

Introductory Section



Frequently Asked Questions About the Budget

[Why is the Citrus Heights Water District separate from 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 annual revenue? Page 37](#)

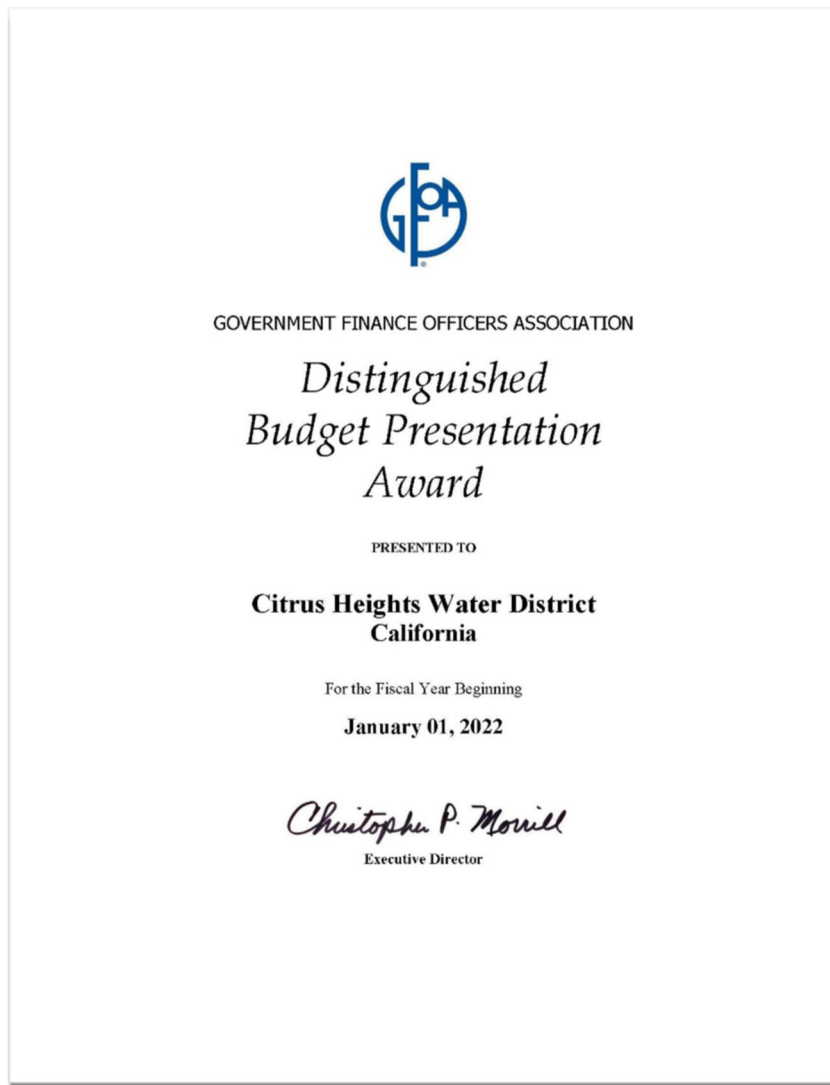
[How many employees work for the District? Page 39](#)

[What are the District's reserves? 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 for its Annual Budget for the fiscal year beginning January 01, 2022. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

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



Letter of Transmittal

**CITRUS
HEIGHTS
WATER
DISTRICT**



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

Hilary M. Straus, General Manager/Secretary
Carlos Urrutia, Interim Dir. of Fin. & Admin. Services/Treasurer

December 12, 2022

Honorable President and Members of the Board of Directors,

It is my pleasure to present you with the Citrus Heights Water District (CHWD or District) Fiscal Year (FY) 2023 Budget. This year's budget demonstrates CHWD's continuing commitment to providing high quality, economical, and responsive services to our customer base while continuing the District's commitment to reinvest in its aging infrastructure and capital assets.

Agency History and Infrastructure/Asset Management

A review of the District's history, key infrastructure and assets helps inform customers today about operational and capital cost drivers. The District formed in October 1920 under the State of California Irrigation Code with a three-member Board of Directors. Surface water was purchased by the North Fork Ditch Company, which had water rights to the American River, including what is now Folsom Lake. Water was conveyed to the Citrus Heights service area through a network of small canals and pipelines.

Water Mains

With the construction of Folsom Lake in the mid-1950s came the formation of CHWD's wholesale water provider, San Juan Water District. Soon after, as a result of funding from a bond measure, called "Project 1956," a 42-inch transmission main was constructed from just west of Folsom Lake to provide water service to the CHWD service area. That transmission main, which is now over 60 years old, along with a back-up, large-diameter Cooperative Transmission Pipeline, built in 1996 in partnership with San Juan Water District, what is now Sacramento Suburban Water District, Fair Oaks Water District, and Orange Vale Water Company, serve as the primary pipelines to convey treated surface water from Folsom Lake via the San Juan Water District to CHWD's over 20,000 customers. Annually, a significant majority of the water served to CHWD's customers is this surface water. The remaining water comes from CHWD's groundwater wells.

The District's service area urbanized in the period between 1960 and 1985. Most of CHWD's 250 miles of transmission and distribution water mains were installed by private developers, and were inspected by CHWD during that time period. These water mains were then donated to CHWD, and the responsibility for the operation, maintenance, repair, and replacement was transferred to CHWD's rate payers. CHWD's service area is nearly 13 square miles.

According to the American Water Works Association (AWWA), the average lifespan of a water main is 70 years. Therefore, water mains installed en masse beginning in 1960 will reach 70 years of age in 2030, and CHWD forecasts that it will need to undertake a significant program of water main replacements beginning in 2030, and for several decades thereafter, to reduce the likelihood and consequence of water main failures in its service area.

Water Meters

Federal and State mandates in the early 1990s required CHWD to install and use water meters with its customers, and the District became fully metered with metered billing by 2009. AWWA reports that the average lifespan of a water meter is only 20 years. Also, water meter technology is rapidly evolving as water meters become more information-technology-based, or "smarter." Newer meters offer web-based data/analytics to help utilities and customers better manage water distribution and consumption.

Like water mains, CHWD is facing the challenge of replacing its aging water meters en masse. To address this challenge, CHWD took the lead to form a consortium of 11 water agencies, plus the Sacramento area Regional Water Authority, to explore opportunities to work together to realize significant long-term cost savings to replace water meters and more generally manage these assets throughout the Sacramento region.

Groundwater Wells

Beyond the management of water mains and water meters, a third major area of infrastructure and asset management is the development, operations, maintenance, and repair of CHWD's network of high-capacity groundwater wells. These groundwater wells range in capacity from approximately 1,000-2,000 gallons per minute (GPM). CHWD has historically undertaken, and continues to maintain a network of groundwater wells, supplemental to its surface water supply, to ensure supply reliability and price stability for its customers. The average lifespan of a well is approximately 50 years, and CHWD continues to plan for capital reinvestment, and as it deems necessary, for expansion of its groundwater program. One new, but potentially significant groundwater management technology that CHWD will introduce with the development of its next well, currently under development, is Aquifer Storage and Recovery (ASR). With ASR, CHWD's groundwater wells will be able to not only extract groundwater, but inject surface water into the ground, in partnership

with a water provider who has surface water availability and excess supply. This injected water could be extracted in a later dry period. This groundwater injection capability will increase CHWD's capacity to better manage the area's groundwater aquifer and potentially serve to offset the District's costs. As CHWD is centrally located in the Sacramento region and maintains over 20 interconnections with surrounding water providers, CHWD is committed to working regionally to be able to effectively manage water resources

Other Issues Impacting CHWD's Budget

For every rate dollar CHWD's customers pay, approximately 65 cents go to a fixed charge and the remainder is charged based on a customer's water usage. As identified by CHWD's Project 2030 master plan, CHWD is facing flat, and even declining, water demand tied to increased water use efficiency per capita. Water efficiency is tied to changed water use habits in the post-2015 drought era (thought to be a "new normal" of lower water usage); the implementation of water meters/metered-billing; and the increasing impact of state water efficiency regulations.

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

Moreover, CHWD's wholesale water agency, San Juan Water District's (SJWD's), rates are expected to continue increasing. SJWD has reported that its capital improvement program is underfunded, and that the agency has aging facilities and equipment in need of repair, remodel and replacement.

During 2022, CHWD advocated that SJWD complete a formal cost allocation plan, analyzing and defining costs that should be charged to its wholesale versus retail agencies. That cost allocation plan development is underway. From there, SJWD is expected to complete updates to its Wholesale agency master plan and accompanying financial plan. SJWD's updated financial plan is expected to show wholesale rate increases well into the future. Further, anticipated debt service costs tied to SJWD's replacement of its Hinkle Reservoir lining is expected to have a significant impact on future wholesale agency rates. Further, it appears that the increase in consumption tied to the COVID-19 Virus Pandemic of 2020-2021 was temporary and has subsided, due in part to the end of social distancing/staying at home. Lastly, consumption has decreased due to drought messaging led by the State of California during 2021-2022.

Focus on Long-Range Planning

CHWD has a long-standing tradition of planning and managing its long-term capital and operational needs and accompanying financial planning. CHWD's focus on long-range planning is exemplified by its water main master planning (e.g., 1999 Master Plan that focused on water main replacements; Project 2030—Water Main Replacement

Program; Water Meter Replacement Study and Consortium-based Meter Replacement Asset Management Program; maintaining a 10-year financial forecast as a driver for annual budgeting; and the use of Strategic Planning, focusing on three-year goals and one-year objectives as a driver for annual budgeting).

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

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

Reserve Policies and Special Funding

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

CHWD's designated reserves, which are described in more detail in the Appendix section of the budget, include: Water Efficiency, Water Supply, Debt Services, Employment-Related Benefits, Fleet Equipment, Rate Stabilization, Water Meter Replacement, Water Mains, Operating and Capital Improvement.

Strategic Planning

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

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

program items, to ensure that the Strategic Plan is implemented as directed by the Board.

For 2023, there are several one-year objectives organized under five three-year goals, including: 1) Manage Water Efficiency Effectively and Empower Customers to Use Water in an Efficient Manner; 2) Manage the Efficient Improvement of and Reinvestment in District Infrastructure and Facilities; 3) Promote Organizational Effectiveness to Enhance Customer Service; and 4) Engage Customers and Communicate the District's Value-Added Services/Benefits and Key Factors Affecting its Operations. A summary of the CHWD's 2023-26 Strategic Plan is included in the "Strategic Planning" section of the budget.

Public Education/Outreach

Given the significant service and financial implications of many operational and capital initiatives, over the years CHWD has increasingly committed resources to public education and outreach. In 2021, CHWD hired its first Communications and Public Engagement Manager to coordinate a multifaceted communications and outreach program. Some of CHWD's platforms for communication include its website, social media (YouTube, Facebook, Nextdoor, Instagram and Twitter), its direct-mail Waterline newsletter, annual visits to neighborhood associations, and its establishment of a 25-member Customer Advisory Committee (CAC) to consider options for phasing, costs and funding of water main and meter replacements. Also, CHWD maintains a Garden Corps of customers who maintain its Water Efficient Demonstration Garden at the Sylvan Ranch Community Garden. Lastly, the CHWD staff team participates in and maintains active memberships with many community groups, including Rotary, Kiwanis, Soroptimist, Citrus Heights Chamber of Commerce and the Orangevale Chamber of Commerce.



CHWD Demonstration Garden

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

The CAC has worked with CHWD leadership, technical staff, and a team of engineering and financial planning consultants to analyze capital and financial planning options for the replacement of water mains and meters, and it makes policy recommendations on these topics to CHWD's Board of Directors.

As we look ahead to 2023, CHWD will continue to strengthen and expand its public education and outreach program.

Operating Budget

Looking ahead to budget year 2023, some of the key work program items included in CHWD's budget include:

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

District's Capital Improvement Program (CIP)

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

Conclusion

This year's budget focuses on completing important long-range infrastructure and asset management planning, expanding CHWD's groundwater program, continuing to provide enhanced public services, providing expanded opportunities for customer participation and maintaining adequate reserves. CHWD's 2023 budget also highlights the District's ongoing commitment to operational and financial efficiency.

Respectfully submitted,



Hilary M. Straus
General Manager

About the District

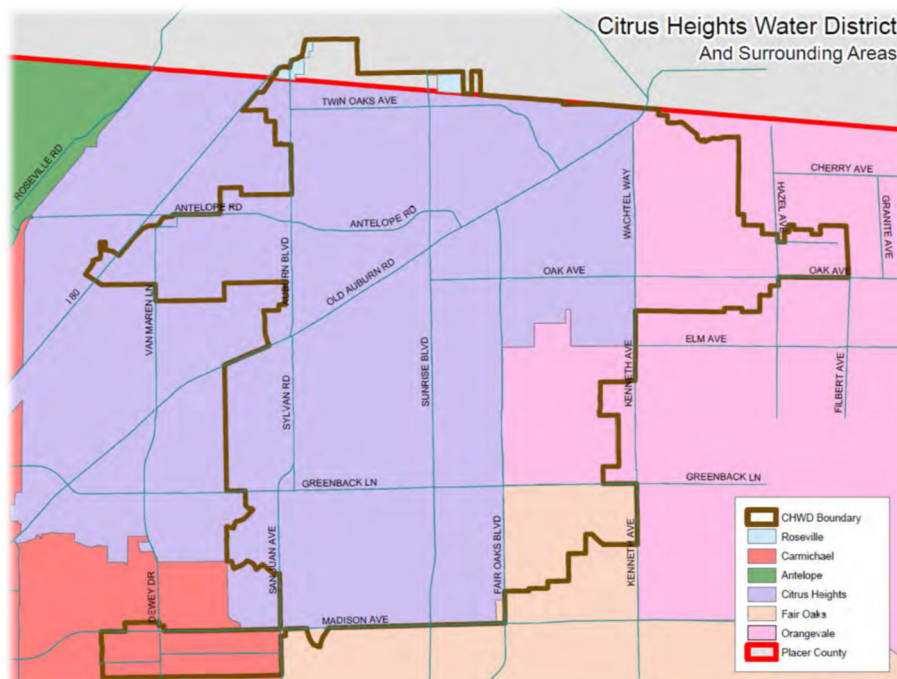
The Citrus Heights Water District (the “District” or “CHWD”) was established in 1920 as the Citrus Heights Irrigation District.

The District currently serves water to a population of approximately 67,000 people within an approximately 13-square-mile service area.

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



CHWD Offices



CHWD Service Area

The District provides these programs to increase water efficiency:

- **Water Smart Classes** - Every year, CHWD offers a series of Water Smart Landscape classes for customers. These free classes provide many tips and tools to help residents maintain or upgrade their residences in the most water-efficient ways.
- **Free Irrigation Efficiency Review** - CHWD can arrange a Landscape Irrigation Review at no cost to customers to help manage and maintain their irrigation systems. Upon completion of the Review, customers receive a written report that includes recommendations for improving irrigation system performance, and a 12-month irrigation schedule based on the customers' personal landscape needs.
- **Rebates** - To assist customers in conserving water, the District provides rebates for the purchase and installation of ultra-low flush (ULF) toilets, high-efficiency washing machines and pressure reduction valves.
- **School Programs** - CHWD partners with schools within its service area to educate children about the importance of water efficiency and how they can help conserve water.



Poster Contest 1st Place Winner, 2022

- *Poster Contest* - In coordination with three neighboring agencies, CHWD conducts an annual poster contest where students in grades 4-6 can submit a drawing illustrating how they use water efficiently. A panel of judges review the drawing submissions and select the winners.

Governance and Organizational Structure

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

district. The District was staffed in 2022 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 2022, the District purchased 64% of its water from SJWD, and delivered it to approximately 20,300 residential and commercial service connections. Additionally, the District maintains six groundwater wells and approximately 250 miles of pipeline. CHWD has been treating and delivering groundwater to customers since 1943.

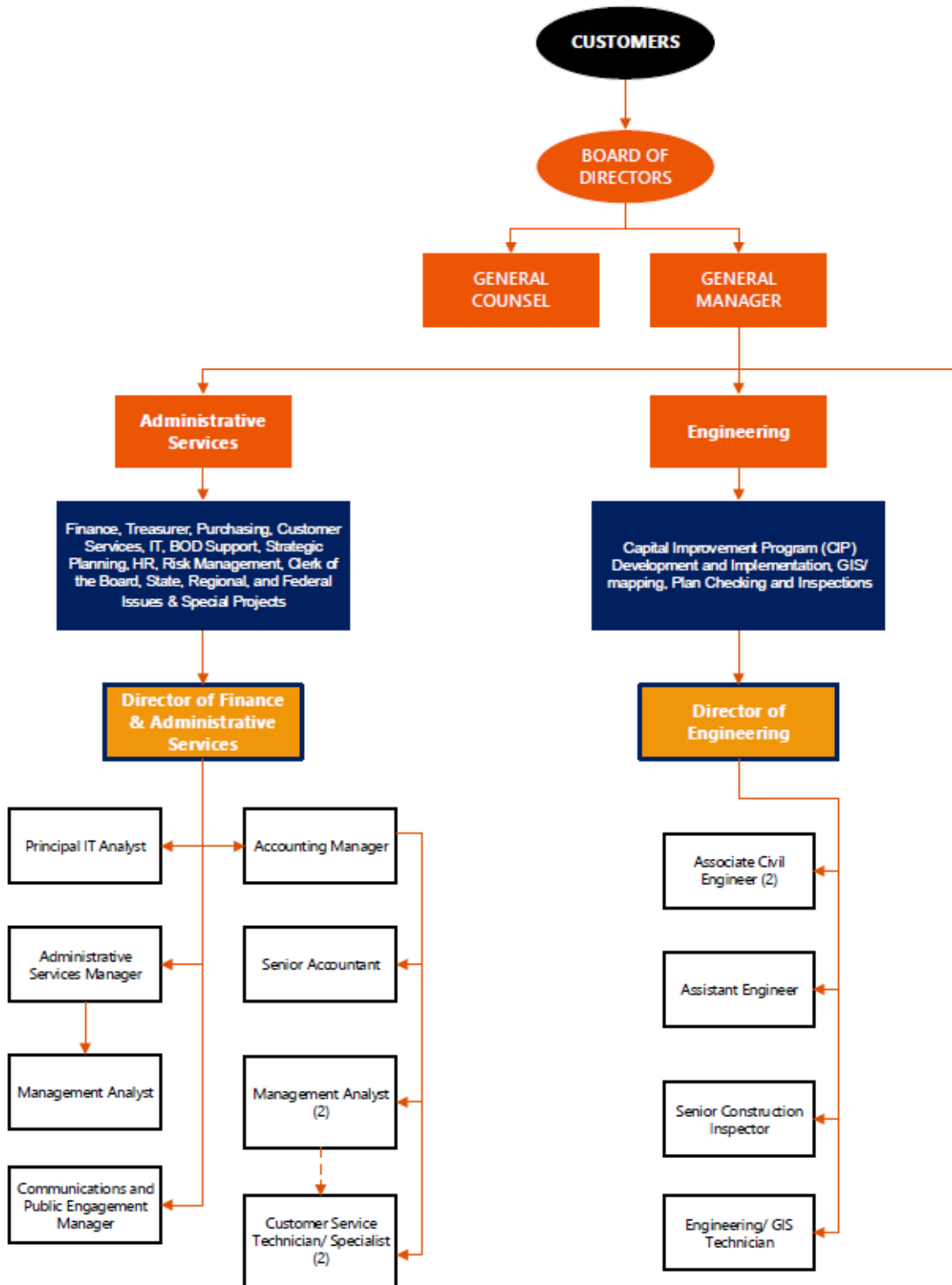
Demographic and Economic Statistics

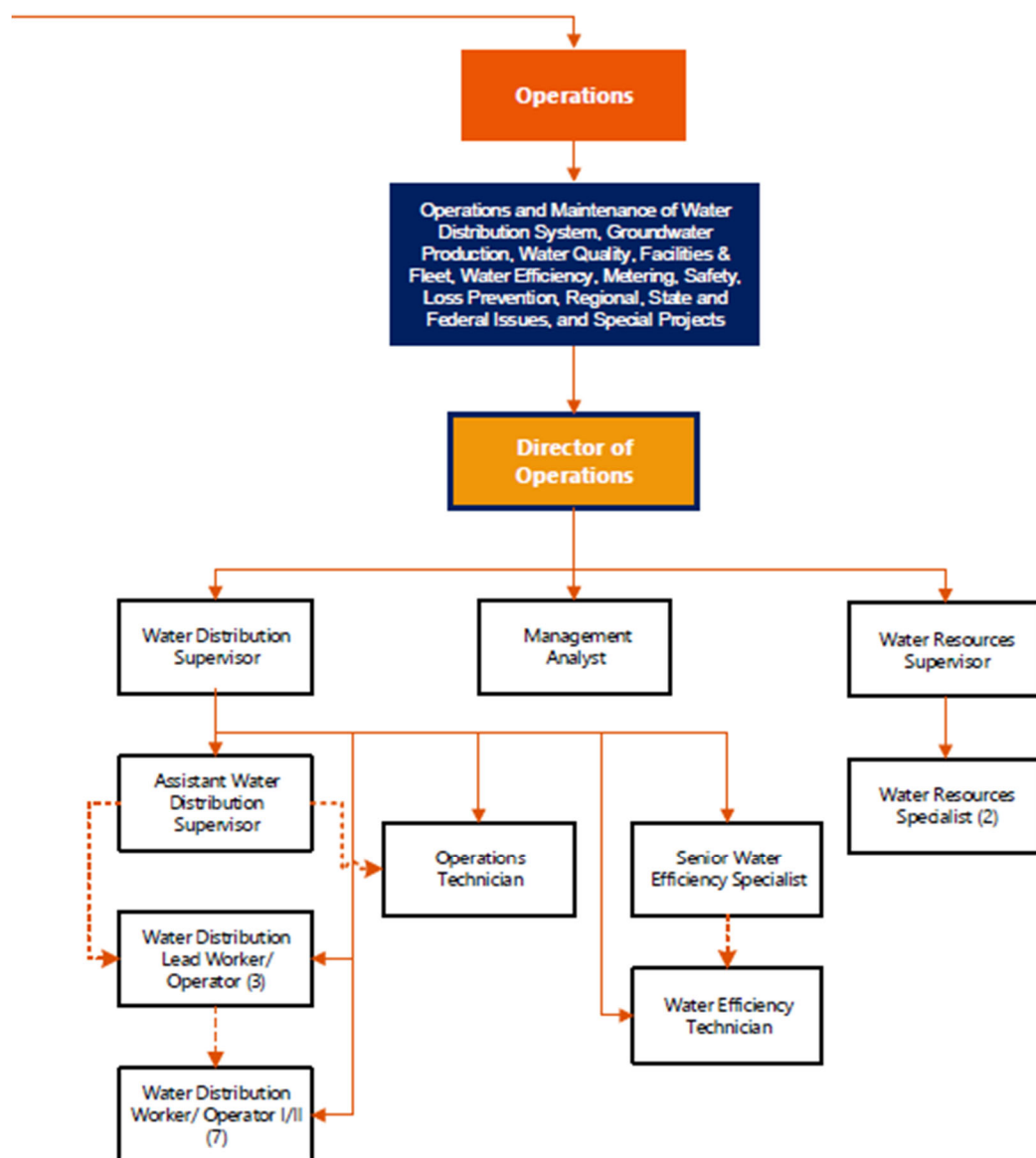
Demographic and economic statistics are provided for the City of Citrus Heights (City) and the County of Sacramento (County) because these statistics are not separately available for the District's service area. The District is comprised of some areas of the City and unincorporated areas of the County.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



CHWD Staff Completing Testing for Chlorine Residual on a Newly Installed Water Main

Organizational Chart





Strategic Planning

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



KEY ISSUES FOR 2023

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|--|---|
| <ul style="list-style-type: none"> • Complete the Corporation Yard Pre-architectural Study • Implement District Meter-Testing Program • Establish a regional water meter program or participate in selected agency partnerships • Pursue Easement Acquisitions as identified by the District-wide • Easement Needs Assessment/Study • Continue non-invasive condition assessments on selected District transmission mains • Pursue acquisition of 1-2 potential sites for wells/water storage and Project 2030 material | <ul style="list-style-type: none"> • Implement study for information technology (IT) federated services and single sign on • Implement new solution for Automated Clearing House (ACH) vendor payments; Continue to enhance employee recruitment and retention initiatives by providing additional resources (education/ training). • Continue analyses of regional water agency activity and impacts on CHWD. Customer education on Policy, Operations, and Interagency Issues. |
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Our Mission

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

OUR VISION

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

OUR VALUES



Strategic Plan Goals and Objectives

During the Strategic Planning session, CHWD's leadership 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 (2022) and the coming budget year (2023) include:

- **Project 2030:** 2022 Objectives included the implementation of the outreach and engagement plan for the preferred alternative identified in the Project 2030 Water Main Replacement Study. Objectives for 2023 include pursuing acquisition of 1-2 potential sites for material storage and staging.
- **Water Supply:** In 2022, the objectives were focused on 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 participating in SJWD's Hinkle Reservoir cover project. For 2023, objectives focus on completing construction for Well Site #7, and possible acquisition of 1-2 additional properties for future well sites and water storage.
- **Water Efficiency:** In addition to working towards improving attendance at customer education events, the Water Efficiency objectives for 2022 focused on increasing participation in the District's Pressure Reduction Valve Rebate and Smart Controller program and developing a community garden page for the CHWD website. For 2023 the continued focus will be on attendance objectives and developing content for WaterSmart classes.
- **Infrastructure and Facilities:** The focus for 2022 included the implementation of a District meter testing program, which will continue in 2023, and the completion of the District-Wide Easement Project. For 2023, the focus will be on completing the Corporation Yard Pre-Architectural Study and developing design alternatives.
- **Organizational Effectiveness:** For 2022, objectives included increasing employee efficiency and improving our communication with customers, as well as reviewing and creating District policies for Information Technology, and updating Operations policies. For 2023, objectives focus on implementing an automated solution for vendor payments, 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 2023:

Strategic Plan Goal:	Manage And Diversify A Dependable Water Supply and Empower Customers to Use Water in an Efficient Manner
#	OBJECTIVES
1	Participate in the Hinkle Reservoir Cover Replacement Project.
2	Complete construction for Well Site 7, which will include Aquifer Storage and Recovery (ASR) technology.
3	Pursue acquisition of 1-2 potential sites for wells/water storage.
4	Develop and promote Water Smart classes to increase CHWD customer attendance by 10%.

Strategic Plan Goal:	Manage The Improvement Of And Reinvestment In District Infrastructure And Facilities
#	OBJECTIVES
1	Implement a District meter testing program.
2	Establish a regional water meter program or participate in selected agency partnerships.
3	Complete the Corporation Yard Pre-Architectural Study and develop design alternatives for consideration.
4	Pursue Easement Acquisitions as identified by the District-Wide Easement Needs Assessment/ Study.
5	Continue non-invasive condition assessments on selected District transmission mains.
6	Pursue Acquisition of 1-2 potential sites for Project 2030 material storage and staging.

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

Strategic Plan Goal:	Engage Customers and Communicate the District's Value-Added Services/Benefits and Key Factors Affecting its Operations
#	OBJECTIVES
1	Increase customer contact through traditional and digital media and in-person opportunities and evaluate effectiveness.
2	Continue outreach and engagement on Project 2030 by publishing at least two relevant communications materials every month.
3	Educate customers through traditional and digital media and in-person opportunities on State and regional policies, operations, capital, and finances that impact CHWD's operations and water supply.

Economic Condition, Outlook and Major Initiatives



Water Quality 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 funded by rates and fees charged to District customers. Since the District receives no revenue from taxes, operating revenues consist primarily of water sales and bimonthly service charges. 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 completed in the past year.

CHWD and its wholesale water supplier, 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.

For an average CHWD customer who has a 1-inch meter and uses 20 units of water in a two-month billing period, the average bill would increase from \$125.63 in 2022 to \$133.79 under the proposed rates for 2023, a 6.5% increase. The average CHWD water bill would remain 6.4% below the Sacramento regional average.

The District continues to repair and replace aging infrastructure throughout its system. During 2022, the District completed 410 water service replacements, 20 water valve replacements, and 13 fire hydrant replacements. The District also completed water main installation and replacement projects, including the Antelope-Rusch Park Water Main, Pratt Avenue Water Transmission Main, Carriage Drive Water Main, Mesa Verde High School Water Main, and 6700 Madison Avenue at Dewey Drive Water Main Projects. Two additional water main projects commenced the design phase, including the Patton

Ave and Reno Lane Water Main Projects. Capital projects scheduled for 2023 total \$8.23 million.

Long-Term Financial Planning

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

- **Project 2030 Water Main Replacement Plan** - This plan was identified during the strategic planning process as a key strategy for engaging customers in long-range water main replacement planning efforts. The purpose of this plan is to inform customers about our challenges, and the current actions being undertaken to ensure water supply reliability, and prepare for the replacement of aging infrastructure.
- **Capital Improvement Plan** - The Strategic Plan lays the groundwork for the Capital Improvement Plan, which includes project schedules and projected costs for production and water supply facilities identified in the 1999 Facilities Master Plan. The Capital Improvement Plan is a 30-year forecast.
- **10-Year Finance Plan** - The Plan includes short and long-range projections of the District's revenues, operating and maintenance expenses, capital expenditures, and reserves over the next 10 years. The Plan is updated as changes in customer water use impact long-range financial projections and capital improvement and water supply plans evolve, and continues to support the development of current future annual CHWD budgets. Additional information about the financial model is located in the "Financial Model" section of the budget.
- **Annual Budget** - A key component of financial planning is the District's budget, which is prepared, reviewed and adopted annually. Every summer, District staff from each department prepare a draft budget which is presented to the Board of Directors for approval prior to the beginning of the next fiscal year. The annual budget includes forecasts for revenues, operating expenditures, capital expenditures, and reserves transfers, and is formulated using a priority-based budgeting approach, and as an outgrowth of CHWD's strategic planning process.



Budget Overview

	2022 Adopted Budget	2023 Adopted Budget	Increase / (Decrease)
<i>Operations & Maintenance</i>	4,538,973	4,673,466	134,493
<i>Purchased Water</i>	3,135,754	3,200,000	64,246
<i>Salary & Benefits</i>	5,971,747	6,345,892	374,145
<i>Contribution to Reserves</i>	1,374,099	1,774,099	400,000
<i>Capital Improvement Program</i>	8,690,939	8,225,699	(465,240)
	23,711,512	24,219,156	507,644

Table 1

The comparison in *Table 1* reflects the proposed change in spending for the District's base budget for 2023. Operations and maintenance expenses are expected to increase due to an increase in the amount needed for contracted service with the Project 2030 study being finalized.

Purchased water costs are expected to increase by 2%, as both fixed and variable costs from SJWD increased slightly.

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 8.6% 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 2023 Operating Budget of \$15.99 million, representing an overall increase of about \$972,884 from the 2022 adopted budget.
 - Implement Strategic Planning items and Special Projects identified by the Board as priorities for 2023.
 - Addition of two new Full Time Equivalent Employees: a Senior Accountant position and a Senior/Associate Civil Engineer position.
 - Transfer of \$400,000 to reserves, including \$200,000 to the water supply reserve and \$200,000 to the water meter replacement reserve.

❖ Capital Improvement Budget:

- Total 2023 Capital Improvement Budget is \$8.23 million, of which \$4.3 is projected to be spent in 2023.
 - The budget includes approximately \$3.2 million for the design and construction of the District's seventh groundwater well.
 - The District has been awarded \$1.6 million in State and Federal funds towards the construction of Well #7. In addition, the District has applied for a combined \$3 million (Congressionally directed funding and United States Bureau of Reclamation grant funding) for Well #8. There are very few opportunities for non-ratepayer funding, and the District continues to look for outside funding opportunities whenever possible.
 - Often Capital Improvement Projects are spread over multiple years.

❖ Total Budget: \$24.2 million



CHWD Staff Performing Work for Skycrest School Water Main Project