidable.

Public Hearing: Wednesday, November 12, 2025 at 6 p.m.

Hearing Location: Citrus Heights Events Center, South Flex Rooms, 6300 Fountain Square Drive, Citrus Heights, CA

CITRUS HEIGHTS WATER DISTRICT

Updated Water Shortage Fee Schedule

Water shortage rates allow the District to recover its costs when customers curtail water use during a drought or other events that would cause a water shortage. The Board would consider adopting the water shortage rates separately from any other type of rate increase. The amount of the proposed rate increase is shown below and would depend on the Board-declared water shortage stage.

SUPPLY SHORTAGE Target Reduction Goal	STAGE 1 10%	STAGE 2 20%	STAGE 3 30%	STAGE 4 40%	STAGE 5 50%	STAGE 6 60%
Water Usage Charges (\$/CCF)						
– Standard Water Usage Rate (a)	\$1.38	\$1.38	\$1.38	\$1.38	\$1.38	\$1.38
– Water Shortage Charges (b)	\$0.14	\$0.31	\$0.54	\$0.83	\$1.24	\$1.86
Full-Loaded Water Shortage Contingency Plans Rate	\$1.52	\$1.69	\$1.92	\$2.21	\$2.62	\$3.24

Notes: (1) 1 CCF equals 100 cubic feet which equals 748 gallons of water.
(2) This table shows the proposed Water Shortage Charges applied to the Standard Water Usage Rates.

One unit of water on your bill equals 748 gallons — and the proposed cost per unit is \$1.38.

1 unit on your bill =
5-hour shower



OR

10 full baths

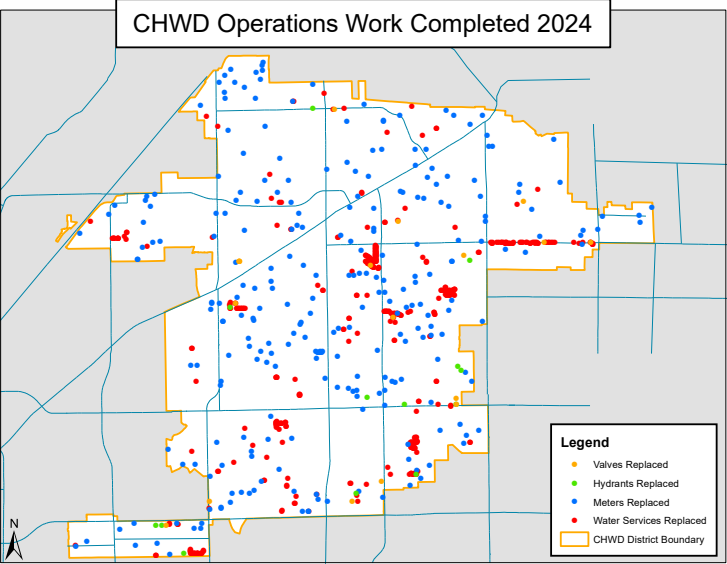


Sign up for CHWD news direct to your inbox at chwd.org/join or connect with us on social media.



Key Successes in 2024

- Installed/replaced:
 - 3,620 feet of water mains
 - 21 water valves
 - 13 fire hydrants
 - 270 meters
 - 373 water services
- Hosted over 120 attendees at WaterSmart classes
- Completed 44 irrigation audits and installed 30 smart controllers



Citrus Heights Water’s Priority Projects

PROJECT 2030
WATER MAIN REPLACEMENT



Pipes are the backbone of our water system. Currently, Citrus Heights Water operates over 250 miles of pipe. These pipes, most of which were installed between 1960 and 1985, are now nearing the end of their useful lifespan.

Citrus Heights Water must invest more in replacement efforts—from the current \$2 million per year to nearly \$8 million annually at peak after 2030 and continuing for decades to come. This will help protect our system and our water.

Before we replace the pipes, we need to understand which ones need attention first. Our team takes a few different approaches to monitor pipe health—checking for thinning, checking for pits, and inspecting the protective coating. Inspection results are helping the District choose the optimal timing of maintenance and replacement.

To learn more about Project 2030, scan the QR code or visit chwd.org/Project2030.



- 2025–2029
- Identify/refine list of highest-priority areas for pipe replacement
 - Evaluate critical pipes
 - Coordinate pipe replacements with road and utility work



- 2030–2080
- Replace pipes in prioritized areas
 - Continue assessing pipe condition
 - Use data to update replacement schedule

Visit chwd.org/2025-update or scan the QR code to watch our WaterLine 2025 Annual Update video.



Groundwater
Expansion & Reinvestment



Groundwater plays a vital role in Citrus Heights Water’s water supply, especially during dry periods.

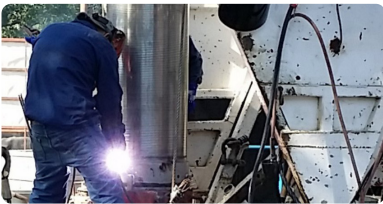
Currently, the District has four active wells, two backup wells, and is currently constructing two additional wells to better meet customer needs. These new wells will be the first two-way wells in Citrus Heights Water’s system—meaning extra water from wet periods can be injected into the ground and stored underground and then pumped out during dry periods. This will boost our water supply reliability.

The two new wells are supported by more than \$6.6 million in grant funding.

Citrus Heights Water is committed to aggressively identifying and applying for grants and other non-ratepayer funding opportunities.

COOPERATIVE
PURCHASING
AND ASSET
MANAGEMENT

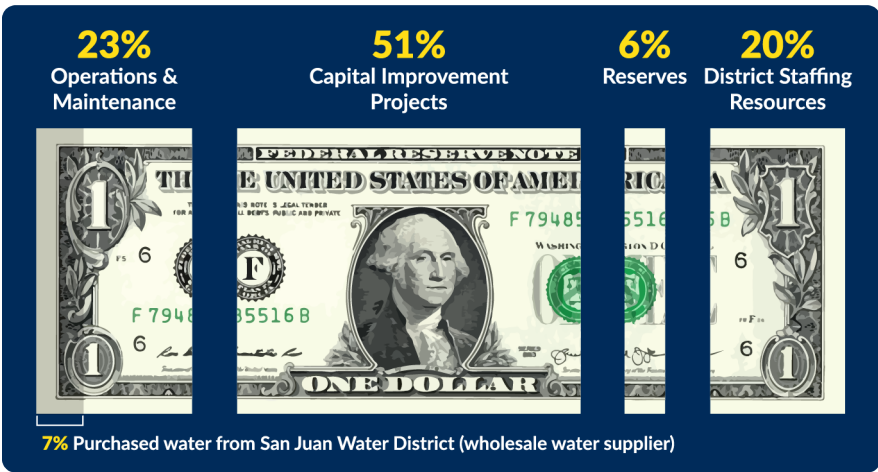
Citrus Heights Water is leading an initiative to partner with surrounding water agencies to purchase supplies and materials in bulk to reduce costs.



The Cost of Delivering Safe Water

The Cost of Delivering Safe Water

Citrus Heights Water’s 2026 annual budget is focused on Capital Improvement Projects, dedicating more than 50% of funding to strengthening the water system and support facilities—sustaining up-keep, expanding capacity, and ensuring consistent water delivery to customers.



Operations and maintenance account for 23% of total expenses. This includes the cost of purchasing wholesale water from San Juan Water District—Citrus Heights Water’s largest single expense, projected at \$3.3 million in 2026.

To support long-term system reliability, 6% of the 2026 budget will go into reserves (like a savings account to smooth-out construction and operations costs, thus reducing reliance on higher future water rates). The remaining 20% covers our team of expert staffing resources who implement the District’s work program.

Increased Water Purchase Rates from San Juan Water District

Citrus Heights Water purchases treated surface water from Folsom Lake through San Juan Water District (SJWD), a wholesale water provider. It is important to note that SJWD continues to increase wholesale water rates. The cost impact of wholesale cost increases are expected to compound in future years due to SJWD’s anticipated wholesale water rate increases.

Fee increases paid to SJWD have been and will be communicated to our customers to ensure that SJWD costs to Citrus Heights Water and its customers are transparent and clear. To ensure that there are sufficient revenues to provide water service, Citrus Heights Water is proposing to pass through to its customers any increases in the rates for wholesale water and other charges that SJWD imposes on Citrus Heights Water. If approved, the Citrus Heights Water Board will implement any SJWD pass-through adjustments for the next five-year period commencing January 1, 2026, through and including December 31, 2030, upon a 30-day written notice to customers. Citrus Heights Water will continue to advocate for our customers and we encourage all Citrus Heights Water customers to attend SJWD board meetings and make your voices heard. Find out more at sjwd.org/board-meetings.



Summary of Rates

Below is a summary of the proposed changes to the usage charges and customer service charges. The customer service charge is billed **bi-monthly and per meter**.

TYPE OF CHARGE	CURRENT USAGE CHARGE	2026 PROPOSED USAGE CHARGE
Usage Charges for Water Consumed (1 unit = 100 cubic feet = 748 gallons)		
Domestic, Commercial, & Irrigation Meters		
All meter sizes	\$ 1.35	\$ 1.38

TYPE OF CHARGE	CURRENT SERVICE CHARGE	2026 PROPOSED SERVICE CHARGE
----------------	------------------------	------------------------------

Charges for Metered Rate Customer Accounts

Service Charge, Domestic, Commercial, & Irrigation Meters		
¾-inch meter	\$ 72.77	\$ 71.57
1-inch meter	\$ 120.05	\$ 128.00
1½-inch meter	\$ 198.85	\$ 222.05
2-inch meter	\$ 293.41	\$ 334.91
3-inch meter	\$ 592.85	\$ 692.30
4-inch meter	\$ 1,034.13	\$ 1,218.98

Service Charge, Combination Meters		
4-inch meter	\$ 293.41	\$ 334.91
6-inch meter	\$ 592.85	\$ 692.30
8-inch meter	\$ 1,034.13	\$ 1,218.98
10-inch meter	\$ 3,350.85	\$ 3,984.05

The above rates may be modified with a 30-day written notice based on changes to the wholesale water rates charged by the San Juan Water District.

Regional Rate Comparison

Below the Regional Average

Even with the proposed rate adjustment, **the average CHWD water bill will remain below the Sacramento regional average cost.**



Attachment 3

**2026 Proposed Water Rate Adjustments Customer
Protest Letters Received by November 6th, 2025**

10/23/2025

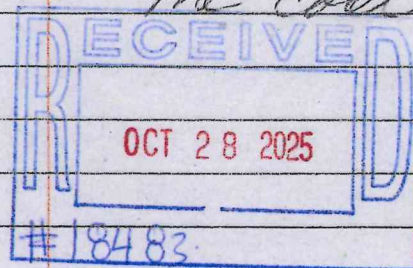
To Whom it may concern,
I Lynn Reese at
6453 Aspen Gardens Way
Citrus Heights, CA. 95621
Parcel # 243-0580-040-0000
1 story, 3 bedroom, 2 Bath
2 car garage Home
am writing in
"Protest" in
regards to a rate
increase effective
1/1/2026.
I am on a fixed
income and this is
becoming more and
more difficult to
keep up with!
My usage is
approximately
\$14.00 - \$18.00
a month however,
"service charges"
are \$130.05 along
with "water main"

replacement" of
\$17.25 each
month and now
you want to increase
my rates again!
You also don't
offer any financial
assistance.

Please consider
the difficulties
you are ~~causing~~ causing
us!

Thank You,
Lynn Reese

P.S. Please have
a heart and
reconsider!
This is more than
the cost of living!





Acct# 02079-0001858

Sept, 27, 2025

TO whom it may concern. at
Citrus Heights Water District,

I am writing to protest any water
rate increase.

I bought my home in 1985 when water
was not metered, you could wash your car
and water a garden and not fear a high
bill. Now we are metered and I
just rethred. Please don't increase rates!

Beth E. Miller

address 7625 Oak Grove Ave.

Citrus Heights, CA
parcel# 20404810440000 95610

phone 916835-1698

10-11-25

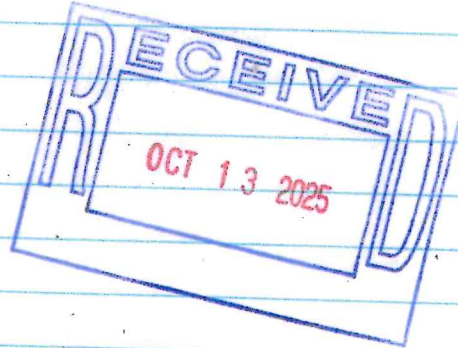
ROBERT FOURASTER III
718 MARY ANN WAY
CITRUS HEIGHTS CAL.
95621

ACCOUNT # 06549-0005858

THIS IS A
PROTEST TO RATE ADJUSTMENT

THANK YOU

R. Fouraster



John Cigelske
193 Starkey Way
Folsom, CA 95630
PH: (916) 983-9069



District Secretary
Citrus Heights Water District
P.O. Box 286,
Citrus Heights, CA 95611-0286

October 3rd, 2025

Dear Sirs:

RE: 7645 Garden Gate Dr. PARCEL: 20401810120000

I object to your proposed "Water Shortage Charges". With this charge you are telling your customers that the more they save, the more you will charge them. According to your fee schedule, if your Board decides that we're in a Stage 6 (60% reduction goal) you can charge 135% (i.e. \$1.86 more) above the \$1.38 proposed standard fee. This is usurious and not serving your customers. In addition, I object to the "Board declared water shortage stage". If implemented at all it should be based on an official water shortage declared by the Governor and adopted by the Sacramento County Water Agency (SCWA)

For example, the official drought ended in March 2023, however the SCWA is still urging water conservation, asking customers to reduce their water use by a voluntary 10% goal. This does not mean your Board has the leeway to declare Stage 1 supply shortage and consequently institute a .14¢ fee. It's a voluntary reduction urged by the SCWA. It's not official and your Board should not act on it.

Customers should be rewarded for saving water not charged extra because the CHWD is unable to manage its budget and take reductions when necessary.

A handwritten signature in blue ink that reads 'John Cigelske'.

John Cigelske
Property Owner

CITRUS HEIGHTS WATER DISTRICT

DISTRICT STAFF REPORT TO BOARD OF DIRECTORS NOVEMBER 12, 2025 REGULAR MEETING

Subject:	Miscellaneous Fees & Charges and Capacity Fees Effective 2026
Status:	Action Item
Report Date:	November 12, 2025
Prepared By:	Ben Strange, Accounting Manager Annie Liu, Director of Administrative Services

OBJECTIVE:

Conduct a Public Hearing on the proposed Miscellaneous Fees and Charges, and Capacity Fees in 2026 and consider adoption of the resolution establishing Miscellaneous Fees and Charges, and Capacity Fees for the Citrus Heights Water District (CHWD) effective in 2026.

BACKGROUND AND ANALYSIS:

This report presents the proposed Miscellaneous Fees and Charges, and Capacity Fees to take effect in 2026. In addition, a proposed resolution adopting Miscellaneous Fees and Charges, and Capacity Fees for Citrus Heights Water District, effective 2026 is included for consideration ([Attachment 1](#)).

Miscellaneous Fees and Charges cover a broad range of services provided by the Citrus Heights Water District. These fees are determined by an analysis of staff time, equipment, materials, and related costs. This approach ensures that charges remain fair, transparent, and reflective of current economic conditions, allowing the District to maintain effective delivery of essential services.

Capacity Charges ensure that new, reconnected, or expanded water service connections contribute an equitable share toward the District's existing infrastructure and assets. Using a System Buy-In Methodology, the District accounts for the current value of the system capacity required to serve additional users.

The calculation of these charges is based on:

- The meter equivalent;
- The replacement cost of District assets;
- Less depreciation and capital projects currently in progress;
- Less outstanding debt;
- Plus a 2.0% adjustment in accordance with the Engineering News Record.

The proposed Capacity Fees for 2026 have been calculated in accordance with District Policy No. 7500, Capacity Charges.

In compliance with Government Code Sections 66016 and 66018, the District provided public notice of the time and place of the hearing regarding the proposed Miscellaneous Fees and Charges, as well as the Capacity Fees for 2026.

RECOMMENDATIONS:

1. Conduct the Public Hearing on the proposed Miscellaneous Fees and Charges, and Capacity Fees effective 2026; and
2. Adopt Resolution No. 17-2025 Adopting Miscellaneous Fees, Charges and Capacity Fees for Citrus Heights Water District effective 2026.

ATTACHMENT:

Resolution No. 17-2025 Adopting Miscellaneous Fees and Charges, and Capacity Fees Effective 2026.

ACTION:

Moved by Director _____, Seconded by Director _____, Carried _____

CITRUS HEIGHTS WATER DISTRICT
RESOLUTION NO. 17-2025

RESOLUTION ADOPTING
MISCELLANEOUS FEES AND CHARGES, AND CAPACITY FEES
FOR CITRUS HEIGHTS WATER DISTRICT EFFECTIVE 2026

WHEREAS, the Board of Directors of the Citrus Heights Water District (“District”) wishes to adopt Miscellaneous Fees and Charges, and Capacity Fees effective 2026 in order to pay for the operations and maintenance of the water system, pay interest charges and principal payments on all outstanding bonds as they come due, and provide reasonable cash reserves, and capital improvement funds to cover needed capital improvements and unforeseen expenses and emergencies; and

WHEREAS, the proposed rates reflect the cost of providing service to all customers through the apportionment of costs based on capacity and demand characteristics; and

WHEREAS, the proposed Miscellaneous Fees and Charges include a wide range of services provided by the District and are determined based on an analysis of staff time, equipment, materials, and associated costs; and

WHEREAS, in order for the Miscellaneous Fees and Charges to cover the costs of providing the services, the District has determined that many of these fees must be adjusted to reflect reasonable estimated costs of service; and

WHEREAS, the Board of Directors finds that the Miscellaneous Fees and Charges proposed by this Resolution are not provided to those not charged, do not exceed the reasonable cost to provide the services, and bear a reasonable relationship to the payor’s burdens on, or benefits received from the government activity for which the fees are imposed; and

WHEREAS, the District is authorized to fix and collect Capacity Fees as a condition for obtaining water service pursuant to California Government Code Section 66013 for public facilities in existence at the time the charge is imposed or for new facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged; and

WHEREAS, the District has performed a cost of service analysis using a “System Buy-In Methodology” to determine the rate for Capacity Fees and the report and data indicating the value of water facilities in existence that are of benefit to new customers in the District, has been previously made available to the Board of Directors and the public; and

WHEREAS, the District has determined that it is necessary to increase the Capacity Fees and the proposed Capacity Fees for 2026 are calculated in accordance with District Policy No. 7500; and

WHEREAS, the Board of Directors has determined that: (1) its proposed Capacity Fees do not exceed the estimated reasonable cost of providing such services and facilities for which the fees will be imposed; and (2) the allocation of those costs bear a fair or reasonable in relationship to the burdens on, or benefits that those who pay Capacity Fees will receive from such services and facilities; and

WHEREAS, notices of the time and place of Public Hearing were published in the local newspapers prior to the Public Hearing as required by Government Code sections 66016 and 66018; and

WHEREAS, a Public Hearing was held on November 12, 2025, for the purpose of receiving public comment on the proposed Fiscal Year 2026 CITRUS HEIGHTS WATER DISTRICT Miscellaneous Fees and Charges, and Capacity Fees; and

WHEREAS, upon motion duly moved, seconded, and carried, the following miscellaneous charges and fees, and capacity fees were adopted and will become effective fiscal year 2026; and

THEREFORE, BE IT RESOLVED the Board of Directors of the CITRUS HEIGHTS WATER DISTRICT finds, determines, and resolves as follows:

Section 1. The above recitals are true and correct and are incorporated herein by this reference.

Section 2. The Board of Directors hereby adopts the Fiscal Year 2026 Miscellaneous Charges and Fees, and Capacity Fees (Exhibit A), accompanying this resolution and incorporated herein by this reference.

Section 3. If any section, subsection, clause, sentence, or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Board of Directors hereby declares it would have passed and approved this Resolution and each section, subsection, clause, sentence, or phrase thereof, irrespective of the fact that all or more sections, subsections, clauses, sentences, or phrases are held invalid.

PASSED AND ADOPTED by the Board of Directors of the CITRUS HEIGHTS WATER DISTRICT, this 12th day of November 2025, by the following vote, to-wit:

AYES: Directors:
NOES: Directors:
ABSTAIN: Directors:
ABSENT: Directors:

S E A L

RAYMOND RIEHLE, President
Board of Directors
Citrus Heights Water District

ATTEST:

HILARY M. STRAUS, Secretary

Attachments:

- Exhibit A - Fiscal Year 2026 Miscellaneous Charges and Fees, and Capacity Fees

Exhibit A

Miscellaneous Fees and Charges, and Capacity Fees Effective 2026

CITRUS HEIGHTS WATER DISTRICT
WATER RATES, FEES AND CHARGES EFFECTIVE
2026 Proposed - November 12, 2025

		2025	2026
		Adopted	Proposed
Type of Charge	Applied Basis or Frequency		
Construction Water Charges	minimum charge	\$309.00	\$315.18
Schedule A - Projects	per lot	\$212.47	\$216.72
Schedule B - Trenches, Excavations & Grading	per 100 cubic yards	\$57.36	\$58.51
Schedule C - Tank Trucks	per 1,000 gallons	\$9.50	\$9.69
Schedule D - Metered Use	per unit, for all units bi-monthly	\$4.11	\$4.19
Schedule E - Non-Profit	per day	\$64.53	\$65.82
Construction Meter Deposit	per meter	\$2,583.00	\$2,634.66
<u>Water Service Installation Charges</u>			
¾-inch & larger services w/meter	per service	Actual Cost	Actual Cost
Meter set charge:			
⅝ inch x ¾ inch	per meter	\$630.00	\$583.00
¾ inch	per meter	\$680.00	\$719.00
1 inch	per meter	\$699.00	\$782.00
1½ inch	per meter	\$1,011.00	\$1,076.00
2 inch	per meter	\$1,336.00	\$1,336.00
>2 inch	actual cost		
Backflow prevention assembly installation charge			
¾ inch & larger	each	Actual Cost	Actual Cost
<u>Capacity Fees</u>			
⅝ inch	per service	\$3,367.11	\$3,434.45
¾ inch	per service	\$5,050.67	\$5,151.68
1 inch	per service	\$8,417.78	\$8,586.13
1½ inch	per service	\$16,835.55	\$17,172.26
2 inch	per service	\$26,936.88	\$27,475.62
3 inch	per service	\$58,924.43	\$60,102.92
4 inch	per service	\$106,063.97	\$108,185.25
6 inch	per service	\$218,862.17	\$223,239.42
8 inch	per service	\$471,395.45	\$480,823.36
10 inch	per service	\$707,093.17	\$721,235.04
12 inch	per service	\$885,323.88	\$903,030.36

CITRUS HEIGHTS WATER DISTRICT
WATER RATES, FEES AND CHARGES EFFECTIVE 2026
Proposed - November 12, 2025

		2025	2026
		Adopted	Proposed
Type of Charge	Applied Basis or Frequency		
<u>Other Charges and Fees</u>			
Agenda-By-Mail Charge (e-mail delivery free)	per packet	\$28.00	\$32.00
Standby Service Charge	per hour, 1 hour minimum	\$144.00	\$138.00
Returned Payment Fee	per check	\$40.00	\$67.00
Late Payment Penalty	5% of overdue account balance	5.00%	5.00%
Missed Appointment/No-Show Fee	per occurrence	\$49.00	\$49.00
Disconnect Service Charge	per occurrence	\$74.00	\$113.00
Reconnect Service Charge	per occurrence	\$74.00	\$113.00
Reconnect Service Charge (Non Business Hours)	per occurrence	\$141.00	\$172.00
Meter Re-Read / Maintenance Charge	per occurrence	\$63.00	\$126.00
Customer Account Deposit	per account	\$223.00	\$314.00
Copy Charge	per page	\$0.14	\$0.37
Recording of Lien	per occurrence	\$86.00	\$103.00
Release of Lien	per occurrence	\$99.00	\$116.00
Tamper Charge	per occurrence	\$120.00	\$120.00
Water Conservation Violation Charge (1)	first occurrence	\$50.00	\$50.00
Water Conservation Violation Charge (2)	second occurrence	\$100.00	\$100.00
Water Conservation Violation Charge (3)	third occurrence	\$250.00	\$250.00
Inclusion / Annexation Fee	per gross acre, ½ acre or greater	\$2,170.00	\$2,170.00
	minimum to ½ acre	\$1,005.50	\$1,085.00
Plan Check Charges	minimum charge + per connection	\$1,532.00	\$1,659.00
	per connection	\$46.16	\$48.00
Easement/Quitclaim	per easement/quitclaim	\$951.00	\$1,086.00
Inspection Charges			
Minimum	min. + per connect. + per main tie-in	\$1,605.00	\$1,727.00
Plus per connection	per connection	\$220.00	\$225.00
Plus per main tie-in	per main tie-in	\$1,603.00	\$1,603.00
AC pipe disposal charge	per foot, 4 feet minimum (\$200 min.)	\$72.00	\$78.00
Hydrostatic pressure test	each	\$437.00	\$408.00
Chlorination & Flushing	per project	\$583.00	\$612.00
Weekend/After Hours	per hour (4 hr. minimum)	\$195.00	\$193.00
Holiday	per hour (4 hr. minimum)	\$245.00	\$250.00
Backflow Prevention Assembly Testing Charge	per assembly bimonthly	\$16.00	\$16.00
Backflow Prevention Assembly Re-testing Charge	per test	\$101.00	\$115.00
Backflow Prevention Assembly Testing Charge for New Development	per assembly	\$115.00	\$110.00
Bacteriological water test sampling	minimum	\$1,426.00	\$1,514.00
Additional Bacteriological water sample	additional samples after minimum	\$89.00	\$107.00
Fire Flow Modeling	per modeling	\$357.00	\$598.00
Fire Flow Modeling & Certification Letter	per modeling plus letter	\$393.00	\$598.00

CITRUS HEIGHTS WATER DISTRICT

DISTRICT STAFF REPORT TO BOARD OF DIRECTORS NOVEMBER 12, 2025, REGULAR BOARD MEETING

Subject:	ASSEMBLY BILL 2561 VACANCY REPORT
Status:	Action Item
Report Date:	November 3, 2025
Prepared By:	Kayleigh Shepard, Senior Management Analyst/Deputy Board Clerk Brittney Moore, Administrative Services Manager/Chief Board Clerk

Objective:

Conduct a public hearing as required by AB 2561 and Government Code Section 3502.3, which must be held before the final budget is adopted.

Background and Analysis:

Assembly Bill (AB) 2561 was introduced to address ongoing job vacancies within local government agencies, which can adversely impact the delivery of public services and increase workloads for existing employees. Additionally, AB 2561 also aims to increase transparency and accountability in local government agency staffing. Effective January 1, 2025, AB 2561 requires public agencies to hold at least one public hearing each fiscal year before budget adoption, to review staffing vacancies and discuss recruitment and retention efforts.

For the calendar year 2025, Citrus Heights Water District (CHWD or District) has 40 full-time equivalent positions, or full-time employees. There has been a total of 22 vacancies throughout the year, for a monthly vacancy rate average of 9.0%. Position vacancies can occur for various reasons, including internal promotions and transfers, newly budgeted positions, retirements, and separations. The vacancies by reason as of November 3, 2025, are listed in the chart below.

Reason For Vacancy	Number of Vacancies
Internal Promotions	9
Internal Transfer	1
Newly Budgeted Positions	2
Retirements	4
Separations	6

As of November 3, 2025, the District has successfully filled 20 vacancies and currently has two open recruitments for one (1) Water Distribution Operator and one (1) Civil Engineer. To reach a broad pool of candidates, the District advertises employment opportunities through its career page, social media platforms, and industry-specific job boards, as well as on established recruitment sites such as CalOpps and Government Jobs. Additionally, the District outreaches

directly to individuals from the job interest listserv when positions matching specific classifications and qualifications are available. These efforts are intended to enhance visibility of District employment opportunities, broaden applicant outreach, and support the District's goal of maintaining a well-qualified workforce.

The District places a strong emphasis on retaining skilled and dedicated employees through programs and practices that promote professional growth and job satisfaction. The District encourages participation in continuing education and training opportunities to support employee development and professional advancement. Additionally, the District regularly monitors compensation and benefits trends among comparable agencies and industry peers. This benchmarking process helps ensure the District's comprehensive benefit structure remains competitive and continues to attract and retain high-quality talent in a competitive public-sector labor market.

Recommendation:

Conduct the mandatory public hearing as required by AB 2561 and Government Code Section 3502.3, which must be held before the final budget is adopted.

CITRUS HEIGHTS WATER DISTRICT

DISTRICT STAFF REPORT TO BOARD OF DIRECTORS NOVEMBER 12, 2025 REGULAR MEETING

Subject:	Discussion and Possible Action to Approve the 2026 Budget
Status:	Action Item
Report Date:	November 12, 2025
Prepared By:	Annie Liu, Director of Administrative Services

OBJECTIVE:

Conduct a Public Hearing on the proposed Fiscal Year 2026 Operating and Capital Improvement Budgets, including Transfers to Designated Reserves, and consider adoption of a resolution establishing the FY 2026 Budget.

BACKGROUND AND ANALYSIS:

2026 Budget Summary

This report presents the proposed Operating and Capital Improvement Budgets for 2026, including Transfers to Designated Reserves. Accompanying this report is Resolution 18-2025, which establishes the Fiscal Year 2026 Budget and provides a summary of the budget in the following amounts:

2026 Operating Budget

Operations:	\$ 18,253,802
Transfers to Designated Reserves:	2,900,000
Total Operating Budget	<u>\$ 21,153,802</u>

2026 Capital Improvement Projects Budget

Previously-Approved Projects Carry-Over from 2025:	\$ 5,768,787
2026 Additional Budget for ongoing and new Capital Projects:	20,074,969
Total 2026 Capital Improvements Budget:	<u>\$ 25,843,756</u>

<i>Total Proposed 2026 Budget</i>	<u><u>\$ 46,997,558</u></u>
--	-----------------------------

Based on the goals and objectives established by the Board during the Strategic Planning Session on May 7, 2025, staff has updated the Financial Model and developed the proposed 2026 Operating and Capital Improvement Budgets. These budgets, along with rate options, will be presented to the Board of Directors for consideration at the Public Hearing on November 12, 2025.

The proposed 2026 CHWD Budget, rate program, and work plan have been shared with CHWD's Customer Advisory Committee, multiple neighborhood associations across Citrus Heights, the Citrus Heights Chamber of Commerce, three local service clubs (Rotary, Kiwanis, and Soroptimist), and a community meeting in Orangevale.

Included with this staff report is CHWD's comprehensive budget document, which outlines the District's planned programs and projects for the upcoming year, based on the proposed revenue and expenditure plan.

The 2026 Budget was developed to further the District's mission of providing a dependable supply of safe, high-quality water in an efficient, responsive, and affordable manner. It integrates the Board's Strategic Planning goals and objectives, along with input from District leadership. Staff recommends adoption of the proposed 2026 Budget, as it achieves a balanced approach between maintaining exceptional service and managing costs responsibly.

The 2026 Budget also continues the District's practice of allocating staff time and associated salary and benefit costs to capital improvement projects. This approach provides a clearer understanding of the true cost of both daily operations and long-term capital investments.

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

Operating and Maintenance Budget

The Operating and Maintenance (O&M) Budget for 2026 totals \$18.3 million (excluding transfers to reserves), reflecting an overall increase of approximately \$1.1 million. This growth is primarily driven by ongoing planning and implementation efforts for Project 2030 – Water Main Replacement Program. Key initiatives include expanded non-invasive condition assessments, completion and initial implementation of the Water Distribution System Master Plan, and continued progress on Facilities Modernization and Expansion (FME) projects.

The 2026 Proposed Budget for purchased water shows an increase of \$156,000, totaling \$3.3 million, compared to the 2025 Adopted Budget, maintaining its position as the District's largest

single expenditure. Salary and benefits are also expected to rise due to higher employer costs, including pension contributions and health insurance premiums. The budget adds two new Full-Time Equivalent (FTE) positions to strengthen operational capacity, support Project 2030 implementation, and enhance efforts in grant acquisition and customer engagement. Further, \$1,000,000 in Salaries and Benefits, and Services and Supplies costs have been allocated to the Capital Improvement Budget to account for staff time and materials related to the planning, design, construction, and inspection of capital projects.

Designated Reserves Transfers

The proposed 2026 budget complies with all District fund balance policies and maintains the required levels in designated reserves.

It also includes the following recommended transfers:

- \$500,000 to the Water Supply Reserve
- \$2,400,000 to the Water Main Replacement Reserve – Project 2030
 - \$2,257,294 from the Project 2030 Dedicated Charge
 - \$142,706 from interest earnings within the Water Main Replacement Reserve

Capital Improvements Budget

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

- **Groundwater Wells:** About \$5.1 million is allocated to complete construction of the District's eighth groundwater well (Well #8). The District has been awarded \$6.6 million in State and Federal funding for the construction of Wells #7 and #8, with \$1.5 million of that grant funding included in the 2026 CIP budget. Because external funding sources are limited, the District continues to pursue non-ratepayer funding opportunities whenever possible.
- **Water Main and Operational Projects:** The 2026 CIP budget includes \$3.3 million for ongoing Water Main Projects and \$2.7 million for annual operational-related CIP projects.
- **Infrastructure and Facilities:** Major investments in Project 2030—the District's Facilities Modernization and Expansion (FME) initiative—will continue through 2026 and 2027. The 2026 budget allocates approximately \$13 million for the project at the Madison Avenue and Sylvan Corporation Yard sites.
- **Enterprise System Implementation:** The budget also includes \$350,000 carried forward for the implementation of a new Enterprise Resource Planning (ERP) system, designed to streamline financial, operational, and customer service processes.

Public Information and Public Engagement Program for the 2026 Budget

Staff continues with CHWD's public education/outreach strategy to help inform customers concerning key issues facing the District (e.g., increasing costs from San Juan Water District, aging infrastructure that is in need of replacement, and the importance for the District to continue its groundwater well development program).

Key channels for educating and engaging customers include: Hand-outs/Mailers; budget and funding information on CHWD's website; meetings with stakeholder audiences; "road show" presentations provided by key staff (General Manager, Department Heads and other leadership staff) to the City's neighborhood associations, service organizations (e.g., Rotary, Kiwanis and Soroptimist); and use of the District's social media platforms.

RECOMMENDATIONS:

1. Conduct a Public Hearing on the proposed Budget for 2026; and
2. Adopt Resolution No. 18-2025, establishing the Fiscal Year 2026 Operating and Capital Improvement Budget

ATTACHMENT:

Resolution No. 18-2025 Establishing Fiscal Year 2026 Operating and Capital Improvement Budget

ACTION:

Moved by Director _____, Seconded by Director _____, Carried _____

CITRUS HEIGHTS WATER DISTRICT
RESOLUTION NO. 18-2025

RESOLUTION ESTABLISHING
FISCAL YEAR 2026 OPERATING AND CAPITAL IMPROVEMENT BUDGET
FOR CITRUS HEIGHTS WATER DISTRICT

WHEREAS, CITRUS HEIGHTS WATER DISTRICT has identified the costs of operating the District, providing capital improvements to the infrastructure of the District, and transfers to designated reserves for the Fiscal Year beginning January 1, 2026; and

WHEREAS, the District has prepared budgets setting forth the dollar amounts proposed for District operations, capital improvements, and designated reserve transfers as follows:

Operating Budget: \$21,153,802 and Capital Improvement Budget: \$25,843,756; and

WHEREAS, a noticed Public Hearing was held on November 12, 2025, for the purpose of receiving public comment on the proposed Fiscal Year 2026 Budget.

THEREFORE, BE IT RESOLVED, the Board of Directors of the CITRUS HEIGHTS WATER DISTRICT hereby adopts the Fiscal Year 2026 Budget (Exhibit A) accompanying this Resolution and which is incorporated herein by this reference.

PASSED AND ADOPTED by the Board of Directors of the CITRUS HEIGHTS WATER DISTRICT, this 12th day of November 2025, by the following vote, to-wit:

AYES: Directors:
NOES: Directors:
ABSTAIN: Directors:
ABSENT: Directors:

S E A L

RAYMOND A. RIEHLE, President
Board of Directors
Citrus Heights Water District

ATTEST:

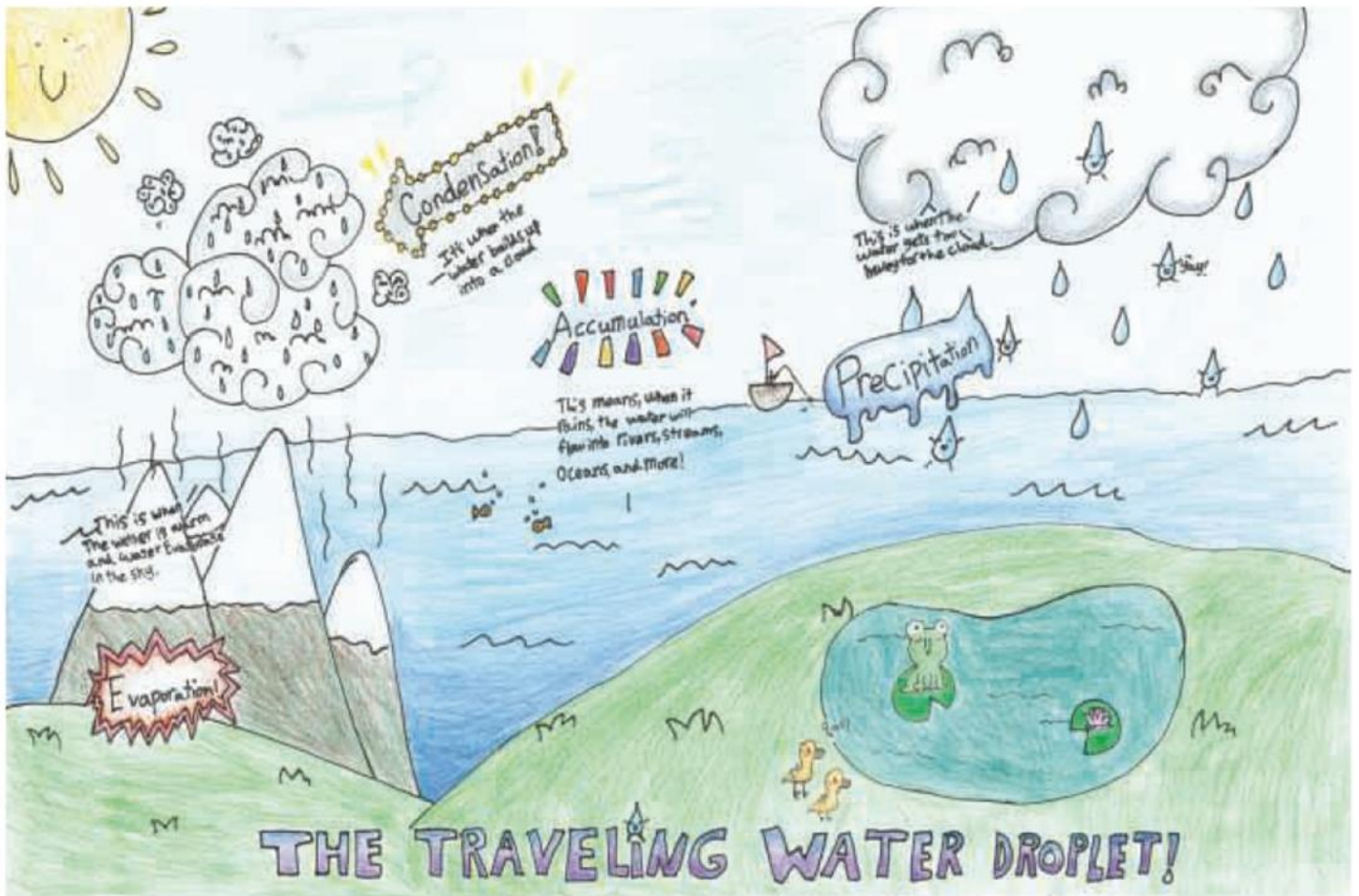
HILARY M. STRAUS, Secretary
Citrus Heights Water District

Exhibit A

2026 Annual Budget

2026

CITRUS
HEIGHTS
WATER
DISTRICT



Water Awareness Poster Contest Grand Prize Winner: Lyra Rutherford, Woodside K-8

CITRUS HEIGHTS WATER DISTRICT ANNUAL BUDGET

www.chwd.org

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

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



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

Board of Directors

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

Executive Staff

Hilary M. Straus, General Manager
Annie Liu, Director of Administrative Services
Melissa Pieri, Director of Engineering & District Engineer
Todd Jordan, Director of Operations
Mary Elise Conzelmann, Principal Public Affairs Analyst
Brittney Moore, Administrative Services Manager

Appointed Officers

Hilary M. Straus, Secretary
Annie Liu, Treasurer

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INTRODUCTION

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Distinguished Budget Presentation Award

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

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



Frequently Asked Questions about the budget

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



Letter of Transmittal



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

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

November 12, 2025

Honorable President and Members of the Board of Directors,

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

Agency History and Infrastructure/Asset Management

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

Water Mains and System Development

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

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

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

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

Infrastructure Renewal and Project 2030

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

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

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

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

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

Cooperative Purchasing and Asset Management

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

Groundwater Wells

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

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

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

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

Other Issues Impacting CHWD's Budget

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

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

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

Focus on Long-Range Planning

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

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

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

Reserve Policies and Special Funding

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

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

Strategic Planning

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

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

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

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

Public Education/Outreach

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

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

Focus on Non-Ratepayer Revenue

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

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

Implementation of Investment Strategy

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

Pursuit of Grants

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

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

Operating and Capital Budget Highlights

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

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

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

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

District's Capital Improvement Program (CIP)

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

Conclusion

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

Respectfully submitted,

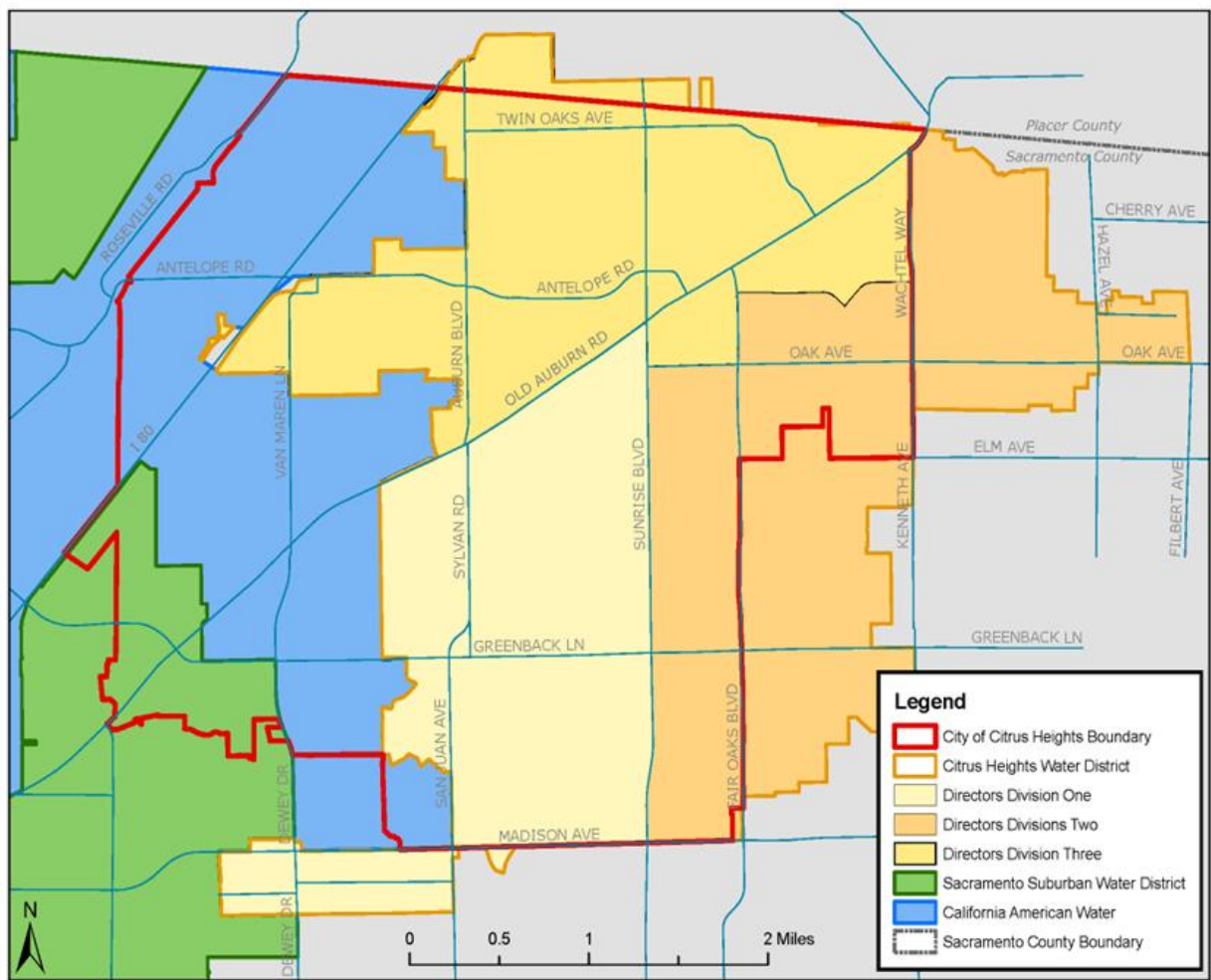


Hilary M. Straus
General Manager

About the District

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

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

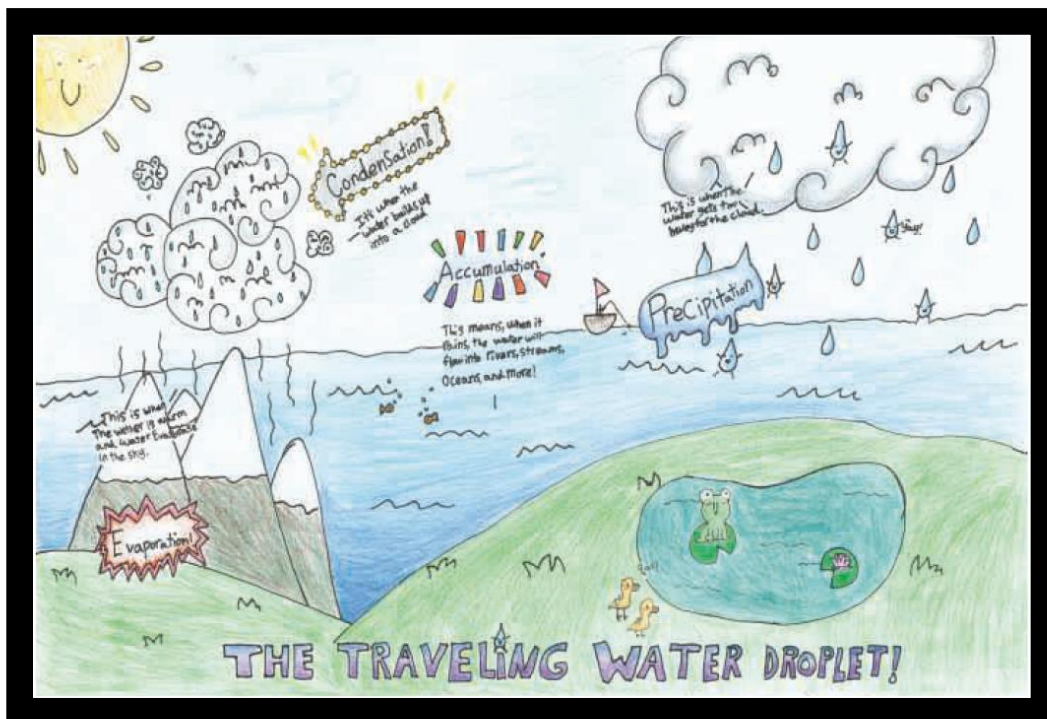


CHWD Service Area

Water Efficiency Programs

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

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



Poster Contest 1st Place Winner, 2025

Governance and Organizational Structure

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

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

Water Supply

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

Demographic and Economic Statistics

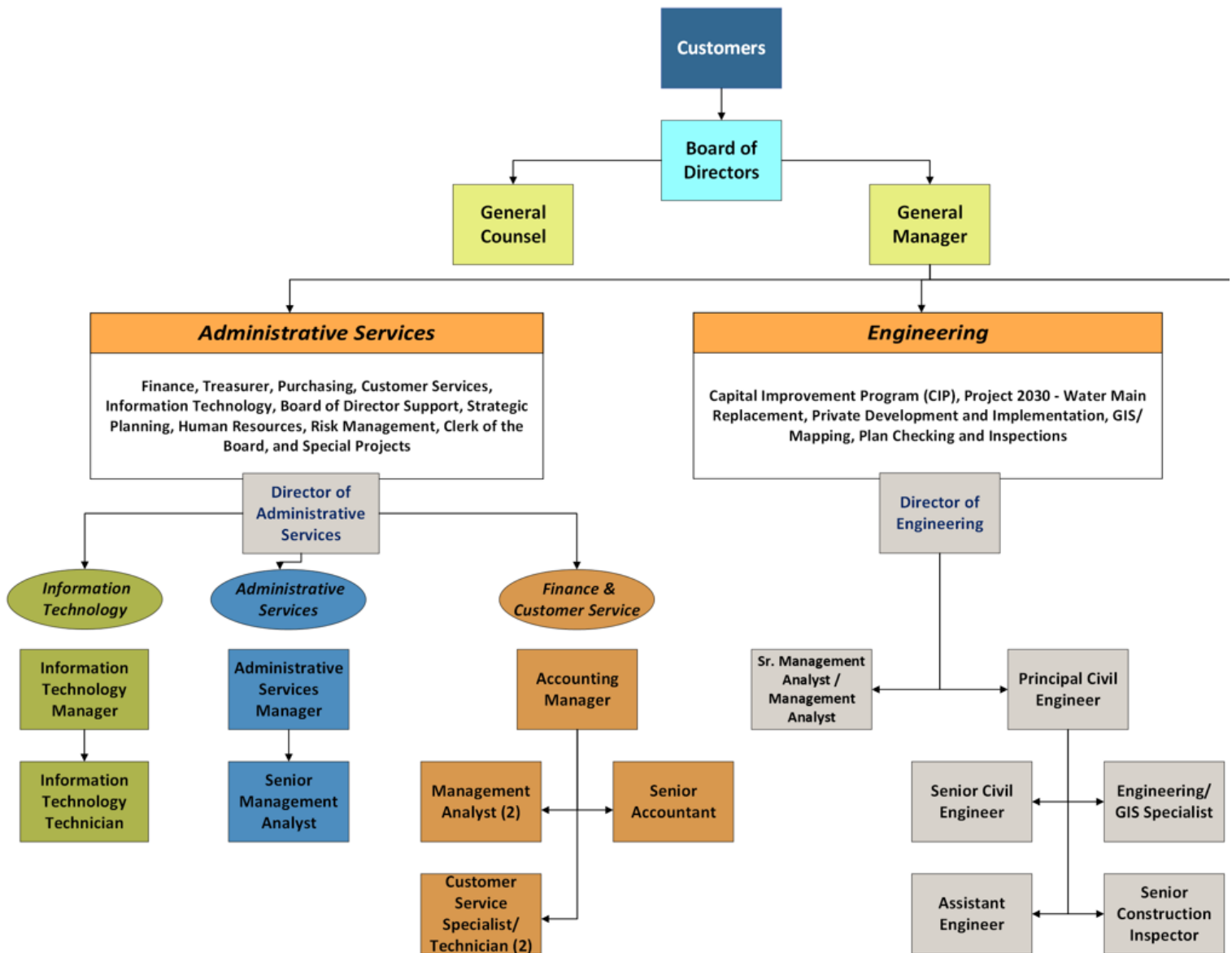
Demographic and economic statistics are presented for the City of Citrus Heights (City) and Sacramento County (County) because data specific to the District's service area are not available. The District includes portions of both the City and unincorporated areas of the County; therefore, information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

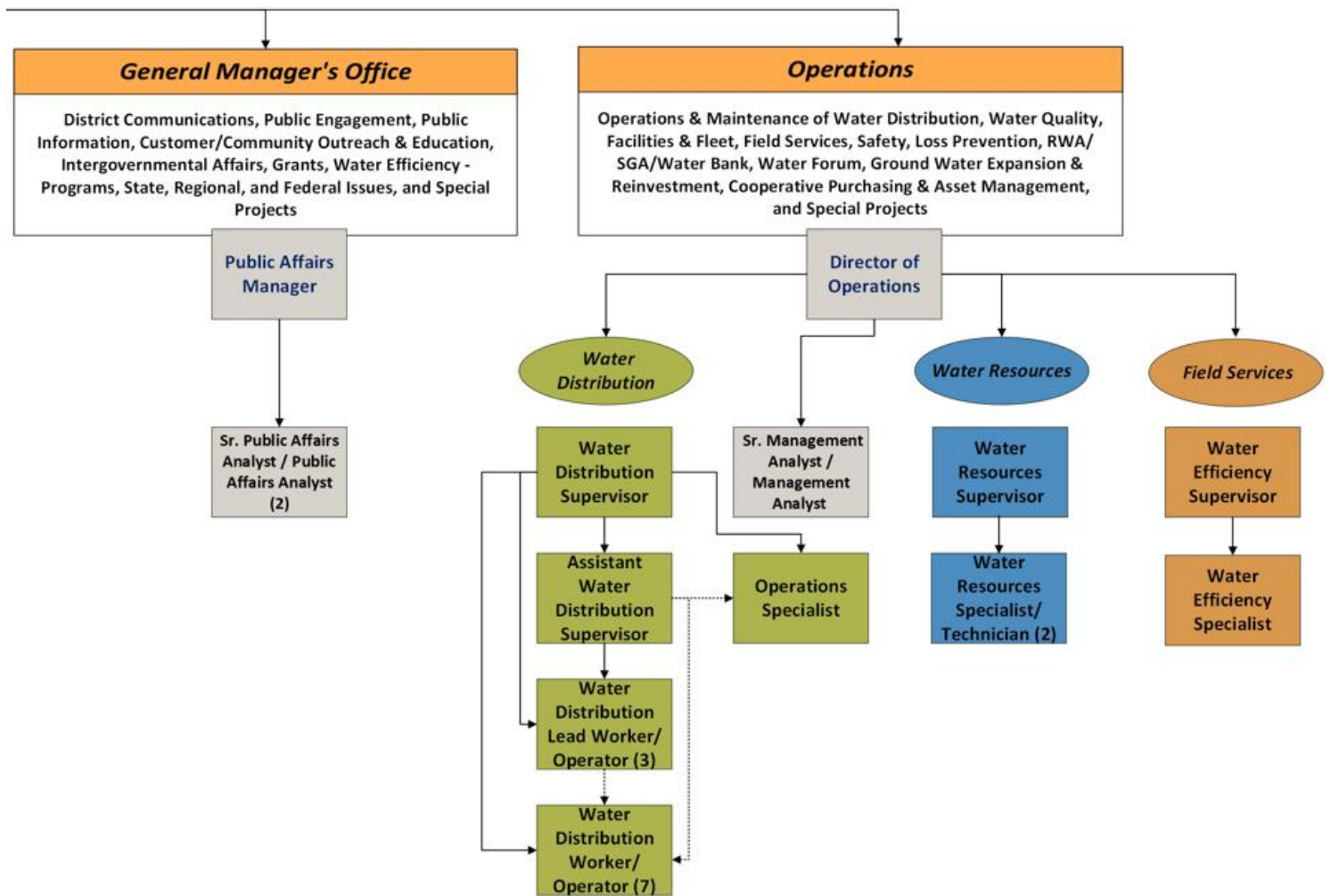


Well #7

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Organizational Chart





Strategic Planning

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



Strategic Planning Process Overview

KEY ISSUES FOR 2026

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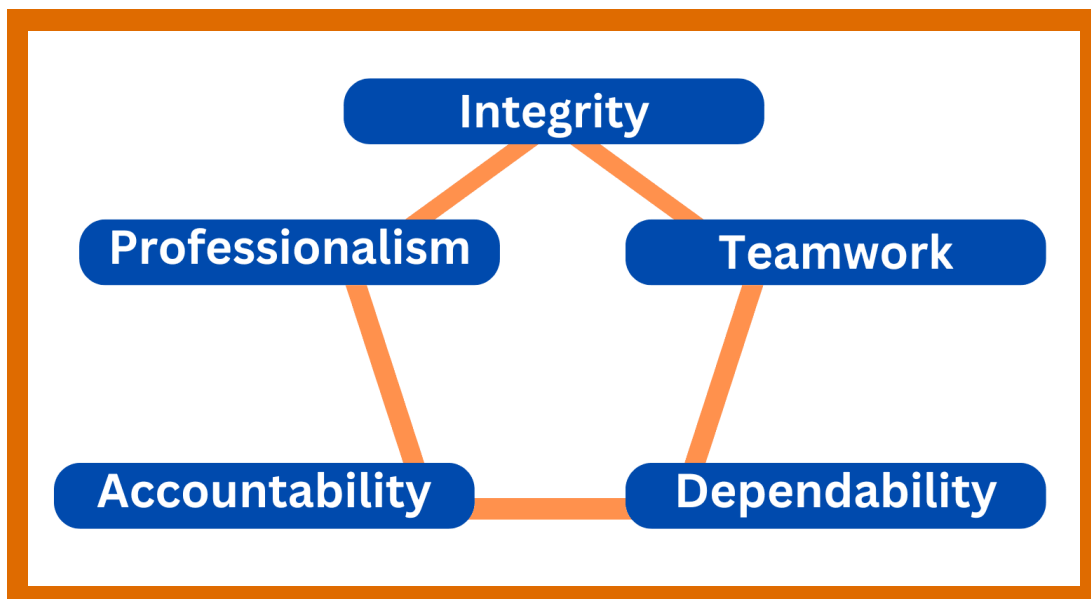
Our Mission

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

Our Vision

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

Our Values



Our Decision-Making Principles

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

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

Strategic Plan Goals and Objectives

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

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

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

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

The following are the goals and objectives identified for 2026:

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

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

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

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

Strategic Plan Goal:	Engage Customers and Communicate the District's Priorities Value-Added Programs
#	OBJECTIVES
1	Increase customer awareness and favorability of the District through outreach using both traditional and digital media, as well as in-person engagement opportunities. Conduct market research and use the data collected to inform and evaluate effectiveness of the strategy and beyond. Special focus on CHWD key pillars: • Project 2030 water main replacements • Groundwater expansion and reinvestment • Asset management
2	Advocate for and protect customer interests with regard to legislative and regulatory issues and through intergovernmental relations. Monitor and analyze activities that impact CHWD's policies, operations, capital, finances, and water supply; and update customers on relevant matters.
3	Implement a comprehensive customer engagement strategy that fosters meaningful connections with the community, including the CAC, Garden Corps, neighborhood associations, community organizations, service clubs and businesses. Enrich the experience for participants and empower them to act as ambassadors for CHWD.
4	Develop and implement a strategy to secure grants, loans, and other non-rate payer funding to offset customer costs.

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

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



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

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

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

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

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

Long-Term Financial Planning

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

- **Project 2030 Water Main Replacement Plan** – Developed through the strategic planning process, this plan serves as a cornerstone strategy for engaging customers in long-range water main replacement initiatives. It aims to educate customers about existing challenges and outline the steps being taken to maintain water supply reliability and address aging infrastructure.



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

Budget Overview

Table 1

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

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

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

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

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

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

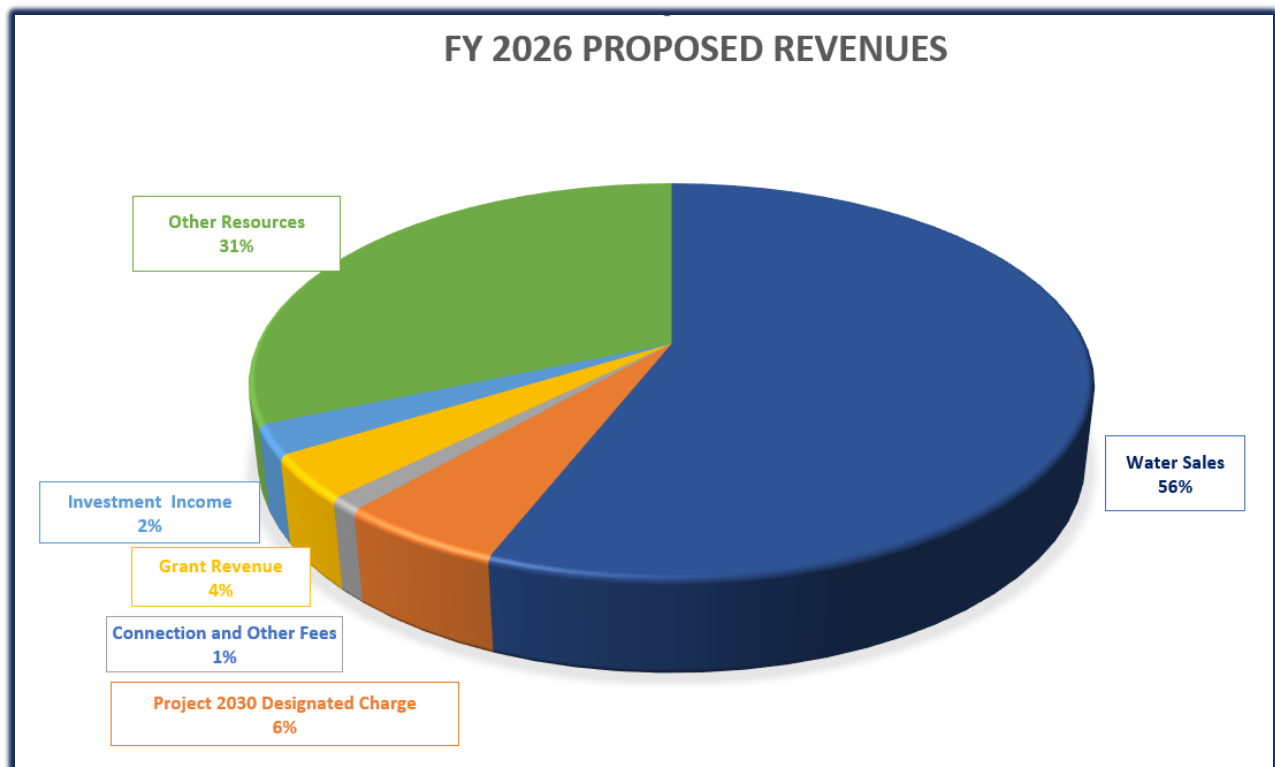
This initiative will significantly expand the District’s annual infrastructure replacement efforts, funded through the Project 2030 Dedicated Charge. In addition, \$500,000 will be transferred to the Water Supply Reserve to continue the District’s efforts to invest in and reinvest in groundwater supplies.

Financial Highlights

Projected Revenue:

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

Table 1b



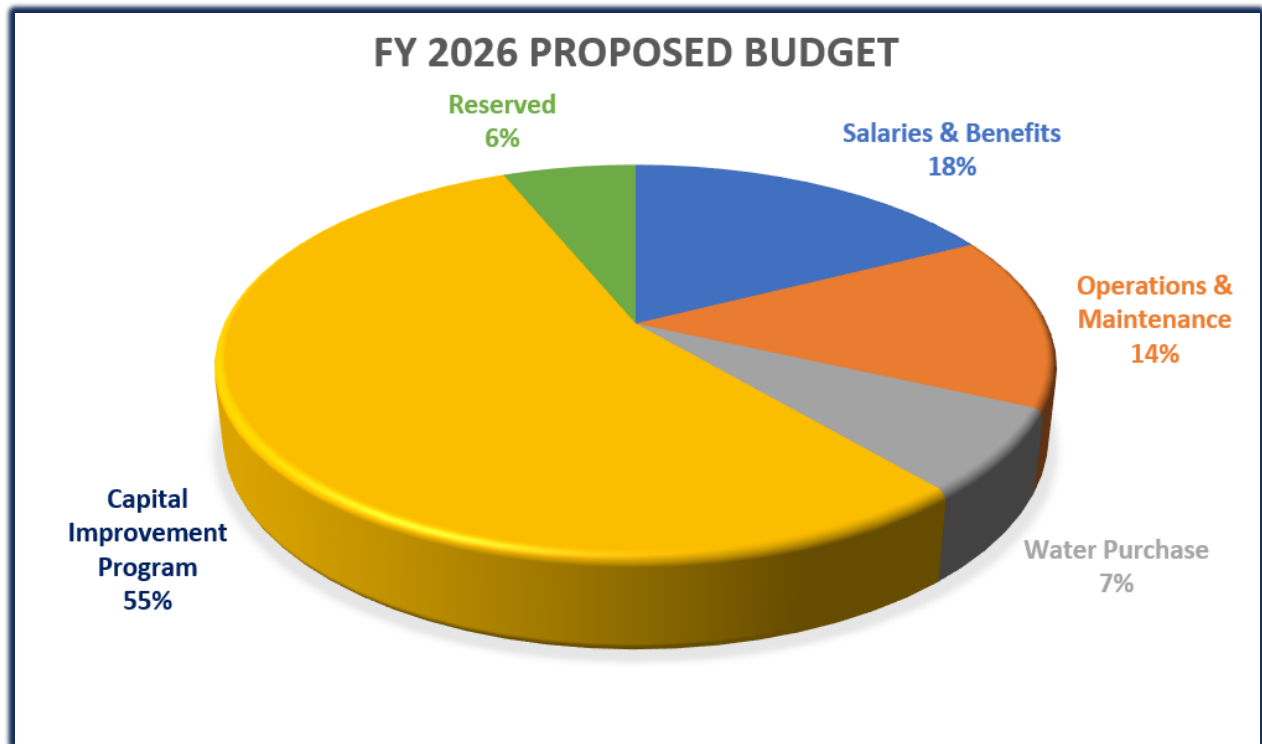
Beginning in 2026, the District will implement a comprehensive funding approach designed to promote intergenerational equity. This strategy leverages financing tools to distribute project costs more evenly among current and future customers who will benefit from long-term capital investments—such as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

Operating Budget:

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

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

Table 1c



Capital Improvement Budget:

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

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

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

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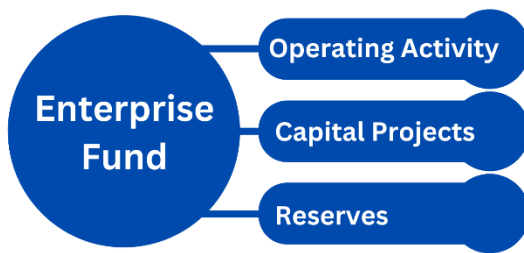


FINANCIAL POLICIES & GOALS

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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.

CHWD defines a balanced budget as one in which current revenues meet or exceed current expenditures, though the District may also consider the use of reserves and other financing resources as appropriate to maintain balance.

Financial Model

The Government Finance Officers Association of the United States and Canada (GFOA) recommends that government agencies prepare multi-year forecasts of revenues and expenditures as part of the budget process. This practice is considered a key component of sound financial management and long-term planning.

In 2013, the District partnered with NBS Government Finance Group to develop a ten-year financial model, which was first utilized in preparing the 2014 Annual Budget. The model incorporates historical and projected revenues and expenditures, economic and demographic trends, and cash flow assumptions to estimate the District's financial position over time.

This modeling approach supports the development of appropriate service rates to achieve targeted financial outcomes. Often referred to as priority-based budgeting, this method helps define organizational goals, establish spending priorities, and ensure the best possible value for ratepayers.

In 2019, the District engaged Raftelis Financial Consultants to update the financial model, which was subsequently refined with assistance from IB Consulting. Regularly updating the model's assumptions and inputs is considered best practice, as conditions and financial factors evolve over time. During this update, the District also reexamined its rate structure to confirm that cost allocations remained equitable across different meter sizes.

The analysis concluded that adjustments to the fixed portion of the rate structure were necessary to better reflect the actual demand each meter size places on the water system. The updated financial model, including the rate calibration component, was presented to the Board of Directors in August 2019.

Five-Year Forecast

Table 2 illustrates the District's projected revenues and expenditures over the 2025–2029 period. The forecast assumes steady revenues in the absence of rate increases. Expected increases in operating costs follow the 10-year average Consumer Price Index (CPI) for San Francisco, while construction cost growth reflects the 5-year average Engineering News Record Construction Cost Index (ENRCCI) for San Francisco.

Table 2

	2024 Actual	2025 Estimated	2026 Proposed	2027 Projected	2028 Projected	2029 Projected
Revenues						
Water Sales	\$ 18,583,311	\$ 21,787,740	\$ 23,138,948	\$ 23,138,948	\$ 23,138,948	\$ 23,138,948
Connection and Other Fees	236,324	\$ 434,953	\$ 443,469	\$ 443,469	443,469	443,469
Project 2030 Dedicated Charge	1,331,779	\$ 2,142,903	\$ 2,260,833	\$ 2,260,833	2,260,833	2,260,833
Grant Revenue	-	\$ 4,500,000	\$ 1,500,000	-	-	-
Other Resources			\$ 13,000,000	\$ 15,000,000		
Investment and Other Income	279,098	1,100,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Revenues	20,430,512	29,965,596	41,343,250	41,843,250	26,843,250	26,843,250
Expenses						
Salaries and Benefits	6,395,696	6,828,041	8,220,715	9,926,375	10,561,982	11,239,119
Water Purchases	2,845,767	3,127,035	3,283,400	3,283,400	3,283,400	3,283,400
Other Operating & Maintenance Costs	3,603,266	4,387,971	6,749,687	6,461,446	7,204,814	7,888,501
Debt Service	61,786	174,338	170,788	2,027,000	2,031,000	2,024,000
Transfers to Reserves	1,731,779	2,400,000	2,900,000	2,900,000	2,900,000	2,900,000
Total Expenses	14,638,294	16,917,385	21,324,590	24,598,221	25,981,196	27,335,020
Operating Income before Capital Outlay	5,792,218	13,048,211	20,018,660	17,245,029	862,054	(491,770)
Capital Outlay	2,288,321	12,123,966	25,843,756	12,599,628	10,066,777	6,378,745
Beginning Net Position	18,007,549	23,243,223	26,567,468	23,642,372	31,187,773	24,883,050
Operating Revenues	20,430,512	29,965,596	41,343,250	41,843,250	26,843,250	26,843,250
Operating Expenses	(12,906,515)	(14,517,385)	(18,424,590)	(21,698,221)	(23,081,196)	(24,435,020)
Capital Outlay	(2,288,321)	(12,123,966)	(25,843,756)	(12,599,628)	(10,066,777)	(6,378,745)
Ending Net Position	\$ 23,243,223	\$ 26,567,468	\$ 23,642,372	\$ 31,187,773	\$ 24,883,050	\$ 20,912,535

This forecast reflects the easing impact of lower inflation on operating costs, though inflation remains higher than in previous years. At the same time, construction expenses are expected to rise, mainly due to increasing material costs. Together, these factors shape the District's overall financial outlook.

The forecast continues to focus on key goals: building up the Water Main Replacement Reserve to prepare for future main replacement projects outlined in the Project 2030 Water Main Replacement Study, maintaining healthy reserve balances, and supporting the construction of the District's groundwater wells.

CHWD's Budget Process

The District's budget process begins with a Strategic Planning meeting, typically held in May through July of the preceding year. The Board adopted the current Strategic Plan for 2026 in May 2025. Guided by the 10-year financial model, the Administrative Services Department prepares the District's revenue budget with input from department managers and supervisors across CHWD.



Meanwhile, the Engineering and Operations Departments review the 30-year Capital Improvement Plan and short-term priorities to develop the annual capital budget.

Using the goals and objectives established by the Board of Directors, CHWD leadership, and community stakeholders, each department drafts an operating budget, which is then reviewed by the General Manager. The draft budgets are presented to the Board in August or September during a study session, along with any recommended rate adjustments.

Following the presentation, the Board provides direction to District staff—either requesting revisions or authorizing continuation of the budget process. Once authorized, staff finalize the proposed budget and, if required, issue a customer notice in accordance with California Proposition 218 (Prop 218), outlining the maximum rate adjustment under consideration for a public hearing. The final budget is then presented for Board approval at a public hearing held in November or December.

Budget Amendments/Adjustments

Throughout the fiscal year, adjustments to line items in the operating or capital budgets may be necessary. These adjustments can include transferring funds between operating accounts, among capital projects, or between operating and capital budgets. The General Manager has authority over budgetary control within the limits established by CHWD's Financial Policies. Any transfers or amendments that exceed the General Manager's authority require approval from the Board of Directors.

Budget Controls

The Administrative Services Department oversees regular budget monitoring through detailed budget-to-actual analyses for both operating and capital budgets, supplemented by purchase order tracking for major expenditures. Budget to actual comparison reports

are also reviewed by the General Manager and executive team and are submitted to the Board of Directors each month.

2026 Budget Development Schedule

Table 3

Item	Start	Due Date
Strategic Planning	5/7/25	5/7/25
Departments work on Operating & Maintenance (O&M) and Capital Budgets for 2026	5/5/25	6/5/25
Finance team and Department Heads review and assemble requested information	6/9/25	6/19/25
Prepare workshop staff report and presentation Finalize slides for Workshop	6/23/25	8/17/25
Budget Workshops	8/18/25 & 9/2/25	9/2/25
Calculate and Develop 2026 Misc. Charges and Fees	7/1/25	9/15/25
Public Outreach	Mid September	Mid November
Present Proposed Budget, Rate and Fees to Board of Directors at Public Hearing	11/12/25	11/12/25

Financial Policies

CHWD's financial policies encompass the District's key financial management practices that guide both operational and strategic decision-making. They also provide a framework for the Board of Directors and community stakeholders to evaluate the District's financial performance and ensure fiscal accountability. These policies are reviewed annually to address minor updates or major shifts in financial priorities, as determined by the Board. A comprehensive review and update of the financial policies was completed in 2020, with subsequent annual revisions reflecting the most recent changes.

Basis of Presentation – Fund Accounting: The District's basic financial statements are prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities. The Governmental Accounting Standards Board (GASB) establishes these principles as the authoritative standards-setting body for governmental accounting and financial reporting. The District is accounted for as an enterprise fund and adheres to all relevant GASB pronouncements in its accounting and financial reporting. The District's significant accounting policies are summarized below.

Investment Policy: The Board has adopted an Investment Policy that complies with state law, CHWD ordinances and resolutions, principles of prudent money management, and the "prudent person" standard. The policy's primary objectives are safety, liquidity, and yield. Currently, District funds are invested in a range of securities authorized under this policy. CHWD remains committed to maximizing returns and adapting to changing market conditions within the limits of local government investment regulations.

Reserves Policies: The District maintains ten reserve accounts, each governed by policies that support both daily operations and long-term capital improvement programs. These funds are dedicated to maintaining, repairing, replacing, and improving water system infrastructure. Strong reserve levels, paired with prudent financial policies, ensure flexibility to manage unexpected costs or revenue changes.

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.

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

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 primarily funds capital improvement needs on a pay-as-you-go basis. However, the District has occasionally issued debt to finance major capital projects. All debt instruments are secured by net revenues generated from water system operations, and no new debt may be issued that would take priority over existing parity obligations under current covenants. While the District traditionally emphasizes pay-as-you-go financing, it is currently considering a potential debt issuance within the next 12–18 months to support key infrastructure initiatives, including the Facility Modernized and Expansion project - Workflow #6 of 2030 Water Main Replacement Project. This strategy will help ensure sufficient resources for these essential long-term investments.

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

Debt Service Schedule

Table 5

Fiscal Year Ending December	2012 Revenue Refunding Bonds		
	Principal	Interest	Total Payment
2025	110,000	60,588	170,588
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
2030-2033	600,000	80,587	680,587
Total	<u>\$1,520,000</u>	<u>\$541,350</u>	<u>\$2,061,350</u>

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OPERATING BUDGET

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Operating Revenue, Expense, and Net Position

Operating Budget

Table 6

	2024 Actual	2025 Adopted	2025 Estimated	2026 Proposed
Revenues				
Water Sales	18,583,311	\$ 18,248,406	\$ 21,787,740	\$ 23,138,948
Connection and Other Fees	236,324	213,400	434,953	443,469
Project 2030 Dedicated Charge	1,331,779	2,257,294	2,142,903	2,260,833
Grant Revenue	-	5,137,000	4,500,000	1,500,000
Other Resources	-	-	-	13,000,000
Investment and Other Income	279,098	447,213	1,100,000	1,000,000
Total Revenues	20,430,512	26,303,313	29,965,596	41,343,250
Expenses				
Salaries and Benefits	6,395,696	7,737,430	6,828,041	8,220,715
Other Operating & Maintenance Costs	3,603,266	6,447,521	4,387,971	6,749,687
Water Purchase	2,845,767	3,127,035	3,127,035	3,283,400
Debt Service	61,786	170,788	174,338	170,788
Total Operating Expenses	12,906,514	17,482,774	14,517,385	18,424,590
Transfers to Reserves	1,731,779	2,400,000	2,400,000	2,900,000
Total Expenses	14,638,293	19,882,774	16,917,385	21,324,590
Operating Income before Capital Outlay	5,792,219	6,420,539	13,048,211	20,018,660
Capital Outlay	2,288,321	18,339,387	12,123,966	25,843,756
Net Change in Fund Balance				
Operating Revenues	20,430,512	26,303,313	29,965,596	41,343,250
Operating Expenses	(12,906,514)	(17,482,774)	(14,517,385)	(18,424,590)
Capital Outlay	(2,288,321)	(18,339,387)	(12,123,966)	(25,843,756)
Ending Net Position	\$ 23,243,226	\$ 17,245,237	\$ 26,567,471	\$ 23,642,375

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.

Table 7

Year	Surface Water Use (Acre Feet)	Groundwater Use (Acre Feet)	Total Water Use (Acre Feet)	Increase/Decrease
2024	10,783	687	11,470	6%
2023	9,719	1,124	10,843	-7%
2022	7,968	3,597	11,565	-4%
2021	7,749	4,334	12,084	-3%
2020	11,012	1,473	12,484	8%
2019	11,068	359	11,427	-3%
2018	9,941	1,842	11,783	1%
2017	10,910	713	11,623	7%
2016	9,597	1,173	10,769	7%
2015	9,133	841	9,973	-18%

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.

Table 8

	2023	2024	2025	2026
Consumption (per unit ccf)				
Per Unit CCF (No Tiers)	\$1.43	\$1.60	\$1.35	\$1.38
Service Charge (bimonthly)				
Commercial/Domestic/Irrigation 3/4"	\$60.35	\$55.71	\$72.77	\$71.57
Commercial/Domestic/Irrigation 1"	94.69	101.28	120.05	128.00
Commercial/Domestic/Irrigation 1-1/2"	151.92	177.23	198.85	222.05
Commercial/Domestic/Irrigation 2"	220.60	268.37	293.41	334.91
Commercial/Domestic/Irrigation 3"	438.07	556.98	592.85	692.30
Commercial/Domestic/Irrigation 4"	758.81	982.30	1,034.13	1,218.98
Project 2030 Designated Charge (bimonthly)				
Commercial/Domestic/Irrigation 3/4"	\$4.20	\$4.20	\$6.90	\$6.90
Commercial/Domestic/Irrigation 1"	10.50	10.50	17.25	17.25
Commercial/Domestic/Irrigation 1-1/2"	21.00	21.00	34.50	34.50
Commercial/Domestic/Irrigation 2"	33.59	33.59	55.20	55.20
Commercial/Domestic/Irrigation 3"	73.48	73.48	120.75	120.75
Commercial/Domestic/Irrigation 4"	132.30	132.30	217.35	217.35

Employees by Department

Changes to Authorized Positions

In 2026, the District will add two new positions: a Public Affairs Analyst and a Management Analyst in the Engineering Department. These additions will enhance staff capacity to support the Project 2030 – Water Main Replacement Program and strengthen the District's ability to pursue and manage multiple grant opportunities, thereby helping to reduce cost impacts on customers.

The District conducts an annual review of its Projected Staffing Requirements Report to ensure that each department remains appropriately staffed to meet operational and strategic goals.

Department	Position	FY24	FY25	FY26
General Manager's Office				
	General Manager	1.00	1.00	1.00
	Director of Public Affairs	1.00	1.00	-
	Public Affairs Manager	-	-	1.00
	Senior Public Affairs Analyst/Public Affairs Analyst	-	1.00	2.00
	<i>Total General Manager's Office</i>	2.00	3.00	4.00
Administrative Services				
	Director of Finance & Admin. Services	1.00	1.00	1.00
	IT 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	-	-	-
	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
	IT Analyst	-	1.00	1.00
	<i>Total Administrative Services</i>	11.00	11.00	11.00
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
	Senior Management Analyst	-	-	1.00
	<i>Total Engineering</i>	6.00	6.00	7.00
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>	20.00	20.00	20.00
Total FTE		38.00	40.00	42.00

Administrative Services Department



Administrative Services Staff

Positions, Administrative Services	FY24	FY25	FY26
	11.00	11.00	11.00

The Administrative Services Department oversees CHWD’s internal operations and organizational support functions. This includes Finance, Customer Service, Information Technology, Board of Directors Support, Human Resources, Risk Management, and special projects.

The Finance and Customer Service Division manages accounting, finance, billing, and customer relations.

Finance provides financial and administrative support across all departments, including budgeting, financial analysis, capital improvement program tracking, debt and treasury management, forecasting, rate setting, and purchasing. Accounting functions encompass accounts payable, payroll, grant reporting, cash and fixed asset management, and investment reporting. The division maintains all ledgers and ensures compliance with General Accepted Accounting Principles (GAAP), Government Accounting Standards Board (GASB), and state and federal reporting standards through strong internal controls.

Customer Service handles all water-related billing, payment processing, delinquent account notifications, and collection activities. The team also assists customers with new accounts, final bills, consumption issues, leaks, and general account inquiries.

The Information Technology Division manages and safeguards CHWD’s network, data, and information systems. Responsibilities include maintaining and improving the District’s website, communications infrastructure, and computer systems; providing technical support; and planning for future technology needs to ensure security and operational efficiency.

The Administrative Services Division supports the Board of Directors and facilitates effective communication between the Board and District staff. The division manages agenda preparation, Board authorization processes, legal notices, election coordination, and regulatory filings. It also leads strategic planning initiatives to enhance accountability and transparency within District operations.

Administrative Services also provides comprehensive Human Resources (HR) and Risk Management support for employees, retirees, directors, and dependents. This includes recruitment, training, workforce development, benefits administration, and safety programs. Benefits management covers health, dental, vision, and life insurance; disability programs; employee assistance; flexible spending accounts (FSA); and retirement programs such as deferred compensation and CalPERS.

Performance Indicators	Strategic Plan Item?	Actual 2024	Actual 2025	Target 2026
Increase efficiency through regular policy review and update; policy categories updated	Yes	5	6	5
Successful recruitment and onboarding of vacant District positions	Yes	4	19	2
Obtain Certificate of Achievement for District Annual Comprehensive Financial Report	No	Submitted and in the review process	Will submit after 2023 ACFR is completed	Yes

2025 Accomplishments

- Successful recruitments and on-boardings for Senior Accountant, Accounting Manager, Information Technology Technician, and Principal Public Affairs Analyst
- JPIA Risk Control Grant Program Submission Winner
- Conducted organizational wide “Six Types of Working Genius” Workshop
- Conducted “Leading a Cross-Generational Workforce” staff workshop
- Implemented Netfile to facilitate electronic Form 700 filings
- Completed the District’s Staffing Study refresh for 2026-2028

- Led overhaul of the District's Injury and Illness Prevention Plan (IIPP)
- Completed review of over 800 delinquent accounts as part of the annual tax levy process and recovered over half of the balances owed
- Completed the 2024 ACFR with "Clean" audit
- Received Government Finance Officers Association award for 2025 budget
- Implemented the Finance and Payroll modules of the new Enterprise Resources Planning (ERP) system
- Upgraded various IT infrastructure and Implemented various software applications
- Began implementation of remote deposit and comprehensive payables functionality
- Supported intergovernmental relations

2026 Key Initiatives

- Clerk of the Board
 - Records Management Program Audit
 - Brown Act Compliance
 - FPPC Compliance/ Filings
 - Public Meeting Management
 - Public Records Act Requests
 - Intergovernmental Relations/ Legislative & Regulatory Affairs Support
- Information Technology
 - Develop and implement a comprehensive five-year IT Roadmap
 - Continue phased implementation of the OnBase management system
 - Continue strength of cyber security
 - Implement Cloudflare
 - Implement BeyondTrust remote solutions
 - Upgrade current Cisco firewall to new Palo Alto Networks Firewall
- Finance
 - Continue implementation of the new ERP system, completing the following modules
 - Utility Billing
 - Capital Assets
 - Purchasing
 - Enhance purchasing processes and strengthen internal controls by updating the purchase order process and procedures
 - Revise Capital Assets policies and procedures to ensure alignment with grant requirements
- Risk Management
 - OSHA Reporting Compliance
 - Safety and Compliance Audits
 - Insurance and Liability Management
- Human Resources
 - Implement Organizational Development Program to enhance recruitment and retention initiatives
 - Implement Human Resources Management System (HRMS) and Employee Self Service (ESS) Modules in Springbrook Enterprise Resource Planning (ERP) System

Engineering Department



Positions, Engineering	FY24	FY25	FY26
	6.00	6.00	7.00

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 2024	Actual 2025	Target 2026
Perform non-invasive condition assessment on selected water mains	Yes	12,500 linear ft.	10,560 linear ft.	15,000 linear ft.
Approved private development projects	No	10	4	6
Work orders completed with mapping updates	No	800	675	800

2025 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
 - Water Main at Donnawood Way
 - Water Main at Greenback Lane
 - Water Main at Sayonara
- Construction started 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
 - Water Main at Sayonara
 - Water Improvements as part of the Auburn Boulevard Complete Streets Project
 - Continued Project 2030 Implementation Plan (Public Engagement, Funding Program and Technical Components – began Non-invasive Condition Assessment on 10,560 linear feet of Water Main)
- Began or completed Phase 4 Group 2, 3, and 4 of the District-wide Easement Project
- Continued the design of the Facilities Modernization and Expansion Project
- Completed the development of engineering design standards/procedures for development projects and engineering related policies
- Private Developments:
 - 3 Accepted Projects
 - 4 Approved Projects Currently Under Construction
 - 6 Approved Projects Awaiting Construction
 - 12 Projects Under Plan Review
- Updated Geographic Information System District Facility Map and completed 675 Work Orders with Mapping Updates

2026 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 Greenback Lane
 - Water Main at Donnawood Way
 - Water Main at Dove and Be Lazy Court
 - Water Main at Hoffman Lane
- Continue Project 2030 Implementation Plan (Public Engagement, Funding Program and Technical Components– perform Non-invasive Condition Assessment of 15,000 linear feet of Water Main)
- Begin construction of the Facilities Modernization and Expansion Project
- Continue easement acquisition for Phase 4 of the District-wide Easement Project

Operations Department



Operations Department Staff

Positions, Operations	FY24	FY25	FY26
	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 programs and customer support to promote efficient water use and help maintain state and local water management goals. The Department is made up of the following three divisions: Water Distribution, Water Resources and Field Services. 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 Field Services Division is responsible for water management 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 2024	Actual 2025	Target 2026
Complete Well #7	Yes	N/A	Nearing completion	Complete Well #7
Complete Well #8	Yes	N/A	Completed well drilling	Complete design and bid phase for well equipping
Pursue acquisition of 1-2 potential sites for well/water storage	Yes	One site identified	One site identified	Two sites identified
Continue implementation of the District's water meter testing program	Yes	Completed	Completed	Test 200 meters

2025 Accomplishments

- Completed well development for Well Site #8
- Completed 50% design of equipping for Well Site #8
- Replaced 297 water service connections
- Replaced 99 water meters
- Replaced 345 meter registers
- 5,577 USA Markings completed
- 2,100+ maintenance work orders completed
- Worked with the five-member Garden Corps for the District's plots at the Sylvan Ranch Community Garden
- Annual Poster Contest
- Two virtual and three in-person WaterSmart classes
- Smart Controller Direct Install Program: 13 installed YTD
- Pressure Reducing Valve Rebate Program: 13 rebates issued YTD
- Group Safety Presentations & Training, including trench safety, forklift training and First Aid/CPR training

2026 Key Initiatives

- Complete Construction of Well Site #7
- Complete design and bid phase for Well Site #8
- Profile analysis of Sylvan Well
- 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 cooperative purchasing program and/or participate in selected agency partnerships

General Manager's Office - Public Affairs



General Manager's Office Staff Photo

Positions, General Manager's Office	FY24	FY25	FY26
	2.00	3.00	4.00

Public Affairs, a division of the General Manager's Office, leads the District's communications, legislative and regulatory affairs, and public engagement. Public Affairs initiatives are reviewed and updated annually in alignment with the District's mission and the latest Strategic Plan.

Performance Indicators	Strategic Plan Item?	Actual 2024	Actual 2025 (YTD)	Target 2026
Increase the number of customer emails on the email listserv	Yes	15,281	16,047	16,850
Increase number of followers on CHWD social media platforms	No	2,735	2,825	2,993
Increase average monthly website traffic	No	5,817	5,584	6,108

2025 Accomplishments

- Planned, developed materials for, and held 5 Customer Advisory Committee meetings
- Led a CAC recruitment campaign and onboarded five new members and alternates
- Conducted CAC member insights interviews with seven members
- Planned and executed a well groundbreaking event for wells #7 and #8 to recognize and strengthen partnerships; event garnered over 500,000 media impressions
- Refreshed District brand to improve accessibility and visual consistency
- Created and distributed 6 double-sided customer bill inserts
- Created and distributed 2 printed and 3 digital WaterLine newsletters
- Increased email list by 519 contacts (to 16,080) (December 2024 through August 2025)
- Increased Facebook post engagement by 98% (December 2024 through August 2025)
- Increased YouTube video views by 154% (December 2024 through August 2025)
- Increased LinkedIn post engagement by 87% (December 2024 through August 2025)
- Facilitated tours and briefings for Supervisor Rodriguez and Senator Niello
- Established and fostered relationship with the State Water Board to explore non-ratepayer funding, such as the emerging contaminants funding
- Managed advocacy efforts for the District's awarded \$3.53M Healthy Rivers and Landscapes grant; partnered with Regional Water Authority staff
- Published 6 press releases to boost media presence
- Planned, executed, and moderated a session at ACWA JPIA Spring Conference - "Securing our Water Future: Building Support for Infrastructure and Cultivating Leaders"
- Attended and represented the District at 7 community events and anticipate attending 3 more by the end of 2025
- Produced over 15 videos

2026 Key Initiatives

- Develop key pillars messaging and branding
- Pursue non-ratepayer funding
- Develop customer communication for enterprise resource management and billing platform transition
- Transition water efficiency programs from Operations to Public Affairs
- Foster intergovernmental relations



CAPITAL BUDGET

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Capital Expenditures

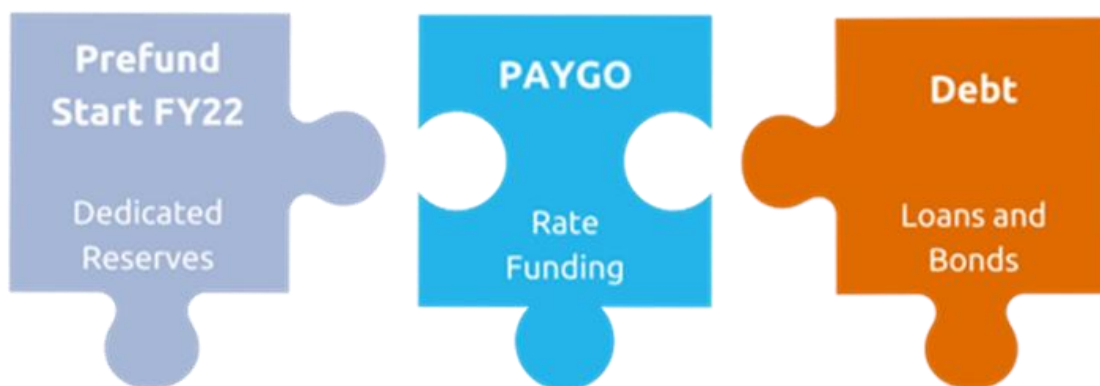
Impact of Capital Investments on Operating Budget and Funding for Capital Projects

Capital Expenditures represent funds used for Capital Improvement Projects (CIPs), which involve the purchase, construction, expansion, or replacement of District facilities, infrastructure, and equipment. These expenditures are capitalized upon project completion and depreciated over the asset's useful life, based on its classification.

The District was established in the 1920s as an irrigation district. During the period of rapid urban development between 1960 and 1985, most of the District's infrastructure was constructed by private developers and inspected by District staff. Looking ahead, a substantial increase in water main replacements is anticipated beginning around 2030, as the mains installed in the 1960s reach their typical 70-year service life.

To proactively address this need, the District adopted the Project 2030 Water Main Replacement Study (Study) on June 29, 2021. The Study estimates that 72% of the water mains will need to be replaced by 2080 at a replacement cost of up to \$540 million (in 2018 dollars).

To meet these long-term capital demands, the District is considering a range of funding strategies, including pay-as-you-go (PAYGO), debt financing, grant funding (when available), and advance funding (Prefunding) through the appropriation of current resources for future needs.



Until 2025, CHWD's capital projects have primarily been financed on a pay-as-you-go basis using rate revenue. However, as the District advances into the implementation phase of the Project 2030 Water Main Replacement Program, continuing to rely solely on a pay-as-you-go approach—where current customers bear the full cost of long-term infrastructure that will also benefit future generations—would place an inequitable and unsustainable burden on today's ratepayers.

Starting in 2026, the District will implement a comprehensive funding strategy that promotes intergenerational equity. Through the use of financing tools, this approach distributes the costs of major capital investments—such as the Facilities Modernization and Expansion (FME) Project and the 2030 Water Main Replacement Program—more equitably among current and future customers who will benefit from these improvements. This structure reduces immediate rate pressure while ensuring future customers contribute to the long-term investments that serve them. The 2026 budget includes \$13 million in financing proceeds classified as other resources.

The 2026 Budget includes \$25.8 million in total capital expenditures, accounting for 53% of the District’s overall annual budget. This represents the largest capital project budget in the District’s more than 100-year history.

To fund these significant investments, the CHWD team continues to actively pursue grant opportunities to support capital and infrastructure initiatives. As of 2025, the District has successfully secured \$6.637 million in federal and state funding, which will help finance two new Aquifer Storage and Recovery (ASR) projects. These grants play a vital role in reducing the financial burden on ratepayers for essential capital improvements. Although non-ratepayer funding opportunities remain limited, the District is committed to seeking external funding whenever possible.

Annual Capital Projects include ongoing infrastructure replacements such as water mains, water services, and fire hydrants, as well as fleet vehicle replacements due to maintenance needs or obsolescence.

Table 10 provides a summary of the District’s 2026 Capital Expenditures.

Table 10

Project Title	2025 Revised Budget	2025 Carried Budget to 2026	Additional in 2026 Requested Budget	2026 Requested Budget
Auburn Blvd-Rusch Park Placer	664,989	250,000		250,000
Well #7 Design & Construction (Ella)	4,283,277	500,000		500,000
SACOG AC Overlay Phase 1	55,000			
Well #8 Highland Well	4,101,787	2,901,787	2,229,213	5,131,000
Fleet & Field Operations Eqpm	106,834			
Annual Water Main Pipeline Rep	31,500			
Water Service Connections	407,000			
Minnesota Drive	500,000			
Fair Oaks Blvd at Leafcrest Wy	400,000			
Menke Way	103,000	103,000		103,000
Annual Facilities Improvements	112,000	112,000		112,000
Annual Water Main Pipeline Rep	53,000	33,000		33,000
Annual Valve Replacements	135,000	50,000		50,000
Annual Water Service Connections	1,510,000	500,000		500,000
Annual Water Meter Replacement	130,000			
Annual Fire Hydrants Repl, Upg	175,000	50,000		50,000
Annual Groundwater Wel Improve	200,000	50,000		50,000
Annual Other City Partnerships	100,000			
Misc Infrastructure Projects	100,000			
Greenback Lane from Birdcage to Burich	900,000	770,000	400,000	1,170,000
Greenback - Sunrise Blvd to Bi	100,000	45,000	833,000	878,000
Donnawood	100,000	48,000	457,000	505,000
Facilities Modernization & Expansion Project (6230 Sylvan Road)	50,000		3,000,000	3,000,000
ERP System	500,000	350,000		350,000
SCADA Upgrade	120,000		120,000	120,000
Facilities Modernization & Expansion Project (7803 Madison Ave)	2,950,000		9,982,756	9,982,756
Sayonara Drive	451,000	6,000	-	6,000
Total Ongoing Projects	\$ 18,339,387	\$ 5,768,787	\$ 17,021,969	\$ 22,790,756
Annual Fleet & Field Operations Equipment			150,000	150,000
Annual Technology Hardware & Software			100,000	100,000
Annual Facilities Improvements			50,000	50,000
Annual Water Main Pipeline Replacement (Small)			53,000	53,000
Annual Valve Replacements			135,000	135,000
Annual Water Service connections			1,510,000	1,510,000
Annual Water Meter Replacement			130,000	130,000
Annual Fire Hydrants - Repl, Upgrades, Lnfill, New			175,000	175,000
Annual Groundwater well Improvements			200,000	200,000
Other City Partnerships			100,000	100,000
Misc Infrastructure Projects			100,000	100,000
Total New Annual Projects	\$ -	\$ -	\$ 2,703,000	\$ 2,703,000
Dove and Be Lazy Court			350,000	350,000
Total New Projects	\$ -	\$ -	\$ 350,000	\$ 350,000
FY 2026 Totals	\$ 18,339,387	\$ 5,768,787	\$ 20,074,969	\$ 25,843,756

Capital Project Listing

Auburn Blvd-Rusch Park Placer

Category:	Infrastructure	Estimated Spending (CY 2025):	\$414,989
		Budgeted Spending CY 2026:	\$250,000

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.

Menke Way

Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$103,000

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.

Greenback - Sunrise Blvd to Birdcage

Category:	Infrastructure	Estimated Spending (CY 2025):	\$55,000
		Budgeted Spending CY 2026:	\$878,000

The City of Citrus Heights plans to repave Greenback Lane from Sunrise Blvd to Birdcage. 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 Sunrise Blvd to Birdcage prior to the City's paving project.

Greenback Lane from Birdcage to Burich

Category:	Infrastructure	Estimated Spending (CY 2025):	\$130,000
		Budgeted Spending CY 2026:	\$1,170,000

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

Category:	Infrastructure	Estimated Spending (CY 2025):	\$52,000
		Budgeted Spending CY 2026:	\$505,000

The Donnawood Way project consists of abandoning in place a 1967 4" ACP water main which is nearing the end of its expected life span. A new 8" CL 305 PVC water main will be installed in the roadway and tied into the existing system at Cross Dr (6") and Drywood Way (12"). The project also includes the installation of a fire hydrant which will provide for fire protection that meets current standards.

Sayonara Drive			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$445,000
		Budgeted Spending CY 2026:	\$6,000
The Sayonara Drive project consists of abandoning in place a 1962 6" ACP water main which is nearing the end of its expected life span. A new 8" CL305 PVC water main (884 linear feet) will be installed in the roadway and tied into the existing system. The project also includes the installation of 19 water services and one fire hydrant.			

Dove and Be Lazy Court			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$350,000
The Dove and Be Lazy Court project consists of abandoning in place a 1958 4" ACP water main. A new 8" CL 305 PVC water main will be installed in the roadway and tied into the existing system at Palmdell Way (6") and Dove Dr (6"). The project also includes the installation of a fire hydrant on the south property line of 5124 Dove Dr (shortside) or 5123 (long side).			

Well #7 Design & Construction (Ella)			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$3,783,277
		Budgeted Spending CY 2026:	\$500,000
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			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$1,200,000
		Budgeted Spending CY 2026:	\$5,131,000
Develop Well #8 at Highland to expand the district's groundwater resources and strengthen supply reliability for the community.			

Annual Facilities Improvements			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$50,000
Ongoing facilities needs, including tenant improvements and major HVAC repairs as needed.			

Annual Technology Hardware & Software			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$100,000
Information Technology Annual Update/Server.			

Annual Water Main Pipeline Replacement (Small)			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$53,000
Used for major main breaks (emergency fund).			

Annual Valve Replacements			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$135,000
Ongoing valve replacements for the District's water distribution infrastructure.			

Annual Water Service Connections			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$1,510,000
Ongoing water service replacements.			

Annual Water Meter Replacement			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$130,000
Ongoing water meter replacements.			

Annual Fire Hydrants - Repl, Upgrades, Lntfill, New			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$175,000
Ongoing fire hydrant replacements.			

Annual Groundwater well Improvements			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$200,000
Used for major groundwater well rehab/repair needs.			

Other City Partnerships			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$100,000
This (parent) project number is for any small project that is initiated by the City of Citrus Heights or the County during 2026 that impacts District facilities. All projects will have a suffix project number (child). For example, 040A, 040B, etc.			

Misc Infrastructure Projects

Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$100,000

This (parent) project number is for any small project that is initiated by either the District or an outside agency during 2026 that impacts District facilities. All projects will have a suffix project number (child). For example, 041A, 041B, etc.

Fleet & Field Operations Equipment

Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$150,000

Ongoing lifecycle replacement for fleet & equipment. 2026: two new service trucks.

Annual Water Main Pipeline Rep - 2025 Carryover

Category:	Infrastructure	Estimated Spending (CY 2025):	\$20,000
		Budgeted Spending CY 2026:	\$33,000

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

Water Service Connections - 2025 Carryover

Category:	Infrastructure	Estimated Spending (CY 2025):	\$1,010,000
		Budgeted Spending CY 2026:	\$500,000

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

Annual Facilities Improvements - 2025 Carryover

Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$112,000

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

Annual Valve Replacements - 2025 Carryover

Category:	Infrastructure	Estimated Spending (CY 2025):	\$85,000
		Budgeted Spending CY 2026:	\$50,000

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

Annual Fire Hydrants Repl, Upgrades - 2025 Carryover			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$50,000
		Budgeted Spending CY 2026:	\$50,000
Ongoing fire hydrant replacements.			

Annual Groundwater Well Improvements - 2025 Carryover			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$75,000
		Budgeted Spending CY 2026:	\$50,000
Used for major groundwater well rehab/repair needs.			

Facilities Modernization and Expansion Project			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$3,000,000
		Budgeted Spending CY 2026:	\$12,982,756
The Facilities Modernization and Expansion Project includes improvements to the Corporation Yard site, two existing buildings, replacement of the shop building, possible relocation of the Sylvan well, and tenant improvements of the building located on Madison Avenue. Work includes construction of facilities, inspection, construction management, and architectural services during construction.			

ERP System			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$150,000
		Budgeted Spending CY 2026:	\$350,000
Implement a new Enterprise Resource Planning (ERP) system to streamline financial, operational, and customer service processes across the District.			

SCADA Upgrade			
Category:	Infrastructure	Estimated Spending (CY 2025):	\$0
		Budgeted Spending CY 2026:	\$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

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Principal Ratepayers

CITRUS HEIGHTS WATER DISTRICT
Principal Employers (1)
Current Fiscal Year and Ten Years Ago
Schedule 12

Table 11

2024			
Employer	Employees	Rank	Percentage of Employment
State of California	118,130	1	16.82%
UC Davis Health	16,617	2	1.94%
County of Sacramento	13,653	3	1.80%
		4	
Kaiser Permanente	12,624		2.37%
United States Government	10,699	5	1.05%
Sutter Health	10,129	6	1.52%
Dignity Health	7,353	7	1.44%
San Juan Unified School District	5,499	8	0.72%
City of Sacramento	5,029	9	0.71%
Apple	5,000	10	0.78%
<u>Total</u>	<u>204,733</u>		<u>29.15%</u>
Total County Employment	702,500		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			

Principal Employers, Sacramento Region

CITRUS HEIGHTS WATER DISTRICT Principal Customers Current Fiscal Year and Ten Years Ago Schedule 7

Table 12

Customer	2024	
	Billed Units (ccf's)	Percentage of Total
San Juan Unified School District	117,610	2.44%
Sunrise Recreation Park District	91,807	1.90%
JMK Investments	80,619	1.67%
JRK Investors	50,395	1.04%
Mt Vernon Memorial Park	45,540	0.94%
Conference Claimants Endowment	31,533	0.65%
Wedgewood Commons Apts LLC	28,607	0.59%
Salishan Apartments	26,424	0.55%
City of Citrus Heights	25,424	0.53%
Vertus Properties Inc.	22,314	0.46%
Total Billed Units: Principal customers	520,273	10.79%
Total Billed Units	4,823,733	100.00%
Source: District Administrative Services Department		

Demographic and Economic Statistics

Population



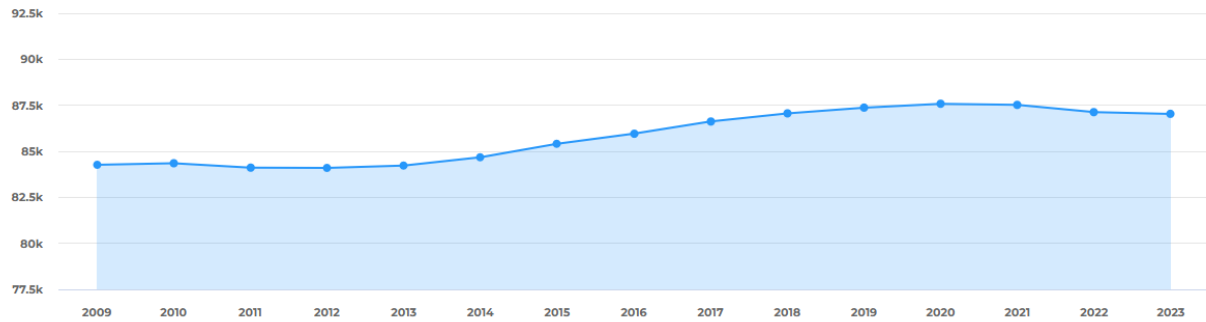
TOTAL POPULATION

87,036

-0.10%
vs. 2022

GROWTH RANK

188 out of **503** Municipalities in California



* Data Source: U.S. Census Bureau American Community Survey 5-year Data and the 2020, 2010, 2000, and 1990 Decennial Censuses



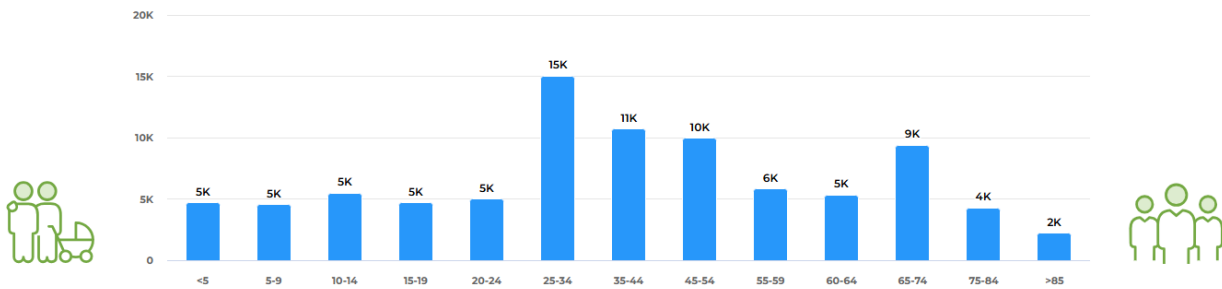
DAYTIME POPULATION

68,027

Daytime population represents the effect of persons coming into or leaving a community for work, entertainment, shopping, etc. during the typical workday. An increased daytime population puts greater demand on host community services which directly impacts operational costs.

* Data Source: American Community Survey 5-year estimates

POPULATION BY AGE GROUP



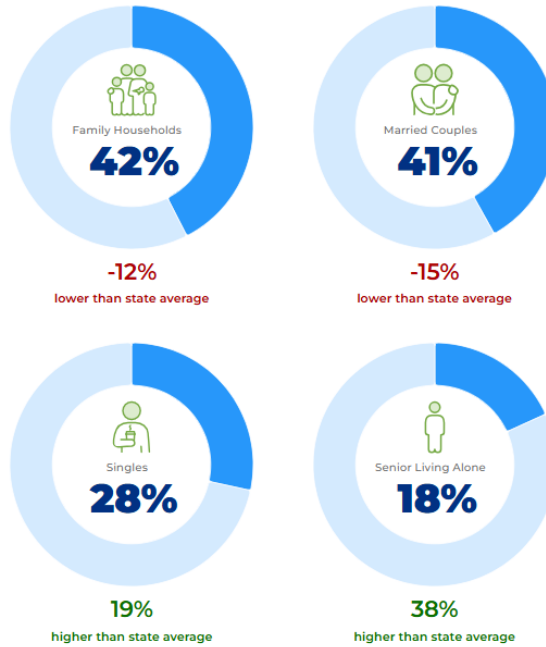
Aging affects the needs and lifestyle choices of residents. Municipalities must adjust and plan services accordingly.

* Data Source: American Community Survey 5-year estimates

Household

TOTAL HOUSEHOLDS
33,672

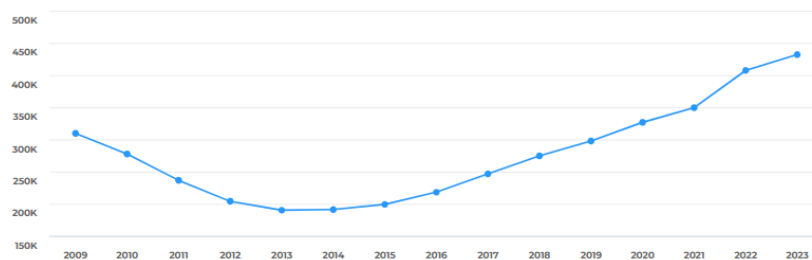
Municipalities must consider the dynamics of household types to plan for and provide services effectively. Household type also has a general correlation to income levels which affect the municipal tax base.



* Data Source: American Community Survey 5-year estimates

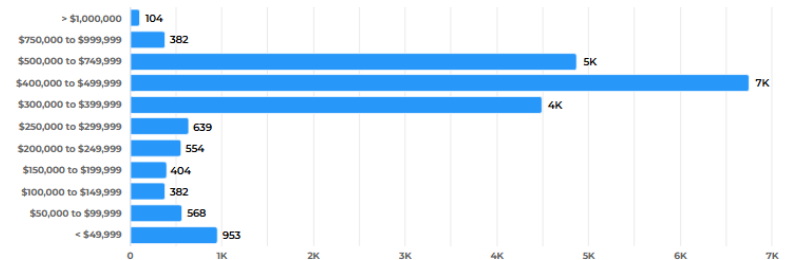
Housing

2023 MEDIAN HOME VALUE
\$432,100



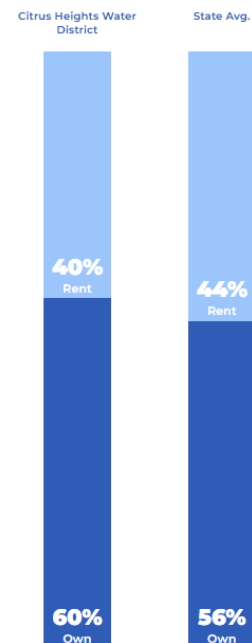
* Data Source: 2023 US Census Bureau, American Community Survey; Home value data includes all types of owner-occupied housing.

HOME VALUE DISTRIBUTION



* Data Source: 2023 US Census Bureau, American Community Survey; Home value data includes all types of owner-occupied housing.

HOME OWNERS VS RENTERS



* Data Source: 2023 US Census Bureau, American Community Survey; Home value data includes all types of owner-occupied housing.

CITRUS HEIGHTS WATER DISTRICT
Demographics and Economic Statistics
Last Ten Calendar Years
Schedule 10

Table 13

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 (000's) ⁽²⁾	Personal Income (Per Capita) ⁽²⁾
2015	19,785	86,759	5.7%	5,308,263	61,184	1,507,458	5.4%	69,100,516	45,839
2016	19,851	87,380	5.0%	6,043,288	69,161	1,527,967	5.0%	71,627,441	46,878
2017	19,902	87,931	3.8%	5,952,753	67,698	1,547,198	3.9%	74,690,008	48,274
2018	19,911	87,910	3.7%	6,388,859	72,675	1,561,413	3.8%	78,526,608	50,292
2019	19,937	87,796	3.2%	6,710,775	76,436	1,576,171	3.2%	82,829,648	52,551
2020	19,958	87,583	7.6%	7,102,719	81,097	1,586,566	8.3%	91,419,845	57,621
2021	20,201	87,404	4.4%	7,640,071	87,411	1,588,810	4.7%	98,112,318	61,752
2022	20,251	87,708	3.8%	7,581,480	86,440	1,584,380	4.0%	98,175,817	61,965
2023	20,289	86,239	4.4%	\$7,614,214	88,292	1,584,288	4.4%	103,143,749	65,104
2024	20,301	n/a	4.6%	n/a	n/a	1,611,231	4.9%	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 2024. (3) Population data is not yet available for Fiscal Year 2024.									
Sources: U.S. Bureau of Economic Analysis U.S. Bureau of Labor Statistics U.S. Census Bureau									

Operating and Capacity Indicators

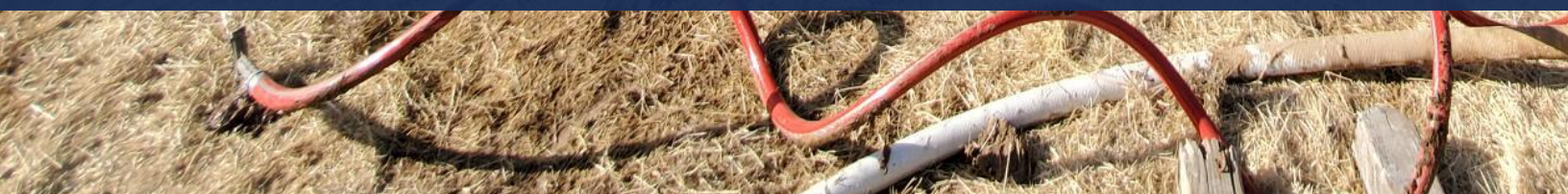
CITRUS HEIGHTS WATER DISTRICT Other Operating and Capacity Indicators Last Ten Fiscal Years Schedule 13

Table 14

Fiscal Year	Total Connections	Total Annual Demand (Acre Feet)	Pipeline (mi)	Wells	Meters	Hydrants
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
2024	20,301	11,470.19	253.65	6	20,361	2,176
Source: District Administrative Services Department District Engineering Department District Water Efficiency Department						



APPENDIX



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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. At present, the CAC explores a range of different CHWD topics, including groundwater, Water System Master Plan update, wholesale-related operations, governance/local leadership, and Project 2030 implementation tracking.

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 confident 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 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

6290.01 Purpose

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

Investment Policy

6300.00 INVESTMENT OF DISTRICT FUNDS

6300.01 Purpose

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

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

Funds not included in this Policy include deferred compensation funds.

6300.10 Definition and Provision of the Government Code

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

6300.20 Authority

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

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

6300.30 Ethics and Conflicts of Interest

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

6300.35 Prudence

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

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

6300.40 Objectives

6300.41 Safety of Principal - Safety of principal is the primary objective of the District. Each investment transaction shall seek to preserve the principal of the portfolio, whether from institutional default, broker- dealer default or erosion of market value of securities. The District shall seek to preserve principal by mitigating the following two types of risk:

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.

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

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

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

6300.50 Authorized Investments

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

- A. Local Agency Investment Fund - The District may invest in the Local Agency Investment Fund (LAIF) established by the California State Treasurer and created by Government Code sections 16429.1 through 16429.4 for the benefit

of local agencies up to the maximum permitted by the LAIF's Local Investment Advisory Board.

- B. Securities of the U.S. Government and its Agencies - United States Treasury Bills, Notes, Bonds, or Certificates of Indebtedness, or those for which the faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the District's funds which can be invested in this category as they are all safe and liquid. Purchases may not have a term remaining to maturity in excess of five (5) years. (Gov. Code, §§ 53601(b) and 53635(a).)
- C. State of California Obligations - Registered State Warrants or Treasury Notes or Bonds of this State or any of the other 49 United States, as defined in Government Code sections 53601(c), 53601(d) and 53651 and pursuant to Government Code section 53635.2.
- D. Local Agency Obligations - Obligations issued by any local agency, as defined by the Government Code, within the State. Obligations may be bonds, notes, warrants, or other evidence of indebtedness, as defined in Government Code sections 53601(e) and 53651 and pursuant to Government Code section 53635.2.
- E. U.S. Agencies - Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest, by federal agencies or United States government-sponsored enterprises-(Gov. Code, §§ 53601(f), 53651).
- F. Bankers' Acceptances - Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the District's money that may be invested pursuant to Government Code section 53601(g). However, no more than 30 percent of the District's money may be invested in the bankers' acceptances of any one commercial bank pursuant to Government Code section 53601(g). (Gov. Code, §§ 53601(g), 53651)
- G. Prime Commercial Paper - Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization. The entity that issues the commercial paper shall meet all the following conditions in either paragraph (1) or (2):
 - (1) The entity meets the following criteria:
 - (a) 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 treated "A" or higher by a nationally recognized statistical rating organization.
 - (2) The entity meets the following criteria:
 - (a) organized within the United States as a special purpose corporation, trust, or limited liability company
 - (b) Has program-wide enhancements including, but not limited to, overcollateralization, letter of credit, or surety bond.
 - (c) Has commercial paper that is rated "A-1" or higher, or the equivalent, by nationally recognized statistical-rating organization.
 - (3) Eligible commercial paper shall have maximum maturity of 270 days or less. In addition:
 - (a) No more than 40 percent of the District's money may be invested in eligible commercial paper; and,
 - (b) No more than 10 percent of the District's money that may be invested pursuant to this section may be invested in the outstanding commercial paper of any single issuer. (Gov. Code, § 53601(h), 53635.)
- H. Investment of Surplus Funds in Deposits - Notwithstanding Government Code section 53601 or any other provision of the Government Code, the District, at its discretion, may invest a portion of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit. The following conditions shall apply:
- (1) The District shall choose a nationally or State-chartered commercial bank, savings bank, savings and loan association, or credit union in this State to invest the funds, which shall be known as the "selected" depository institution.
 - (2) The selected depository institution may use a private sector entity to help place District deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, and are within the network used by the private sector entity for this purpose.
 - (3) Any private sector entity used by a selected depository institution to help place District deposits shall maintain policies and procedures requiring both of the following:
 - (a) The full amount of each deposit placed pursuant to paragraph (2) above and the interest that may accrue on each such deposit shall

at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

- (b) Every depository institution where funds are placed shall be capitalized at a level that is sufficient, and be otherwise eligible, to receive such deposits pursuant to regulations of the Federal Deposit Insurance Corporation or the National Credit Union Administration, as applicable.
- (4) The selected depository institution shall serve as a custodian for each such deposit
- (5) On the same date that the District's funds are placed pursuant to paragraph (2) above by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal initially deposited through the selected depository institution pursuant to paragraph (2) above.
- (6) Notwithstanding Government Code section 53601.8 subdivisions (a) to (g), inclusive, a credit union shall not act as a selected depository institution under Government Code sections 53601.8 or 53635.8 unless both of the following conditions are satisfied:
 - (a) The credit union offers federal depository insurance through the National Credit Union Administration.
 - (b) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more certificate of deposit placement services and affirming that the monies held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.
- 7. Purchased of certificates of deposit pursuant to Government Code sections 53601.8 and 5365.8 shall not, in total, exceed thirty (30) percent of the District's funds that may be invested for this purpose.
- 8. Excluding purchases of certificates of deposit pursuant to Government Code sections 53601.8, no more than ten (10) percent of the District's funds that may be invested for this purpose may be submitted, pursuant to paragraph (2) above, to any one private sector entity that assists in the placement of deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, for the District's account. (Gov. Code, §§ 53601.8, 53635.8.)

- I. Certificates of Deposits and Time Deposits - The District may invest in nonnegotiable time deposits collateralized in accordance with the Uniform Commercial Code, in those banks and State and federal associations which meet the requirements for investment in negotiable certificates of deposit (NCD). When conditions so warrant, the first \$100,000 of collateral security for such deposits can be waived if the financial institution is insured pursuant to federal and State law.
- J. Medium-Term Corporate Notes - Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five (5) years or less issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated "A" or better by a nationally recognized statistical rating organization. No more than 30 percent of the District's invested funds may be invested in medium-term notes. (Gov. Code, §§ 53601(k) and 53635.2)
- K. Mutual Funds/Money Market Mutual - 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 sections 53600 et seq/ amid 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 advisor registered with the Securities and Exchange Commission with not less than five (5) year's 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 (\$500,000.00); 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 advisor registered with the Securities Exchange and Commission with not less than five (5) year's experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000.00); 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 (I)(1) & (4).
- (3) The purchase price of shares of mutual funds and money market mutual funds purchased pursuant to Section K of this policy shall not include any commission that the companies may charge and shall not exceed 20 percent of the District's funds that may be invested pursuant to Government Code Section 53601. Further, no more than 10 percent of the District's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1) above. (Gove. Code, § 53601(I)(5).)
- L. Mortgage Pass-through Securities - Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum remaining maturity of five (5) years or less. Securities eligible for investment under Section L of this Policy shall be rated in a rating category of "AA" or its equivalent or better by a nationally recognized statistical rating organization. The purchase of securities authorized by this Section L may not exceed 20 percent of the District's surplus monies that may be invested pursuant to Government Code section 53601. (Gov. Code, §§ 53601(o), 53635.2.)
- M. Joint Powers Authority - Shares of beneficial interest issued by a joint powers' authority organized pursuant to Government Code section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive, of Government Code section 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers' authority. To be eligible under Section M of this Policy, the joint powers authority issuing the shares shall have retained an investment adviser that meets all the following criteria:
 - (a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

- (b) 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,
 - (c) The adviser has assets under management in excess of five hundred million dollars (\$500,000.00) (Gov. Code, 53601(p).)
- N. Passbook Deposits - Savings account(s) shall be maintained for amounts under \$250,000 as a source of funds for immediate use if required for selective commercial accounts. Savings account deposits may exceed the specified amount for periods not to exceed 45 days in anticipation of payment of monthly accounts payable.
- O. Supranationals - United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The maximum remaining maturity for these obligations must be five (5) years or less, and they must be eligible for purchase and sale within the United States. In addition, these investments must be rated "AA" or better by at least two (2) nationally recognized statistical ratings organizations and shall not exceed 30 percent of the District's monies that may be invested pursuant to Government Code section 53601. (Gov. Code, § 53601(q).)

6300.51 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

Note: Minimum credit ratings and percentage limitations apply to the time of purchase (settlement date)

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.

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 comprises 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 utilize a single-source result in future operational or maintenance savings?
- Are there patented or proprietary rights that fully demonstrate a superior patented feature not obtainable from similar products, or a product or service available from only one source rather than dealers and retailers from which competition could be encouraged?
- Can the District's requirements be modified so that competitive products or services may be used without sacrificing product quality and vendor responsiveness?

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

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

6500.17 Real Property

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

6500.20 Purchasing Levels and Authority

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

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

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

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

6500.21 INFORMAL SOLICITATIONS

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

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

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

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

6500.22 Formal Quotations

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

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

Proposals and quotations may be publicly unsealed, and respective dollar amount(s) announced. Award details shall be made available following the award of a contract. The formal competitive solicitation process may be waived at the discretion of the General Manager or designee, when there is a compelling reason to do so (e.g., public safety, prevent loss of life, imminent danger, or other valid reason). The General Manager shall document the reason and present it to the Board of Directors at the next regularly scheduled meeting. In addition, the formal competitive solicitation process shall not be required for services unless otherwise required by law. Written responses to the notice to bidders or request for proposal shall be maintained in the project file.

6500.23 Public Works Bidding

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

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

6500.25 Cooperative Purchasing

In lieu of conducting an informal or formal solicitation, the District may utilize cooperative and piggyback procurements that are based on competitive processes that

are substantially consistent with the requirements of this Policy. Documentation of this finding and its basis shall be maintained in the project file.

6500.26 Task Order Agreements

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

6500.30 Change Orders

A change order is required when work or services performed pursuant to a contract will exceed the approved original contract amount or changes in the scope of work are required. A written request for change order must be completed and approved before a change order can be authorized. Board approval is required for any change order or amendment that exceeds ten percent of the initial contract amount. Subsequent change orders or amendments shall be aggregated so that Board approval is required once the total amount approved by change order or amendment exceeds ten percent of the initial contract amount. The Board may delegate additional authority for change orders or amendments when approving any contract.

6500.50 Purchasing Cycle

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

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

6500.80 Purchase Orders

Purchase orders may be necessary from time to time to facilitate purchase of required products or services. The District's officers (Directors, Secretary, Assessor/Collector,

and Treasurer), and the General Manager are authorized to execute purchase orders on behalf of the District.

6500.90 Purchasing/Procurement Authority

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

6500.100 Project File

The General Manager or designee shall have 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 of 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.

6700.1 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.