

**BOARD MEETING AGENDA  
SPECIAL MEETING OF THE BOARD OF DIRECTORS OF  
CITRUS HEIGHTS WATER DISTRICT (CHWD)  
NOVEMBER 10, 2021 beginning at 6:30 PM**

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

**\*\*Please Note 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.

In compliance with the Sacramento County Health Order issued July 29, 2021, individuals must wear face coverings in all indoor public settings, regardless of their vaccination status, unless they are exempt per the order.

**CALL TO ORDER:**

Upon request, agenda items may be moved to accommodate those in attendance wishing to address that item. Please inform the General Manager.

**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

**BUSINESS:**

- B-1. Water Rates and Miscellaneous Charges and Fees Effective 2022 (A)
  - a. Conduct Public Hearing on Water Rates and Miscellaneous Charges and Fees Effective 2022.
  - b. Consider adoption of Resolution 08-2021 Establishing Water Rates and Miscellaneous Charges and Fees Effective Fiscal Year 2022.

- B-2. Capacity Charges Effective 2022 (A)
- a. Conduct Public Hearing on 2022 Capacity Charges.
  - b. Consider adoption of Resolution 10-2021 Establishing Capacity Charges Effective Fiscal Year 2022.
- B-3. 2022 Operating and Capital Improvements Budgets (A)
- a. Conduct Public Hearing on 2022 Operating and Capital Improvement Budgets.
  - b. Consider adoption of Resolution 09-2021 Establishing Fiscal Year 2022 Operating and Capital Improvement Budgets.

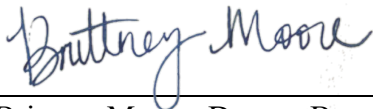
**FUTURE CHWD BOARD OF DIRECTORS MEETING DATES:**

November 17, 2021	6:30 PM	Regular Meeting
December 15, 2021	6:30 PM	Regular Meeting

**ADJOURNMENT:**

**CERTIFICATION:**

I do hereby declare and certify that this agenda for this Special 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 at least 24 hours prior to the special meeting in accordance with Government Code Section 54954.2.



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Brittney Moore, Deputy Board Clerk

Dated: November 4, 2021

# CITRUS HEIGHTS WATER DISTRICT

## DISTRICT STAFF REPORT TO BOARD OF DIRECTORS NOVEMBER 10, 2021 SPECIAL MEETING

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SUBJECT	: WATER RATES, MISCELLANEOUS CHARGES AND FEES EFFECTIVE 2022
STATUS	: Action Item
REPORT DATE	: November 4, 2021
PREPARED BY	: Susan K. Talwar, Director of Finance & Administrative Services

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### **OBJECTIVE:**

Conduct a Public Hearing for the proposed Water Rates and Miscellaneous Charges and Fees effective 2022, and consider adopting the accompanying resolution establishing Water Rates and Miscellaneous Charges and Fees for Citrus Heights Water District (CHWD) effective 2022.

### **BACKGROUND AND ANALYSIS:**

This report presents the proposed Water Rates and Miscellaneous Charges and Fees effective 2022, except for Capacity Fees that will be considered in a separate Public Hearing following the Public Hearing on water rates. Accompanying this report is a proposed resolution adopting water rates, charges and fees effective 2022.

Notice of this Public Hearing was mailed to all District property owners on September 24, 2021 as part of the required Proposition 218 notification (Attachment 3). Notice was posted on the District's web site, and posted on the public notice board at the entrance to the District Office.

The Board conducted a budget and rate study session on September 9, 2021. At that study session, the Board considered a number of rate options and corresponding operating and capital impacts based upon an assessment of the District's Long-term Financial Plan (Rate Model), the work of the Project 2030—Water Main Replacements Project Team (including CHWD's Customer Advisory Committee), an assessment of the drought rate surcharge schedule and San Juan Water District financial issues.

Regarding San Juan Water District, a Wholesale (SJWD) – pass through provision is included for Board consideration, which provides an opportunity to protect CHWD's financial base and to educate CHWD's customers as to who SJWD is and why CHWD's customers should care. The Board provided additional direction to staff to distribute a Proposition 218 Notice which included the maximum rates that the Board would consider at a public hearing on November 10, 2021.

The maximum rate adjustment to be considered by the Board on November 10<sup>th</sup> is based on a financial assessment whereby future annual increases, including the 2022 rate adjustment being considered by the Board on November 10<sup>th</sup>, will enable the District to plan for operational budgetary increases and complete needed Capital Improvement projects without the need to incur additional debt in the near future.

As of the date of this report, the District has received 7 written protests from property owners (Attachment 2). Directors have been provided with copies of the written protests included with their agenda packets for this Board meeting. Any additional written protests received before the time of Public Hearing will be presented to Directors at the Public Hearing.

### 2022 Schedule of Water Rates, Fees and Charges

A schedule comparing current 2021 rates with the proposed 2022 Water Rates, Fees and Charges to be considered by the Board accompanies Resolution 08-2021 (Attachment 1). Significant elements of the water rate schedule effective 2022 are as follows:

- Adjustments to a bi-monthly bill in 2022 for a typical single-family residential customer are \$4.44 (or \$2.22 per month) based on a monthly consumption of 20 units of water. Costs for other customer classifications and meter sizes will vary in adjustments between (\$1.46) and \$110.78 bi-monthly for meter sizes from 3/4-inch to 4-inch, respectively.
- Proposed Project 2030 – a Water Main Replacement dedicated charge of \$5.25 per month for a 1” meter connection, which will fund the Water Main Replacement Reserve as CHWD prepares for the replacement of the majority of the District’s water mains. This proposed dedicated charge is the outgrowth of a multi-year effort on CHWD’s part to work with its Customer Advisory Committee and a technical team of engineering and financial planning experts to phase, cost and fund over 70% of the District’s water mains between 2030-2080. CHWD’s water mains will require replacement at a significantly higher annual rate than the existing level of replacements beginning in 2030 and carrying forward due to the age of CHWD’s water main system.
- Water Supply Cost with San Juan Wholesale District – During the past two years, the SJWD Board of Directors has increased the Wholesale Water Rate fixed charge by approximately 11%. Based upon SJWD’s financial plan, a reported significant increase in debt tied to underfunded capital needs, including its Hinkle Reservoir liner replacement, and anticipated future annual rate increases, it is recommended that a resolution be enacted to pass-through SJWD rate increases during the next 5 years. Currently, SJWD’s surface water costs comprise of about 13% of CHWD’s total budgeted expense, a significant operating expense. This measure will prevent SJWD rate increases from eroding CHWD’s financial base and as indicated above, provide more transparency to CHWD’s customers about SJWD.
- Other charges, such as Construction Meters, are proposed to increase consistent with the Engineering News Record Construction Cost Index of 2.8%.
- Adjustments to other charges and fees are based on staff analysis of the staff time, equipment, materials and other costs involved in providing the specified services.
- Water Shortage Rate Structure updates are proposed to bring into alignment the drought stages with the State of California drought stages, highlighted in the updated CHWD Urban Water Management Plan (UWMP), adopted by the CHWD Board on June 16, 2021. It is important to note that updating the Water Shortage Rate Structure does not approve the Water Shortage Rates for implementation. In the event the Water Shortage Rate Structure is needed to offset future revenue shortfalls due to drought or other water supply emergency, a separate Board action will be required.

The following additional information accompanies this report:

- A copy of the District’s Public Hearing Notice of projected water rate increases required by Proposition 218.



**RECOMMENDATIONS:**

1. Conduct the Public Hearing on the proposed Water Rates and Miscellaneous Charges and Fees effective 2022; and
2. Adopt Resolution No. 08-2021 Establishing Water Rates and Miscellaneous Charges and Fees for Citrus Heights Water District effective 2022 (Attachment 1).

**ACTION:**

Moved by Director \_\_\_\_\_, Seconded by Director \_\_\_\_\_, Carried \_\_\_\_\_

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**ATTACHMENTS:**

1. Resolution No. 08-2021 Water Rates and Miscellaneous Charges and Fees
2. Customer Protest Letters
3. CHWD Proposition 218 Notice

## **Attachment 1**

Resolution 08-2021, Water Rates, Miscellaneous  
Charges and Fees

CITRUS HEIGHTS WATER DISTRICT  
RESOLUTION NO. 08-2021

RESOLUTION ADOPTING  
WATER RATES AND MISCELLANEOUS CHARGES AND FEES FOR  
CITRUS HEIGHTS WATER DISTRICT EFFECTIVE 2022

WHEREAS, the Board of Directors of the CITRUS HEIGHTS WATER DISTRICT wishes to establish water rates and miscellaneous charges 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, 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 emergency; 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 10, 2021 for the purpose of receiving public comment on the proposed Fiscal Year 2022 Water Rates and Miscellaneous Charges and Fees; and

WHEREAS, upon motion duly moved, seconded, and carried, the following water rates and miscellaneous charges and fees were adopted and will become effective fiscal year 2022; and

THEREFORE BE IT RESOLVED the Fiscal Year 2022 Water Rates and Miscellaneous Charges and Fees (Exhibit A), accompanying this resolution and incorporated herein as part of this Resolution, are hereby adopted.

THEREFORE BE IT RESOLVED that the Water Shortage Rate Structure (Exhibit B) is hereby adopted. 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 10th day of November 2021, by the following vote, to-wit:

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

S E A L

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DAVID C. WHEATON, President  
Board of Directors  
Citrus Heights Water District

ATTEST:

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HILARY M. STRAUS, Secretary

## **Exhibit A**

### **Water Rates, Fees, and Charges Effective 2022**

**CITRUS HEIGHTS WATER DISTRICT**  
**WATER RATES, FEES AND CHARGES EFFECTIVE 2022**  
Proposed -- November 10, 2021

Type of Charge	Applied Basis or Frequency	2021	2022
		Adopted	Proposed
<b><u>Charges for Metered Rate Customer Accounts</u></b>			
<i>Service Charge, Domestic, Commercial &amp; Irrigation Meters</i>			
¾-inch meter	bi-monthly, per meter	\$57.54	\$56.08
1-inch meter	bi-monthly, per meter	\$87.29	\$91.33
1½-inch meter	bi-monthly, per meter	\$136.86	\$150.08
2-inch meter	bi-monthly, per meter	\$196.35	\$220.58
3-inch meter	bi-monthly, per meter	\$384.74	\$443.82
4-inch meter	bi-monthly, per meter	\$662.36	\$773.14
<i>Service Charge, Combination Meters</i>			
Low flow bypass meter			
4-inch meter	bi-monthly, per meter	\$196.35	\$220.58
6-inch meter	bi-monthly, per meter	\$384.74	\$443.82
8-inch meter	bi-monthly, per meter	\$662.36	\$772.81
10-inch meter	bi-monthly, per meter	\$2,119.86	\$2,500.01
<hr/>			
<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	\$1.1800	\$1.1900
<hr/>			
<b><u>Project 2030 Designated Charge</u></b>			
<i>Service Charge, Domestic, Commercial &amp; Irrigation Meters</i>			
¾-inch meter	bi-monthly, per meter		\$4.20
1-inch meter	bi-monthly, per meter		\$10.50
1½-inch meter	bi-monthly, per meter		\$21.00
2-inch meter	bi-monthly, per meter		\$33.59
3-inch meter	bi-monthly, per meter		\$73.48
4-inch meter	bi-monthly, per meter		\$132.30
<i>Service Charge, Combination Meters</i>			
Low flow bypass meter			
4-inch meter	bi-monthly, per meter		\$33.59
6-inch meter	bi-monthly, per meter		\$73.48
8-inch meter	bi-monthly, per meter		\$132.26
10-inch meter	bi-monthly, per meter		\$440.86
<hr/>			
Construction Water Charges	minimum charge	\$266.37	\$273.83
Schedule A - Projects	per lot	\$183.16	\$188.29
Schedule B - Trenches, Excavations & Grading	per 100 cubic yards	\$49.45	\$50.83
Schedule C - Tank Trucks	per 1,000 gallons	\$8.19	\$8.42
Schedule D - Metered Use	per unit, for all units bi-monthly	\$3.5400	\$3.64
Schedule E - Non-Profit	per day	\$55.63	\$57.18
Construction Meter Deposit	per meter	\$2,007.00	\$2,006.00

**CITRUS HEIGHTS WATER DISTRICT**  
**WATER RATES, FEES AND CHARGES EFFECTIVE 2022**  
Proposed -- November 10, 2021

Type of Charge	Applied Basis or Frequency	2021	2022
		Adopted	Proposed
<b><u>Water Service Installation Charges</u></b>			
¾-inch & larger services w/meter	per service	Actual Cost	Actual Cost
Meter set charge:			
⅝ inch x ¾ inch	per meter	\$562.00	\$577.00
¾ inch	per meter	\$612.00	\$627.00
1 inch	per meter	\$631.00	\$646.00
1½ inch	per meter	\$945.00	\$960.00
2 inch	per meter	\$1,271.00	\$1,286.00
>2 inch	actual cost		
Backflow prevention assembly installation charge			
¾ inch & larger	each	Actual Cost	Actual Cost
<b><u>Other Charges and Fees</u></b>			
Agenda-By-Mail Charge (e-mail delivery free)	per packet	\$26.00	\$28.00
Standby Service Charge	per hour, 1 hour minimum	\$115.00	\$127.00
Returned Payment Fee	per check	\$31.00	\$33.00
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	\$59.00	\$66.00
Reconnect Service Charge	per occurrence	\$59.00	\$66.00
Reconnect Service Charge (Non Business Hours)	per occurrence	\$113.00	\$126.00
Meter Re-Read / Maintenance Charge	per occurrence	\$45.00	\$49.00
Customer Account Deposit	per account	\$247.00	\$212.00
Copy Charge	per page	\$0.12	\$0.14
Recording of Lien	per occurrence	\$72.00	\$80.00
Release of Lien	per occurrence	\$85.00	\$93.00
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	\$75.00	\$75.00
Water Conservation Violation Charge (3)	third occurrence	\$100.00	\$100.00
Inclusion / Annexation Fee	per gross acre, ½ acre or greater	\$1,572.00	\$1,726.00
	minimum to ½ acre	\$786.00	\$813.00
Plan Check Charges	minimum charge + per connection	\$1,156.00	\$1,285.00
	per connection	\$25.22	\$31.31
Easement/Quitclaim	per easement/quitclaim	\$721.00	\$813.00
Inspection Charges			
Minimum	min. + per connect. + per main tie	\$1,211.00	\$1,343.00
Plus per connection	per connection	\$220.00	\$220.00
Plus per main tie-in	per main tie-in	\$1,203.00	\$1,280.00
AC pipe disposal charge	per foot, 4 feet minimum (\$200 or less)	\$58.00	\$60.00
Hydrostatic pressure test	each	\$328.00	\$349.00
Chlorination & Flushing	per project	\$437.00	\$465.00
Weekend/After Hours	per hour (4 hr. minimum)	\$147.00	\$159.00
Holiday	per hour (4 hr. minimum)	\$184.00	\$201.00
Backflow Prevention Assembly Testing Charge	per assembly bimonthly	\$12.00	\$13.00
Backflow Prevention Assembly Re-testing Charge	per test	\$80.00	\$85.00

**CITRUS HEIGHTS WATER DISTRICT**  
**WATER RATES, FEES AND CHARGES EFFECTIVE 2022**  
Proposed -- November 10, 2021

		<b>2021</b>	<b>2022</b>
		<b>Adopted</b>	<b>Proposed</b>
<b>Type of Charge</b>	<b>Applied Basis or Frequency</b>		
Backflow Prevention Assembly Testing Charge			
for New Development	per assembly	\$90.00	\$93.00
Bacteriological water test sampling	minimum	\$1,130.00	\$1,176.00
Additional Bacteriological water sample	additional samples after minimum	\$64.00	\$66.00
Fire Flow Certification Letter	per letter	\$31.00	\$28.00
Fire Flow Modeling	per modeling	\$351.00	\$341.00
Fire Flow Modeling & Certification Letter	per modeling plus letter	\$382.00	\$369.00



## **Exhibit B**

### **Water Shortage Rate Structure Effective 2022**

Water Shortage Rate Structure:

	Stage 1 10% Supply Shortage	Stage 2 20% Supply Shortage	Stage 3 30% Supply Shortage	Stage 4 40% Supply Shortage	Stage 5 50% Supply Shortage
Water Usage Charges (\$/CCF) (1)					
Standard Water Usage Rate (a)	1.19	1.19	1.19	1.19	1.19
Water Shortage Charge (2)	10%	20%	30%	40%	50%
Sample Water Shortage Charges (b)	0.119	0.238	0.357	0.476	0.595
Sample Aggr. Usage Rates (a+b)	1.309	1.428	1.547	1.666	1.785

(1) 1 CCF equals 100 cubic feet which equals 748 gallons of water.

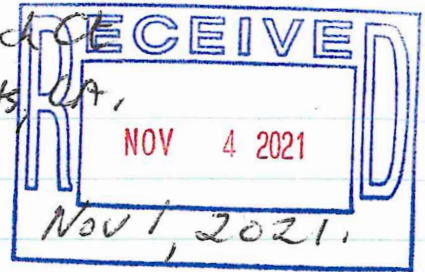
(2) This Table shows the proposed Water Shortage Charges and Excess Use Charges applied to the Standard Water Usage Rates, using 2022 as an example. The percentages would be applied to any then-current Standard Water Usage Rates in future years.

## **Attachment 2**

### **2022 Proposed Water Rate Adjustments Protest Letters**

18467-0016906

6387 Aspen Ranch Ct  
Citrus Heights, CA,  
95621.



Citrus Heights Water  
District

Re: Protest to the Proposed  
Rate Adjustment

I protest the Proposed Rate Adjustment  
(Increase).

Every year I protest to a Rate Increase because you always increase the Service Charge, which is too much for a one person on a fixed income. I pay the same Service Charge as a family of 4 or 6. Charges should be based on amount of water used.

The district collects a huge amount of money from the public through your Service Charge to cover costs.

It is my understanding that part of Service Charges was for ongoing replacement of water meters, I have been paying for this service

for 23 years.

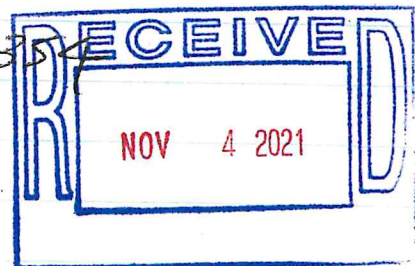
Can't understand your information flyer. Do you expect us to pay an additional \$10.50 bi-monthly for "Project 2030 Dedicated Charge". Why should we pay more now for improvements not needed until 2030? I'll probably be dead by then. This is ridiculous!

Also, I still feel you need a discount on your Service Charges for those of us on low fixed incomes, like all the other utilities allow.

I would appreciate a response, as I'm a senior and cannot attend the Public Meeting on Nov. 10th.

Regards, Beryl Turner-Weeks

Tel: (916) 726-5354







1  
Citrus Heights Water -

Do Not raise my water  
Bill!! (It's high enough now!!)  
My lawns shrubs will literally  
die from less water.  
As it is I'm trying to water less.  
I am conserving as much as  
possible right now & always.

I am on a fixed income as  
many others in my subdivision.

11

Judy Johnson  
7913 Auburn Oaks Village Ln  
Citrus Heights Ca  
95610

00420 - 0027756

To: District Secretary  
Citrus Heights Water District



from: Valeriy Yevchenko, Property owner at  
7967 and 7969 San Cosme Dr Citrus Heights CA 95610

**Letter of Protest**

Dear Secretary

**I am writing this letter to protest the decision about raising the water rates / charges in 2021 or in 2022. (Per Proposition 2018)**

Thank you!

Sincerely, Valeriy Yevchenko (owner)

09/20/2021

A handwritten signature in black ink, appearing to read "Valeriy Yevchenko".

03836-0037888

Catherine Dwight  
7417 Auburn Oaks Court, Unit O  
Citrus Heights, CA 95630  
October 10, 2021



District Secretary  
Citrus Heights Water District  
PO Box 286  
Citrus Heights, CA 95611-0286

To Whom It May Concern:

I am writing to protest the proposed rate adjustment that would take effect January 1, 2022.

The cost of living in Citrus Heights has been high and continues to climb. It is challenging enough already, while working full time with a lot of overtime, to pay all the bills involved with home ownership here. A rate increase would just make an already difficult situation more challenging. Please consider those of us who are working so hard to be able to continue to live in our beautiful city as you decide about this proposed rate increase.

Thank you.

Sincerely,

Catherine Dwight



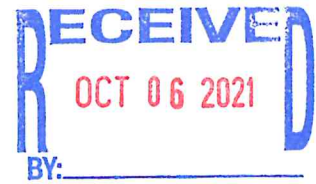
Lily Ilyin  
6946 Sylvan Glen Way  
Citrus Hts, CA 95610

03662-0016952

I Lily Ilyin Protest the proposed rate adjustment  
Proposition 218 Thanks  
Lily Ilyin



14651-0013014



30September2021

District Secretary

Citrus Heights Water District

P.O. Box 286

Citrus Heights, CA 95611-0286

RE: Protest to Proposed Water Rate Increase

Dear District Secretary

In regards the above, scheduled for hearing on 10November2021, please be advised we oppose an increase at this time. We hereby file this protest. As required, our property is residential, Parcel Number 216-0141-019-0000. Our address is 7725 Loleta Avenue, Citrus Heights, CA 95610-1510.

Respectfully,

A handwritten signature in blue ink, appearing to read "Jesus Genera", written over a horizontal line.

Jesus Genera

A handwritten signature in blue ink, appearing to read "Pamela Genera", written over a horizontal line.

Pamela Genera

1-916-728-1363

00390 - 0600595



Brenda J. Barrios  
7944 Alma Mesa Way  
Citrus Heights, CA 95610

October 2, 2021

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

Re: Property Address at 7944 Alma Mesa Way, Citrus Heights, CA 95610

Dear District Secretary:

I hereby protest the proposed rate adjustment that would take effect on January 1, 2022. With today's economic times, I do not feel that customers should be required to pay anymore for water at this time, which is already at a high rate.

Sincerely,

A handwritten signature in black ink that reads "Brenda J. Barrios". The signature is written in a cursive, flowing style.

Brenda J. Barrios  
Property Owner

## **Attachment 3**

### **CHWD Proposition 218 Notice**

# Notice of Public Hearing on Proposed Water Rate Adjustments Beginning in 2022

**Thank you for your continued support of the Citrus Heights Water District (CHWD or District). We commit to balancing current needs with planning tomorrow's water system.**

Our commitment to you - our valued customer - is demonstrated through responsive customer service, capital improvements, infrastructure maintenance, water efficiency programs, and legislative and supplier advocacy to protect your interests.

We also strive to maximize value for our customers and keep our overhead low, while maintaining and upgrading the facilities that deliver safe and reliable drinking water to more than 20,000 service connections.

We are planning for long-term reliability of our water supply through infrastructure replacements and expanded access to groundwater resources with three critical system improvements:

1. Project 2030 - replacing aging water mains
2. Replacing aging water meters
3. Expanding groundwater supply

**Public Hearing: Wednesday, November 10, 2021 at 6:30 p.m.**

**Hearing Location: Citrus Heights Community Center, South Flex Room A**  
6300 Fountain Square Drive, Citrus Heights, California

The Citrus Heights Water District Board of Directors will hold a Public Hearing on Wednesday, November 10, 2021, at 6:30 p.m. to consider the adoption of rate adjustments as described in detail in this notice.

Separately, we are also working to meet the challenge of an exceptional drought year.

CHWD will request a rate adjustment for 2022 to ensure that the District can balance short-term demands and long-term needs. Paying as we go and maintaining contingency funding reduces over-reliance on debt financing, saves costs to our customers over time, and mitigates large and unexpected expenses in the future. Gradual rate adjustments also help avoid significant and unplanned rate adjustments to respond to failing infrastructure.

## The Cost of Delivering Safe Water

**32%**

Operations & Maintenance

**37%**

Capital Improvement Program

**6%**

Reserves

**25%**

District Staffing Resources



**13%** Purchased Water from San Juan Water District (wholesale water supplier)



Water main repair

# The Cost of Delivering Safe Water

CHWD has a proven record of providing quality service at low rates. CHWD rates remained unchanged in 2021, even while the District absorbed a \$200,000 increase from CHWD's wholesale water supplier, San Juan Water District (SJWD).

In the District's annual budget, 37% is invested in the Capital Improvement Program; 25% funds the District's staffing resources; 32% is operations and maintenance costs, including 13% for water purchased from SJWD; and 6% is contributed to designated reserves.

The District has worked hard to develop a proposed funding plan that balances investment in the District's critical infrastructure projects to protect future water supply while also helping protect against the possibility of water shortages and anticipated rate increases from SJWD.

## Increased Water Purchase Rates from San Juan Water District

CHWD purchases treated surface water from Folsom Lake through SJWD, a wholesale water provider. It is important to note that while CHWD did not increase rates in 2021, SJWD did increase wholesale water rates. CHWD absorbed an estimated \$200,000 in increased costs from SJWD in 2021. These increases are expected to compound in future years due to SJWD's anticipated wholesale water rate increases. SJWD delayed updating their financial plan and future rate increases, creating more uncertainty for its retail agencies including CHWD.

Decisions made by SJWD's Board of Directors directly impact CHWD's customers. For decades, a super-majority of SJWD Board members have lived in Granite Bay. Currently, four out of five SJWD Board members are Granite Bay residents.

Fee increases paid to SJWD have been and will be communicated to our customers to ensure that SJWD costs to CHWD and its customers are transparent and clear. To ensure that there are sufficient revenues to provide water service, CHWD is proposing to pass through to its customers any increases in the rates for wholesale water and other charges that SJWD imposes on CHWD. If approved, the CHWD Board will implement any SJWD pass-through adjustments for a five-year period commencing January 1, 2022, through and including December 31, 2026, upon a 30-day written notice to customers. CHWD will continue to advocate for our customers and we encourage all CHWD customers to attend SJWD board meetings and make your voices heard. **Find out more at [sjwd.org/board-meetings](https://sjwd.org/board-meetings).**



## Updated Water Shortage Fee Schedule

During drought-related water shortages, the District generally sees a decrease in water sales while incurring increased costs associated with the purchase of short-term supplemental water supplies and higher levels of water efficiency program management.

As CHWD water shortage rates were last updated and applied more than five years ago, CHWD is proposing an adjustment to the Water Shortage Fee Schedule to bring it into alignment with the State of California drought stages, highlighted in the updated CHWD Urban Water Management Plan (UWMP). The Board of Directors will not be acting to apply the water shortage rates at this time and will consider implementing these rates if and when they are determined to be necessary in the future. The District will provide advance notice to customers prior to implementation.



## Groundwater Wells

### Additional Groundwater Capacity Plan

Periods of drought are a reality in California. In dry years, we cannot rely on surface water alone. Groundwater wells help us manage water supply during a drought.

While Folsom Reservoir must serve statewide water supply and environmental needs, the groundwater basin is the Greater Sacramento region's "underground" reservoir, available to help meet local needs. In fact, groundwater meets more than a third of the area's water supply needs during a normal year, and even more during drought periods.

While this underground water supply is being depleted in other parts of the state, the Sacramento region's groundwater aquifers are more stable and sustainable. Building on the historic Water Forum Agreement in 2000, local water managers created three groundwater management institutions – the Sacramento Groundwater Authority, Sacramento Central Groundwater Authority and West Placer Groundwater Management Program – to address each part of the region's varying needs without damaging the long-term health of our groundwater.

Groundwater wells tap into these water sources inside a vast and deep aquifer. The aquifer is naturally replenished in wet years, but also mechanically by various technologies that pump water down into the aquifer, lessening reliance on surface water from Folsom Lake.

CHWD is investing resources in developing groundwater wells to diversify customer water supply – providing the District with the flexibility to obtain some of the highest quality water at the most affordable price and reducing the District's reliance on surface water.

The District is always looking for grant funding opportunities for groundwater well investment, which helps to minimize the impact on customers. For example, in 2020 CHWD obtained a \$1.1M state grant for the construction of a new high capacity groundwater well. This year, CHWD has requested \$585,000 in federal funding. If approved, these federal funds, on top of State and local funding, will help move CHWD's groundwater expansion forward.

Over the next decade, CHWD plans to construct at least two new groundwater wells to help achieve our goal of long-term water reliability and rate stability.



## METER REPLACEMENT PROGRAM

ACCURACY + EFFICIENCY + TECHNOLOGY

In 1992, the State of California required all new water connections to be metered. In 1997, CHWD began a Voluntary Residential Metering Program for all customer connections. Through this program and other installation projects, the District became fully metered in December 2006 and began metered billing in January 2008.

These meters will soon approach the end of their lifespans. The District formed a partnership with 11 local water agencies to complete a regional Water Meter Planning Study which includes a review of existing meter inventory, an assessment of new meter technology, meter testing options, and future financial planning strategies. The goal is to replace aging water meters and implement a meter testing program. By creating this regional consortium of agencies, the District, along with these other agencies, seeks to reduce costs through economies of scale for bulk meter purchases, a regional meter testing program, and other service enhancements.

CHWD anticipates that the new generation of meters being considered for installation could provide real-time measurements of water usage. These meters would allow customers to track their water usage on demand and make it easier to detect small leaks before they become big problems. The District will continue to provide regular updates regarding implementation of the Meter Replacement Program to its customers.



# Protecting Our Future: Infrastructure Investments

Currently, approximately 37% of the District’s operating budget is reinvested back into the water system through the Capital Improvement Program. Capital improvement projects help CHWD maintain its infrastructure and keep it up to date, increase needed capacity, and allow the District to continue providing great service to our customers.

CHWD is asking for your support for Project 2030, which addresses CHWD’s aging water mains to ensure an uninterrupted source of safe and reliable water to customers. CHWD is also continuing its investment in groundwater wells and looking ahead to meter replacements.

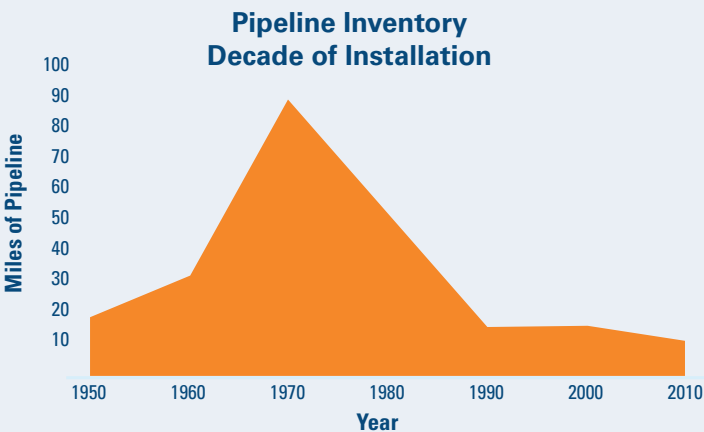
## PROJECT 2030 WATER MAIN REPLACEMENT



Project 2030 plans for the replacement of most of CHWD’s water mains, which begin aging out in 2030.

The District’s service area urbanized mostly between 1960-1985. During that time, water mains were installed by private developers and inspected by CHWD staff. These water mains became donated assets to the District, and it became CHWD’s responsibility to operate, maintain, and replace them.

Today, CHWD operates and maintains over 250 miles of pipeline that distribute water throughout the District’s 12.8-square-mile service area. The life span of a water main is approximately 70 years, which means replacement must begin in 2030 to ensure long-term water reliability. With a technical team of engineering and financial experts, CHWD’s Customer Advisory Committee evaluated how to phase, cost, and fund replacement of more than 70% of our water mains.



### Out of Sight, But Not Forgotten

Just because water mains are underground and cannot be seen does not make them any less important. Reliable water mains deliver water to our residences and businesses. Water main failure can be caused by multiple issues including age, pipe material, and location (tree roots, spanning creeks, etc.). Failed water mains can lead to service disruptions and water loss.

CHWD is planning for the future today. Preparing to replace water mains before they reach critical condition is the safest and most cost-efficient way to address aging infrastructure. Proactively replacing pipes minimizes disruptions to homes, schools, and businesses - versus waiting for a crisis situation that could lead to service disruption and a greater economic and financial cost.



## PROJECT 2030

### WATER MAIN REPLACEMENT



#### Community Leadership

Recognizing the significant need ahead, the CHWD Board of Directors called together a group of customers in 2018 and 2019 to study ways to fund the replacement of the District's water mains and put forth their recommendations. The Customer Advisory Committee (CAC) is comprised of 24 community members who dedicated their time and effort on behalf of their neighbors and fellow business owners to explore, in-depth, a difficult problem and work through 21 separate scenarios to find the best and most fair way to phase and fund water main replacements for the CHWD community.



The CAC worked with a technical team to consider the water main replacement options while analyzing key financial and technical issues that promote equity of funding between today's and future CHWD customers. The CAC then presented its recommendation to the CHWD Board of Directors on June 8, 2021. The Board approved the CAC's recommendation and developed a plan to fund work through 2080. The proposed plan implements a dedicated water main replacement charge, which promotes transparency and accountability. All CAC meetings were recorded and are available for viewing at CHWD's YouTube channel and website. **Learn more at [chwd.org/project-2030](https://chwd.org/project-2030).**

Remaining ahead of anticipated water main replacement needs will minimize system failure, service disruption, and failure-related expenses due to deferred replacements.

#### Protecting Our Future Together

Reliable water delivery infrastructure promotes healthy, livable communities and strong local economies. When we all work together, we can accomplish a lot. With support from the current and next generation of CHWD's customers, we can protect our water future and keep taps flowing with clean, safe and reliable water for families, businesses, and the community, today and in the future.

## How to Protest the Proposed Rate Adjustment

All property owners receiving CHWD water service and customers of record are invited to attend the Public Hearing on Wednesday, November 10, 2021, at 6:30 p.m. and comment on the proposed rate adjustment that would take effect on January 1, 2022. Proposition 218 allows property owners or customers to file a written protest before or during the public hearing. If written protests are presented by a majority of the affected parcels, a rate adjustment will not be approved. Only one written protest per identified parcel or property will be counted to determine whether there is a majority protest. Protests must be received in writing prior to the close of the Public Hearing to be considered. Electronic delivery of protests by fax or e-mail will not be accepted.

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 CHWD officials or staff at the District Administration Office by 5:30 p.m. on Wednesday, November 10, 2021, or until the close of the Public Hearing on the night of the Board of Directors meeting, Wednesday, November 10, 2021, at 6:30 p.m. at the Citrus Heights Community Center, South Flex Room A, 6300 Fountain Square Drive, Citrus Heights, California.

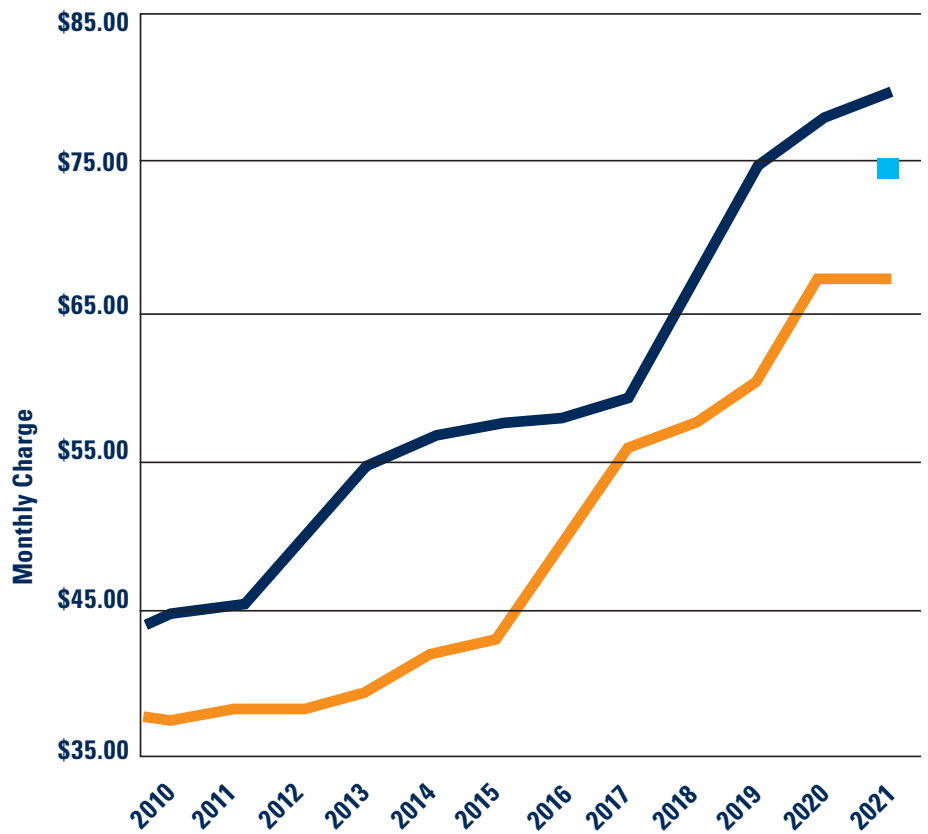
The CHWD Administration Office is located at 6230 Sylvan Road, Citrus Heights, CA 95610. Office Hours are Monday through Thursday, 8 a.m. to 5:30 p.m. For the latest information from CHWD about the proposed rate adjustment, please visit our website: [chwd.org/water-rates](https://chwd.org/water-rates).

# Regional Rate Comparison

## Below the Regional Average

Even with the proposed rate adjustment, the average CHWD water bill will be **6.2% below the Sacramento regional average cost** as shown to the right.

- Regional Average Rates
- CHWD Rates
- 2022 Proposed Rate



## Summary of Rates

Below is a summary of proposed changes to the bi-monthly customer service charges and usage charges for water consumption.

TYPE OF CHARGE	APPLIED BASIS OR FREQUENCY	2021 ADOPTED	2022 PROPOSED
<b>Charges for Metered Rate Customer Accounts</b>			
<b>Service Charge, Domestic, Commercial &amp; Irrigation Meters</b>			
¾-inch meter	bi-monthly, per meter	\$ 57.54	\$ 56.08
1-inch meter	bi-monthly, per meter	\$ 87.29	\$ 91.33
1½-inch meter	bi-monthly, per meter	\$ 136.86	\$ 150.08
2-inch meter	bi-monthly, per meter	\$ 196.35	\$ 220.58
3-inch meter	bi-monthly, per meter	\$ 384.74	\$ 443.82
4-inch meter	bi-monthly, per meter	\$ 662.36	\$ 773.14
<b>Service Charge, Combination Meters</b>			
Low flow bypass meter	bi-monthly, per meter	\$ 0.00	\$ 0.00
4-inch meter	bi-monthly, per meter	\$ 196.35	\$ 220.58
6-inch meter	bi-monthly, per meter	\$ 384.74	\$ 443.82
8-inch meter	bi-monthly, per meter	\$ 662.36	\$ 772.81
10-inch meter	bi-monthly, per meter	\$ 2,119.86	\$ 2,500.01
<b>Usage Charges for Water Consumed (1 unit = 100 cubic feet = 748 gallons)</b>			
<b>Domestic, Commercial, Irrigation &amp; Combination Meter</b>			
All meter sizes	per unit	\$ 1.1800	\$ 1.1900

# Project 2030 Dedicated Charge

TYPE OF CHARGE	APPLIED BASIS OR FREQUENCY	2022 PROPOSED
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## Charges for Metered Rate Customer Accounts

<b>Service Charge, Domestic, Commercial &amp; Irrigation Meters</b>		
¾-inch meter	bi-monthly, per meter	\$ 4.20
1-inch meter	bi-monthly, per meter	\$ 10.50
1½-inch meter	bi-monthly, per meter	\$ 21.00
2-inch meter	bi-monthly, per meter	\$ 33.59
3-inch meter	bi-monthly, per meter	\$ 73.48
4-inch meter	bi-monthly, per meter	\$ 132.30
<b>Service Charge, Combination Meters</b>		
Low flow bypass meter	bi-monthly, per meter	\$ 0.00
4-inch meter	bi-monthly, per meter	\$ 33.59
6-inch meter	bi-monthly, per meter	\$ 73.48
8-inch meter	bi-monthly, per meter	\$ 132.26
10-inch meter	bi-monthly, per meter	\$ 440.86

## Updated Water Shortage Fee Schedule\*

SUPPLY SHORTAGE	STAGE 1 10%	STAGE 2 20%	STAGE 3 30%	STAGE 4 40%	STAGE 5 50%
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### Water Usage Charges (\$/CCF) (1)

Standard Water Usage Rate (a)	\$ 1.19	\$ 1.19	\$ 1.19	\$ 1.19	\$ 1.19
Water Shortage Charge (2)	10%	20%	30%	40%	50%
Sample Water Shortage Charges (b)	\$ 0.12	\$ 0.24	\$ 0.36	\$ 0.48	\$ 0.60
<b>Sample Aggregate Usage Rates (a+b)</b>	<b>\$ 1.31</b>	<b>\$ 1.43</b>	<b>\$ 1.55</b>	<b>\$ 1.67</b>	<b>\$ 1.79</b>

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, using 2022 as an example. The percentages would be applied to any then-current Standard Water Usage Rates in future years.

\*The Board of Directors will not be acting to apply the water shortage rates at this time and will consider implementing these rates if and when they are determined to be necessary in the future. The District will provide advance notice to customers prior to implementation.



Water main repairs and installations.



*Postal Customer and Water Consumer in Citrus Heights Water District*

## CITRUS HEIGHTS WATER DISTRICT

# Delivering Today & Planning for the Future

### Key Successes for 2021

- Over 2,400 linear feet of water main installed or replaced
- 84 water meters replaced
- 266 water service connections installed or replaced
- 11 water valves and 9 fire hydrants installed or replaced
- More than 160 households assisted with FREE water audits and smart controller installations
- Over 250 attendees at the District's FREE WaterSmart classes



Groundwater Wells

Follow and like our social media to stay informed of CHWD developments, services and community engagement opportunities. You can also sign up for CHWD emails on our website to ensure that this important information lands in your inbox and is never missed. Visit [chwd.org/#email-list](https://chwd.org/#email-list)

# CITRUS HEIGHTS WATER DISTRICT

## DISTRICT STAFF REPORT TO BOARD OF DIRECTORS NOVEMBER 10, 2021 SPECIAL MEETING

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SUBJECT	: CAPACITY CHARGES EFFECTIVE 2022
STATUS	: Action Item
REPORT DATE	: November 1, 2021
PREPARED BY	: Susan Talwar, Director of Finance and Administrative Services

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**OBJECTIVE:**

Conduct a Public Hearing on the proposed Capacity Charges effective 2022, and consider adoption of a resolution establishing Capacity Charges for Citrus Heights Water District effective 2022.

**BACKGROUND AND ANALYSIS:**

This report presents the proposed Capacity Charges effective 2022. Accompanying this report is a proposed resolution, Resolution 10-2021, adopting Capacity Charges for CHWD effective 2022. The resolution includes a schedule of Capacity Charges.

Capacity charges are a method for ensuring that new connections, reconnections or enlarged connections to the District's water system are assessed for their equitable share of capacity in the existing facilities and assets of the District. The District uses a "System Buy-In Methodology" which recognizes the current value of providing the capacity needed to serve additional users.

The charging methodology is based on:

- 1) The meter equivalent;
- 2) Plus replacement cost of the District's assets;
- 3) Less depreciation, and current capital improvement program work in progress;
- 4) Less outstanding debt;
- 5) Plus an increase of 2.8% as found in the Engineering News Record.

The proposed 2022 fees schedule is included in the accompany Resolution 10-2021.

Proposed Capacity Charges for 2022 are calculated in accordance with District Policy No. 7500, Capacity Charges. Although these Capacity Charges will be adopted as a separate Board action, once adopted, they will be incorporated in the schedule of CHWD Water Rates and Miscellaneous Charges and Fees effective 2022.

**RECOMMENDATIONS:**

1. Conduct the Public Hearing on the proposed Capacity Charges effective 2022; and

2. Adopt Resolution No. 10-2021 Adopting Capacity Charges for Citrus Heights Water District effective 2022.

**ACTION:**

Moved by Director \_\_\_\_\_, Seconded by Director \_\_\_\_\_, Carried \_\_\_\_\_

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**ATTACHMENTS:**

1. Resolution No. 10-2021 2022 Capacity Charges

## **Attachment 1**

### **Resolution 10-2021 Capacity Charges**

CITRUS HEIGHTS WATER DISTRICT  
RESOLUTION NO. 10-2021

RESOLUTION ADOPTING CAPACITY CHARGES  
FOR CITRUS HEIGHTS WATER DISTRICT EFFECTIVE 2022

WHEREAS, upon motion duly moved, seconded, and carried, the following Capacity Charges were adopted effective 2022:

<u>Type of Charge</u>	<u>Applied Basis or Frequency</u>	<u>2022 Adopted</u>
<b><u>Capacity Fees</u></b>		
5/8 inch	per service	\$2,983.80
3/4 inch	per service	\$4,475.70
1 inch	per service	\$7,459.51
1 1/2 inch	per service	\$14,919.01
2 inch	per service	\$23,870.42
3 inch	per service	\$52,216.55
4 inch	per service	\$93,989.78
6 inch	per service	\$193,947.18
8 inch	per service	\$417,732.38
10 inch	per service	\$626,598.58
12 inch	per service	\$784,539.73

PASSED AND ADOPTED by the Board of Directors of the CITRUS HEIGHTS WATER DISTRICT, this 10th day of November 2021, by the following vote, to-wit:

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

S E A L

\_\_\_\_\_  
DAVID C. WHEATON, President  
Board of Directors  
Citrus Heights Water District

ATTEST:

\_\_\_\_\_  
HILARY M. STRAUS, Secretary



# CITRUS HEIGHTS WATER DISTRICT

## DISTRICT STAFF REPORT TO BOARD OF DIRECTORS NOVEMBER 10, 2021 SPECIAL MEETING

SUBJECT : DISCUSSION AND POSSIBLE ACTION TO APPROVE THE 2022 BUDGET  
 STATUS : Action Item  
 REPORT DATE : November 1, 2021  
 PREPARED BY : Susan Talwar, Director of Finance & Administrative Services

### **OBJECTIVE:**

Conduct a Public Hearing for the proposed Operating and Capital Improvement Budgets and Transfers to Designated Reserves for 2022, and consider adoption of a resolution establishing the Fiscal Year 2022 Operating and Capital Improvement Budgets and Transfers to Designated Reserves.

### **SUMMARY:**

This report presents the proposed Operating and Capital Improvement Budgets and Transfers to Designated Reserves for 2022. Accompanying this report is a copy of a proposed resolution, Resolution 09-2021, establishing the Fiscal Year 2022 Operating and Capital Improvement Budgets, and Transfers to Designated Reserves, which includes a summary of these budgets in the following amounts:

2022 Operating Budget:	\$ 13,646,474
2022 Capital Improvement appropriations:	
Re-budgeted Projects from 2021:	\$ 3,050,682
New Capital Projects Request for 2022:	<u>\$ 5,640,257</u>
Total 2022 Capital Improvements Budget:	\$ 8,690,939
2022 Transfers to Designated Reserves:	\$ 1,374,099

### **BACKGROUND AND ANALYSIS:**

Based upon the goals and objectives identified by the Board at the Strategic Planning Session on May 29, 2021, staff has updated the Financial Model and Cost of Services Study/Analysis and prepared the proposed 2022 Operating and Capital Improvement Budgets. At the September 9, 2021 Board meeting, staff conducted a study session on the complete rebuild of the Financial Model, which includes a rate recalibration component. Budget information and rate options will be considered by the Board of Directors at a noticed Public Hearing on November 10, 2021. Also, the proposed 2022 CHWD budget, rate program and the District's work program were presented to eight neighborhood associations throughout Citrus Heights, the Citrus Heights Chamber of Commerce, and two service clubs (Rotary and Kiwanis) in the community.

Accompanying this staff report for the Board's consideration is CHWD's budget document, which focuses on highlighting programs and projects the District is planning to accomplish in the coming year based upon the proposed revenue and expenditure plan.

### 2022 Operating Budget

The 2022 Operating Budget was prepared with the goal of supporting the District's mission of providing a dependable supply of safe, quality water delivered in an efficient, responsive and affordable manner. Moreover, the proposed 2022 Operating Budget incorporates Strategic Planning goals and objectives identified by the Board, with input from leadership staff, at the Board's Strategic Planning Session. District staff recommends the proposed 2022 Operating Budget, as it reflects a balance between maintaining high-quality water service and keeping costs in check.

The 2022 budget continues the practice of estimating the amount of staff time to be spent working on capital improvement projects and allocating the estimated salary and benefit costs to the Capital Improvement Budget. This allocation provides a more accurate picture of the true cost of both day-to-day operations and capital improvements.

### **Operating and Capital Budget**

Highlights of the 2022 expenditure plan include:

- 1) CHWD continues to focus in 2022 on advanced planning for infrastructure, asset management and value-added programs and services and Strategic Planning activities. For example, the Operating budget includes funding for implementation of Project 2030 – Water Main Replacements, Water Meter Replacement Program Study, Enterprise-wide Document Management and Scanning, and similar planning activities and projects.
- 2) Key capital projects proposed for 2022 are highlighted below. These projects proposed implement the 1999 Capital Improvement Program Mater Plan, while water main replacement planning efforts begin to shift to the Project 2030—Water Replacement Program, and/or are based on a staff evaluation of capital needs. The design and construction of Well #7 is included. Project delivery capacity is leveraged by the use of consultants/contractors on a project-specific basis.

### Operating and Maintenance Budget

- \$13.65 million, representing an overall increase of about \$100,000, less than 1% above 2021 authorized budget levels
- \$3,135,754 of the total budget is the projected cost of treated water from San Juan Water District. The costs include a decrease of 500 AF from the 2021 purchase of 11,500 AF
- \$1.70 million in support services, including many Strategic Planning and special projects, such as public education/outreach and Water Efficiency Programs; completion of Water Meter Replacement Program study; acquisition of easements; and organizational development/training/certifications.
- \$35,000 for the 2022 election expense.

- \$639,000 increase in Salary and Benefits, which includes: Accelerated payoffs of the CalPERS pension Unfunded Actuarial Liability (UAL) and the Other Post-Employment Benefits (OPEB) UAL; 11% increase in the CalPERS employer contribution rate (due to factors such as the lowering of the assumed rate of return on CalPERS' portfolio); 11% increase in Health Insurance; and 4.5%, for merit and cost of living adjustments.

Approximately \$500,000 in salary and benefit costs are allocated to the Capital Improvement Budget to account for staff time spent in the planning, design, construction and inspection of capital projects by District employees.

### **Capital Improvements Budget**

2022 Capital Improvement appropriations:

Re-budgeted Projects from 2021:	\$ 3,050,682
New Capital Projects Request for 2022:	<u>\$ 5,640,257</u>
Total 2022 Capital Improvements Budget:	\$ 8,690,939

Project highlights include:

- Replacement, upgrades and new fire hydrants for \$160,000.
- Six water main replacements or installation projects scheduled to start design in 2021. Design costs are projected to be \$917,168 and construction completion targeted and budgeted for 2022.
- Operations equipment replacements and new equipment totaling \$380,000.
- Groundwater Well Capital Projects, funded through the Water Supply Reserve totaling \$3,456,687;
  - Continued property acquisition appropriation from prior years re-budgeted at \$81,187
  - Design of Well No. 7, \$3,225,500
  - Groundwater Well Improvements, \$150,000

### **Designated Reserves Transfers**

The proposed 2022 budget meets all policy targets for fund balances in the District's designated reserves in addition to the reserve transfers noted below from the Operating Fund.

- \$1,374,099 transfer to the Water Main Replacement Reserve – Project 2030. This transfer will be funded by the new Project 2030—Water Main Replacements dedicated charge proposed to be included on customers' bills and as recommended by CHWD's Customer Advisory Committee, if enacted by the CHWD Board on November 10, 2021.

**Total Operating, Capital and designated Reserved Transfers Budgets for 2022:**

Total Funding Requirements for 2022 Budgets:

Operating Budget	CIP Budget	Transfers to Reserves	Total
\$13.65 million	\$8.69 million	\$1.37 million	\$23.71 million

**Public Information and Public Engagement Program for the 2022 Budget**

Staff continues with CHWD's public education/outreach strategy to help inform customers concerning key issues facing the District (e.g., policy decisions from San Juan Water District that impact CHWD's customers, 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: a Hand-out/Mailer; budget and funding information at CHWD's website; meetings with stakeholder audiences; community presentations provided by CHWD staff to the City's neighborhood associations and service organizations (e.g., Rotary and Kiwanis); and use of the District's social media platforms (Facebook page, YouTube channel, Nextdoor).

**RECOMMENDATIONS:**

1. Conduct a Public Hearing on the proposed Budget for 2022; and
2. Adopt Resolution 09-2021, Establishing Fiscal Year 2022 Budget.

**ACTION:**

Moved by Director \_\_\_\_\_, Seconded by Director \_\_\_\_\_, Carried \_\_\_\_\_

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**ATTACHMENTS:**

1. Resolution 09-2021, Establishing Fiscal Year 2022 Budget

## **Attachment 1**

Resolution 09-2021 Establishing Fiscal Year  
2022 Budget

CITRUS HEIGHTS WATER DISTRICT  
RESOLUTION NO. 09-2021

RESOLUTION ESTABLISHING  
FISCAL YEAR 2022 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, 2022; 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: \$13,646,872; and Capital Improvement Budget: \$8,690,042; and

WHEREAS, a noticed Public Hearing was held on November 10, 2021 for the purpose of receiving public comment on the proposed Fiscal Year 2022 Budget.

THEREFORE BE IT RESOLVED the Fiscal Year 2022 Budget (Exhibit A) accompanying this resolution and incorporated herein as part of this Resolution, are hereby adopted.

PASSED AND ADOPTED by the Board of Directors of the CITRUS HEIGHTS WATER DISTRICT, this 10<sup>th</sup> day of November, 2021, by the following vote, to-wit:

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

S E A L

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DAVID C. WHEATON, President  
Board of Directors  
Citrus Heights Water District

ATTEST:

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HILARY M. STRAUS, Secretary  
Citrus Heights Water District

## **Exhibit A**

### **2022 Annual Budget**



2021 Poster Contest Grand Prize Winner - Kendall Nemeth, Oakview Elementary, 5th Grade

# 2022 ANNUAL BUDGET

ADOPTED NOVEMBER 10, 2021



**CITRUS HEIGHTS WATER DISTRICT**

**CITRUS HEIGHTS, CA**



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# Introductory Section

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

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

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## Frequently Asked Questions about the Budget

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

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

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

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

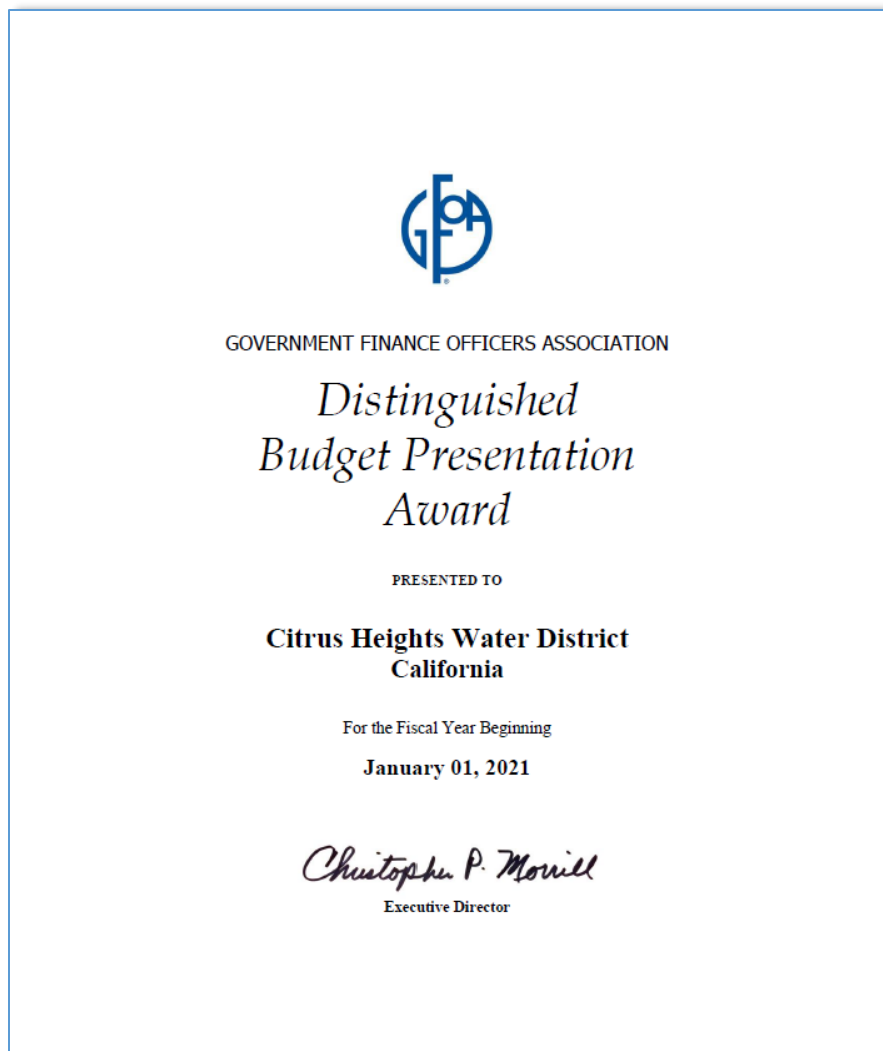
[How many employees work for the district? Page 39](#)

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

## Distinguished Budget Presentation Award

Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Citrus Heights Water District, California, for its Annual Budget for the fiscal year beginning January 01, 2021. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



## Letter of Transmittal

**CITRUS  
HEIGHTS  
WATER  
DISTRICT**



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

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

November 10, 2021

Honorable President and Members of the Board of Directors,

It is my pleasure to present you with the Citrus Heights Water District (CHWD or District) (FY) 2022 Budget. This year's budget demonstrates CHWD's continuing commitment to providing high quality, economical, and responsive services to our customer base while continuing the District's commitment to reinvest in its aging infrastructure and capital assets.

### ***Agency History and Infrastructure/Asset Management***

A review of the District's history and key infrastructure and assets help to inform customers today about operational and capital cost drivers. In 2021, CHWD celebrated its Centennial. The District formed in October 1920 under the Irrigation Code with a three-member Board of Directors. The initial service area was 4.7 square miles (mostly agricultural), and the District provided water service to about 225 farms. Surface water was purchased by the North Fork Ditch Company, which had water rights to the American River, including what is now Folsom Lake. Water was conveyed to the Citrus Heights service area through a network of small canals and pipelines.

### **Water Mains**

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

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

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

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

#### Water Meters

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

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

#### Groundwater Wells

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

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

### ***Other Short-term Issues Impacting CHWD's Budget***

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

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

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

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

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

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

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

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

### ***Focus on Long-Range Planning***

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

### **Implementation of an Annual Budget Based on a Ten-Year Budget Forecast**

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

A summary of the 10-Year Financial Model is included in the "Financial Model" section of the budget.

### **Reserve Policies and Special Funding**

Each year, CHWD endeavors to transfer a portion of net revenue to both designated and undesignated reserves. Placing ratepayer dollars in reserves ensures that CHWD can smooth-out its expenses and minimize its use of debt financing (which can add significant expense, delay, complication and result in a loss of local control to CHWD as it implements its Capital Improvement Program).

CHWD's designated reserves, which are described in more detail in the Appendix section of the budget, include: Water Efficiency, Water Supply, Debt Services, Employment-Related Benefits, Fleet Equipment, Rate Stabilization, Water Meter Replacement, Operating and Capital Improvement. Finally, in anticipation of the completion of its Project 2030—Water Main Replacement Study and program in 2021, the District established a Water Main Replacement Reserve in 2020.



### Strategic Planning

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

Strategic Planning is undertaken as one of the initial activities of the budget development process, and includes a review of the prior year's work program, and an examination/re-examination of the District's three year goals and one-year objectives, organized under each three goal. One-year objectives are then assigned to a CHWD staff member, who is chiefly responsible for the implementation of that objective, along with a team of CHWD staff and/or consultants in a supporting role. CHWD Board Members and leadership staff (General Manager, department heads, division manager and key staff), as well as members of CHWD's Customer Advisory Committee (CAC) participate in a Strategic Planning session held as a public meeting, typically in June, July or August of each year. From there, CHWD finance staff prepare a draft budget with expenditure and funding options, many of which incorporate Strategic Plan work program items, to ensure that the Strategic Plan is implemented as directed by the Board.

For 2022, there are several one-year objectives organized under five (5) three-year goals, including: 1) Manage and/or Diversify a Dependable Water Supply; 2) Manage Water Efficiency Effectively and Empower Customers to Use Water in an Efficient Manner; 3) Manage the Efficient Improvement of and Reinvestment in District Infrastructure and Facilities; 4) Promote Organizational Effectiveness to Enhance Customer Service.

A summary of the CHWD's 2022-25 Strategic Plan is included in the "Strategic Planning" section of the budget.

### Public Education/Outreach

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



CHWD Demonstration Garden

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

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

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

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

### ***Operating Budget***

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

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

### ***District's Capital Improvement Program (CIP)***

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

***Conclusion***

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

Respectfully submitted,



Hilary M. Straus  
General Manager

## About the District

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

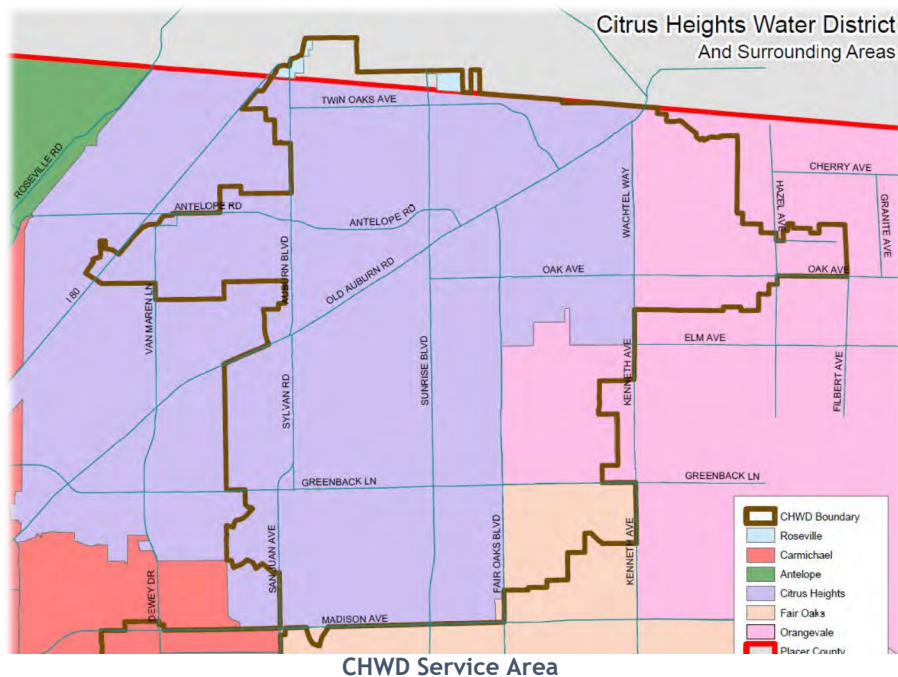
At that time, the District encompassed slightly more than 4.7 square miles, serving approximately 225 farms.

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



CHWD Offices

Citrus Heights Water District carries out its mission with a highly-motivated and competent staff that is empowered to conduct CHWD’s business by placing the customers’ needs and welfare first. Each day, CHWD employees strive to carry out their work, mindful of the District’s mission, “to furnish a dependable supply of safe, quality water delivered to its customers in an efficient, responsive, and affordable manner.”



CHWD Service Area



The District provides these programs to increase water efficiency:

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

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



Poster Contest 1st Place Winner, 2021

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

## Governance and Organizational Structure

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

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

### Water Supply

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

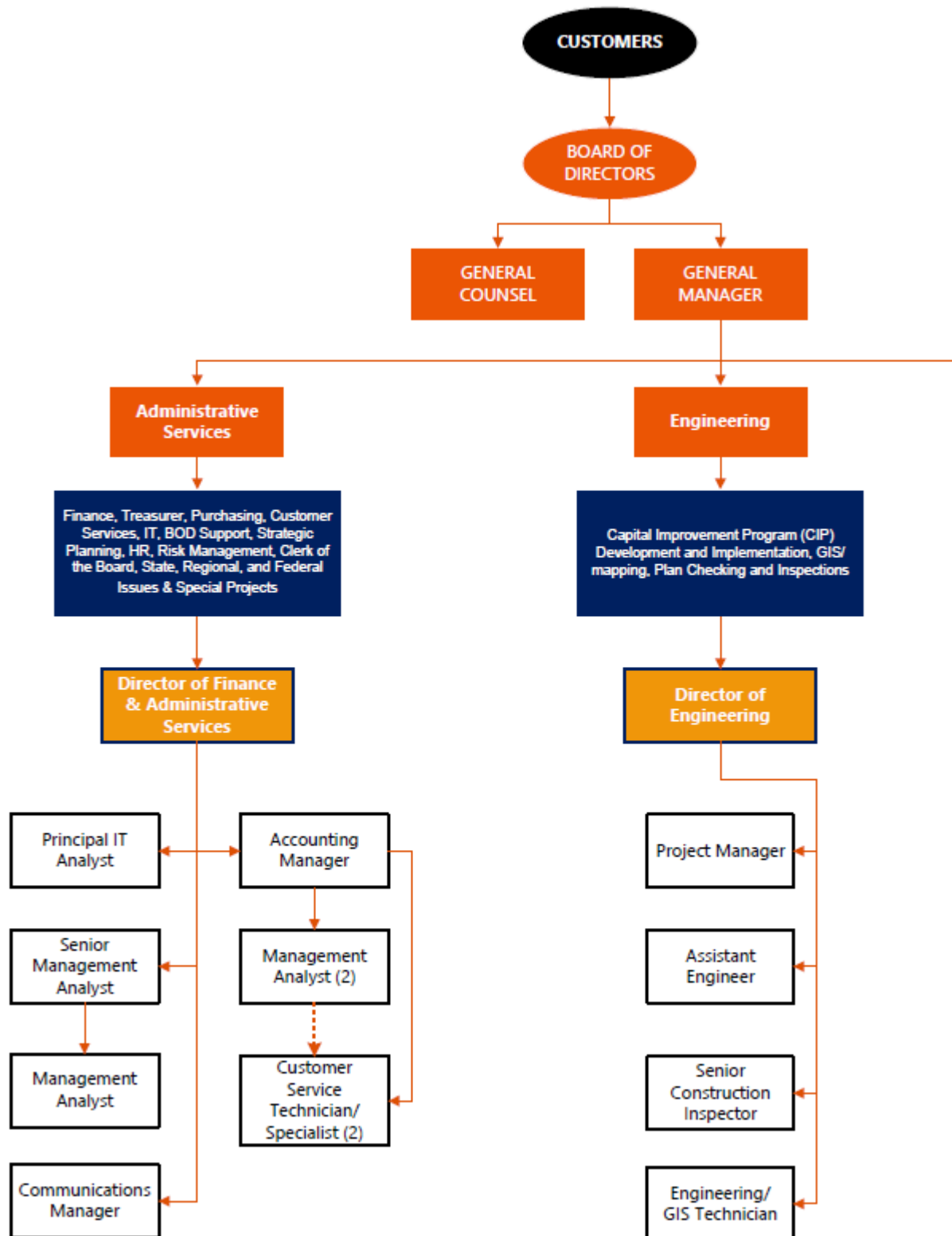
### Demographic and Economic Statistics

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

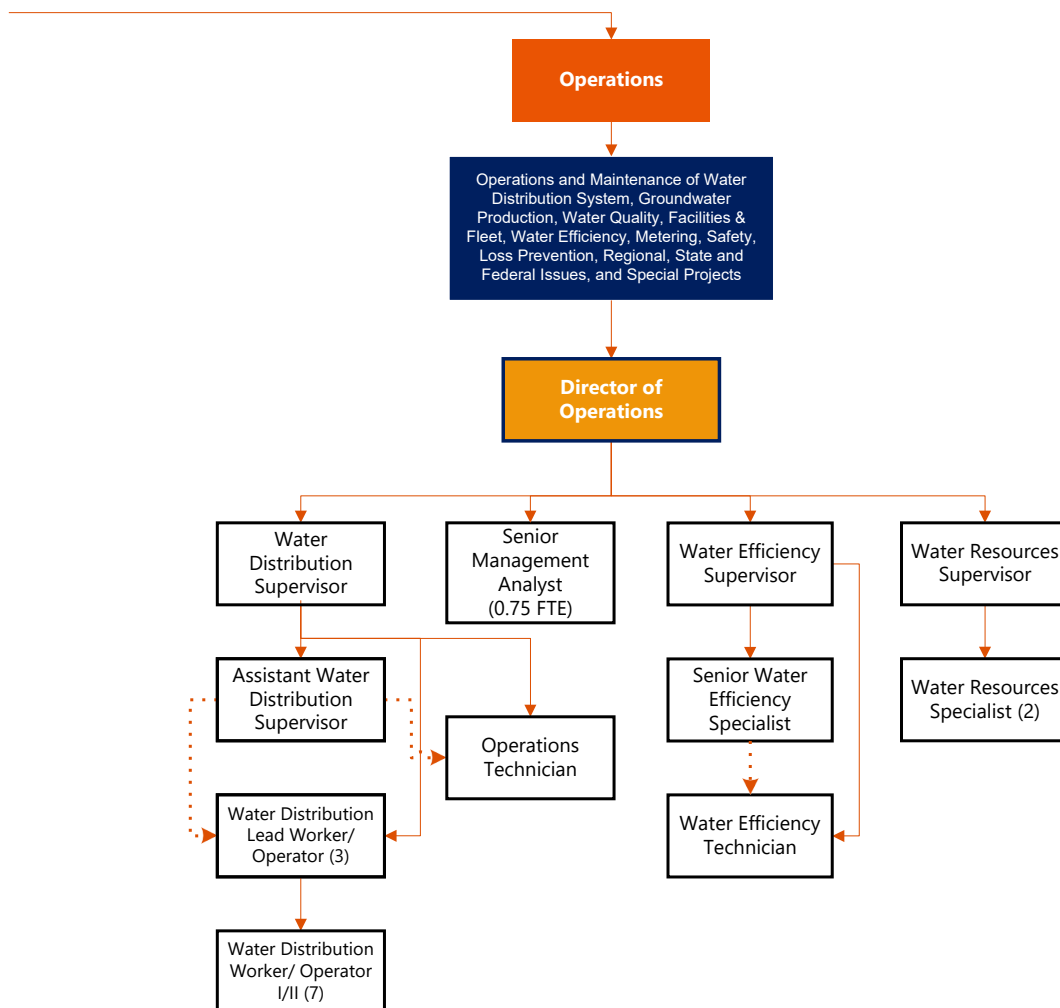


CHWD Staff Completing Underground  
Service Alert Marking

## Organizational Chart



Organizational Chart for 2021





## Strategic Planning

Strategic Plan - Strategic planning involves establishing a vision for the future, setting a mission statement, providing direction, and defining what the organization stands for and what it has pledged to accomplish. Since 2016, CHWD has held a strategic planning workshop for the Board of Directors, management, and members of the community at-large. The purpose of the workshop is to review the District's mission statement and values, and to formulate the District's one-year and 5-year organizational goals which emphasize CHWD's commitment to efficiency, water supply, capital improvement and organizational wide support. The Strategic Plan forms the basis for the District's priority-based budgeting efforts.



2019 Pre-Pandemic Strategic Planning Session Participants

### KEY ISSUES FOR 2022

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Customer education on Policy, Operations, and Interagency Issues</li> <li>• Implement Board-directed Branding Project</li> <li>• Complete Design of Well Site 7</li> <li>• Implement District Meter-Testing Program</li> <li>• Implement Study for Information Technology Security Updates</li> </ul> | <ul style="list-style-type: none"> <li>• Begin Project 2030 Infrastructure Replacement Implementation Plan</li> <li>• Complete District-Wide Easement Project</li> <li>• Create Engineering Design Standards &amp; Procedures</li> <li>• Research Automated Clearing House (ACH) Payment Options</li> </ul> |
|--|---|

## Our Mission

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

## OUR VISION

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

## OUR VALUES



## Strategic Plan Goals and Objectives

During the Strategic Planning session, CHWD's leadership puts together a set of goals, representing the priorities that will drive the District's activities. Goals are for three years, but are reviewed each year to determine whether they are still relevant for the coming budget year. Under each goal, individual objectives are identified to address the issues that pertain to that goal.

Some key differences between the current year (2021) and the coming budget year (2022) include:

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

The following are the goals and objectives identified for 2022:

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

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

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

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

## Economic Condition, Outlook and Major Initiatives



Water Meter Testing In Progress

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

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

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

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

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

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



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

## Long-Term Financial Planning

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

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



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

## Budget Overview

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

Table 1

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

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

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

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



## Financial Highlights

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



CHWD Staff Performing Infrastructure Installation

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

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

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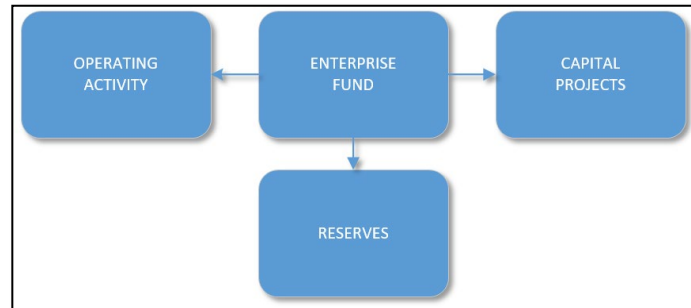


# Financial Policies & Goals

## Accounting and Budget Structure

### Fund Structure

CHWD operates as an enterprise fund with a fiscal year that begins January 1 and ends on December 31. The District operates with one major fund on the accrual basis of accounting. Generally accepted accounting principles (GAAP) require local governments, to use a proprietary-type fund, such as an enterprise fund, to account for business-type activities similar to those found in the private sector. An enterprise fund is one in which the expenditures are supported by fees collected primarily through charging users in exchange for services. CHWD operations are supported almost entirely by fees collected from customers in exchange for providing water service, including providing customer service, continuously working to maintain and repair the District's infrastructure, and providing a dependable supply of clean, safe water.



CHWD Fund Structure

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

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

## Financial Model

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

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

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

In 2019, the District updated its financial model, with Raftelis Financial Consultants (Raftelis). This model was further refined in 2020 with IB Consulting. As years pass, it is a best practice to update the assumptions and factors in a financial model, as assumptions used in prior models may no longer apply. In addition to updating assumptions, CHWD desired to reevaluate its rate structure and ensure a rate allocation ratio of 65% fixed to 35% variable income. The final goal of the model update was to evaluate the current rate schedule and ascertain whether a recalibration of the rates was necessary.

As a result, the District determined that the fixed portion of the rate needed a recalibration in order to ensure that costs allocated to meters of different sizes accurately reflected the demand and usage each meter size placed on the District's water system.

The rebuild of the financial model was presented to the Board of Directors at the August 2019 Board Meeting, which included a rate calibration component.

### Five Year Forecast

Table 2 illustrates the District's five-year forecast of revenues and expenditures for 2022 through 2026. The forecast includes assumptions of 4% growth in rate revenue, increased operating costs based on the Consumer Price Index (CPI) 10-Year Average for San Francisco, and increased construction costs based on the Engineering News Record Construction Cost Index (ENR CCI) 5-Year average for San Francisco.

Primary goals for this forecast include building the Water Main Replacement Reserve in order to soften the financial impact of commencing the main replacement plan charted by the Project 2030 Study, maintaining designated reserves at healthy levels, and construction of the District's seventh groundwater well.

A significant conclusion to draw from the forecast is that operational costs are projected to keep rising due to inflation, while construction costs are projected to rise due to increased materials costs caused by large-scale regional construction. In order to maintain policy-defined reserve targets, these growing costs will need to be addressed by the District.

	2020 Actual	2021 Projected	2022 Proposed	2023 Projected	2024 Projected	2025 Projected	2026 Projected
<b>Revenues</b>							
Water Sales	16,908,986	16,807,101	16,874,305	17,541,305	18,234,305	18,955,305	19,705,305
Connection and Other Fees	2,294,771	831,963	982,901	982,901	982,901	982,901	982,901
Project 2030 Designated Charge	-	-	1,374,099	1,374,099	1,374,099	1,374,099	1,374,099
Investment and Other Income	216,845	89,081	193,000	193,000	193,000	193,000	193,000
<b>Total Revenues</b>	<b>19,420,602</b>	<b>17,728,144</b>	<b>19,424,305</b>	<b>20,091,305</b>	<b>20,784,305</b>	<b>21,505,305</b>	<b>22,255,305</b>
<b>Expenses</b>							
Salaries and Benefits	4,850,319	5,233,360	5,971,747	6,278,251	6,481,599	6,691,047	6,906,778
Water Purchases	3,444,647	3,241,422	3,135,754	3,675,000	3,675,000	3,675,000	3,675,000
Contracted Services	2,199,992	1,447,674	1,982,770	344,086	354,475	365,178	376,205
Other Operating Costs	1,968,341	1,922,675	2,456,203	4,124,223	4,178,103	4,237,422	4,297,268
Debt Service	610,000	95,000	100,000	183,922	244,431	249,431	254,431
Transfers to Reserves	1,200,000	-	1,374,099	1,374,099	1,374,099	1,374,099	1,374,099
<b>Total Expenses</b>	<b>14,273,299</b>	<b>11,940,131</b>	<b>15,020,573</b>	<b>15,979,582</b>	<b>16,307,707</b>	<b>16,592,177</b>	<b>16,883,781</b>
Operating Income before Capital Outlay	5,147,303	5,788,014	4,403,732	4,111,723	4,476,598	4,913,128	5,371,524
Capital Outlay	3,203,785	3,100,000	8,690,939	5,103,650	6,554,240	7,047,664	6,635,008
<b>Beginning Net Position</b>	<b>12,870,096</b>	<b>16,013,614</b>	<b>18,701,628</b>	<b>15,788,520</b>	<b>16,170,692</b>	<b>15,467,150</b>	<b>14,706,712</b>
Operating Revenues	19,420,602	17,728,144	19,424,305	20,091,305	20,784,305	21,505,305	22,255,305
Operating Expenses	(13,073,299)	(11,940,131)	(13,646,474)	(14,605,483)	(14,933,608)	(15,218,078)	(15,509,682)
Capital Outlay	(3,203,785)	(3,100,000)	(8,690,939)	(5,103,650)	(6,554,240)	(7,047,664)	(6,635,008)
<b>Ending Net Position</b>	<b>16,013,614</b>	<b>18,701,628</b>	<b>15,788,520</b>	<b>16,170,692</b>	<b>15,467,150</b>	<b>14,706,712</b>	<b>14,817,327</b>

Table 2

## Budget Process

The District's budget process begins with its Strategic Planning meeting, typically held in June of the preceding year. The Board adopted the current Strategic Plan in August 2021. Using the 10-year financial model, the Administrative Services department

prepares the District’s revenue budget, with the input of department managers and supervisors throughout CHWD. The Engineering and Operations department review the 30-year capital improvement plan, and short-term needs to produce the annual capital budget.

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

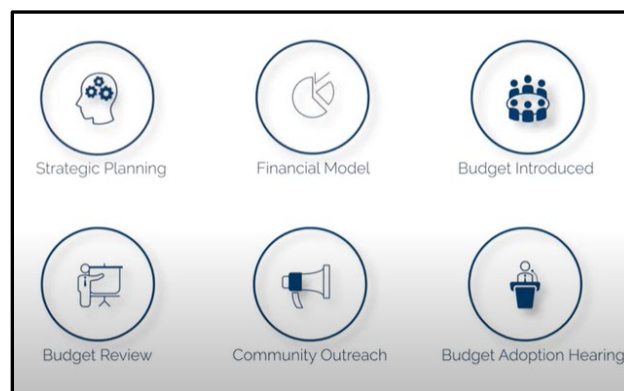
The Board then provides direction to District staff. This can either be a request for revision, or authorization to proceed with the budget process. Once the Board gives the authorization to proceed, staff will finalize the budget and, if necessary, issue a notice to its customers, pursuant to California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

### Budget Amendments

During the course of a year, it may be necessary to amend line items in the operating or capital budgets, or to transfer budgeted dollars between operating budget accounts, between capital projects, or between capital and operating budgets. Budgetary control rests with the General Manager up to the limits prescribed in CHWD’s Purchasing Policy. When the amount exceeds the General Manager’s authority, budgetary control rests with the Board of Directors, and Board approval is required for any budget transfers.

### Budget Controls

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



CHWD's Budget Process

## Budget Calendar

Item	Start	Due Date
Strategic Planning	5/26/2021	5/26/2021
Regional Rate Survey	6/25/2021	8/1/2021
Create CIP List of Projects for 2022 and Financial Plan Term	7/15/2021	7/16/2021
GM to Review O&M Budget	8/13/2021	8/15/2021
Create detail CIP sheets for 2022	8/17/2021	9/30/2021
Financial Model Update to Board	9/15/2021	9/15/2021
BOD Budget and Rate Meeting	9/09/2021	9/09/2021
Final adjustments to budgets & Rate Model	9/30/2021	9/30/2021
Public Outreach	Late Sept to Late Oct	Oct to Early Nov
Present Misc. Charges and Fees to BOD	10/20/2021	10/20/2021
Revisions to detail budgets and rates per BOD direction	10/21/2021	10/24/2021
Present final budgets and rates to BOD @ Public Hearing	11/10/2021	11/10/2021
Preparation / distribution of final budget binders / 2022 rate schedule	12/1/2021	12/27/2021

Table 3



## Financial Policies

The CHWD financial policies include many of the District's financial management practices that are used for operational and strategic decision making. These policies also allow the Board of Directors and community stakeholders to monitor how effectively the District is managing its financial responsibilities, as well as providing a means for holding the District fiscally accountable. These policies are reviewed annually to incorporate minor changes to existing policy, or major shifts in financial priorities at the discretion of the Board of Directors. The financial policies underwent a comprehensive review and update during 2020, which was approved at the May 8, 2020 Board of Directors meeting.

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

**Investment Policy:** The Board has adopted an investment policy that conforms to state law, CHWD's ordinances and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity, and then yield. Currently, funds are invested in various securities as authorized by CHWD's Investment Policy, with most of the District's funds invested in California's Local Agency Investment Fund (LAIF).

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

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

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.



When such funds are received 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 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 those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of 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.



Customer Outreach at a Community Event

**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 in money market mutual funds and LAIF.

**Restricted Assets:** Certain proceeds of the District's long-term debt are classified as restricted investments on the balance sheet 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 of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Self-constructed assets are recorded based on the amount of direct labor, material, and certain overhead charged to the asset construction calculated using the straight-line method, using the estimated useful lives in *Table 3*.

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

*Table 4*

**Bond Premiums and Bond Issuance Costs:** Bond premiums are deferred and amortized over the lives of the bonds. Long-term liabilities are reported net of the applicable bond premiums. Bond issuance costs are recognized as an expense in the period incurred.

## Debt Management

CHWD funds capital improvement requirements primarily on a pay-as-you-go basis. However, there have been instances when the District has issued debt to fund significant capital projects. The District's debt instruments are secured by net revenues derived from the operation of the water system. The District may not issue or incur any new debt obligations that are superior to the installment or parity obligations under existing debt covenants. The District has no legal debt limit, and no immediate plans to issue debt for 2022.

### Outstanding Debt Obligations

**2010 Certificates of Participation:** In 2010, the District issued \$5,155,000 of Revenue Certificates of Participation (Certificates) with an interest rate of 4.00%. These 2010 Certificates were issued to retire the 2000 Certificates of Participation, which were issued to finance 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 \$450,000 to \$545,000 are due on September 28 through September 28, 2020 and semi-annual interest payments, ranging from \$10,900 to \$59,600 are due on March 28 and September 28 through September 28, 2020.

Repayment of the 2010 Certificates of Participation was completed in September 2020, which is reflected in the reduction of debt service from \$740,388 in 2020 to \$174,088 in 2021, as shown on *Table 4*.

**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

Year	Series 2010		Series 2012B		Total Payment
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	545,000	21,800	90,000	83,588	740,388
2021			95,000	79,088	174,088
2022			100,000	74,338	174,338
2023			105,000	69,338	174,338

Table 5



# Operating Budget

## Operating Revenue, Expenses, and Net Position

	2020 Actual	2021 Adopted	2021 Projected	2022 Proposed
<b>Revenues</b>				
Water Sales	16,908,986	14,821,050	16,807,101	16,874,305
Connection and Other Fees	2,294,771	433,300	831,963	982,901
Project 2030 Designated Charge	-	-	-	1,374,099
Investment and Other Income	216,845	195,235	89,081	193,000
<b>Total Revenues</b>	<b>19,420,602</b>	<b>15,449,585</b>	<b>17,728,144</b>	<b>19,424,305</b>
<b>Expenses</b>				
Salaries and Benefits	4,850,319	5,332,066	5,233,360	5,971,747
Water Purchases	3,444,647	3,177,864	3,241,422	3,135,754
Contracted Services	2,199,992	2,429,407	1,447,674	1,982,770
Other Operating Costs	1,968,341	2,220,804	1,922,675	2,456,203
Debt Service	610,000	95,000	95,000	100,000
Transfers to Reserves	1,200,000	-	-	1,374,099
<b>Total Expenses</b>	<b>14,273,299</b>	<b>13,255,141</b>	<b>11,940,131</b>	<b>15,020,573</b>
Operating Income before Capital Outlay	5,147,303	2,194,444	5,788,014	4,403,732
Capital Outlay	3,203,785	7,208,814	3,100,000	8,690,939
<b>Beginning Net Position</b>	<b>12,870,096</b>	<b>16,013,614</b>	<b>16,013,614</b>	<b>18,701,628</b>
Operating Revenues	19,420,602	15,449,585	17,728,144	19,424,305
Operating Expenses	(13,073,299)	(13,255,141)	(11,940,131)	(13,646,474)
Capital Outlay	(3,203,785)	(7,208,814)	(3,100,000)	(8,690,939)
<b>Ending Net Position</b>	<b>16,013,614</b>	<b>10,999,244</b>	<b>18,701,628</b>	<b>15,788,520</b>

Table 6

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

In 2015, the State of California instituted mandatory conservation requirements in response to a historic drought. This resulted in the reduction of water usage by the District's customers of 16.5% from 2014, and 33.0% from 2013. The District's customers have continued to conserve water as a lifestyle change. Although usage has increased since 2015, it has not rebounded to the pre-drought level of consumption.

Consumption is monitored on a monthly basis, and compared to prior years to identify a trend. Future consumption is estimated using a trend analysis, along with estimates

Fiscal Year	Consumption (Acre Feet)	% Change
2011	13,252.18	-3.45%
2012	14,169.76	6.92%
2013	14,881.54	5.02%
2014	11,937.24	-19.78%
2015	9,973.47	-16.45%
2016	10,422.44	4.50%
2017	11,014.52	5.68%
2018	10,981.66	-0.30%
2019	11,001.23	0.18%
2020	12,003.53	9.11%

Table 7

from consulting firm Harris & Associates, who completed these estimates in conjunction with their work on the Project 2030 Main Replacement Study. Although the COVID-19 pandemic caused an increase in consumption in 2020, it is unclear what the long-term effects will be. Therefore, CHWD has not changed its estimates for future water demand. A historical comparison of consumption is provided in Table 7.



## Water Rates

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.

Type	2020	2021	2022
<b><u>Consumption (per unit ccf)</u></b>			
Per Unit CCF (No tiers)	\$ 1.1800	\$ 1.1800	\$ 1.1900
<b><u>Service Charge (bimonthly)</u></b>			
Commercial/Domestic/Irrigation 3/4"	\$ 57.54	\$ 57.54	\$ 56.08
Commercial/Domestic/Irrigation 1"	87.29	87.29	91.33
Commercial/Domestic/Irrigation 1-1/2"	136.86	136.86	150.08
Commercial/Domestic/Irrigation 2"	196.35	196.35	220.58
Commercial/Domestic/Irrigation 3"	384.74	384.74	443.82
Commercial/Domestic/Irrigation 4"	662.36	662.36	773.14
<b><u>Project 2030 Designated Charge (bimonthly)</u></b>			
Commercial/Domestic/Irrigation 3/4"	\$ -	\$ -	\$ 4.20
Commercial/Domestic/Irrigation 1"	-	-	10.50
Commercial/Domestic/Irrigation 1-1/2"	-	-	21.00
Commercial/Domestic/Irrigation 2"	-	-	33.59
Commercial/Domestic/Irrigation 3"	-	-	73.48
Commercial/Domestic/Irrigation 4"	-	-	132.30

Table 8



## Employees by Department

Department	Position	FY20	FY21	FY22
Administrative Services				
	General Manager	1.00	1.00	1.00
	Director of Finance & Admin. Services	1.00	1.00	1.00
	Principal IT Analyst	1.00	1.00	1.00
	Accounting Manager	1.00	1.00	1.00
	Administrative Services Manager	1.00	-	-
	Communications Manager	-	1.00	1.00
	Senior Management Analyst	-	-	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
	<i>Total Administrative Services</i>	10.00	10.00	11.00
Engineering				
	Director of Engineering	1.00	1.00	1.00
	Project Manager	1.00	1.00	1.00
	Assistant Engineer	1.00	1.00	1.00
	Engineering/GIS Specialist	1.00	1.00	1.00
	Senior Construction Inspector	1.00	1.00	1.00
	<i>Total Engineering</i>	5.00	5.00	5.00
Operations				
	Director of Operations	1.00	1.00	1.00
	Principal Management Analyst	-	-	1.00
	Senior Management Analyst	1.00	1.00	-
	Water Distribution Supervisor	1.00	1.00	1.00
	Water Efficiency Supervisor	1.00	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	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 Technician	1.00	1.00	1.00
	Water Efficiency Technician	1.00	1.00	1.00
	<i>Total Operations</i>	21.00	21.00	20.00
Total FTE		36.00	36.00	36.00

Table 10



### Changes to Authorized Positions

During 2021, the following changes to authorized positions took place: in the Administrative Services Department, a Communications Manager was created, and the Administrative Services Manager was converted to a Senior Management Analyst. In the Operations Department, the Senior Management Analyst position was converted to a Principal Management Analyst, while the Water Efficiency Supervisor position was eliminated. As the District looks ahead to 2022, no new positions are requested.



Installation of Water Infrastructure

## Administrative Services Department



Administrative Services Department Staff

Positions, Administrative Services	FY20	FY21	FY22
	10.00	10.00	11.00

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

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

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

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

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

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

Performance Indicators	Strategic Plan Item?	Actual 2020	Actual 2021	Target 2022
Increase engagement on CHWD Facebook page; number of followers	No	1,076	1,653	2,000
Press releases sent	No	1	1	5
Increase efficiency through regular policy review and update; policy categories updated	Yes	2	6	4
Successful recruitment and onboarding of vacant District positions	No	5	1	2
Obtain Certificate of Achievement for District Annual Comprehensive Financial Report	No	Yes	Submitted application	Yes

## 2021 Accomplishments

- CHWD's Third Annual Comprehensive Financial Report (ACFR) Award
- CHWD's First Distinguished Budget Award
- Developed 5-year IT Strategic Plan
- Update of 2000's & 3000's Board Policies
- Contracted with firm for Actuarial Services to value Other Post-Employment Benefits (OPEB)
- Implemented Emergency Temporary Standard for COVID-19 OSHA compliance
- Completed Policy Updates (Accounts Receivable)
- District's first WaterLine e-newsletter
- Update to Cost of Service Study
- Public Outreach
  - 9 Behind the Tap Videos
  - 26+% increase in Facebook followers
  - Centennial congratulation videos
  - Media Relations

## 2022 Key Initiatives

### Public Information/Public Engagement

- Implement outreach and engagement plan on the preferred alternative from the Project 2030 Water Main Replacement Study
- Implement Board-directed rebranding or brand refresh
- Increase number of emails on email listserv by 5%
- Educate customers on policy, operations, and finance issues with SJWD-W
- Increase online bill pay enrollment by 5%

### Clerk of the Board

- Implement redistricting/district division update
- Brown Act Compliance
- FPPC Compliance/ Filings
- Public Meeting Management
- Public Records Act Requests
- Intergovernmental Relations/ Legislative Affairs

### Information Technology

- Implement redistricting/district division update
- Brown Act Compliance
- FPPC Compliance/ Filings
- Public Meeting Management



- Public Records Act Requests
- Intergovernmental Relations/ Legislative Affairs



CHWD has Received Awards for Financial Reporting

## Finance

- GFOA award for 2021 ACFR
- Budget award for 2022 Budget
- Research new options for Automated Clearing House (ACH)

## Engineering Department



Engineering Department Staff

Positions, Engineering	FY20	FY21	FY22
	5.00	5.00	5.00

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 2020	Actual 2021	Target 2022
Perform non-invasive condition assessment on selected District transmission mains.	Yes	N/A	Incomplete, Targeted for 2022	5,000 linear ft.
Approved private development projects	No	11	17	10
Work orders completed with mapping updates	No	600	710	550

### 2021 Accomplishments

- Design completed for the following projects:
  - Water Main on Antelope - Rusch Park
  - Water Main on Fair Oaks Boulevard

- Water Main on Langley Avenue
  - Water Main on Walnut Drive
  - Water Main at Mesa Verde High School
  - Water Transmission Main on Pratt Avenue
- Construction completed for the following projects:
  - Water Main on Wisconsin Drive
  - Water Main on Wells Avenue
- Private Developments:
  - 5 Accepted Projects
  - 9 Approved Projects
  - 8 Approved Projects Awaiting Construction
  - 11 Projects Under Plan Review
  - 710 Work Orders with Mapping Updates
- Updated GIS Map to sync with Sacramento County Shift

## 2022 Key Initiatives

- Complete \$2 Million +/- of Water Main Replacement and Installation (including fire hydrants and water services), including the construction for the following projects:
  - Water Mains on Antelope Road - Rusch Park
  - Water Main on Fair Oaks Boulevard
  - Water Main at Mesa Verde High School
  - Water Main at Pratt Avenue
  - Water Main at Carriage Drive
  - Water Main at Madison Avenue & Dewey Drive
- Begin Project 2030 Implementation Plan (Public Engagement, Funding Program and Technical Components- Non-invasive Condition Assessment )
- Complete the District-wide Easement Project
- Complete Corporation Yard Pre-Architectural Study, including any land acquisitions adjacent to Corporation Yard
- Begin the creation of engineering design standards/procedures for development projects- Update District Policies 8000's & 9000's

## Operations Department



Operations Department Staff

Positions, Operations	FY20	FY21	FY22
	21.00	21.00	20.00

The Operations Department's primary responsibilities are to operate and maintain approximately 250 miles of water distribution pipelines ranging in size from four to 42 inches in diameter and provide Water Efficiency services to the District's customers. The Department is made up of the following three divisions: Water Distribution, Water Resources and Water Efficiency. The Water Distribution and Water Resources Divisions maintain groundwater facilities; convey water to the District's customers with appropriate quality, quantity and pressure; and operate/maintain customer water services, backflow prevention devices, line valves, pressure reducing valves and fire hydrants. The Water Efficiency Division is responsible for conservation programs and functions, water meter program management and meeting mandated legislation and regulations for water efficiency, including monthly and annual reporting regarding consumption and water loss. In addition, the Division monitors and responds to leak alerts; performs irrigation audits for customers; administers the District-wide Safety Program; and facilitates community outreach and education programs related to water efficiency.

Performance Indicators	Strategic Plan Item?	Actual 2020	Actual 2021	Target 2022
Acquire Well Sites 7 & 8	Yes	N/A	Completed	N/A
Increase Pressure Reduction Valve Rebate Participation by 10%	Yes	0	35 (through 10/31/21)	39
Increase CHWD customer attendance by 20% at WaterSmart Classes	Yes	Unknown	31	38



## 2021 Accomplishments

- Replaced 346 water service connections
- Replaced 84 water meters
- Replaced 169 meter registers
- 161 meters installed for new developments
- 253 customer service requests completed
- Developed a Garden Corps for the District's plots at the Sylvan Ranch Community Garden
- Annual Poster Contest: sponsored solely by CHWD
- 4 Virtual WaterSmart classes and three video
- Smart Controller Direct Install Program: more than 90 people on the list, 70+ installed YTD
- Pressure Reducing Valve Rebate Program: 25 rebates issued YTD
- Developed a Garden Corps for the District's plots at the Sylvan Ranch Community Garden
- Group Safety Presentations

## 2022 Key Initiatives

- Participate in the Hinkle Reservoir Cover Replacement Project (as needed - project postponed by SJWD)
- Perform Routine Maintenance on 6 Well Sites
- Complete Design of Well Site 7 (Ella)
- Develop one Intertie Agreement with a neighboring agency contingent upon their participation
- Increase CHWD Customer attendance by 10% at Water Smart Classes
- Increase participants in the Pressure Reduction Valve Rebate Program by 10%
- Increase participants in the Irrigation Efficiency Review and Smart Controller Program by 10%
- Develop a Community Garden page for the CHWD Website
- Implement a District meter testing program
- Work with the Regional Water Authority to complete the transition of leadership for the Water Meter Replacement Program

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

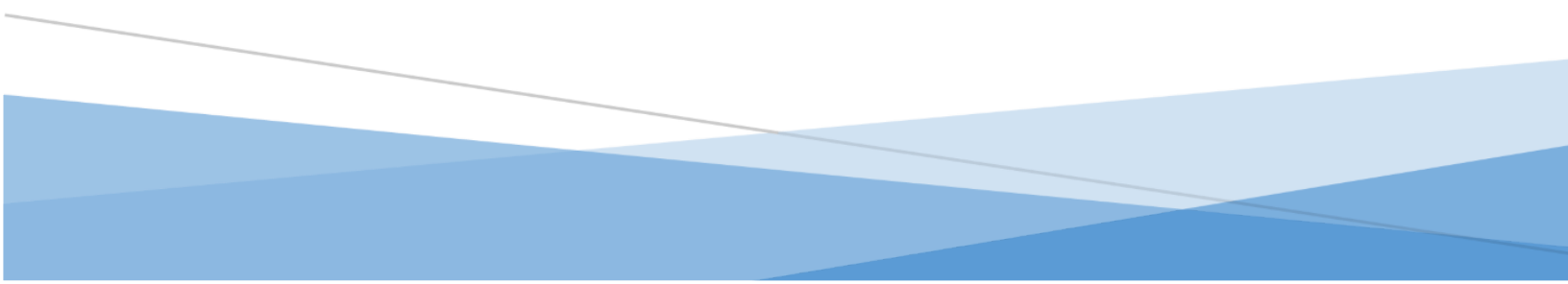
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**W A T E R**  
**D I S T R I C T**  

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# Capital Budget



## Capital Expenditures

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

Project Number	Description	2021 Adopted Budget	Project Expenses Prior Years	2021 Projected Expense	2022 Proposed Budget	Proposed Project Budget through 2022	2022 Project Budget Amendment Request
C15-104B	Document Management System	250,000	95,361	-	154,639	250,000	-
C15-109	Blossom Hill Way 6" x 10" Interconnection w/ RV	27,777	-	-	27,777	27,777	-
C15-110	Crestmont Avenue 6" Interconnection w/ RV	24,979	91	-	24,888	24,979	-
C16-134	Auburn Blvd - Rusch Park to Placer County Line	167,609	609	6,000	299,143	305,752	138,143
C17-104	Groundwater Well Property Acquisition (# 7, 8, 9 & 10)	890,000	454,138	354,675	81,187	890,000	-
C19-108	6230 Sylvan Road - East Wall	250,000	7,653	9,095	233,252	250,000	-
C20-101	Fair Oaks Boulevard	475,137	10,210	39,790	425,137	475,137	-
C20-107	Water Supply Project Design and Construction of Well	1,105,500	-	-	3,225,500	3,225,500	2,120,000
C20-108	Pre-Architectural Study Corporation Yard/Master Plan	100,000	1,676	-	98,324	100,000	-
C20-109	Plans, Specifications, & Estimate for Preferred Alt - Corp	400,000	-	-	400,000	400,000	-
C21-040	Other City Partnership Opportunities	112,551	-	39,500	73,051	112,551	-
C21-041	Other Misc Infrastructure Projects	112,551	-	-	112,551	112,551	-
C21-102	Old Auburn Road	91,459	-	5,000	86,459	91,459	-
C21-104	Mesa Verde High School	118,779	-	75,000	672,209	747,209	628,430
C21-105	Madison Avenue & Dewey Drive	28,138	-	5,000	79,654	84,654	56,516
<b>Encumbered Projects Total</b>		<b>4,154,480</b>	<b>569,738</b>	<b>534,060</b>	<b>5,993,771</b>	<b>7,097,569</b>	<b>2,943,089</b>
C22-003	Annual Fleet and Field Operations Equipment	260,000	-	-	100,000	100,000	-
C22-004	Annual Technology Hardware and Software	56,650	-	-	55,000	55,000	-
C22-005	Annual Facilities Improvements	60,000	-	-	100,000	100,000	-
C22-010	Annual Water Main Pipeline Replacements (small)	72,100	-	-	50,000	50,000	-
C22-011	Annual Valve Replacements	103,000	-	-	75,000	75,000	-
C22-012	Annual Water Service Connections	875,500	-	-	825,000	825,000	-
C22-013	Annual Water Meter Replacements	500,000	-	-	100,000	100,000	-
C22-014	Annual Fire Hydrants - Repl, Upgrades, Infill, New	164,800	-	-	125,000	125,000	-
C22-020	Annual Groundwater Well Improvements	154,500	-	-	150,000	150,000	-
C22-040	Other City Partnership Opportunities	112,551	-	-	100,000	100,000	-
C22-041	Other Misc Infrastructure Projects	112,551	-	-	100,000	100,000	-
<b>2022 New Annual Capital Total <sup>1</sup></b>		<b>2,471,652</b>	<b>-</b>	<b>-</b>	<b>1,780,000</b>	<b>1,780,000</b>	<b>-</b>
C21-103	Pratt Avenue	-	-	-	490,064	490,064	-
C22-101	Carriage Dr	-	-	-	427,104	427,104	-
<b>2022 New Projects Total Budget</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>917,168</b>	<b>917,168</b>	<b>-</b>
<b>Totals</b>		<b>6,626,132</b>	<b>569,738</b>	<b>534,060</b>	<b>8,690,939</b>	<b>9,794,737</b>	<b>2,943,089</b>

Table 11



## Impact of Capital Investments on Operating Budget

The 2022 budget contains \$8.7 million in total capital expenditures. A percentage (47.8%) of these expenditures are made up of encumbered projects from previous years.

Project C20-107, Design and Construction of Well, will result in future costs for the operation and maintenance of the new well. The District applied for a \$1 million federal grant, to be passed through the California Department of Water Resources, and has received preliminary approval for this grant.

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



# Statistical Data

## Principal Ratepayers

Customer	2020	
	Billed Units (ccf's)	Percentage of Total
San Juan Unified School District	108,671	2.08%
JMK Investments	82,186	1.57%
Sunrise Recreation Park District	68,858	1.32%
JRK Investors	62,150	1.19%
Mount Vernon Memorial Park	41,004	0.78%
City of Citrus Heights	40,298	0.77%
Conference Claimants Endowment	28,834	0.55%
Pacific Capital Investments	27,727	0.53%
Wedgewood Commons Apts LLC	25,127	0.54%
Salishan Apartments	24,319	0.51%
Total Billed Units: Principal customers	509,174	9.85%
Total Billed Units	5,229,093	100.00%

Table 12

## Principal Employers, Sacramento Region

Employer	2020		
	Employees	Rank	Percentage of Employment
State of California	77,172	1	10.89%
Kaiser Permanente	15,585	2	1.74%
UC Davis Health	14,510	3	2.20%
County of Sacramento	12,360	4	2.05%
Sutter Health	10,764	5	1.52%
United States Government	10,559	6	1.49%
Dignity Health	7,871	7	1.11%
Intel Corporation	6,200	8	0.87%
Elk Grove Unified School District	6,164	9	0.75%
San Juan Unified School District	5,350	10	0.87%
<u>Total</u>	<u>166,535</u>		<u>23.50%</u>
Total County Employment	708,894		100.00%

Table 13

## Demographic and Economic Statistics

Fiscal Year	Total Number of Connections	City of Citrus Heights <sup>(1)</sup>				County of Sacramento <sup>(1)</sup>			
		Population <sup>(3)</sup>	Unemployment Rate	Personal Income (thousands of dollars) <sup>(2)</sup>	Personal Income (Per Capita) <sup>(2)</sup>	Population <sup>(3)</sup>	Unemployment Rate	Personal Income (thousands of dollars) <sup>(2)</sup>	Personal Income (Per Capita) <sup>(2)</sup>
2011	19,173	83,903	11.7%	\$5,178,325	\$61,718	1,435,002	11.2%	\$57,498,308	\$40,068
2012	19,552	84,489	10.1%	4,961,701	58,726	1,447,236	9.6%	59,775,785	41,303
2013	19,591	85,123	8.3%	5,044,729	59,264	1,460,023	7.9%	61,654,690	42,229
2014	19,645	85,891	6.6%	5,212,811	60,691	1,478,137	6.3%	65,486,553	44,303
2015	19,785	86,759	5.7%	5,308,263	61,184	1,496,644	5.4%	70,110,138	46,845
2016	19,851	87,380	5.0%	6,043,288	69,161	1,514,460	5.0%	72,878,458	48,122
2017	19,902	87,931	3.8%	5,952,753	67,698	1,530,615	3.9%	76,832,120	50,197
2018	19,911	87,910	3.7%	6,388,859	72,675	1,540,975	3.8%	80,969,087	52,544
2019	19,937	87,796	3.2%	6,710,775	76,436	1,552,058	3.2%	85,775,621	55,266
2020	19,958	n/a	7.6%	n/a	n/a	n/a	8.3%	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 2020.

(3) Population data is not yet available for Fiscal Year 2020.

Table 14

## Operating and Capacity Indicators

Fiscal Year	Total Connections	Total Annual Demand (Acre Feet)	Pipeline (mi)	Wells	Meters	Hydrants
2011	19,173	13,252.18	239.72	4	19,419	1,980
2012	19,552	14,169.76	240.87	4	19,457	1,996
2013	19,591	14,881.54	242.51	4	19,488	2,037
2014	19,645	11,937.24	243.80	4	19,538	2,062
2015	19,785	9,973.47	245.56	4	19,594	2,087
2016	19,851	10,422.44	248.19	5	19,789	2,133
2017	19,902	11,014.52	249.31	6	19,912	2,160
2018	19,911	10,981.66	249.97	6	20,007	2,181
2019	19,937	11,001.23	250.26	6	20,043	2,368
2020	19,958	12,003.53	251.97	6	20,060	2,373

Table 15

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

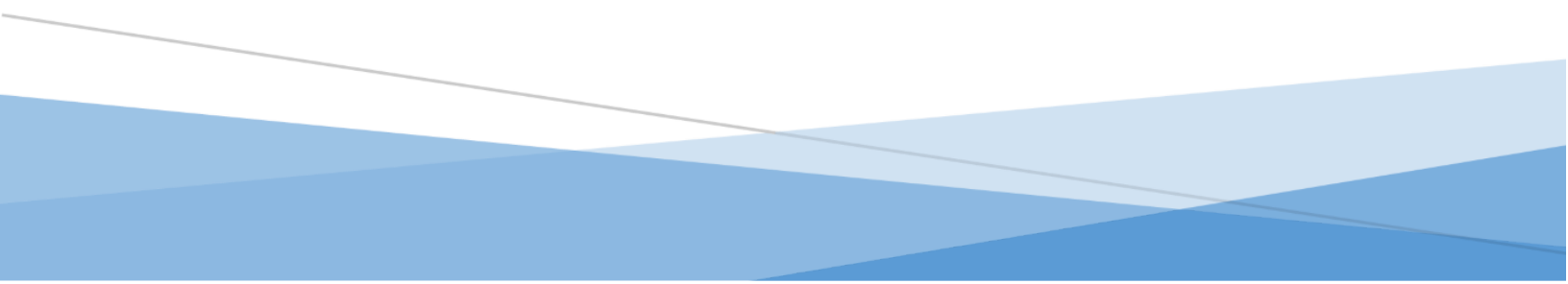
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**W A T E R  
D I S T R I C T**  

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# Appendix





## Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

**Bond Covenant** - A legally binding term of agreement that specifies the obligations, restrictions, and terms of the bond between the bond issuer and bond holder. Bond covenants are designed to protect the interests of both parties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**San Juan Water District (SJWD)** - A wholesale and retail water District that takes water from Folsom Lake, treats it, then distributes it to (a) one of several wholesale customers (including CHWD), or (b) its retail customer base in the Granite Bay, CA area.

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

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

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

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

**Vision** - A statement that describes long-term goals for an organization. CHWD's vision is "The Citrus Heights Water District will continue to evolve as a dynamic provider of municipal water service to assure that our customers receive the best value without giving it a second thought."

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

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

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

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

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

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

## Budget Policy

### 6000.00 BUDGET PREPARATION AND ADOPTION

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

#### 6000.01 Budget Preparation

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

#### 6000.02 Budget Contents

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

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

#### 6000.03 Public Review and Comment

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

#### 6000.04 Budget Adoption

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

#### 6000.05 Budget Amendment

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



## Reserve Policies

### 6200.00 OPERATING FUND

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

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

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

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

### 6210.00 OPERATING RESERVE

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

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



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

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

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

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

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

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

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

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

The amount of funds to be maintained in the Debt Services Reserve shall be in compliance with the requirements set forth in the agreement with the financing institution. The District Treasurer shall report in writing each month to the Board of Directors on the dollar balance of the Debt Services Reserve at the end of the preceding calendar month.

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

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

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

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

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

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

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

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

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

- Land and Right-of-Way Acquisition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

## 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

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

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

#### 6300.20 Authority

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

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

#### 6300.30 Ethics and Conflicts of Interest

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

#### 6300.35 Prudence

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

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

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

#### 6300.40 Objectives

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

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

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



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

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

#### 6300.50 Authorized Investments

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

- A. Local Agency Investment Fund - The District may invest in the Local Agency Investment Fund (LAIF) established by the California State Treasurer and created by Government Code sections 16429.1 through 16429.4 for the benefit of local agencies up to the maximum permitted by the LAIF's Local Investment Advisory Board.
- B. Securities of the U.S. Government and its Agencies - United States Treasury Bills, Notes, Bonds, or Certificates of Indebtedness, or those for which the faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the District funds which can be invested in this category as they are all safe and liquid. Purchases may not have a term remaining to maturity in excess of five (5) years. (Gov. Code, §§ 53601(b) and 53635(a).)
- C. State of California Obligations - Registered State Warrants or Treasury Notes or Bonds of this State or any of the other 49 United States, as defined in Government Code sections 53601(c), 53601(d) and 53651 and pursuant to Government Code section 53635.2.
- D. Local Agency Obligations - Obligations issued by any local agency, as defined by the Government Code, within the State. Obligations may be bonds, notes, warrants, or other evidences of indebtedness, as defined in Government Code sections 53601(e) and 53651 and pursuant to Government Code section 53635.2.
- E. U.S. Agencies - Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. (Gov. Code, §§ 53601(f), 53651).

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

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

(1) The entity meets the following criteria:

- (a) Is organized and operating in the United States as a general corporation.
- (b) Has total assets in excess of five hundred million dollars (\$500,000,000).
- (c) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical rating organization.

(2) The entity meets the following criteria:

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

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

- (a) No more than 40 percent of the District's money may be invested in eligible commercial paper; and,

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

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

(1) The District shall choose a nationally or State-chartered commercial bank, savings bank, savings and loan association, or credit union in this State to invest the funds, which shall be known as the "selected" depository institution.

(2) The selected depository institution may use a private sector entity to help place District deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, and are within the network used by the private sector entity for this purpose.

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

(a) The full amount of each deposit placed pursuant to paragraph (2) above and the interest that may accrue on each such deposit shall 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) Purchases of certificates of deposit pursuant to Government Code sections 53601.8 and 53635.8 shall not, in total, exceed thirty (30) percent of the District's funds that may be invested for this purpose.

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

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

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

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

(1) Shares of beneficial interest issued by diversified management companies (otherwise known as mutual funds) that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, or (m) to (q) inclusive, of Government Code section 53601 and that comply with the investment restrictions of Government Code sections 53600 et seq. and 53630 et seq. However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company’s board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily. To be eligible for investment pursuant to this paragraph (1), the companies must have either:

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

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

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

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

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

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

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

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

L. Mortgage Pass-through Securities - Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum remaining maturity of five (5) years or less. Securities eligible for investment under this 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. Purchase of securities authorized by this Section L may not exceed 20 percent of the District's surplus monies that may be invested pursuant to Government Code section 53601. (Gov. Code, §§ 53601(o), 53635.2.)

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

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

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

N. Passbook Deposits - Savings account(s) shall be maintained for amounts under \$250,000 as a source of funds for immediate use if required for selective commercial accounts. Savings account deposits may exceed the specified amount for periods not to exceed 45 days in anticipation of payment of monthly accounts payable.

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

#### 6300.51 Non-Compliance with Authorized Investments

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

#### 6300.55 Designation of Depositories

The Board of Directors shall, by Resolution, and in accordance with Government Code sections 53600 et seq. and 53630 et seq., designate depositories for District funds. A State or federal credit union may not be designated as a depository for



District funds if a member of the Board of Directors or any person with investment decision-making authority for the District serves on the Board of Directors, any committee appointed by the Board of Directors, or the credit committee or supervisory committee of the State or federal credit union.

As far as possible, all money belonging to, or in the custody of the District, including money paid to the Treasurer or other official to pay the principal, interest, or penalties of bonds, shall be deposited for safekeeping in State or national banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in this State, selected by the Treasurer or other official having legal custody of the money; or may be invested in the investments set forth in Government Code section 53601. To be eligible to receive District money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Government Code sections 53601.5 and 53601.6 shall apply to all investments that are acquired pursuant to this Government Code section 53635.2. (Gov. Code, § 53635.2).

#### 6300.60 Safekeeping of Securities

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

#### 6300.70 Reporting Requirements

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

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

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

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

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

#### 6300.90 Investment Policy Review

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

## Purchasing Policy

### 6500.00 PURCHASING AND PROCUREMENT

#### 6500.01 Introduction

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

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

#### 6500.01 Objectives of Purchasing and Procurement Policy

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

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

#### 6500.02 Personnel Standards of Conduct

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

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

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

#### 6500.10 Purchasing Categories

District purchases typically are within the following seven categories:

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

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

#### 6500.11 General Purchases

This category consists of the following general purchase classifications:

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

#### 6500.12 Services

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

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

#### 6500.13 Public Works Projects

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

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

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

#### 6500.13 Petty Cash Purchases

This category is comprised of small, day-to-day, over-the-counter purchases made on behalf of the District using Petty Cash. A Petty Cash fund not to exceed \$500 shall be maintained and controlled by the District Treasurer. See also Petty Cash Policy 6480.

#### 6500.15 Emergency Purchases

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

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

#### 6500.16 Single-Source Purchases

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

- Is there a lack of responsible competition for the product or service?
- Does the vendor possess exclusive and/or predominant capabilities?
- Is the product or service unique and easily established as one-of-a-kind?

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

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

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

#### 6500.17 Real Property

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

#### 6500.20 Purchasing Levels and Authority

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

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

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

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

#### 6500.21 INFORMAL SOLICITATIONS

All purchases or contracts for materials, supplies, equipment and services will be based, whenever possible and practicable, on some form of competition. There may be exceptions to the competitive process for emergency conditions, supply or source limitations, or other circumstances with justifications for such 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.

#### 6500.30 Change Orders

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

#### 6500.50 Purchasing Cycle

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

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

## 9. Payment

### 6500.80 Purchase Orders

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

### 6500.90 Purchasing/Procurement Authority

Purchasing and procurement authority not heretofore specifically designated is hereby retained by the Board of Directors.

The General Manager, at his or her discretion, may delegate purchasing authority to staff. Such delegation shall be in writing.

### 6500.100 Project File

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

## Capital Assets Policy

### 6700.00 FIXED ASSETS ACCOUNTING CONTROL

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

#### 6700.01 Definition of Fixed Assets

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

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

#### 6700.10 Valuation of Fixed Assets

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

#### 6700.11 Purchased Fixed Assets

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

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

The capitalized value of buildings purchased by the District shall include both acquisition and capital improvement costs. Capital improvements include structures (e.g., office buildings, shop buildings, and other facilities) and all

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

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

#### 6700.12 Constructed Fixed Assets

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

#### 6700.13 Ancillary Costs

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

For land:

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

For infrastructure:

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

For buildings and improvements other than buildings:

- Professional fees of architects, engineers, attorneys, appraisers, financial advisors, etc.;

- Costs of fixtures permanently attached to a building or structure;
- Insurance premiums and related costs incurred during construction; and,
- Any other costs necessary to place a building or structure into its intended location and condition for use.

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

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

#### 6700.14 Donated Fixed Assets

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

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

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

#### 6700.21 Depreciation Method and Convention

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

#### 6700.30 Physical Inventory of Fixed Assets

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

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

The results of the physical inventory shall be reconciled with the District's asset inventory system, and any discrepancies shall be reported to the General Manager and the District Treasurer.

#### 6700.40 Disposal of Fixed Assets

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



