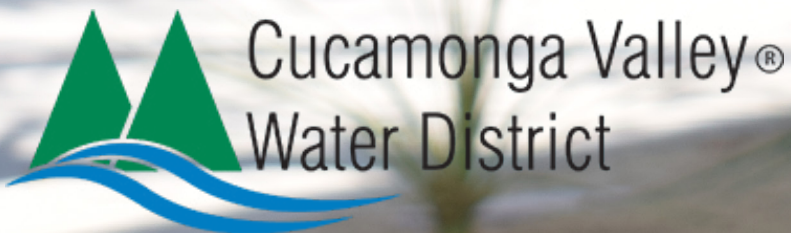


BUDGET

FISCAL YEARS
2025 & 2026



Service Beyond Expectation



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BUDGET MESSAGE

TO THE BOARD OF DIRECTORS, CUSTOMERS, AND STAKEHOLDERS OF THE CUCAMONGA VALLEY WATER DISTRICT:

On behalf of the Cucamonga Valley Water District (CVWD/District), I am pleased to present for your consideration our Fiscal Years 2025 and 2026 Operating and Capital Improvement Budget. Our management team has worked diligently to develop a balanced budget for both fiscal years (FY) 2025 and 2026. Components of this budget have been presented to the Finance, Human Resources & Risk Management, and Engineering committees. The organizational priorities and goals have guided staff as this budget was developed.

DISTRICT OVERVIEW AND GOVERNANCE

The District was incorporated on March 25, 1955, under the provisions of Division 12 of the California Water Code. The District provides water, wastewater, and recycled water within its 46 square mile service area. The District serves a population of approximately 190,000 in the cities of Rancho Cucamonga and portions of the unincorporated area of the County of San Bernardino, and portions of the cities of Fontana, Ontario, and Upland. The District's headquarters are located in the City of Rancho Cucamonga.

The District is governed by a five-member publicly elected Board of Directors that serves the customers with four-year overlapping terms. The General Manager/CEO is appointed by the Board to oversee the daily operations of the District. The Board is committed to addressing important decisions immediately in an open and transparent manner and has direct authority to raise rates and charges in compliance with Propositions 26 and 218.

DISTRICT-WIDE GOALS AND STRATEGIES

In 2012, the District redefined its Foundational Principles emphasizing Water, Service, and People. Our commitment is to utilize these foundational principles as a guide in our decision-making process, both in the short and long term. These guiding principles help us to secure a reliable water supply for our customers, provide Service Beyond Expectation, and allow our agency to attract and retain a quality workforce that supports our vision and values.

During 2017 several District-wide goals were developed to align the operating divisions with the Foundational Principles. In 2018 these goals were converted into action plans by the various teams to support the accomplishment of these goals. The following District-wide strategic goals have been established:

Water

1. CVWD maximizes the beneficial use of all of our water supplies while maintaining operational and financial flexibility.
2. CVWD recognizes the vital nature of water quality, supply, resiliency, and distribution reliability.
3. CVWD actively participates in the water policy arena to influence local, state, and federal regulations.

Service

1. CVWD staff has the necessary skills, abilities and technology to deliver Service Beyond Expectation.
2. CVWD's preventative maintenance program is the foundation for providing reliable: water, recycled water and wastewater service.

People

1. CVWD has a resourceful, innovative and empowered pool of talent that supports the culture and values of the District.
2. Employees contribute to the development and implementation of the District's Vision, Goals and Action Plans.
3. Employees take ownership and embrace the District's Foundational Principles through their interactions and communications.

NOTABLE ACCOMPLISHMENTS

The District strives to be the best steward of our resources, ensuring the best service for our customers. In FY 2023 and 2024 several notable accomplishments including the following:

- Navigation of the 2022 drought conservation mandates and subsequent wet winters of 2023 and 2024 including following regulations, customer outreach, financial and operational effects.
- Inland Empire Utilities Agency (IEUA) Regional Sewage Service Contract approval in November 2023 for a 50-year term.
- Several waterline capital projects were completed in Candlewood, Garnet, Hampshire, Buena Vista, and Hermosa streets within the service area.
- Sewerline capital project located within 4th street.
- Completion of Well 48 in the Chino Basin and Well 49 in the Cucamonga Basin securing local water supply for our customers.
- Reservoir I construction project which began in FY 2024 will be substantially completed by July 2024. This reservoir is expected to hold two million gallons of water.
- Creation of the Water Monitor Portal that allows customers to view their water usage online.
- Receipt of over \$120 thousand in grant funding for the Water and Wastewater Arrearage Program, for customer accounts that had fallen behind during COVID.
- Numerous safety trainings and exercises including an Emergency Operations Center tabletop exercise, mutual aid trainings, and confined space rescue team symposiums.
- Fulfillment of a mutual aid request in February 2024 for assistance for a major sludge line break in the City of Chino.
- Substantial progress on the Integrated Master Plan which will be a guide for capital projects for water, sewer, and recycled water capital projects for the next 20 years.

FACTORS INFLUENCING THE BUDGET

Short-Term

The state of California has seen several years of extreme weather. These extremes can range from years of prolonged drought to historic wet winters. Each drought cycle the State has stepped in and demanded water conservation, to which the District has responded by asking customers to use water efficiently. In 2018, the California State Legislature enacted SB 606 and AB1668 to increase water use efficiency through the "Making Water Conservation a California Way of Life Regulation". Since then, the Department of Water Resources and State Water Resources Control Board have been working to shape the framework and implementation of these water use efficiency laws. With final ruling slated for summer 2024, CVWD and water providers state-wide have been preparing and strategizing for the strenuous requirements of the regulation, including targets for water use reduction that become more stringent through 2040. An overall objective will be set for water providers, and

CVWD projects its objective will require approximately 34% water use reduction by 2040. Without yet knowing the final regulations, the District is budgeting water production to be conservative and comparable to FY 2024 (a wet winter), but also not so diminished as to be impacted by these new regulations yet. Navigating water use efficiency will be a journey for the District as well as the entire State over the next two decades.

As the State continues to demand water efficiency, they ignore that the District has developed and secured multiple sources of water to ensure that there is adequate water for the needs of customers even when a drought impacts the Metropolitan Water District (MWD) water supplies. A water supply strategy has been developed that will maximize the use of local water resources during fiscal years 2025 and 2026 in order to both reduce reliance on impaired MWD water supplies and reduce overall operating costs. Local groundwater resources of the District have proven to be more sustainable and reliable than water purchased from MWD.

A significant factor for the District is concern over increasing rates imposed by MWD and IEUA. Both organizations seek to not only increase rates but shift their own charges to collect more revenue from fixed rates. The District has established pass-through rates that will allow it to recover these costs when those agencies enact higher prices. The projected cost of electricity is another significant contributor to potential cost inflation. The budgeted cost of electricity includes placeholders of 8% for rate increases by Southern California Edison. To address labor market challenges, this budget also includes placeholders for an estimated cost of living adjustment (COLA) to which the Board of Directors will take specific action on before enactment. This will assist the District in attracting and retaining the most talented employees.

Long-Term

As previously discussed, the upcoming “Making Conservation a California Way of Life Regulation” will have far reaching impacts to the water industry for the next two decades and beyond. Additional considerations for long-term planning include capital improvements, debt, and other long-term obligations. The District places a tremendous effort on capital improvement planning and is currently working on an Integrated Master Plan for water, sewer, and recycled water capital improvements. The master plan will cover a 20-year period with updates every 5 years. Utilizing the master planning documents will allow the District to evaluate, prioritize, and schedule capital improvements.

The total capital project investments in this Budget are approximately \$20 million and in accordance with the District’s Debt Management Policy, the use of debt is prudently reviewed and is limited to long-term projects that meet specific criteria. The District closely monitors its debt ratios. This year’s capital budget is funded on a Pay-Go basis. Certain Water and Sewer projects are being funded with Developer Fee Reserves.

Since 2010, the District has put into place structural changes to limit the impact of rising wages and benefit expenses: a second CalPERS tier of 2% at 60 was implemented for new employees, the defined benefit retiree health care program was closed, employees now participate in cost-sharing for their pension, as well as other changes resulting in on-going savings to ratepayers. Since this time, pension expenses have increased as the CalPERS Board changed actuarial assumptions and made efforts to improve the funded status of the plan.

In 2015, staff commenced a cost-benefit analysis of advanced repayments of the CalPERS unfunded liability. In 2016, the Board approved a funding plan, and the District implemented advanced discretionary payments over the subsequent five years. This plan was implemented in the five-year period from FY 2017 to FY 2021. Based on our analysis, the first five years of this early repayment plan will save rate payers approximately \$12.5 million, and these savings will continue to accumulate in perpetuity. In 2021, the Board approved this funding plan for an additional five years and the District expects to enjoy similar additional savings benefits from this action. However, due to budgetary constraints in FY 2025 and FY 2026, contributions to this plan are suspended. If warranted at a later date during this budget cycle, a budget adjustment could be authorized in order to re-implement participation in this plan.

BUDGET PRIORITIES FOR FY 2025 & 2026

One of the most significant priorities in FY 2025 and FY 2026 is effectively navigating the “Making Conservation a California Way of Life” regulation as well as the future impact to the District and our customers. The District has developed an internal task force and reassigned an employee to be fully committed to the project. The team is developing a strategic plan, collecting data, and monitoring regulations closely. Completion of the Integrated Master Plan will set the direction for capital planning but known projects that will be focused on during this budget cycle include reservoir rehabilitations and a new Reservoir 5B. In addition, capital will fund several waterline and sewerline replacements. Staff will also be focusing on the ERP software implementation to replace the customer information database and billing system, which is nearly 30 years old. The new software system, Advanced Utility Systems, has an estimated implementation in FY 2025.

In addition to reducing operating costs by utilizing more local water, District staff have made it a priority to reduce any controllable operating costs as much as possible. These cost reducing decisions have resulted in controllable operating costs being limited to only 1% growth for FY 2025 and 3% growth for FY 2026 despite the challenges of prolonged high CPI (Consumer Price Index).

Another priority is to maintain the quality and reliability of the District’s water supplies at the lowest possible cost. This will be achieved through the protection of existing water rights as well as investing in new water infrastructure that will provide access to additional water sources. The District is committed to delivering the highest quality water and sewer services and considers these services to be essential to the life and health of the residents.

SIGNIFICANT BUDGETARY ITEMS

OPERATING BUDGET

The District strives to achieve a balanced budget each year. Operating revenues are necessary to fund capital and debt obligations. The budget document includes a detailed analysis of each fund (Water, Sewer, Recycled Water) and the estimates and projections utilized to develop the budget. The Budget Overview is a three-year comparison of all the funds consolidated. FY 2024 which is compared to the two-budget years FY 2025 and FY 2026, was based on water sales of 41,419 acre-feet (AF) with a production mix of 40% imported water, 51% groundwater, and 9% surface water. FY 2025 is projecting water sales at 40,227 AF with a production mix of 35% imported water, 57% groundwater, and 8% surface water. FY 2026 is projecting water sales at 40,963 AF with the same production mix as FY 2025. This means that we are budgeting less water sales than FY 2024’s Operating Budget and a production mix that favors more groundwater than in previous years. Water sales estimates were reduced because FY 2024’s estimated actuals are anticipated to reach 39,523 AF by June 30, 2024. FY 2024 was the 2nd year in a row of extraordinarily high precipitation. Conservative projections for FY 2025 assume average rainfall, not the extreme drought or very high precipitation that we’ve experienced in recent years. Water consumption is a primary driver for revenues and so are rates. All three funds have their own 5-year rate study which includes planned increases in rates and pass-through charges for fees imposed by other agencies including MWD and IEUA.

Another factor for overall sales is customer growth, which is anticipated at 0.27% and 0.31% for FY 2025 and 2026, respectively. These estimates are consistent with the District’s historical average.

The District is projecting to sell 7,500 AF of groundwater each budget year, which significantly increases the budget in the “Water Sales to Other Agencies” line item. These sales are negotiated agreements, and the District has not sold groundwater since FY 2022.

Overall, the budget is based on operating revenues of \$113 million for FY 2025 and \$119 million for FY 2026 for

Operating expenses are costs that are routine and expected, resulting from daily operations. Many of these costs increase in alignment to the CPI, but our largest costs are for buying and treating water. The cost of purchased water and electricity vary based on the rate-setting actions of other agencies like MWD, IEUA, and Southern California Edison as well as the production mix determined by District management.

Our most significant costs for buying water reside in the “Source of Supply” category. Imported water costs include the rate increases that have been proposed by MWD of 1% and 8% per year for FY 2025 & FY 2026, respectively. IEUA also charges fixed costs in connection with imported water and those are anticipated to increase 9% and 6% for FY 2025 and FY 2026, respectively. Groundwater, although more affordable than imported water, also has costs associated with production which include assessments to the Chino Basin Water Master (CBWM) and the cost of electricity to pump the water up from the basin. Assessment charges by the CBWM have a volumetric component that is dependent on the amount of groundwater that is utilized the year prior, but also includes costs that the CBWM determines are necessary for the administration and sustainability of the groundwater basin. The budget for the CBWM assessment is estimated to decrease 10% for FY 2025 and increase 23% for FY 2026, primarily because groundwater production was much lower in FY 2024 which causes a decrease in the assessment for FY 2025 but groundwater production for FY 2025 is budgeted much higher which impacts the assessment in FY 2026. Groundwater, which takes significant electricity to pump and move, is a major consideration for the cost of groundwater. In recent years, the cost of electricity has been rising at a rate much higher than inflation, and as such, the budget includes an 8% increase in electricity rates.

Another budget item within Source of Supply is the cost of purchasing recycled water to recharge into the Chino Basin. We are estimating 3,500 AF of recharge and a large portion of Recycled Water’s direct use fixed charges. These two components are estimated at \$3.2 million and \$3.4 million for FY 2025 and FY 2026, respectively. Recharge is considered a cost for the budget, which is on a cash basis of accounting, but is truly an asset to the District and will be accounted for as such in the Annual Comprehensive Financial Report (ACFR).

The District also budgets for assessment charges from the Fontana Union Water Company, in which the District is a shareholder. The Fontana Union Water Company is a mutual water company that charges assessments to shareholders as necessary for their own operating costs and cash flow requirements. The budget includes an estimated assessment cost of approximately \$3 million each year.

Wages and benefits are another significant cost to the District. Estimates for the Budget include a 4% Cost of Living Adjustment (COLA) for each year, which is consistent with the percentage originally utilized in the 2021 Water Rate Study model. However, each budget year the Board of Directors will evaluate any potential COLA and take action based on the financial indicators at that time. An average merit increase of 4% was factored in for those employees who have not reached the top of their position’s salary range. Headcount will be reduced by 1 full-time equivalent position. This results in Wage and Benefits are an increase of 1% and 6% for FY 2025 and FY 2026, respectively.

Overall, the budget is based on operating expenses of \$94 million for FY 2025 and \$100 million for FY 2026 for all funds, which reflects a relatively flat change for FY 2025 and a 7% increase for FY 2026.

NON-OPERATING BUDGET

The non-operating budget consists of both revenues and expenses. Revenues include interest income, development fees, and other income. Interest income is anticipated to increase based on projected interest rates remaining high, as well as maturing bonds being reinvested at higher rates within the budget years. Development income is difficult to project as development is variable based on construction within the city and multi-year timetables on large projects. FY 2024's actuals are not anticipated to exceed \$500 thousand, as such FY 2025 and FY 2026 Budgets were projected more conservatively.

Non-operating expenses include CIP and debt interest and principal. CIP is estimated to decrease as staff focus on critical projects while the Integrated Master Plan is completed. Debt service follows the current debt amortization schedules with no plans to issue new debt. All CIP is to be funded on a pay-as-you-go basis (net operating income) or from reserves.

The net activity or cash in/out budgeted is \$2.6 million and \$2.5 million for FY 2025 and FY 2026, respectively. This means that the District has a balanced budget with a projections of a positive contribution to reserves. Any additional funds above break-even will be added to reserves.



BUDGET OVERVIEW

The table below is a consolidated overview of the significant budgetary items for all funds:

	2024 Amended Budget*	2025 Budget	% Change (FY25 - FY24)	2026 Budget	% Change (FY26 - FY25)
Operating Revenues					
Water Sales & Services	\$48,781,717	\$48,510,763	(1%)	\$51,500,276	6%
Meter Charges	27,150,257	28,182,997	4%	29,223,730	4%
Water Sales to Other Agencies	7,189,907	10,291,485	43%	10,376,829	1%
Sewer Services	5,283,876	5,565,250	5%	6,035,803	8%
Sewer Treatment Charge	19,622,187	20,270,173	3%	21,591,825	7%
Total Operating Revenues	108,027,944	112,820,668	4%	118,728,463	5%
Operating Expenses					
Wages & Benefits	25,666,978	25,868,315	1%	27,335,680	6%
Outside Labor	112,250	262,500	134%	162,500	(38%)
Professional Development	550,384	512,716	(7%)	529,693	3%
Professional Services	622,150	692,634	11%	769,784	11%
Personnel Costs	313,165	374,722	20%	389,896	4%
Insurance	704,652	882,000	25%	935,720	6%
Advertisements	25,525	21,100	(17%)	23,110	10%
Elections	-	8,000	100%	-	(100%)
Collections	60,000	58,000	(3%)	58,000	0%
Utilities	9,830,686	9,829,232	(0%)	10,753,440	9%
Materials & Supplies	5,262,377	5,050,329	(4%)	5,194,294	3%
Outside Services	3,688,541	3,617,995	(2%)	3,690,988	2%
Source of Supply	26,830,086	25,669,662	(4%)	28,169,594	10%
Sewer Treatment Cost	19,622,187	20,270,173	3%	21,591,825	7%
Miscellaneous	695,916	830,679	19%	837,489	1%
Total Operating Expenses	93,984,897	93,948,057	(0%)	100,442,013	7%
Net Operating Revenue	14,043,047	18,872,611	34%	18,286,450	(3%)
Non-Operating Revenues					
Interest Income	2,692,660	3,114,367	16%	3,792,971	22%
Development Income	7,452,749	3,952,000	(47%)	2,703,742	(32%)
Other Income	937,140	1,011,215	8%	1,029,206	2%
Total Non-Operating Revenues	11,082,549	8,077,582	(27%)	7,525,919	(7%)
Non-Operating Expenses					
Capital Improvement Projects	16,482,300	10,455,800	(37%)	9,839,000	(6%)
Annual Debt Service	14,003,405	14,073,965	1%	13,525,742	(4%)
Total Non-Operating Expenses	30,485,705	24,529,765	(20%)	23,364,742	(5%)
Change in Net Position, Increase, (Decrease)	\$(5,360,109)	\$2,420,728	145%	\$2,447,627	1%

*2024 Amended Budget format has been modified to match the current budget format

CONCLUSION

The Cucamonga Valley Water District believes that its vision of **Water**, **Service**, and **People** provides a meaningful, deliberate, and proactive approach to managing our District and the precious resources entrusted to it. The District maintains transparency, responsiveness, and stewardship to our customers, stakeholders, and employees. The budget incorporates resources for the carefully planned priorities established for FY 2025 and FY 2026.

I would like to thank the Board Committees who worked diligently to develop this budget and to the CVWD staff who have contributed to its development. Special thanks to the Finance staff including: Brandon Koh, Accountant; Andrea Dutton, Senior Accountant; Jennifer Fillinger, Accounting Supervisor; Agnes Boros, Finance Manager; Chad Brantley, Director of Finance and Technology Services.

Respectfully submitted,



John Bosler
General Manager/CEO



BOARD OF DIRECTORS



Board President
RANDALL JAMES
REED



Vice President
MARK
GIBBONEY



Director
JAMES V.
CURATALO JR.



Director
KEVIN
KENLEY



Director
JIMMIE
MOFFATT

DISTRICT EXECUTIVE MANAGEMENT

EDUARDO ESPINOZA
Assistant General Manager

ROB HILLS
Director of Operations

CHAD BRANTLEY
Director of Finance &
Technology Services

ROBERTA PEREZ
Director of Human Resources &
Risk Management

RESOLUTION NO. 2024-6-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CUCAMONGA VALLEY WATER DISTRICT ADOPTING THE BIENNIAL OPERATING AND CAPITAL IMPROVEMENT BUDGET FOR THE FISCAL YEARS ENDING JUNE 30, 2025 AND JUNE 30, 2026

WHEREAS, the Cucamonga Valley Water District (“District”) is organized and operates pursuant to the County Water District Law commencing with Section 30000 of the California Water Code; and

WHEREAS, there has been presented to the Board of Directors a proposed Biennial Operating and Capital Improvement Budget For The Fiscal Years Ending June 30, 2025 & June 30, 2026 (“2025 & 2026 Budget”); and

WHEREAS, on June 11, 2024, the Board of Directors received and considered all comments regarding the proposed 2025 & 2026 Budget; and


WHEREAS, the proposed 2025 & 2026 Budget has been reviewed and considered by the Board of Directors and it has been determined to be in the best interests of the District to adopt said budget for the sound financial operation of the District.

BE IT HEREBY RESOLVED by the Board of Directors of the Cucamonga Valley Water District as follows:

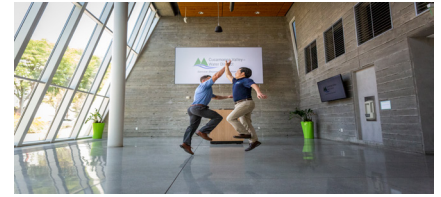
1. The 2025 & 2026 Budget, as detailed in the budget document entitled “Budget Fiscal Years 2025 & 2026,” is hereby adopted. A copy of the 2025 & 2026 Budget is attached hereto and incorporated herein by reference.
2. The expenditure amounts designated for the Fiscal Years 2024-2025 and 2025-2026, pursuant to the 2025 & 2026 Budget, are hereby appropriated and may be expended by the departments or funds for which they are designated.
3. The current amount of the MWD Surcharge Rate pass-through, as established in Chapter 4.08.020 shall remain at \$0.29 effective 07/01/2024.
4. The current amount of the Customer Assistance Program (CAP) shall remain the same at \$10.00 per monthly period effective 07/01/2024 and 07/01/2025.
5. The Recitals set forth above are incorporated herein and made an operative part of this Resolution.
6. If any section, subsection, sentence, clause or phrase in this Resolution or the application thereof to any person or circumstances is for any reason held invalid, the validity of the remainder of this Resolution or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board of Directors hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses, or phrases or the application thereof to any person or circumstance be held invalid.
7. This Resolution will be effective immediately upon adoption.

Adopted this 11th day of June, 2024.

Attest:


John Bosler
Secretary, Board of Directors


Randall James Reed
President, Board of Directors



GOALS & OBJECTIVES

The District has developed a number of District-wide goals for FY 2025 and FY 2026 to align the operating divisions with the Foundational Principles of the District. Divisions are tasked with aligning their action plans to support these goals.

The following District-wide strategic goals have been established:

WATER

1. CVWD maximizes the beneficial use of all of our water supplies while maintaining operational and financial flexibility.
 - A. Maintain operational flexibility between imported water and groundwater, surface, and recycled water
 - B. Our rates ensure that operational and capital needs are met and are fair to our customers
 - C. Protect, secure and obtain additional water rights as feasible
 - D. Encourage efficient water use practices with customers through education and new technology
 - E. Increase collaboration between District teams
2. CVWD recognizes the vital nature of water quality, supply, resiliency, and distribution reliability.
 - A. Continue to develop and implement adopted master plans, CIP Budget and Long-Term Financial Plans to anticipate current and future needs
 - B. Adhere to current and anticipated water quality regulations
 - C. Outreach to customers and stakeholders to address the results of investments and value of water
 - D. Use technology to maintain efficient asset management
3. CVWD actively participates in the water policy arena to influence local, state, and federal regulations.
 - A. Encourage employees and Board Members to stay informed of topics that impact our organization
 - B. Engage and actively participate with state and federal advocacy organizations
 - C. Actively build relationships with policy makers, stakeholders, and regulators

SERVICE

1. CVWD staff has the necessary skills, abilities and technology to deliver *Service Beyond Expectation*.
 - A. Employees are provided with training, professional development and leadership opportunities to successfully contribute to the organization
 - B. The District's culture fosters employee innovation and a *Service Beyond Expectation* standard:
 - i. Standardization of customer communications via Branding Guidelines
 - ii. Ongoing internal/external customer interaction training
 - iii. Explore the use of alternate modes to receive internal and external customer feedback
2. CVWD's preventative maintenance program is the foundation for providing reliable: water, recycled water and wastewater service.

PEOPLE

1. CVWD has a resourceful, innovative and empowered pool of talent that supports the culture and values of the District.
 - A. Provide leadership, professional development and training programs
 - B. Continue to evaluate the recruitment process and retain quality talent
 - C. Focus on programs and practices that encourage unity
 - D. Provide programs that inspire multi-functional skill development that brings value to the District and to employees
 - E. Employees are empowered to contribute innovative ideas and are entrusted to participate through implementation
2. Employees contribute to the development and implementation of the District's Vision, Goals and Action Plans.
3. Employees take ownership and embrace the District's Foundational Principles through their interactions and communications.



HISTORY & PROFILE

HISTORY

RESPONDING TO GROWING WATER NEEDS

The area of Cucamonga Valley Water District, like most of Western San Bernardino County, has rapidly urbanized. The area's history, however, has not always indicated this direction. The peak agricultural production capability of the 1940's actually began nearly one hundred years earlier. Good climate, excellent soils and the abundant water supply prompted the early pioneers to develop a long successful agricultural era. The prosperity resulting from a thriving agricultural base attracted growth to the communities. The decline in the area's agricultural economy was replaced by a mixture of residential, commercial, industrial and logistical development.

Beginning in the late 1940's and continuing for about twenty years, most of Southern California experienced an extensive dry cycle. During this period rainfall was one-half of the prior averages. Prior to this dry period most of the water used within the Cucamonga area originated from collection systems constructed in the mountain canyons and from wells in the Cucamonga Basin. A small amount of water was produced from the Chino Basin to the south.

All water production was developed through the efforts of about twenty-five privately owned mutual water companies and a few individually owned wells. The continuing dry cycle was an extremely difficult period for most of the water companies. Pumps were lowered at regular intervals, some wells were abandoned, and new deeper wells were drilled. Many companies reduced the amount of water delivered to shareholders. Additional production from the Chino Basin began as a result of the lowered water table in the Cucamonga Basin.



Floods of March 1938 in Cucamonga Area



Etiwanda Colony in 1952

CREATION OF THE DISTRICT

At the time drought conditions were plaguing the various water companies, a complaint was filed in the Superior Court by San Antonio Water Company (in Upland) to determine the water rights of all Cucamonga Basin users. This action solidified the local interests into a common defense, and resulted in annexations to Metropolitan Water District of Southern California (MWD) and to Chino Basin Municipal Water District (CBMWD), later renamed the Inland Empire Utilities Agency (IEUA), as well as the creation of Cucamonga County Water District (CCWD) in 1955.

During the drought cycle from 1940-1960 the Cucamonga Water Company (CWC), a mutual water company, was not able to provide adequate service to either its agricultural or residential customers. Several wells were unable to produce water because of the extreme low water levels in the groundwater basin. Additionally, CWC

was unable to fund the purchase of necessary equipment to pump water from lower elevations. As a result of these conditions, stockholders in the Cucamonga Water Company and the Cucamonga Basin Protective Association recognized the need to create a public agency that could raise sufficient funds to provide an adequate supply of water for the growing area. The Cucamonga County Water District was organized in March of 1955 under the provisions of Division 12 of the State Water Code, following an election within boundaries established by the San Bernardino Board of Supervisors.

Elected to the first five-member Board of Directors were Mr. Robert Nesbit, Mr. Galer Royer, Mr. John S. Ingalls, Mr. J.F. Grass Jr., and Mr. Harold B. Blatz. Mr. Nesbit served as a director continuously from 1955 until his death in 1981. The first meeting of the Board of Directors of the Cucamonga County Water District was called to order on March 25, 1955 at the Fire Hall in Alta Loma, California. The first order of business was to elect a president of the Board of Directors. The unanimous choice for this position was Robert Nesbit.

The following year, at the Board of Directors meeting of August 25, 1956, Norman Hixson was appointed as the district's first general manager, a position he held until 1972. At that time, the district occupied an area approximately 22,000 acres generally bounded on the west by the City of Upland, on the south by the City of Ontario, on the east by Etiwanda Avenue and on the north by the foothills of the San Gabriel Mountains. The service area included the unincorporated communities of Cucamonga, Alta Loma, and a part of Etiwanda.



Left to Right: Galer Royer, J.F. Grass, John Ingalls, Harold Blatz, Robert Nesbit

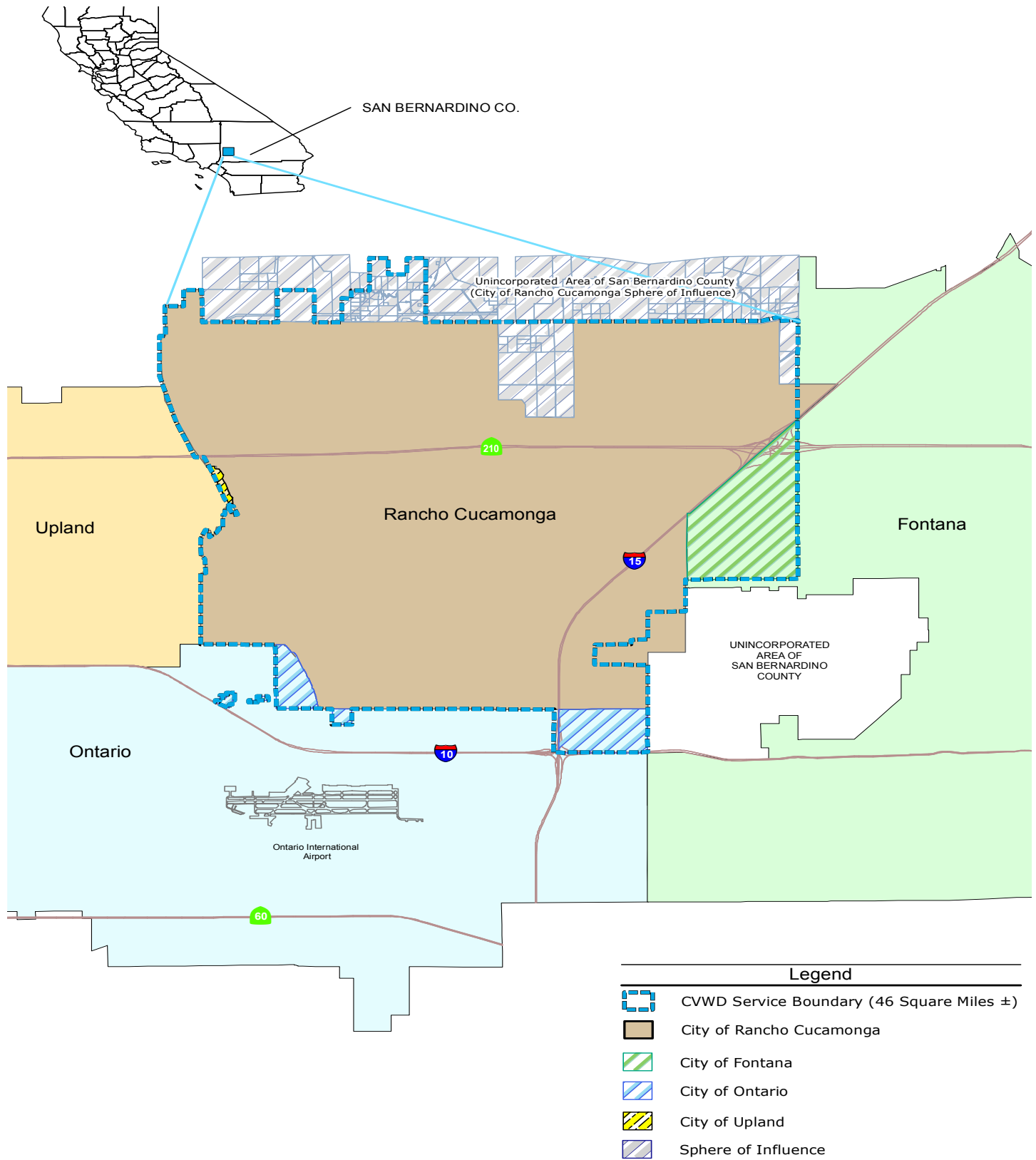
PROFILE

GOVERNMENT

Cucamonga Valley Water District is an independent California Special District and was incorporated on March 25, 1955. The District is governed by a five member Governing Board elected by voters at-large, within the five districts areas, serving four-year overlapping terms. The Governing Board represents the public's interest as policy makers with regards to rate for service, policies, ordinances, and budget adoption. Appointed by the Governing Board, the General Manager/CEO is responsible for overseeing daily operations. The District is a rate-based organization that receives no tax-related revenue and operates in accordance with Division 12 of the California Water Code.

SERVICE AREA

The District provides water, wastewater, and recycled water services to a population of approximately 192,000 within its 46 square mile service area, which is located in the western area of San Bernardino County, California. The District encompasses the majority of the community of Rancho Cucamonga and portions of the cities of Fontana, Ontario, Upland, and some of the unincorporated areas of San Bernardino County.



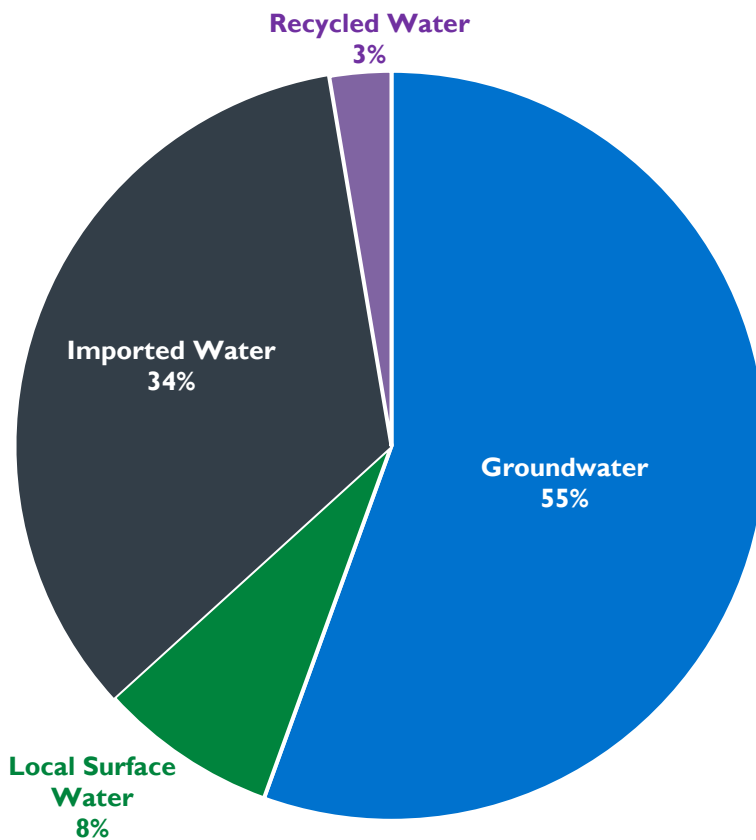
DISTRICT OFFICE

The Cucamonga Valley Water District Main Office is located at 10440 Ashford Street, Rancho Cucamonga, California 91730-2799.



WATER SOURCES

The District has several sources of water available including: imported water, groundwater, surface water, recycled water, and interconnection water.



IMPORTED WATER

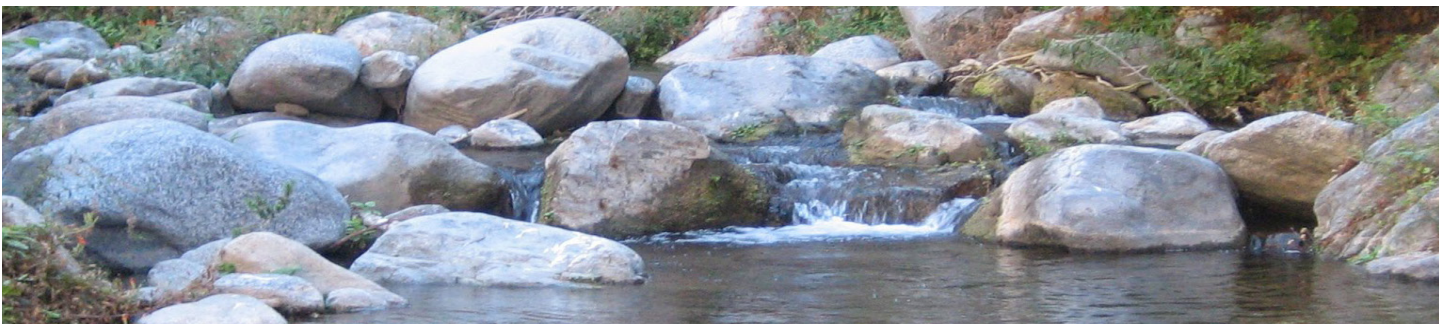
Imported water is purchased from IEUA, which is a member agency of MWD. Water is imported by MWD from the State Water Project through Lake Silverwood and is conveyed through the Rialto Feeder pipeline. The District has two active connections to untreated water, an 18-inch diameter connection, CB-7, and a 60-inch diameter connection, CB-16. CB7 is treated at the District's Royer-Nesbit Water Treatment Plant and CBI6 is treated at the District's Lloyd Michael Water Treatment Plant

GROUNDWATER

The District has water rights in two groundwater basins that underlie the District's service area: Chino Basin and Cucamonga Basin. These water rights allow the District to pump groundwater out of the basins via District wells. The Chino Basin management is overseen by the Chino Basin Watermaster. The Basin has an established annual safe yield of 131,000 acre feet (AF). The Cucamonga Basin does not have an official watermaster, but is shared by the District, the San Antonio Water Company, and the City of Upland, who are currently following the adjudicated 1958 Decree. The 1958 Decree allows the District the annual right to pump 15,471 AF.

SURFACE WATER

The District's canyon/surface water supplies come from streams, springs, and tunnels located within the northern area of the District. The District has rights to six sources of canyon water: Cucamonga Canyon, Day/East Canyon, Deer Canyon, Lytle Creek, Smith Canyon Group, and the Golf Course Tunnel. Currently, water is only utilized from three of the six sources: Cucamonga Canyon, Day/East Canyon, and Deer Canyon. The District's conveyance and collection systems enable the District to collect local surface water from precipitation falling in the San Gabriel Mountains that flows in local streams and canyons. The District estimates future storm water projections and makes three estimates: dry conditions, normal conditions or wet conditions. Under wet conditions the District predicts 6,070 AF annually of surface water capture, under normal conditions 4,540 AF but decreases to 2,270 AF annually under dry conditions. So although canyon/surface water is the most cost-effective supply, it only contributes to the District's annual water supply based on unpredictable weather conditions.



RECYCLED WATER

IEUA treats all wastewater from the District's service area at regional treatment plants according to Title 22 regulations set forth by the State Water Resources Control Board. Treated water is then available to the District as recycled water. The District provides recycled water for landscape irrigation purposes to parks, medians, parkways, schools, and other non-potable needs.

INTERCONNECTION

The District has system interconnections to the Fontana Water Company, City of Upland, and the City of Ontario, allowing for the purchase and sale of water with neighboring water agencies. The District has five interconnections with three neighboring agencies. The District can only receive and transfer water through the Fontana Water Company and the City of Upland connections. At the City of Ontario connection, the District cannot receive water, but can transfer water out of the service area. The District only transfers water through its interconnections when additional supplies are available. The District has only actively transferred water to the Fontana Water Company and City of Upland, with no significant impact on the District's supplies.

WATER DISTRIBUTION

Currently, the District manages a potable water system that includes 8 primary pressure zones, 19 operational groundwater wells, 36 water storage reservoir tanks, 24 sites, 22 booster pumping stations, 70 booster pumps, 2 imported water connections, 58 pressure-reducing valves, and approximately 707 miles of pipeline. For water systems that have varied topography, such as the District, water distribution systems are typically divided into different hydraulic regions, known as pressure zones. The purpose of these pressure zones is to maintain adequate pressures throughout the distribution system despite varying topography. The District's service area ranges in elevation from approximately 998 feet above mean sea level in the southern portion service area to about 2,602 feet above mean sea level in the northern portion of the service area.

The District's water distribution system consists of eight different primary pressure zones, and seven subzones. The District's potable water distribution system contains 22 pumping stations that move water between pressure zones and one pumping station that moves water laterally within the same zone. Water distribution systems rely on stored water to help equalize fluctuations between supply and demand. Currently, the District's potable water system has 36 reservoirs. Since the District's wells and imported water supplies originate at the lower elevations of its distribution system, reservoirs are configured to be replenished from lower pressure zones. This is achieved by using booster pumping stations to pump water from the lower pressure zones to the higher-pressure zones.

WASTEWATER COLLECTION & TREATMENT

The District's sewer system maintains approximately 37,587 sewer connections, covering 25,986 acres (40.6 square miles). The District collects wastewater and delivers it to IEUA. IEUA then treats the wastewater and either delivers it to member agencies (including the District) for non-potable uses (such as landscaping and industrial uses), conveys it to basins for groundwater recharge, or disposes of the treated wastewater. The District is composed of six independent sewer sheds. The sewer sheds, and their related infrastructure systems of pipelines, lift stations, and siphons convey wastewater from the higher elevations in the northern part of the District sewer service area southerly and easterly towards IEUA Regional Water Reclamation Plant No. 1 and No. 4. The District's sewer system infrastructure consists of a gravity sewer collection system and 2 lift stations.



WATER USE EFFICIENCY

Water Use Efficiency has been a core value for CVWD for decades, which has been demonstrated through a robust portfolio of no-cost programming provided to customers including rebates for water saving devices, landscape surveys and transformation, hands on workshops and training, leak detection, and weather-based irrigation controller retrofits. In addition to CVWD’s own mission to being stewards of natural resources, the State of California continues to take more control over regulating water providers and reducing water usage throughout the state.

In 2018, the California State Legislature enacted SB 606 and AB 1668 to increase water use efficiency through the “Making Water Conservation a California Way of Life Regulation”. Since then, the Department of Water Resources and State Water Resources Control Board have been working to shape the framework and implementation of these water use efficiency laws. With final ruling slated for summer 2024, CVWD and water providers state-wide have been preparing and strategizing for the strenuous requirements of the regulation, including targets for water use reduction that become more stringent through 2040. An overall objective will be set for water providers, and CVWD projects its objective will require approximately 34% water use reduction by 2040.

The latest regulation by the State comes after other severe conservation standards which CVWD has already achieved. In 2009, SBx7-7 required a statewide 20% water use reduction. Two droughts and additional conservation mandates later (2012-2015 and 2020-2022), CVWD with its customers have accomplished remarkable water use reductions- 38% since 2007, despite an 11% increase in population. CVWD is strategizing compliance with the upcoming regulation and will work with the community to achieve additional water use efficiency. A key component of CVWD’s strategy will be the creation of a Water Use Efficiency Programs Master Plan to be implemented in 2025. Though these programs and strategies are on the forefront, the FY 2025 and FY 2026 budget does not reflect any material financial impact of these regulations and will be reassessed when compliance is mandated.

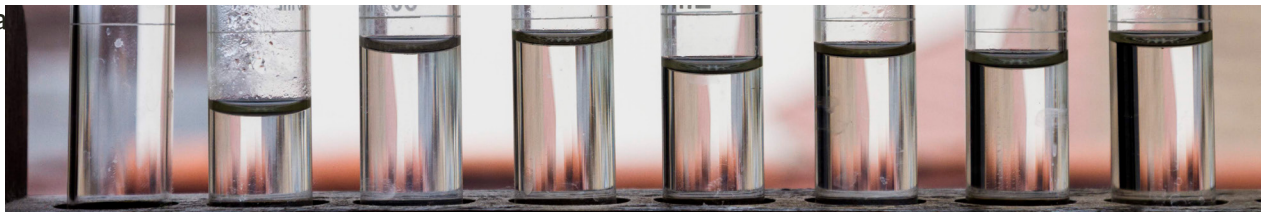
State Regulation Timeline



WATER QUALITY

The District’s mission is to provide high quality, safe and reliable drinking water and wastewater services while practicing good stewardship of natural and financial resources. The District employs a variety of water treatment technologies dependent on source water characteristics to ensure water quality standards are met.

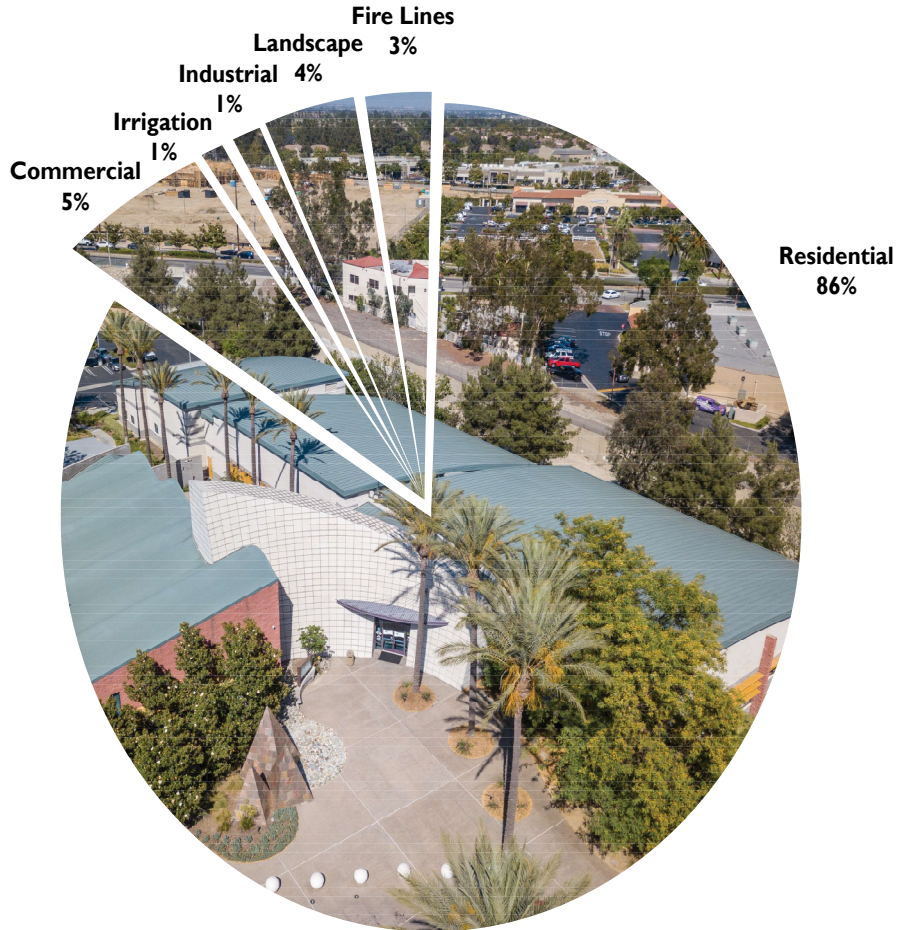
All surface waters are treated utilizing various processes including coagulation, flocculation, filtration and disinfection for the purpose of meeting water quality standards set by the surface water treatment rule. Surface water treatment facilities include the Lloyd Michael, Royer-Nesbit, and Arthur H. Bridge water treatment plants. The Lloyd Michael facility utilizes the additional processes of Granular Activated Carbon for total organic carbon (TOC) removal and Ultraviolet Light for disinfection. Groundwater sources require less treatment than surface water due to water quality characteristics. All groundwater sources received at minimum a disinfectant residual, and ma



STATISTICAL SECTION

CUSTOMER BASE

Approximately 86% of the District's customer accounts are residential and within the City of Rancho Cucamonga. The majority of Rancho Cucamonga has been developed and customer increases have averaged less than 1% in the last 10 years.



10 LARGEST WATER CUSTOMERS

The District has a diverse customer base and the largest ten water service customers by consumption volume represented only 15.61% of total water sales revenue in FY 2023.

Customer	2023 Annual Usage (HCF)	% Of Total	FY 2023 Revenues	% Of Gross Water Sales & Meter Charges
CalTrans District	934,255	6.04%	\$1,946,064	2.69%
City of Rancho Cucamonga	587,675	3.80%	3,111,140	4.30%
City of Fontana	190,927	1.23%	963,338	1.33%
County of San Bernardino	133,498	0.86%	1,384,391	1.91%
Etiwanda School District	116,148	0.75%	487,223	0.67%
Frito Lay Inc.	113,532	0.73%	469,867	0.65%
Homecoming I at Terra Vista LLC	93,179	0.60%	607,062	0.84%
Chaffey Union High School	90,441	0.58%	413,368	0.57%
Nestle Waters North America	80,886	0.52%	683,593	0.94%
Chaffey College	76,911	0.50%	550,385	0.76%
Total	2,417,452	15.61%	\$10,616,431	14.67%

DEMOGRAPHICS

The following are key demographics regarding the residents of Rancho Cucamonga and the surrounding region.

	State of California		San Bernardino County		City of Rancho Cucamonga		
Year	Unemployment Rate	Unemployment Rate	Population	Personal Income Per Capita	Unemployment Rate	Population	Personal Income Per Capita
2015	5.9%	6.0%	2,122,187	\$35,935	4.5%	173,235	\$30,613
2016	5.7%	5.8%	2,122,579	37,166	4.4%	174,164	29,984
2017	4.8%	4.0%	2,139,520	38,074	3.6%	174,903	31,623
2018	4.9%	4.7%	2,150,017	37,403	3.4%	174,694	32,148
2019	4.4%	4.1%	2,165,876	40,988	3.0%	174,972	34,082
2020	9.2%	9.0%	2,181,654	45,968	6.6%	174,460	36,088
2021	5.5%	5.7%	2,179,007	49,570	4.0%	174,429	38,245
2022	4.3%	4.3%	2,180,777	49,270	3.2%	174,090	40,320
2023	5.1%	5.0%	2,182,056	N/A	3.7%	173,545	44,345
2024	5.6%	5.5%	N/A	N/A	4.0%	N/A	N/A

Sources:

United States Bureau of Economic Analysis

Cucamonga Valley Water District ACFR

City of Rancho Cucamonga ACFR

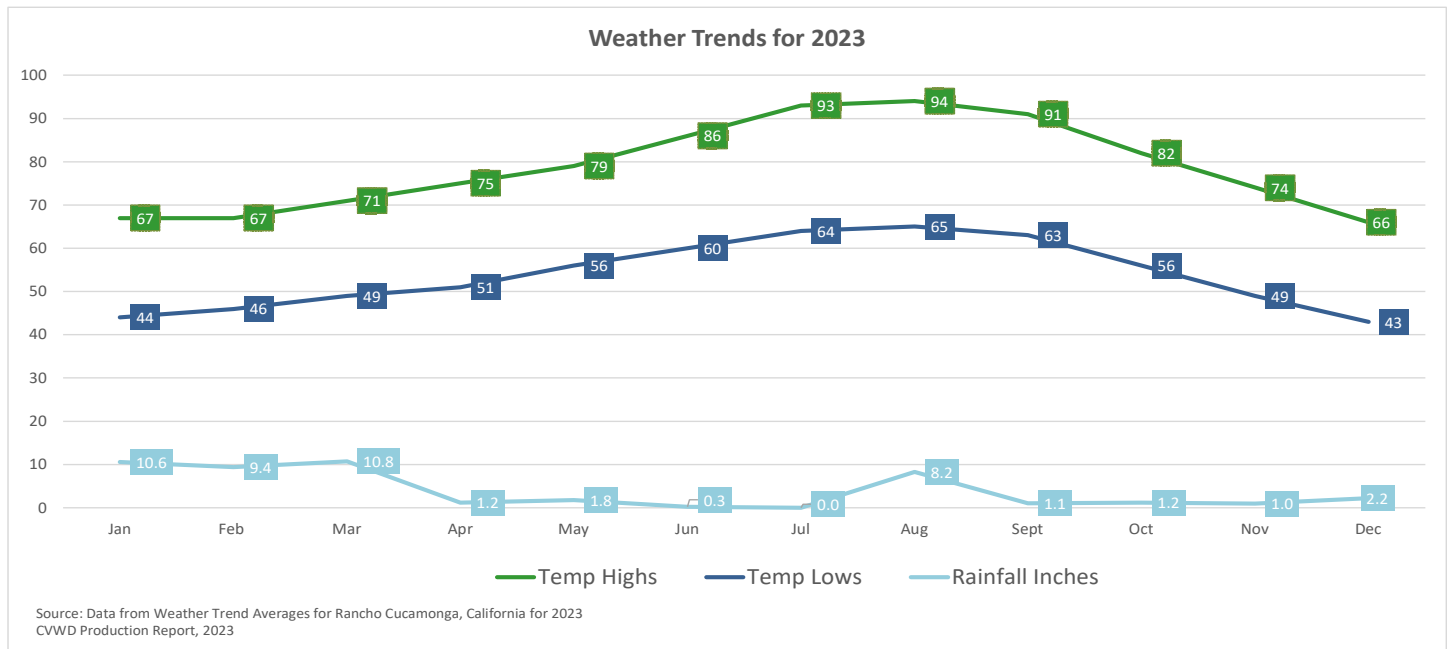


CLIMATE & WEATHER TRENDS

The District’s service area climate is a semi-arid, Mediterranean environment with mild winters, warm summers, and moderate rainfall, consistent with interior coastal Southern California. The usually mild climatological pattern is interrupted infrequently by periods of extremely hot weather or winter storms.

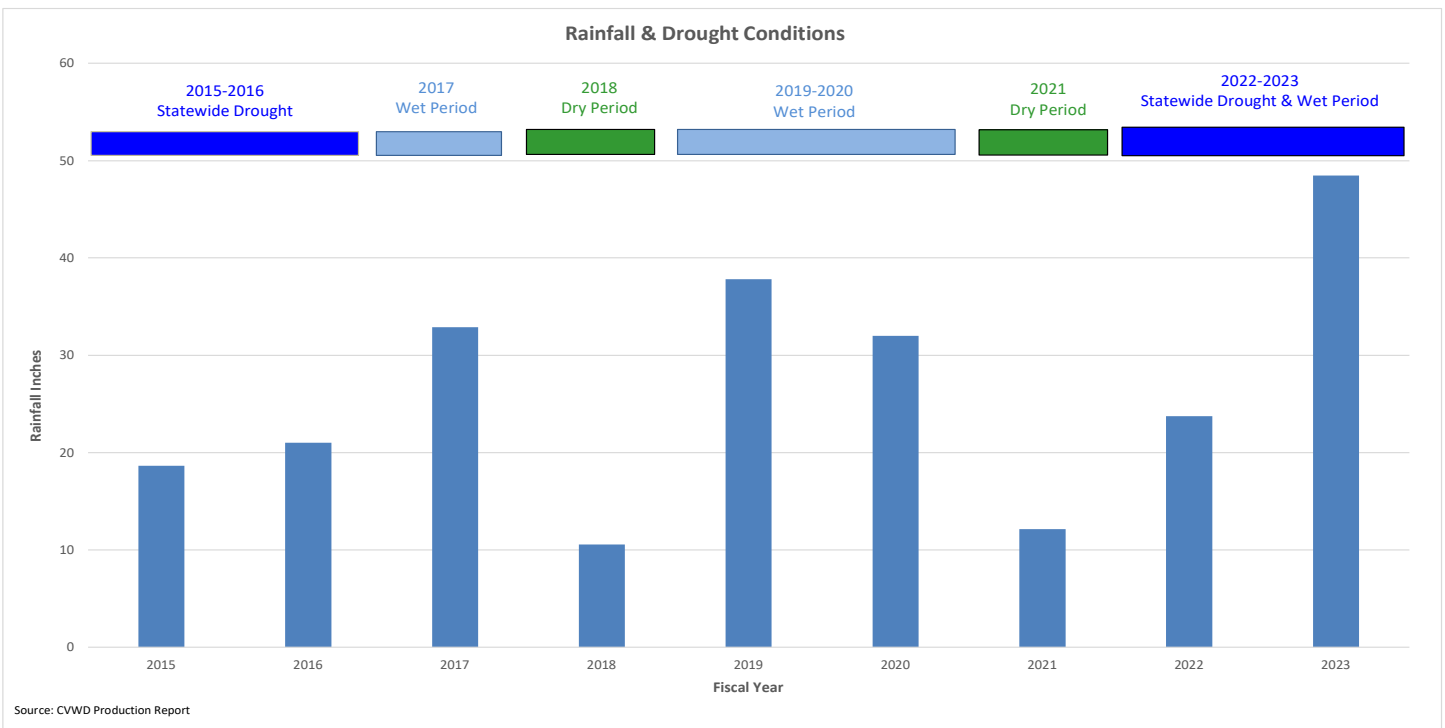
LOCAL WEATHER

In 2023, the average temperature was 66.3 degrees Fahrenheit, and rainfall for the year was 47.7 inches, which greatly exceeds the historic average of approximate inches. On average, the warmest month is August, and the coolest month is December, and the wettest month is February.



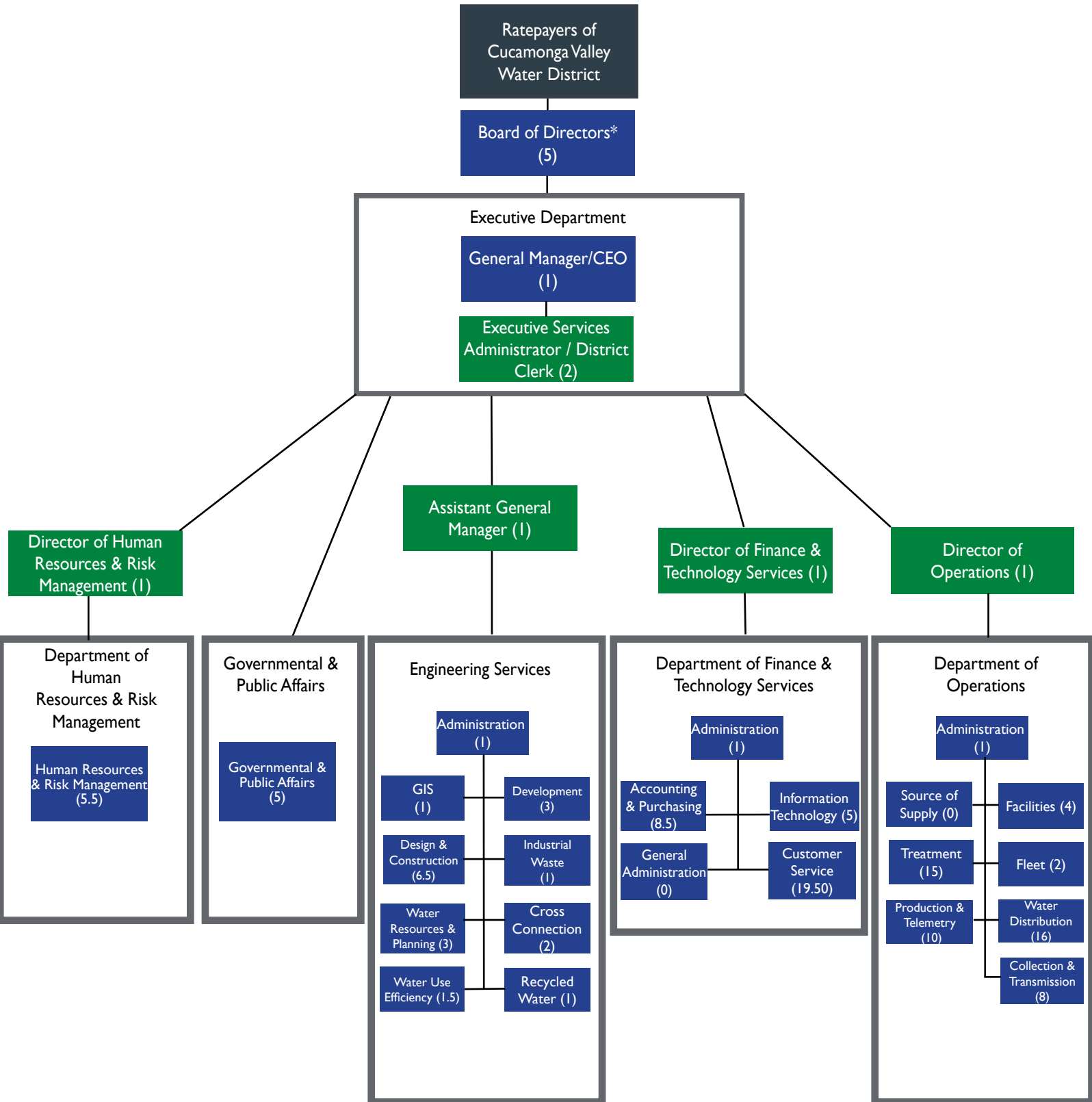
RAINFALL AND DROUGHT HISTORY

Rainfall conditions and state mandated drought restrictions affect water consumption.



ORGANIZATIONAL STRUCTURE

Presented below is an overview of the District's organizational structure:

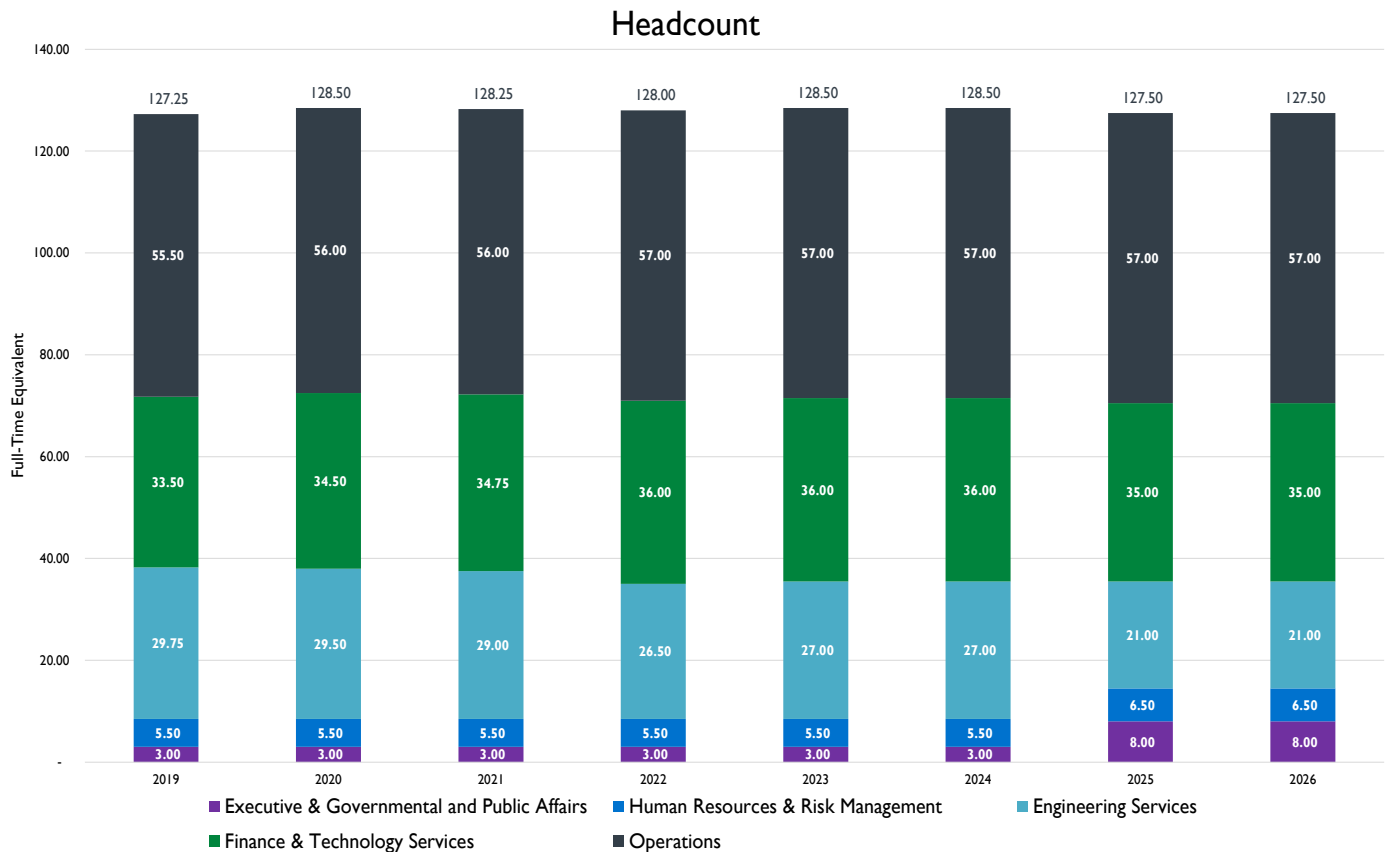


Ratepayers
 Executive
 Division
 Department

*Elected Officials

DEPARTMENT HEADCOUNT

Presented below is an overview of the District's Headcount:



DEPARTMENTAL DESCRIPTIONS

The District and budget are organized into following departments:

<p>Executive & Governmental and Public Affairs Division (8)</p> <ul style="list-style-type: none"> • Board of Directors • Office of the General Manager • Governmental & Public Affairs <p>Human Resources & Risk Management Division (6.50)</p> <ul style="list-style-type: none"> • Human Resources & Risk Management <p>Engineering Services Division (21)</p> <ul style="list-style-type: none"> • Office of Assistant General Manager • Governmental & Public Affairs • Engineering Administration • Geographic Information Systems (GIS) • Design & Construction • Water Resources & Planning • Development • Industrial Waste • Cross Connection • Recycled Water 	<p>Finance & Technology Services Division (35)</p> <ul style="list-style-type: none"> • Finance & Technology Administration • Accounting & Purchasing • Customer Service • Information Technology • General Services Administration <p>Operations Division (57)</p> <ul style="list-style-type: none"> • Operations Administration • Water Treatment • Production & Telemetry • Facilities • Fleet • Water Distribution • Collection & Transmission
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DISTRICT PHILOSOPHY

Providing high-quality water and first-class customer services has been at the core of the District’s philosophy from the beginning and will continue to drive District policy in the future. The District has an established culture and distinct set of values to ensure that top quality service is provided to the community. Accountability, reliability, and sustainability guide the District in all daily operations.

MISSION STATEMENT

To provide high quality, safe and reliable drinking water and wastewater services while practicing good stewardship of natural and financial resources.

VISION

Cucamonga Valley Water District is founded on people, service, and water. The District is continually looking for innovative, solution-based ideas to improve efficiency and service to customers. Open communication gives employees and customers insight into the District’s business operations, and internal and external customer service provides Service Beyond Expectation.

VALUES

Accountability – We take ownership of our actions and look for solution based ideas to improve our effectiveness and service to customers.

Communication – We have an efficient system of outreach that provides employees and customers with knowledge and information that cultivates a two-way system of communication.

Customer Service – Our internal and external customer service is provided in a cooperative and collaborative approach, exceeding customer expectations.





BASIS OF BUDGETING & FINANCIAL POLICY

BASIS OF BUDGETING

The District's financial records are kept in accordance with Generally Accepted Accounting Principles (GAAP) for governmental enterprise funds. The District follows the GAAP requirement that enterprise funds use the full accrual basis of accounting. Consequently, revenues are recognized in the accounting period in which they are earned and operating expenses are recognized in the accounting period incurred. However, there are exceptions where the accrual basis is not conducive to effective presentation of the District's budget, in which case, GAAP is not followed. Therefore the Budget is a mix of accrual and cash basis accounting, which differs from the District's ACFR which is full accrual accounting in conformity with GAAP. Those exceptions are as follows:

- Compensated absence liabilities that are expected to be liquidated with current expendable financial resources are accrued as earned by employees (GAAP standard) as opposed to being expended when paid (budget procedure).
- Principal payments on Long Term Debt are applied to the outstanding liability on a GAAP basis, as opposed to being expended on a Budget basis.
- Capital Outlay are capitalized on a GAAP basis, however, on a Budget basis, they are treated as expenses.
- Water Recharge is a cash outflow for Budget basis and on a GAAP basis it is an asset.
- Depreciation expense is recorded on a GAAP basis but is not contemplated on the Budget basis.
- Pension expense is budgeted based on employer contribution rates assigned by CalPERS. For financial statement reporting, pension expense is recorded based on the change in the net pension liability in accordance with GASB.
- Other post-employment benefits (OPEB) is budgeted based on the District's anticipated fiscal year contribution. For financial statement reporting, OPEB expense is recorded based on the change in net OPEB liability in accordance with GASB.

The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are entirely financed by revenues derived from user charges. The District maintains a self-balancing set of accounts established to record the financial position and operating results that pertain to each activity.

FINANCIAL POLICIES

The District has been entrusted with the care of public funds and takes the stewardship of those financial resources to be one of the District's chief responsibilities. Financial policies are used by the Board and management to set the baseline standards for how the organization will be managed financially. These financial policies are intended to ensure the fiscal stability of the District and have been designed to provide guidance for the development and administration of the operating and capital budgets. The development of these financial policies is conducted in collaboration with the Board of Director's Committee process, as well as final review and adoption by the Board of Directors. The following policies are instrumental in understanding the District's fiscal strategies and the guidelines used to measure financial performance.

RELEVANT FINANCIAL POLICIES & PRACTICES

INTERNAL CONTROL STRUCTURE

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

INVESTMENT POLICY

The Board of Directors annually adopts an investment policy that conforms to state law, District ordinances and resolutions, financially conscious money management, and the "prudent investor" standards. The objectives of the Investment Policy are safety, liquidity, and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, U.S. Agency and Treasury Securities, Money Market Funds, Negotiable Certificates of Deposit, Municipal Bonds, Corporate Notes and a Joint Power Investment Pool.

RISK MANAGEMENT

The District is a member of the Association of California Water Agencies / Joint Power Insurance Authority. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The District participates in Property Loss, General Liability, Automobile Liability, Cyber Insurance, Workers' Compensation, Public Officials' and Employees' Errors and Omissions, and Fidelity Coverage.

PURCHASING POLICY

The District's purchasing policy defines the practices governing the procurement of supplies, materials, equipment and services, including construction and capital improvements, for District use and to relate the principals of applicable provisions of governing law and to District administrative policies. This policy is the written rule and regulation required by California Government Code Section 54202 and also serves as the District administrative procedure governing procurement activities. The policy does not allow for any conflicts of interest, or unauthorized purchases, and subjects all purchasing and accounts payable documentation to random internal and external audits. The District has established bid thresholds and invoice authorization thresholds across all levels of leadership with authority level increasing in proportion to invoice amount.

FRAUD PREVENTION POLICY

The District is committed to creating and supporting a workplace culture that promotes integrity, ethical

decision-making, honesty and accountability to earn the trust and confidence of the customers and stakeholders we serve. Fraud prevention is compatible with our culture and values and help achieve the District's vision and strategic goals. The District is committed to preventing, identifying and addressing all acts of fraud. To achieve this we intend to raise awareness of fraud risks and implement controls aimed at reducing opportunities to commit fraud which would increase the likelihood of prevention and early fraud detection. The purpose of the policy is to establish a common understanding of fraud, the methods and tools that the District has implemented to prevent fraud, and the actions that employees should take if they suspect fraud.

CAPITAL ASSETS POLICY

The Districts Capital Assets Policy ensures that the District's capital assets are acquired, safeguarded, controlled, disposed of, and accounted for in accordance with state and federal regulations, GAAP, internal controls, and audit requirements. The District has defined capital assets as non-financial assets that are used in operations and have an initial useful life in excess of one year. The District's capitalization threshold is \$5,000. Assets are capitalized if the cost exceeds the capitalization threshold except for groups of similar assets such as water meters, computers, or printers when the total of the similar assets purchased during the year exceeds \$5,000. The District uses the straight-line method of depreciation for all depreciable fixed assets (land, intangible assets, and construction-in-progress are not depreciated). A half year of depreciation is recognized in the year the asset is placed into service and in the last year of estimated useful life. For more information refer to the Capital & Debt section of this document.

CREDITS & ADJUSTMENTS POLICY

The District's Credits and Adjustments Policy defines the limits on the actions that staff may take regarding the occasional waiving of fees or issuance of credits to customers and/or developers. This policy does not apply to adjustments or reversals for customer deposits, refunds, billing corrections, meter misreads, or CVWD equipment errors. The extent to which such adjustments or reversals may be granted are set forth in other provisions of the District Code.

BALANCED BUDGET

The most basic definition of a balanced budget is when total expenses are equal to total revenues. The District considers this a balanced budget, but also allows for the use of or addition to reserves to balance the budget. When expenses are less than revenues this creates a surplus which the District will allocate to reserves. When expenses are greater than revenues this creates a shortfall, which the District will then transfer from reserves to balance. When using reserves the District does so only to meet non-recurring obligations that are non-operating expenses. Additionally, reserves are reviewed to make sure the result will still leave the fund balance within acceptable levels as defined by the reserves policy.

CUSTOMER ASSISTANCE PROGRAM (CAP)

In 2015 the District implemented a program that assists low income customers with their monthly water bill. In the past, California's laws regulating the setting of utility rates restricted the District's ability to offer such a program. Recent legal opinions have provided a new alternative to offer a CAP. By pledging unrestricted rental income, the District may now implement the CAP. As a result, this program is not subsidized by other rate payers.

The CAP is limited to residential customers and is authorized through the budget adoption process. Customers must demonstrate a need for this financial assistance and follow the income thresholds established by the Public Utility Commission and the California Alternate Rates for Energy. The CAP will result in fixed savings each month and will appear on the customer's next water bill following the application approval date. The CAP has limited funding and will be reviewed and approved biennially by the District's Board of Directors. For fiscal years 2025 & 2026 the District will pledge \$156,000 per year, respectively, of unrestricted rental income to this program, thereby providing a monthly CAP of \$10.00.

RESERVES

The District will maintain its liquidity and capital funds in separate, designated sub-accounts in a manner that ensures its financial soundness and provides transparency to its ratepayers. The Fund balances are considered the minimum necessary to maintain the District's creditworthiness and adequately provide for:

- Compliance with applicable statutory requirements
- Financing of future capital facilities and repair and replacement of existing assets
- Financing of water purchases through the Water Banking Program
- Cash flow requirements
- Economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy
- Contingencies or unforeseen operating and/or capital needs

The District has established and will maintain the following primary Funds and their respective sub-accounts:

RESTRICTED FUNDS: Restrictions on the use of these funds are imposed by an outside source such as creditors, grantors, contributors, laws, or regulations governing use.

1. Bond Proceeds Fund(s): Bond proceeds funds are monies derived from the proceeds of a bond issue.
2. Development Fees: Monies collected from development fees shall be separately accounted for.

LIQUIDITY FUNDS: Established to safeguard the financial flexibility and stability of the District and to maintain stable customer charges and rates from year to year.

1. Rate Stabilization Fund: This fund is established to provide flexibility to the Board with respect to the debt service coverage ratio in accordance with the terms of the 2012 Master Installment Purchase Agreement.
2. Water Banking: The Water Banking Account is used for the purchase of available water supplies.
3. Operating Reserve Account: The Operating Reserve Account is used for unanticipated operating expenses.
4. Compensated Absences: Compensated Absences Account is used for accrued liability of sick and vacation payout upon termination or retirement.
5. Customer Assistance Program Reserve Account: The Customer Assistance Program (CAP) was established to assist low-income households with their water utility costs through fixed savings on their utility statement. The CAP is funded by unrestricted cellular tower rental income and must be approved by the Board each year. Participation in this program varies each year and is not guaranteed. In order to fund unanticipated CAP participation from year-to-year, this reserve account will be established.

CAPITAL RESERVE FUNDS: These funds are utilized primarily to fund capital and asset costs, for both new and replacement projects.

1. Capital Project Account: The Capital Project Account is used for the funding of new capital assets or the replacement of capital assets when they reach the end of their useful lives.
2. Emergency Account: The Emergency Account may be used in the event of economic events that negatively impact either revenues or expenses, or causes a material decline in other reserve accounts; to purchase equipment and infrastructure at any time or to begin repair of the water system after a catastrophic event, such as a severe earthquake or fire, while long-term financing is being arranged, State or Federal Assistance is obtained, or insurance claims are being processed. The District may use funds herein for either capital or operating purposes.
3. Administrative Capital Improvement Account: The Administrative Capital Improvement Account can be used to fund certain general, administration and overhead projects.
4. Local Water Resource Development Account: The Local Water Resource Development Account is used for the funding of the development, improvement, or acquisition of local water resource projects or efforts.

FINANCIAL BENCHMARKS

The District strives to maintain a strong credit profile in order to provide assurance to customers, bond holders, rating agencies and other stakeholders that the District proactively manages its financial resources and is financially sustainable. These benchmarks are evaluated on an annual basis and communicated to the Board of Directors. The District has set forth the following financial benchmark goals:

1. **Debt Ratio:** The Debt Ratio is a financial ratio that indicates the percentage of the District's capital assets that are provided via debt financing. It is the District's goal to maintain a Debt Ratio between 30 to 40 percent.
2. **Credit Rating:** The District's debt rating is "AA+" from Standard & Poor's Global and "AA+" from Fitch Ratings, and our goal is to maintain that rating.
3. **Number of Day's Cash:** The District's liquidity position has a large impact on the District's credit rating. It is the District's goal to maintain a level of Days Cash between 365 and 400 days.
4. **Capital Improvement Funding Levels:** In accordance with the District's Debt Management Policy 1.5, the District will evaluate the benefits of utilizing Pay-As-You-Go and/or debt financing to determine the optimal funding strategy of capital improvements. It is the District's goal to utilize a balanced approach to capital project funding at a level of 40% debt, 30% Pay-Go and 30% reserve funding.
5. **Debt Service Coverage:** The District is required to maintain a minimum debt service coverage ratio as set forth in the outstanding bond documents. It is the District's goal to exceed the minimum coverage ratio with a goal of 2.25 times the annual debt service payment.

DEBT MANAGEMENT

The District's debt management policy documents the District's goals for the use of debt instruments and provides guidelines for the use of debt for financing District water, sewer and recycled water infrastructure and project needs. The District's overriding goal in issuing debt is to respond to and provide for its infrastructure, capital projects and other financing needs while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality. The District issues debt instruments, administers District held debt proceeds and makes debt service payments, acting with prudence, diligence and attention to prevailing economic conditions.

The purpose of this debt management policy is to:

- Establish parameters for issuing debt
- Provide guidance to decision makers:
 - A. With respect to all options available to finance infrastructure, capital projects, and other financing needs
 - B. So that the most prudent, equitable and cost effective method of financing can be chosen
- Document the objectives to be achieved both prior to issuance and subsequent to issuance
- Promote objectivity in the decision-making process
- Facilitate the financing process by establishing important policy decisions in advance

The District will adhere to the following legal requirements for the issuance of public debt:

- The state law which authorizes the issuance of the debt
- The federal and state laws which govern the eligibility of the debt for tax-exempt status
- The federal and state laws which govern the issuance of taxable debt
- The federal and state laws which govern disclosure, sale, and trading of the debt both before and subsequent to issuance.

The following principles outline the District's approach to debt management:

- The District will issue debt only in the case where there is an identified source of repayment. Debt will be issued to the extent that (i) projected existing revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such existing revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.
- The District will not issue debt to cover operating needs, unless specifically approved by the Board.
- Debt issuance for a capital project will not be considered unless such project has been incorporated into the District's adopted Capital Improvement Budget or as otherwise approved by the Board.
- Each proposal to issue debt will be accompanied by an analysis that demonstrates conformity to this Policy. This analysis will address the purpose for which the debt is issued and the proposed debt structure.

EMPLOYEE COMPENSATION

In accordance with the Board's Strategic Vision, the District is committed to paying a fair and sustainable wage with the dual purpose of attracting and retaining a talented workforce.

EMPLOYEE BENEFITS

Cafeteria Style Benefits – All new, full-time, regular employees of the District on initial probationary status are provided membership in an approved group health insurance plan at the earliest opportunity of inclusion. For executive staff, the District pays the greater of \$480 or 80% of employee's medical premium. If the District pays 80%, the employee is responsible for the remaining 20%. For mid-management and hourly employees, the District pays the greater of \$480 or 85% of employee's medical premium. If the District pays 85%, the employee is responsible for the remaining 15%. For those full-time, regular employees of the District with proof of health insurance coverage other than that offered by the District, \$480 per month is allotted as a cash benefit.

Vacation Time – Employees are entitled to 10 days after one full year of District service, graduating to a maximum of 25 days after 20 years of service. Employees can accumulate a maximum of 200 hours.

Sick Leave – Employees are entitled to 104 hours per year with unrestricted accumulation.

CalPERS – Regular District employees hired before January 1, 2011, are enrolled under the 2.5% @ 55 retirement program. Regular District employees hired between January 1, 2011 and December 31, 2012, are enrolled under the 2.0% @ 60 retirement program. Effective January 1, 2021, 100% of the employee portion of the contribution is paid by the employee. Also, in accordance with the Public Employees' Pension Reform Act, regular District employees hired on or after January 1, 2013, are enrolled under the 2.0% @ 62 retirement program with the employees paying their own portion of the plan.

Public Agency Retirement Services (PARS) – Regular District employees hired before January 1, 2011, are enrolled in a supplemental retirement benefit of 0.2% in addition to the CalPERS retirement benefit for eligible employees who complete at least 5 years of continuous full-time regular service with the District after July 1, 2003. The District pays the employee's portion.

Holidays – Full-time employees are entitled to 12 designated holidays and 3 personal days per year.

Life Insurance – Employees working 30 hours or more per week are covered by a District-paid life insurance policy of \$25,000. Additional insurance up to \$500,000 may be purchased at the employee's expense.

Tuition Loan Program – Full-time, regular employees are eligible to receive up to \$5,250 per calendar year through the loan program, which may be used for registration, books, and other related school expenses.

Longevity Pay – For continuous years of service after the completion of 5 years for full and part-time employees.

Certification Pay – Incentive program that encourages employees to enhance their professional knowledge in their current job classification. The professional certification, educational degree or professional license must exceed the minimum required qualifications for the job classification.

Additional Benefits – Other benefits available to eligible District employees include an employee-paid Deferred Compensation Program and Short Term & Long Term Disability.

PENSION LIABILITIES

The District provides employees with a benefit package that includes pension, healthcare, workers' compensation, and disability insurance. In addition, eligible District retirees receive healthcare benefits known as Other Post-Employment Benefits (OPEB). In 2010 the District made several structural changes to reduce the retiree pension and health care benefits for employees hired after January 1, 2011. The changes will result in future savings; however, the programs for the existing retirees and vested employees have a significant future liability that is computed through actuarial valuations.

PARS

The District has enacted a plan to address the PARS long-term liability. In FY 2015, the District's Board of Directors authorized staff to make a contribution in the amount of the actuarially determined annual benefit payments, which amounted to \$180,000. Budgeted amount is to remain the same for FY 2025 & 2026.

CalPERS

The CalPERS rates are adjusted by CalPERS every year based on their annual actuarial studies. CalPERS Unfunded Actuarial Liability contributions are required annual payments toward long term pension liability, these payments are lower in FY 2025 and FY2026 due to good investment returns and additional payment made towards this liability in recent years.

OPEB

Currently, the District funds 100% of the actuarially determined contribution of the Other Post-Employment Benefits plan which is closed to new employees. The budgeted contribution is \$1,010,000 for FY 2025 and \$1,020,000 for FY 2026.





FINANCIAL SUMMARIES



Financial Summaries

The following tables present a summary of major operating revenues and expenses, as well as non-operating revenues and expenses, GAAP conversion, and estimated ending Net Position for all funds. Operating revenues have been presented by major type, operating expenses have been presented by function. The GAAP conversion strives to convert the budget cash basis ending fund balance to a GAAP full accrual ending fund balance. GAAP Conversion includes the cost of CIP, depreciation, principal portion of debt payments, and debt covenants. This allows the budget to be more comparable to the Annual Financial Statements. The funds have been consolidated into the three major funds Water, Sewer, and Recycled Water similar to the District's ACFR presentation.

The District strives for financial transparency while practicing good stewardship of financial resources.

FISCAL YEAR 2025

	Water Fund	Sewer Fund	Recycled Water Fund	Total All Funds
Operating Revenues				
Water Sales & Services	\$47,586,437	\$ -	\$924,326	\$48,510,763
Meter Charges	27,923,053	-	259,944	28,182,997
Water Sales to Other Agencies	10,291,485	-	-	10,291,485
Sewer Services	-	5,565,250	-	5,565,250
Sewer Treatment Charge	-	20,270,173	-	20,270,173
Total Operating Revenues	85,800,975	25,835,423	1,184,270	112,820,668
Operating Expenses				
Source of Supply	25,128,222	-	751,440	25,879,662
Pumping	11,128,022	-	-	11,128,022
Water Treatment	5,933,563	-	-	5,933,563
Transmission and Distribution	4,365,010	-	139,714	4,504,724
Collection and Transmission	-	22,446,552	-	22,446,552
Customer Accounts	3,839,113	722,958	100,070	4,662,141
General and Administrative	15,858,184	3,379,463	155,746	19,393,393
Total Operating Expenses	66,252,114	26,548,973	1,146,970	93,948,057
Net Operating Revenue (Deficit)	19,548,861	(713,550)	37,300	18,872,611
Non-Operating Revenues				
Interest Income	2,335,775	778,592	-	3,114,367
Development Income	2,969,000	973,000	10,000	3,952,000
Other Income	1,011,215	-	-	1,011,215
Total Non-Operating Revenues	6,315,990	1,751,592	10,000	8,077,582
Non-Operating Expenses				
Capital Improvement Projects	8,679,350	1,726,450	50,000	10,455,800
Annual Debt Service	14,039,173	-	34,792	14,073,965
Total Non-Operating Expenses	22,718,523	1,726,450	84,792	24,529,765
Change in Net Position, Increase (Decrease)	\$3,146,328	\$(688,408)	\$(37,493)	\$2,420,428

FISCAL YEAR 2026

	Water Fund	Sewer Fund	Recycled Water Fund	Total All Funds
Operating Revenues				
Water Sales & Services	\$50,537,616	\$ -	\$962,660	\$51,500,276
Meter Charges	28,887,814	-	335,916	29,223,730
Water Sales to Other Agencies	10,376,829	-	-	10,376,829
Sewer Services	-	6,035,803	-	6,035,803
Sewer Treatment Charge	-	21,591,825	-	21,591,825
Total Operating Revenues	89,802,259	27,627,628	1,298,576	118,728,463
Operating Expenses				
Source of Supply	27,596,854	-	788,740	28,385,594
Pumping	12,093,590	-	-	12,093,590
Water Treatment	6,267,981	-	-	6,267,981
Transmission and Distribution	4,591,477	-	150,546	4,742,023
Collection and Transmission	-	23,878,011	-	23,878,011
Customer Accounts	3,861,529	738,585	102,428	4,702,542
General and Administrative	16,669,907	3,538,413	163,952	20,372,272
Total Operating Expenses	71,081,338	28,155,009	1,205,666	100,442,013
Net Operating Revenue (Deficit)	18,720,921	(527,381)	92,910	18,286,450
Non-Operating Revenues				
Interest Income	2,844,728	948,243	-	3,792,971
Development Income	1,989,994	703,748	10,000	2,703,742
Other Income	1,029,206	-	-	1,029,206
Total Non-Operating Revenues	5,863,928	1,651,991	10,000	7,525,919
Non-Operating Expenses				
Capital Improvement Projects	7,600,600	2,188,400	50,000	9,839,000
Annual Debt Service	13,490,951	-	34,791	13,525,742
Total Non-Operating Expenses	21,091,551	2,188,400	84,791	23,364,742
Change in Net Position, Increase (Decrease)	\$3,493,298	\$(1,063,790)	\$18,119	\$2,447,627

BUDGET TRENDS - ALL FUNDS

	2023 Actual	2024 Amended Budget*	2025 Budget	2026 Budget
Operating Revenues				
Water Sales & Services	\$41,063,178	\$48,781,717	\$48,510,763	\$51,500,276
Meter Charges	26,889,981	27,150,257	28,182,997	29,223,730
Water Sales to Other Agencies	4,406,556	7,189,907	10,291,485	10,376,829
Sewer Services	4,989,306	5,283,876	5,565,250	6,035,803
Sewer Treatment Charge	18,604,908	19,622,187	20,270,173	21,591,825
Total Operating Revenues	95,953,929	108,027,944	112,820,668	118,728,463
Operating Expenses				
Source of Supply	20,077,171	26,855,486	25,879,662	28,385,594
Pumping	8,373,799	10,785,279	11,128,022	12,093,590
Water Treatment	5,660,488	6,515,944	5,933,563	6,267,981
Transmission and Distribution	4,022,981	4,104,828	4,504,724	4,742,023
Collection and Transmission	20,759,162	21,858,358	22,446,552	23,878,011
Customer Accounts	4,101,889	4,374,619	4,662,141	4,702,542
General and Administrative	14,542,549	19,490,383	19,393,393	20,372,272
Total Operating Expenses	77,538,039	93,984,897	93,948,057	100,442,013
Net Operating Revenue	18,415,890	14,043,047	18,872,611	18,286,450
Non-Operating Revenues				
Interest Income	2,726,875	2,692,660	3,114,367	3,792,971
Development Income	1,434,069	7,452,749	3,952,000	2,703,742
Other Income	1,811,586	937,140	1,011,215	1,029,206
Total Non-Operating Revenues	5,972,530	11,082,549	8,077,582	7,525,919
Non-Operating Expenses				
Capital Improvement Projects	9,726,947	16,482,300	10,455,800	9,839,000
Annual Debt Service	12,947,138	14,003,405	14,073,965	13,525,742
Total Non-Operating Expenses	22,674,085	30,485,705	24,529,765	23,364,742
Change in Net Position, Increase (Decrease)	\$1,714,335	\$(5,360,109)	\$2,420,428	\$2,447,627

*2024 Amended Budget format has been modified to match the current budget format

BUDGET TRENDS - WATER FUND

	2023 Actual	2024 Amended Budget*	2025 Budget	2026 Budget
Operating Revenues				
Water Sales & Services	\$40,213,570	\$47,818,642	\$47,586,437	\$50,537,616
Meter Charges	26,718,411	26,973,705	27,923,053	28,887,814
Water Sales to Other Agencies	4,406,556	7,189,907	10,291,485	10,376,829
Total Operating Revenues	71,338,537	81,982,254	85,800,975	89,802,259
Operating Expenses				
Source of Supply	19,516,372	26,185,658	25,128,222	27,596,854
Pumping	8,373,799	10,785,279	11,128,022	12,093,590
Water Treatment	5,660,488	6,515,944	5,933,563	6,267,981
Transmission and Distribution	3,891,999	3,958,742	4,365,010	4,591,477
Customer Accounts	3,380,377	3,581,202	3,839,113	3,861,529
General and Administrative	12,074,127	15,835,953	15,858,184	16,669,907
Total Operating Expenses	52,897,162	66,862,778	66,252,114	71,081,338
Net Operating Revenue	18,441,375	15,119,476	19,548,861	18,720,921
Non-Operating Revenues				
Interest Income	2,151,943	2,019,500	2,335,775	2,844,728
Development Income	773,215	4,640,050	2,969,000	1,989,994
Other Income	1,809,061	937,140	1,011,215	1,029,206
Total Non-Operating Revenues	4,734,219	7,596,690	6,315,990	5,863,928
Non-Operating Expenses				
Capital Improvement Projects	9,202,274	10,998,050	8,679,350	7,600,600
Annual Debt Service	12,912,396	13,968,611	14,039,173	13,490,951
Total Non-Operating Expenses	22,114,670	24,966,661	22,718,523	21,091,551
Change in Net Position, Increase (Decrease)	\$1,060,924	\$(2,250,495)	\$3,146,328	\$3,493,298

*2024 Amended Budget format has been modified to match the current budget format

BUDGET TRENDS - SEWER FUND

	2023 Actual	2024 Amended Budget	2025 Budget	2026 Budget
Operating Revenues				
Sewer Services	\$4,989,306	\$5,283,876	\$5,565,250	\$6,035,803
Sewer Treatment Charge	18,604,908	19,622,187	20,270,173	21,591,825
Total Operating Revenues	23,594,214	24,906,063	25,835,423	27,627,628
Operating Expenses				
Collection and Transmission	20,759,162	21,858,358	22,446,552	23,878,011
Customer Accounts	636,926	669,016	722,958	738,585
General and Administrative	2,339,471	3,488,898	3,379,463	3,538,413
Total Operating Expenses	23,735,559	26,016,272	26,548,973	28,155,009
Net Operating Revenue (Deficit)	(141,345)	(1,110,209)	(713,550)	(527,381)
Non-Operating Revenues				
Interest Income	574,932	673,160	778,592	948,243
Development Income	629,822	2,717,699	973,000	703,748
Other Income	2,525	-	-	-
Total Non-Operating Revenues	1,207,279	3,390,859	1,751,592	1,651,991
Non-Operating Expenses				
Capital Improvement Projects	524,190	5,359,250	1,726,450	2,188,400
Total Non-Operating Expenses	524,190	5,359,250	1,726,450	2,188,400
Change in Net Position, Increase (Decrease)	\$541,744	\$(3,078,600)	\$(688,408)	\$(1,063,790)

BUDGET TRENDS - RECYCLED WATER FUND

	2023 Actual	2024 Amended Budget	2025 Budget	2026 Budget
Operating Revenues				
Recycled Water Sales & Services	\$849,608	\$963,075	\$924,326	\$962,660
Meter Charges	171,570	176,552	259,944	335,916
Total Operating Revenues	1,021,178	1,139,627	1,184,270	1,298,576
Operating Expenses				
Source of Supply	560,799	669,828	751,440	788,740
Transmission and Distribution	130,982	146,086	139,714	150,546
Customer Accounts	84,586	124,401	100,070	102,428
General and Administrative	128,951	165,532	155,746	163,952
Total Operating Expenses	905,318	1,105,847	1,146,970	1,205,666
Net Operating Revenue	115,860	33,780	37,300	92,910
Non-Operating Revenues				
Development Income	31,032	95,000	10,000	10,000
Total Non-Operating Revenues	31,032	95,000	10,000	10,000
Non-Operating Expenses				
Capital Improvement Projects	483	125,000	50,000	50,000
Annual Debt Service	34,742	34,794	34,795	34,794
Total Non-Operating Expenses	35,225	159,794	84,795	84,794
Change in Net Position (Deficit)	\$111,667	\$(31,014)	\$(37,492)	\$18,119



PROJECTED FINANCIAL RESULTS & BENCHMARKS

RESERVES & CASH

The District operates three enterprise funds – Water, Sewer, and Recycled Water. As discussed previously, the budget utilizes a cash basis of accounting and is a tool for focusing financial resources on the Mission, Vision, and Values of the District.

The Annual Comprehensive Financial Report, or ACFR, is prepared by the District and follows full-accrual accounting standards. The ACFR is an official record of the District's financial results as of June 30th. ACFR's are used across governmental entities and are utilized by stakeholders to assess financial health, calculate net position, and calculate various financial metrics. One key metric is the Revenue Coverage Ratio, which is a comparison of operating revenues to annual debt costs. Net Revenues in this ratio must exceed total annual debt service principal and interest by 1.25 times in order to maintain compliance with the covenant. ACFR's have a bottom-line figure known as Net Position which can also be thought of as the various types of reserves held as assets.

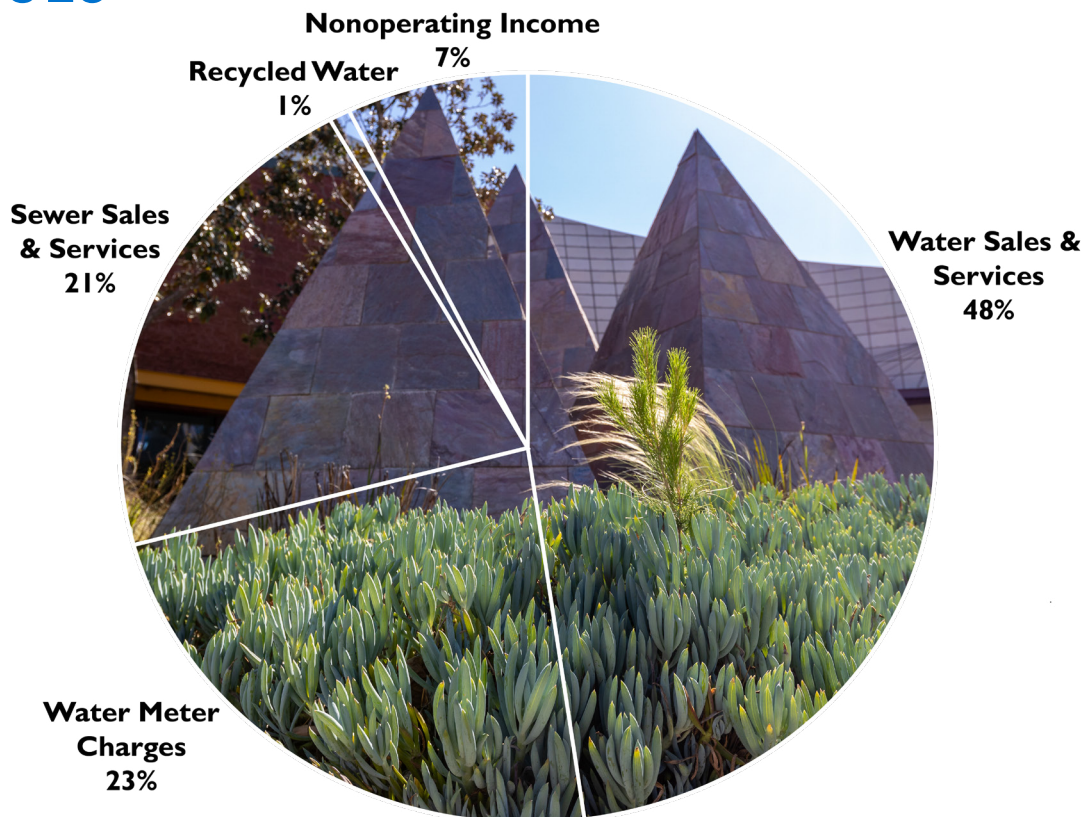
Net Position is divided into three components (1) Net Invested in Capital Assets (2) Restricted for Capital Projects (3) Unrestricted. These reserves are significant and are utilized by the District as savings in order to fund unexpected needs or manage unanticipated results.

To convert the accounting basis from the budget/cash basis to the ACFR/full-accrual basis, staff have performed calculations estimating the adjustments. These adjustments are primarily for capital assets, depreciation, water assets, debt, pension and OPEB liabilities. By converting the data from budget basis to ACFR basis the District can estimate where those key financial metrics may potentially be at the end of the biennial budget period.

The following table summarizes actual results for the year prior (FY 2023), estimated results of the current fiscal year (FY 2024), and the budget results for the biennial budget years (FY 2025 and FY 2026). The table includes the budget/cash basis, converted to the accrual basis used for the ACFR, an estimate of net position and reserve levels, the revenue coverage ratio, and the estimated ending unrestricted cash balance.

	FY 2023 Actuals	FY 2024 Estimated Actuals	FY 2025 Budget	FY 2026 Budget
Water Fund				
Net Cash Inflow/(Outflow)	\$1,908,516	\$(9,517,972)	\$3,146,328	\$3,493,298
ACFR - Net Income/(Loss)	6,331,179	2,109,339	8,668,949	8,446,222
Net Position				
Net Invested in Capital Assets	221,301,257	232,685,705	244,907,545	255,660,952
Developer Fee Reserves	8,305,367	8,480,758	6,039,731	5,999,725
Unrestricted Reserves	56,394,250	46,943,751	45,831,886	43,564,707
Revenue Coverage Ratio	1.84	1.45	2.10	2.06
Sewer Fund				
Net Cash Inflow/(Outflow)	\$(299,368)	\$(6,296,773)	\$(688,408)	\$(1,063,790)
ACFR - Net Income/(Loss)	(496,135)	(1,162,938)	(682,848)	(351,176)
Net Position				
Net Invested in Capital Assets	44,254,267	48,220,283	49,334,573	49,333,201
Developer Fee Reserves	2,514,584	2,578,565	2,361,565	1,215,313
Unrestricted Reserves	26,198,647	21,005,712	19,425,574	20,222,021
Recycled Water Fund				
Net Cash Inflow/(Outflow)	\$160,403	\$(128,313)	\$(37,492)	\$18,119
ACFR - Net Income/(Loss)	29,494	(208,133)	(93,765)	20,541
Net Position				
Net Invested in Capital Assets	3,975,315	3,891,175	3,851,995	3,774,462
Developer Fee Reserves	614,026	612,569	622,569	632,569
Unrestricted Reserves	(149,420)	(271,956)	(336,540)	(248,468)
All Funds				
Net Cash Inflow/(Outflow)	\$1,769,551	\$(15,943,058)	\$2,420,428	\$2,447,627
Capital Carry Over FY 2024	N/A	N/A	8,378,738	6,636,166
Cash Balance - All Funds	\$81,165,008	\$65,221,950	\$59,263,640	\$55,075,101

REVENUES



REVENUE SOURCES

The District receives 94% of revenues from user rates and charges on potable water, sewer services, and recycled water. Rates are adopted by the Board based on detailed cost of service studies performed for each service type. The District derives its authority for setting rates from §31000 of the California Water Code, and rate adjustments are adopted at public hearings conducted in accordance with requirements established by California Propositions 26 and/or 218.

The District has seven major revenue categories that are based on rates:

Water Fund

1. Meter charges are fixed charges assessed to customers monthly based on the size of the service connection/ meter to their property. Meter charges also include the IEUA fixed meter charge pass-through which is also a flat monthly charge based on the size of the water meter.
2. Water sales are based on the volume of water used by a customer during a billing period. Customer usage is tracked and charged on a tiered basis with rates increasing as usage increases. Water sales also include an MWD surcharge adjustment fee on Tier 3 and Tier 4 usage, that the District collects as a pass-through rate. The MWD surcharge will be adjusted whenever MWD approves changes to the purchased water rate imposed on CVWD.
3. Water services include charges for firelines, and various fees and penalties.

Sewer Fund

1. Sewer services are a fixed monthly charge for single family and multi-family residences, and a combination of fixed and volumetric charges for commercial and industrial customers.
2. Sewer treatment charges are established by, and remitted to IEUA, which is currently contracted to treat all wastewater generated by District customers.

Recycled Water Fund

1. Recycled water meter charges are fixed charges assessed to customers monthly based on the size of the service connection/meter to their property. Meter charges also include the IEUA fixed charge pass-through.
2. Recycled water sales are based on the volume of water used by a customer during a billing period with a set price per hundred cubic foot. Volumetric recycled water rate also includes an IEUA Surcharge that IEUA charges the District for the purchase of the recycled water.

REVENUES BY FUND

The following table presents revenues and other sources by fund.

	2023 Actual	2024 Amended Budget	2025 Budget	2026 Budget
Revenues				
Water Fund	\$76,072,756	\$89,578,944	\$92,116,965	\$95,666,187
Sewer Fund	24,801,493	28,296,922	27,587,015	29,279,619
Recycled Water Fund	1,052,210	1,234,627	1,194,270	1,308,576
Total Revenues	\$101,926,459	\$119,110,493	\$120,898,250	\$126,254,382

REVENUES BY TYPE

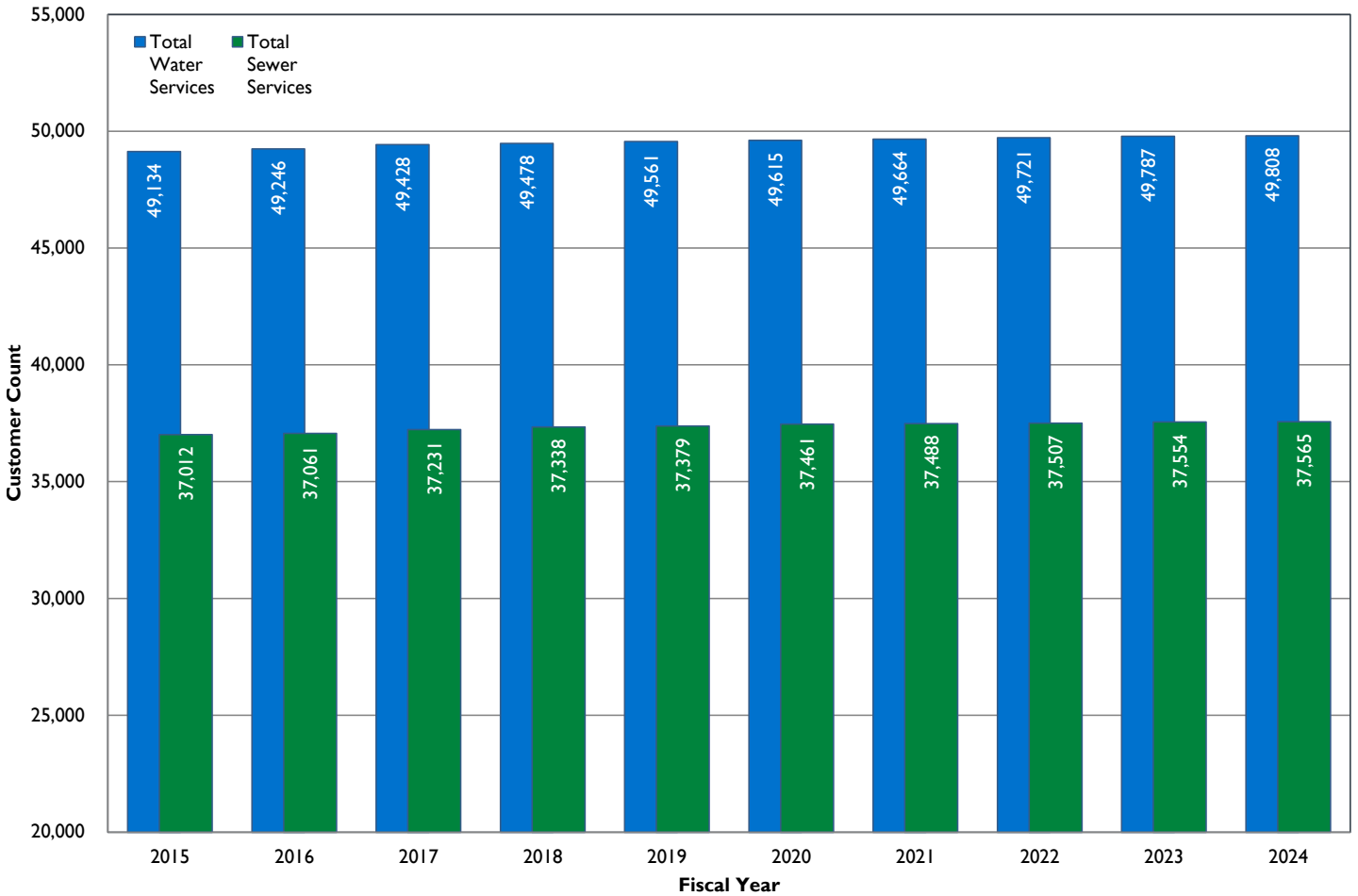
The following table presents revenues and other sources by type.

	2023 Actual	2024 Amended Budget	2025 Budget	2026 Budget
Operating Revenues				
Potable Water Sales & Services	\$40,213,570	\$47,818,642	\$47,586,437	\$50,537,616
Potable Meter Charges	26,718,411	26,973,705	27,923,053	28,887,814
Wholesale Water Sales to Other Agencies	4,406,556	7,189,907	10,291,485	10,376,829
Recycled Water Sales & Services	849,608	963,075	924,326	962,660
Recycled Water Meter Charges	171,570	176,552	259,944	335,916
Sewer Services	4,989,306	5,283,876	5,565,250	6,035,803
Sewer Treatment Charge	18,604,908	19,622,187	20,270,173	21,591,825
Total Operating Revenues	95,953,929	108,027,944	112,820,668	118,728,463
Non-Operating Revenues				
Interest Income	2,726,875	2,692,660	3,114,367	3,792,971
Development Income	1,434,069	7,452,749	3,952,000	2,703,742
Other Income	1,811,586	937,140	1,011,215	1,029,206
Total Non-Operating Revenues	5,972,530	11,082,549	8,077,582	7,525,919
Total Revenues	\$101,926,459	\$119,110,493	\$120,898,250	\$126,254,382

CUSTOMER BASE

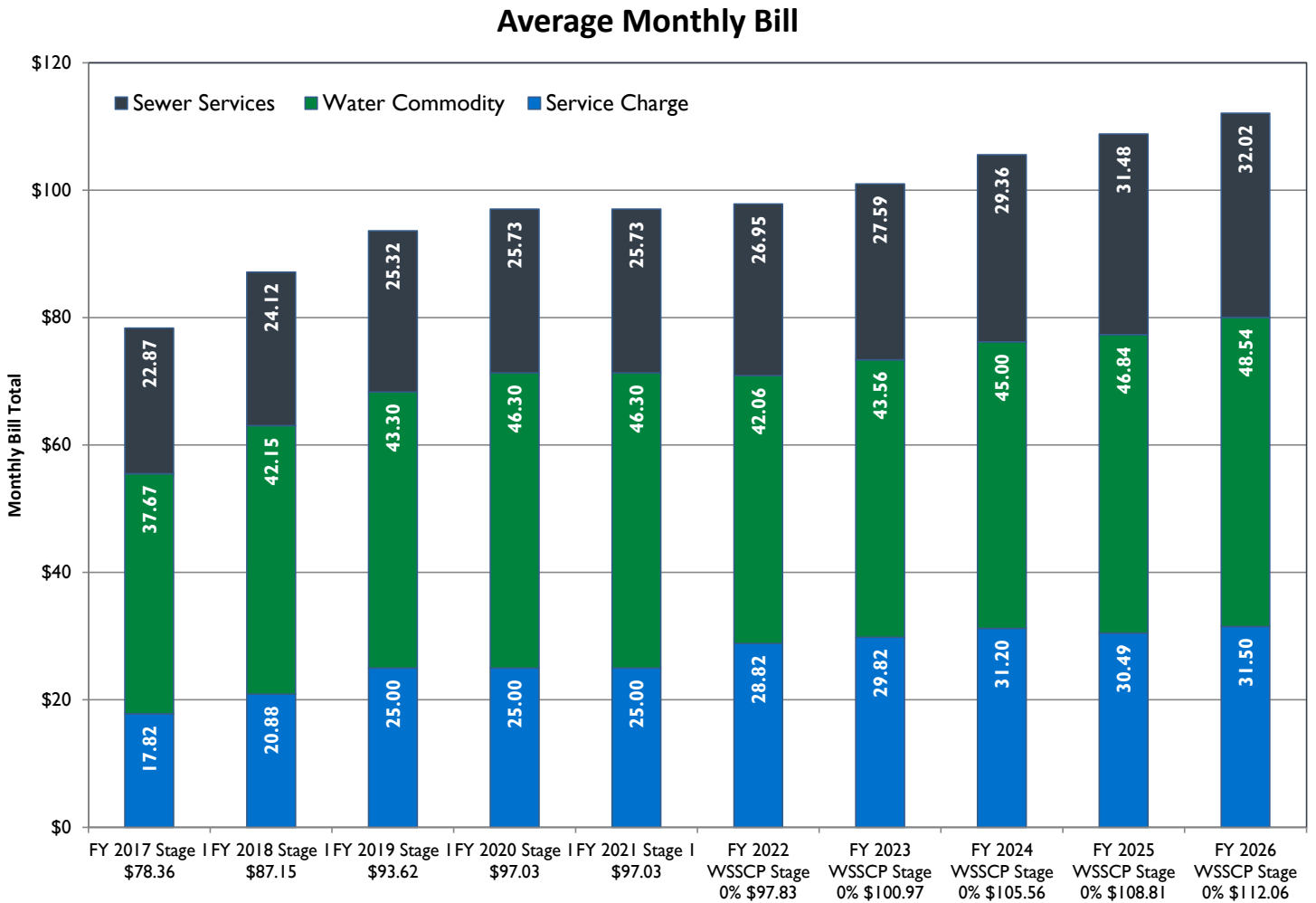
As revenues are driven by the District’s customer base, the following table presents historical customer counts. Please note that recycled water customers have been included in total water customers. The total for recycled water customers was 154 for FY 2024.

Historical Customer Counts



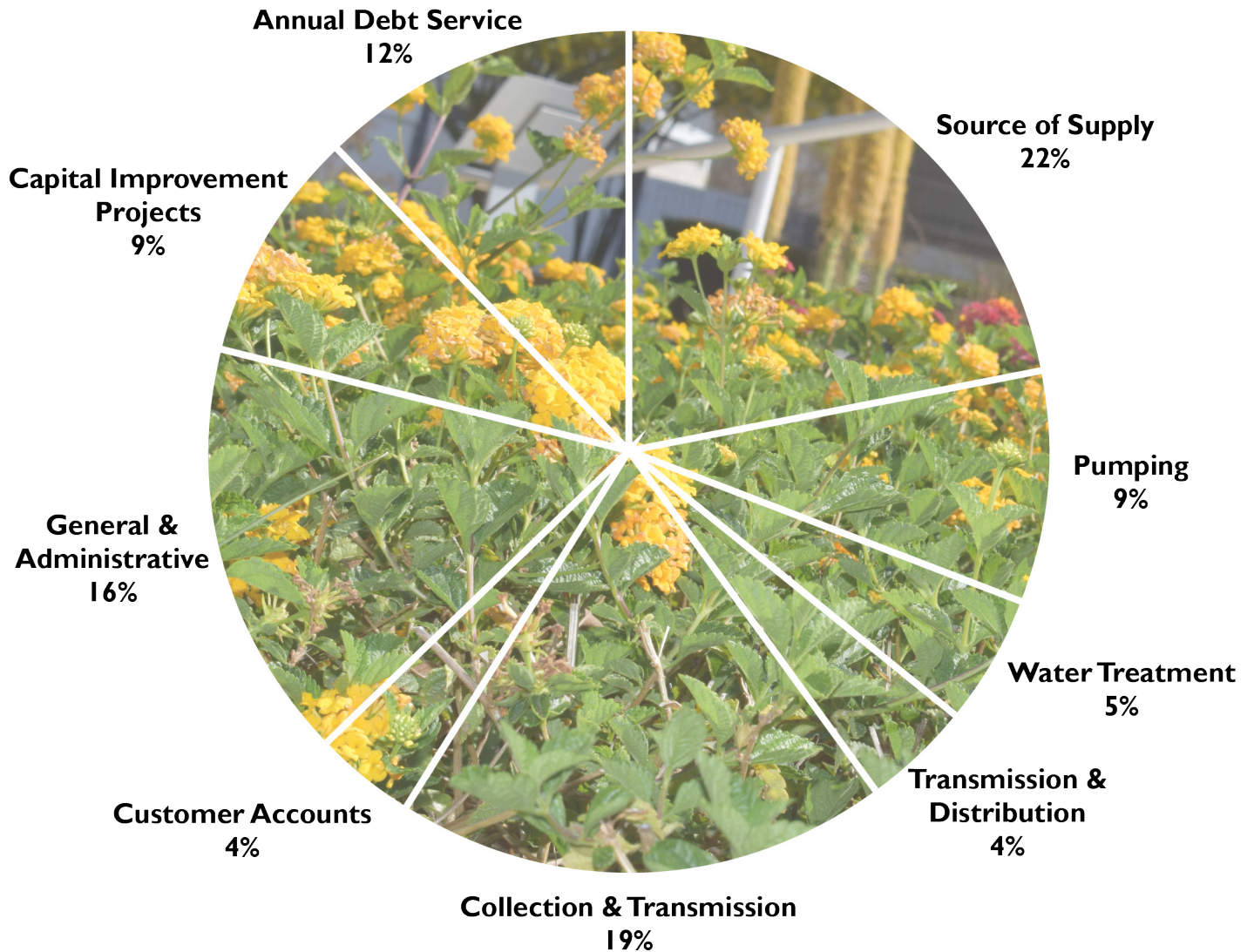
AVERAGE MONTHLY BILL

The District strives to make our services affordable while maintaining the District’s vast infrastructure system. The following table shows the total monthly bill for a single family residential customer with a ¾ inch meter who is connected to the District’s sewer system and who uses the average amount of water while following use efficiency expectations.



More information on rate development and revenue assumptions are highlighted in fund profiles in the following sections: Water Fund, Sewer Fund, and Recycled Water Fund.

EXPENSES



The District has the following major expense functions:

1. Source of Supply includes the cost of purchasing imported water from IEUA and assessments.
2. Pumping includes the cost of electricity incurred to operate wells and move water throughout the District as well as related staff wages and benefits.
3. Water Treatment includes the cost of operating the water treatment plants which include chemicals, water testing, wages, and benefits.
4. Transmission and Distribution include the operating costs for waterline maintenance and repairs, as well as staff wage and benefits.
5. Collection and Transmission include the IEUA sewer treatment fee that CVWD collects and remits back to IEUA. Additionally, operating costs for sewer line maintenance and repairs, as well as related staff wage and benefits are included.
6. Customer Accounts include the cost of utility billing preparation and mailing, bad debt losses and collection service fees. Related staff wages and benefits that support customer services functions are also included.
7. General and Administrative primarily include the cost of wages and benefits for the Executive, Human Resources, Government & Public Affairs, Engineering, and Finance and Technology Divisions as these roles support Operations staff.
8. Capital Improvement Projects principally for groundwater treatment, pumps and pumping equipment, new water and sewer mains, and reservoir improvements.
9. Debt Service includes cost of long term payment obligations such as bond payments and leases.

EXPENSES BY FUND

The following table presents expenses and other uses by fund.

	2023 Actual	2024 Amended Budget	2025 Budget	2026 Budget
Total Expenses				
Water Fund	\$75,011,832	\$91,829,439	\$88,970,637	\$92,172,889
Sewer Fund	24,259,749	31,375,522	28,275,423	30,343,409
Recycled Water Fund	940,543	1,265,641	1,231,762	1,290,457
Total Expenses	\$100,212,124	\$124,470,602	\$118,477,822	\$123,806,755

EXPENSES BY FUNCTION

The following table presents expenses and other uses by function.

	2023 Actual	2024 Amended Budget	2025 Budget	2026 Budget
Operating Expenses				
Source of Supply	\$20,077,171	\$26,855,486	\$25,879,662	\$28,385,594
Pumping	8,373,799	10,785,279	11,128,022	12,093,590
Water Treatment	5,660,488	6,515,944	5,933,563	6,267,981
Transmission and Distribution	4,022,981	4,104,828	4,504,724	4,742,023
Collection and Transmission	20,759,162	21,858,358	22,446,552	23,878,011
Customer Accounts	4,101,889	4,374,619	4,662,141	4,702,542
General and Administrative	14,542,549	19,490,383	19,393,393	20,372,272
Total Operating Expenses	77,538,039	93,984,897	93,948,057	100,442,013
Non-Operating Expenses				
Capital Improvement Projects	9,726,947	16,482,300	10,455,800	9,839,000
Annual Debt Service	12,947,138	14,003,405	14,073,965	13,525,742
Total Non-Operating Expenses	22,674,085	30,485,705	24,529,765	23,364,742
Total Expenses	\$100,212,124	\$124,470,602	\$118,477,822	\$123,806,755

WATER FUND

The water fund accounts for the District’s commitment to providing high quality, safe, and reliable drinking water while practicing good stewardship of natural and financial resources.

The following is a table of the District’s Water Fund operating revenues and expenses:

	2023 Actual	2024 Amended Budget	2025 Budget	% Change (FY25 - FY24)	2026 Budget	% Change (FY26 - FY25)
Operating Revenues						
Water Sales & Services	\$40,213,570	\$47,818,642	\$47,586,437	(0%)	\$50,537,616	6%
Meter Charges	26,718,411	26,973,705	27,923,053	4%	28,887,814	3%
Water Sales to Other Agencies	4,406,556	7,189,907	10,291,485	43%	10,376,829	1%
Total Operating Revenues	71,338,537	81,982,254	85,800,975	5%	89,802,259	5%
Operating Expenses						
Wages & Benefits	17,110,160	20,495,490	20,954,162	2%	22,158,962	6%
Outside Labor	92,200	69,200	202,500	66%	122,500	(40%)
Professional Development	454,382	439,915	421,879	(4%)	427,625	1%
Professional Services	481,751	480,550	551,947	13%	627,667	14%
Personnel Costs	194,003	252,078	301,773	16%	314,336	4%
Insurance	540,479	527,239	660,250	20%	700,540	6%
Advertisements	13,599	25,525	21,100	(21%)	23,110	10%
Elections	7,373	-	8,000	100%	-	(100%)
Collections	79,422	55,500	53,900	(3%)	53,900	0%
Utilities	7,345,389	9,741,067	9,736,522	(0%)	10,656,865	9%
Materials & Supplies	4,126,430	4,894,615	4,629,359	(6%)	4,766,966	3%
Outside Services	2,447,003	3,145,525	3,103,046	(1%)	3,152,449	2%
Source of Supply	19,504,273	26,160,258	24,918,222	(5%)	27,380,854	10%
Miscellaneous	500,698	575,816	689,454	16%	695,564	1%
Total Operating Expenses	52,897,162	66,862,778	66,252,114	(1%)	71,081,338	7%
Net Operating Revenue	\$18,441,375	\$15,119,476	\$19,548,861	23%	\$18,720,921	(4%)

WATER FUND REVENUES - OPERATING

RATES

The District bills customers monthly for water usage. To develop water rates, the District completed a detailed cost of service analysis with the assistance of an independent consultant. The Board of Directors approved the rate study in 2021. The series of rates became effective beginning on January 1, 2022, and cover a five-year period. The cost-of-service study evaluated the District’s infrastructure needs, programs, operation and maintenance costs to provide potable water service. The study then identified the required revenue necessary and allocated that revenue into the fixed meter charge and four-tiered commodities charge for water. The budget for operating revenues in FY 2025 through FY 2026 is calculated based on the authorized rates within the Rate Study.

As part of the Rate Study the District has established a comprehensive Water Supply Shortage Contingency Plan (WSSCP). This plan consists of 9 progressive stages that address mandatory water conservation requirements. Under normal conditions, efficient water use practices are required. If a water supply shortage exists, CVWD may enact a WSSCP stage by adopting a resolution of the Board of Directors.

Other municipal agencies have the ability to impose charges and fees on CVWD that are related to providing water utility service. These agencies include the Inland Empire Utilities Agency (IEUA) and the Metropolitan Water District of Southern California (MWD). These agencies determine and approve their rates independently. CVWD utilizes pass-through rates to recover the additional costs associated with these charges. The two main pass-through rates include the MWD Surcharge and the IEUA Fixed Meter Charge.

The MWD Surcharge is a volume charge that is based on a customer’s water usage that falls into Tiers 3 and 4. It is designed to recover charges paid by CVWD for wholesale purchased water costs. This rate will be adjusted whenever the MWD approves changes to the purchased water rate imposed on CVWD in future years. The IEUA Fixed Meter Charge is a flat monthly charge that is based on the size of each customer’s water meter. It is designed to recover charges paid by CVWD to the IEUA in connection with imported water for Readiness to Serve, Capacity, and TYRA capital costs. This rate will be adjusted whenever the IEUA implements changes to the charges imposed on CVWD in future years. The budget for the pass-through rates was calculated using the latest information available from MWD and IEUA about their future rates, When no approved rate was available, and estimate was used for budgeting purposes. Actual rates for customers would only become effective based on approved rates and with a minimum of 30 days’ notice.

CVWD Tiered Water Rate Table:

Tiered Water Rate	7/1/2019 -					
	12/31/21	1/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026
Per HCF	Non-Drought	Non-Drought	Non-Drought	Non-Drought	Non-Drought	Non-Drought
Tier 1	\$1.62	\$1.67	\$1.72	\$1.77	\$1.82	\$1.88
Tier 2	2.16	2.07	2.13	2.19	2.26	2.33
Tier 3	2.71	3.55	3.65	3.76	3.87	3.98
Tier 4	3.07	3.76	3.87	3.98	4.10	4.22

MWD Surcharge Table:

MWD Surcharge Per HCF	7/1/2019 - 12/31/21	1/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026
	Effective	Effective	Effective	Effective	Budgeted	Budgeted
MWD Surcharge - All Tiers	\$0.29	N/A	N/A	N/A	N/A	N/A
MWD Surcharge - Tiers 3 & 4 Only	N/A	0.05	0.19	0.29	0.31	0.48

CVWD Meter Charge by Size Table:

Meter Charge by Size Meter	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
	Effective	Effective	Effective	Effective	Effective	Effective
	7/1/2019- 12/31/2021	1/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026
5/8" x 3/4"	\$25.00	\$25.30	\$26.01	\$26.74	\$27.49	\$28.26
3/4"	25.00	25.30	26.01	26.74	27.49	28.26
1"	41.66	40.08	41.21	42.37	43.56	44.78
1-1/2"	83.33	77.02	79.18	81.40	83.68	86.03
2"	133.33	121.36	124.76	128.26	131.86	135.56
3"	250.00	239.59	246.30	253.20	260.29	267.58
4"	416.66	372.60	383.04	393.77	404.80	416.14
6"	833.33	742.08	762.86	784.23	806.19	828.77
8"	1,333.33	1,185.44	1,218.64	1,252.77	1,287.85	1,323.91
10"	2,000.00	1,776.59	1,826.34	1,877.48	1,930.05	1,984.10
12"	3,000.00	2,497.07	2,566.99	2,638.87	2,712.76	2,788.72

IEUA Fixed Charges Table:

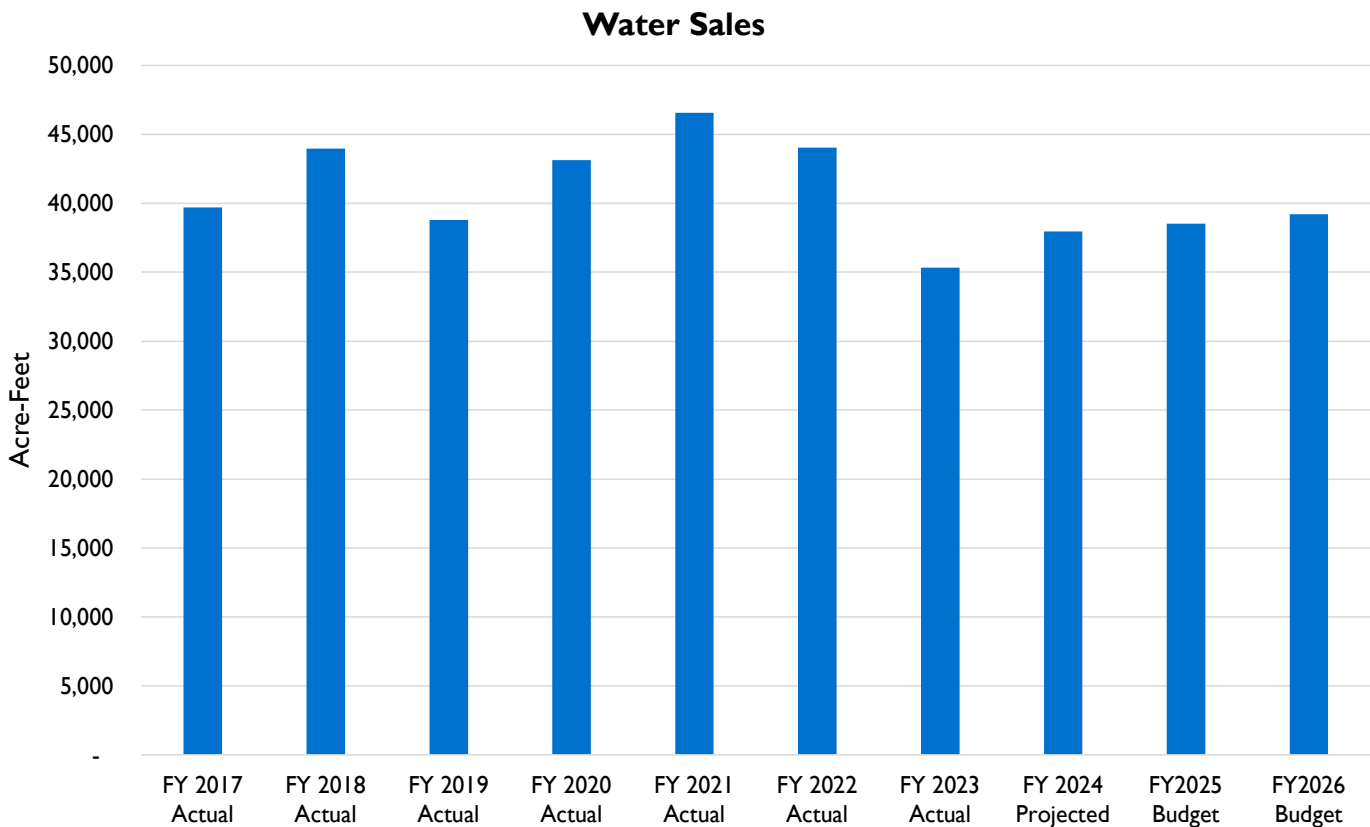
IEUA Fixed Charges	Effective	Effective	Budgeted	Budgeted	Budgeted	Budgeted
	7/1/2023	1/1/2024	7/1/2024	1/1/2025	7/1/2025	1/1/2026
5/8" x 3/4"	\$4.12	\$4.46	\$4.27	\$4.44	\$4.55	\$4.62
3/4"	4.12	4.46	4.27	4.44	4.55	4.62
1"	6.87	7.43	7.13	7.42	7.61	7.71
1-1/2"	13.73	14.87	14.21	14.80	15.17	15.38
2"	21.97	23.79	22.74	23.69	24.28	24.62
3"	43.95	47.57	42.67	44.44	45.55	46.20
4"	68.67	74.83	71.13	74.08	75.93	77.01
6"	137.33	148.67	142.22	148.12	151.82	153.97
8"	219.73	237.87	227.57	237.00	242.91	246.37
10"	329.60	356.80	341.37	355.52	364.39	369.57

CONSUMPTION

Another factor that greatly affects the calculation of Water Fund revenues is the quantity of water sold. The largest factors influencing the amount of water sold are precipitation and any potential conservation mandates from the State. FY 2023 was impacted by both precipitation and conservation as the entire State was under conservation mandates, and we asked our customers to conserve water. Then the winter brought record setting rainfall across the State. This led to water consumption being at its lowest in recent history. The State then lifted conservation mandates, which brought demand back up until FY 2024 experienced another year of unusually high precipitation. With California’s climate and drought cycles becoming more extreme, and customers shifting their behavior, the consumption estimates for FY 2025 and FY 2026 are conservative. Additionally, the State is working on Water Use Efficiency regulations, but we are not anticipating those to be effective over the 2 years of this budget.

Another factor that affects sales is customer growth. The District is already significantly developed and as such has estimated an increase of 0.27% and 0.31% for FY 2025 and FY 2026, respectively in the Meter Equivalent Units. These new connections are projected to come from planned development projects within the service area.

The following table shows historic water sales measured in acre-feet (AF) :

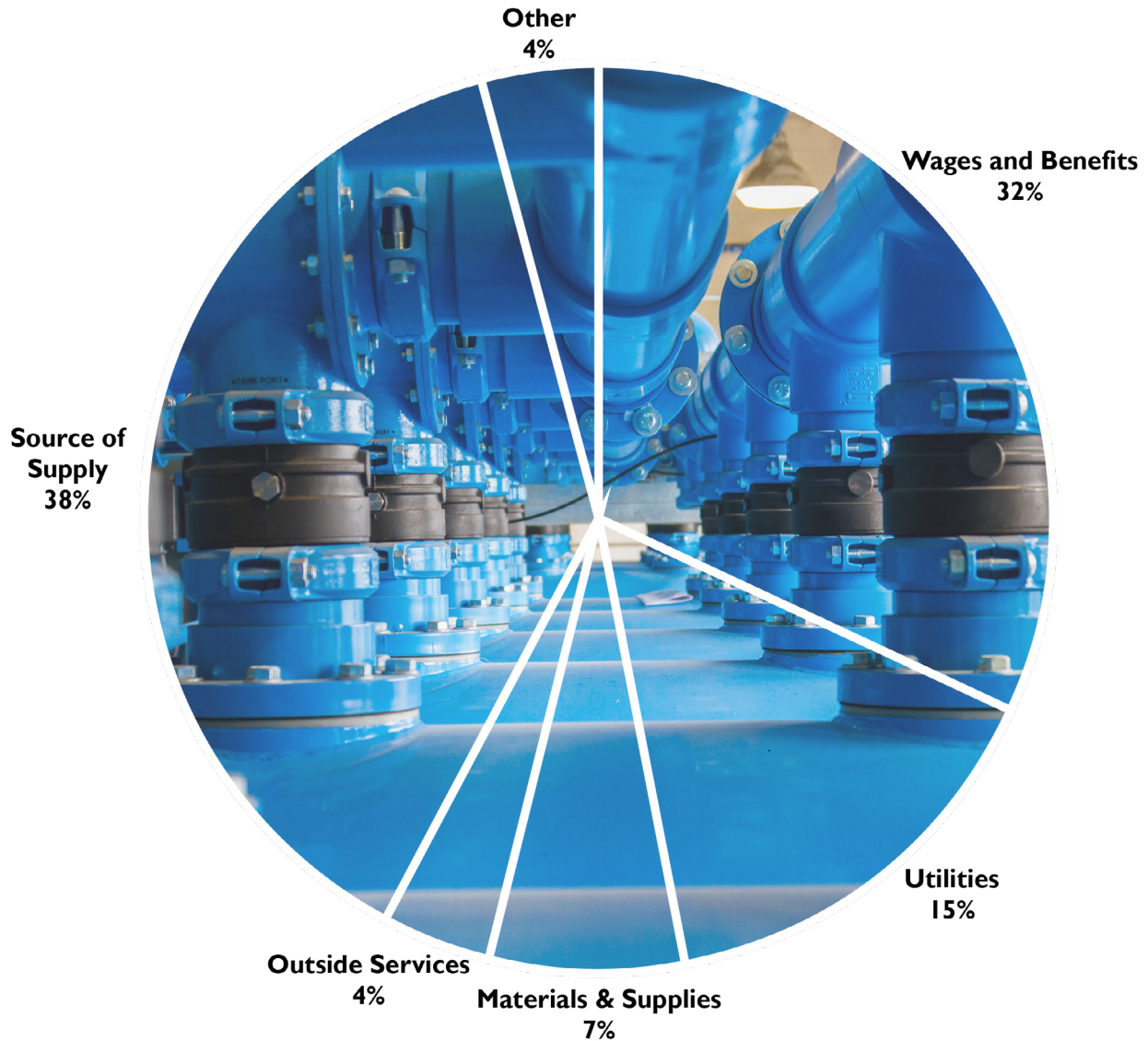


SALES TO OTHER AGENCIES

The District has water rights to surface water in the Lytle Creek area but does not have a direct connection to utilize that water. As such, the San Gabriel Valley Water Company produces water from this source and provides CVWD compensation at 72% of MWD Tier 1 rates. As this revenue is highly dependent on rainfall, the budget is estimated at 7,400 AF per year which is the 2 year average. Additionally, the budget includes revenues for the sale of groundwater to the Fontana Water Company amounting to 7,500 AF per year at 75% of MWD Tier 1 prices, which is approximately \$5 million in each budget year.

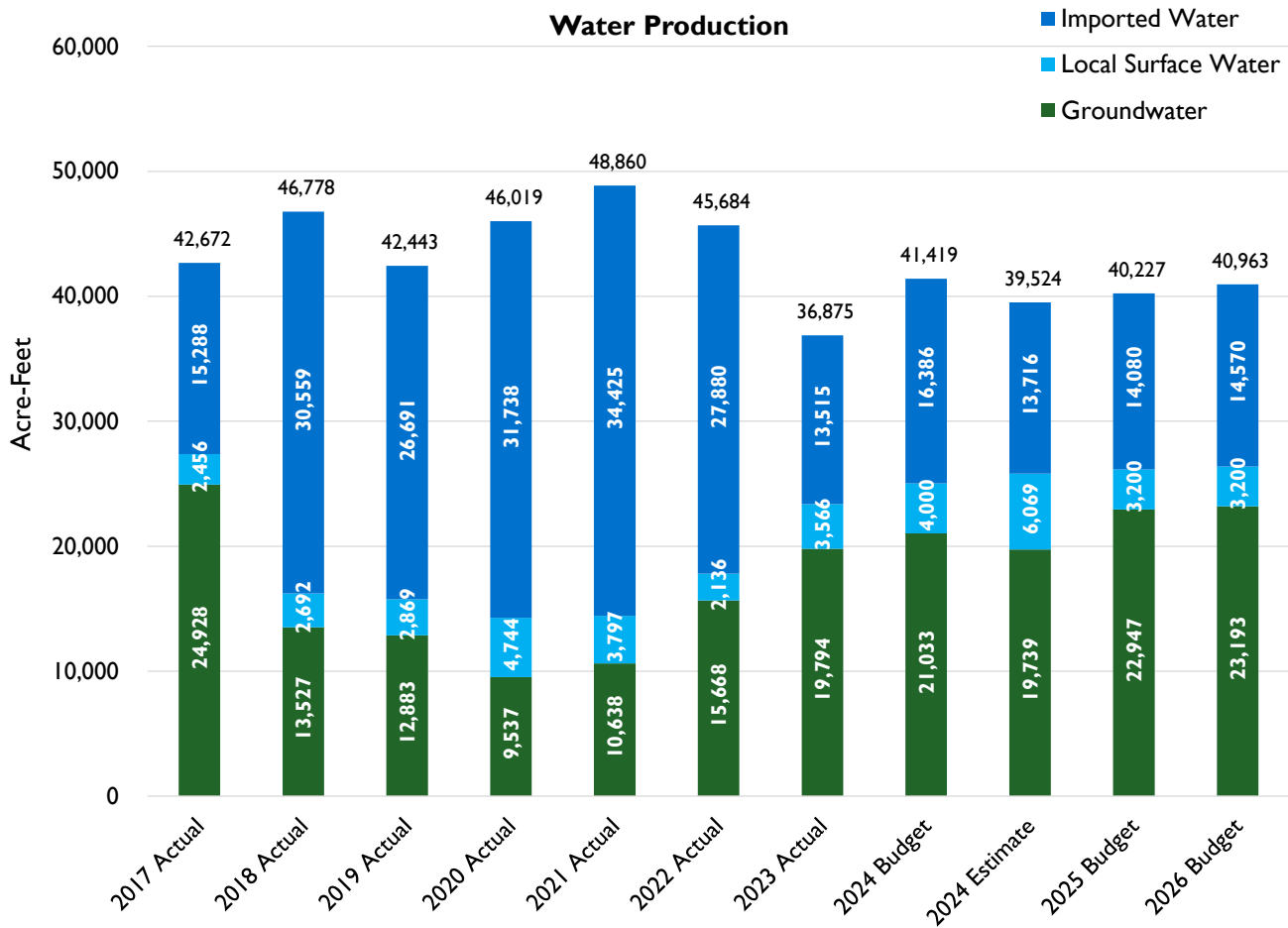
WATER FUND EXPENSES – OPERATING

The chart below indicates the allocation of costs within the Water Fund’s operating expenses:



The Water Fund is budgeting an increase of 4% and 7% in operating expenses for FY 2025 and FY 2026, respectively. Most of the Fund’s operating expenses are for water supply. The District’s water supply is made up of three sources: Imported water, groundwater, and local surface water. Imported water is delivered in the State Water Project and purchased from MWD through IEUA. Groundwater is pumped from the District’s water rights in the Chino Basin and the Cucamonga Basin. Surface Water is received from rainfall in the Cucamonga Canyon and the Day and East Canyons. The proportion of water produced from these three sources is referred to as the production mix. The District seeks to align the production mix with the water rate study modeling so that costs better align with revenues. The budget includes a production mix that is 36% imported water, 57% groundwater, and 8% surface water. Total production estimates are based on the consumption estimates described previously. FY 2024’s budget more heavily favored imported water, but FY 2025’s production mix has groundwater increasing by 9% and imported water is decreasing 14% from FY 2024 to FY 2025.

The table below illustrates historical and budgeted production in acre-feet:



Our regional wholesaler IEUA is who provides the imported water, they charge its member agencies additional costs. Those costs include a Readiness-to-Serve charge, a Meter Equivalent Unit charge, and a Capacity Charge. These charges are increasing 9% and 6% for FY 2025 and 2026, respectively. Imported water costs include rate increases that have been proposed by MWD of 1% and 8% per year for imported water for FY 2025 & FY 2026, respectively. Additionally, imported water must be cleaned and treated and the cost of chemicals is significant. Due to the shift in the production mix and imported water decreasing 14%, the overall budget for chemicals is less than FY 2024.

Groundwater, although more affordable than imported water, also has costs associated with production and those include assessments by the Chino Basin Water Master (CBWM) and the cost of electricity to pump the water up from the basin. Assessment charges by the CBWM have a volumetric component that is dependent on the amount of groundwater that is utilized during the prior fiscal year, but also includes costs that the CBWM determines are necessary for the administration and sustainability of the basin. The budget for this assessment is projected to decrease 10% for FY 2025 and increase 23% for FY 2026, primarily because groundwater production was much lower in FY 2024 which causes a decrease in FY 2025. Groundwater production for FY 2025 is budgeted much higher which impacts FY 2026 assessment cost. Groundwater, which takes significant electricity to pump, is a major consideration for the cost of water production. Historically the cost of electricity has been rising at a rate much higher than inflation, and as such, the budget includes an 8% increase in electricity rates.

Another budget item within Source of Supply is the cost of purchasing recycled water to recharge into the Chino Groundwater Basin. We are estimating 3,500 AF of recharge water and an allocation of a large portion of the IEUA's recycled water fixed charges. These two components are estimated at \$3.2 million and \$3.4 million for FY 2025 and FY 2026, respectively. Recharge is considered a cost for the budget, which is cash basis, but is treated as an asset to the District under financial accounting rules. Consequently, this cost will be accounted for as an asset on the Annual Comprehensive Financial Report.

The District also budgets for assessment charges from the Fontana Union Water Company, in which the District is a shareholder. The Fontana Union Water Company is a mutual water company that charges assessments to shareholders as necessary for their own operating costs and cash flow requirements. The budget includes an estimated assessment cost of approximately \$3 million each year.

Wages and benefits are another significant cost to the District. Estimates for the Budget include a 4% Cost of Living Adjustment (COLA) for each year, which is consistent with the percentage originally utilized in the 2021 Water Rate Study model. However, each budget year the Board of Directors will evaluate any potential COLA and take action based on the financial indicators at that time. An average merit increase of 4% was factored in for those employees who have not reached the top of their position's salary range. Headcount will be reduced by 1 full-time equivalent position. This results in Wage and Benefits are an increase of 1% and 6% for FY 2025 and FY 2026, respectively.

All other operating costs are increasing in line with CPI estimates and are reasonable for continuing operations.



SEWER FUND

Sewer services are billed based on Equivalent Dwelling Units (EDU) and collected monthly for sewer transmission. Sewer Treatment Services are performed by the Inland Empire Utilities Agency (IEUA) and are also calculated on the basis of EDU's. The District collects for Treatment Services on behalf of the IEUA as a pass-through rate and remits this revenue to the IEUA.

The following is a table of the District's Sewer Fund operating revenues and expenses:

	2023 Actual	2024 Amended Budget	2025 Budget	"% Change (FY25 - FY24)"	2026 Budget	"% Change (FY26 - FY25)"
Operating Revenues						
Sewer Services	\$4,989,306	\$5,283,876	\$5,565,250	5%	\$6,035,803	8%
IEUA Sewer Treatment Charge	18,604,908	19,622,187	20,270,173	3%	21,591,825	7%
Total Operating Revenues	23,594,214	24,906,063	25,835,423	4%	27,627,628	7%
Operating Expenses						
Wages & Benefits	3,739,278	4,820,534	4,558,398	(5%)	4,798,842	5%
Outside Labor	18,683	42,550	58,000	36%	39,000	(33%)
Professional Development	59,566	106,769	87,232	(18%)	98,463	13%
Professional Services	123,267	139,225	138,136	(1%)	139,557	1%
Personnel Costs	38,297	60,087	72,099	20%	74,710	4%
Insurance	185,485	177,413	221,750	25%	235,180	6%
Collections	5,985	4,500	4,100	(9%)	4,100	0%
Utilities	84,491	88,319	91,410	3%	95,275	4%
Materials & Supplies	309,090	319,562	409,349	28%	415,442	1%
Outside Services	477,296	525,626	507,616	(3%)	531,205	5%
IEUA Sewer Treatment Cost	18,604,908	19,622,187	20,270,173	3%	21,591,825	7%
Miscellaneous	89,213	109,500	130,710	19%	131,410	1%
Total Operating Expenses	23,735,559	26,016,272	26,548,973	2%	28,155,009	6%
Net Operating Revenue (Deficit)	\$(141,345)	\$(1,110,209)	\$(713,550)	36%	\$(527,381)	26%

SEWER FUND REVENUES - OPERATING

RATES

Customers are billed on a monthly basis for sewer service if connected to the District’s sewer system. All single-family residential customers are billed for one EDU, which is the standard measurement of wastewater discharged into the sewer collection and treatment system equal to the average discharge from a single-family unit. Commercial customers are billed based on a percentage of their potable water consumption. Industrial customers are billed based on a formula that accounts for the volume and strength of the wastewater discharged into the sewer system. District schools are billed based on student head count. In addition to the District’s local sewer charge, customers are also billed for wastewater treatment and disposal services based on costs imposed by the Inland Empire Utilities Agency (IEUA). IEUA is a separate agency that provides these services and sets rates independently of CVWD. The District collects this fee on behalf of IEUA and remits all fees collected to IEUA.

To develop the local sewer transmission rates, the District completed a detailed cost of service analysis in 2023 which designed a five-year series of adjustments to the local sewer service charge. The cost of service study evaluated the District’s infrastructure needs, programs, operations and maintenance costs associated with collection and transmission of wastewater to IEUA. The study then identified the required revenue necessary to provide the services and determined the fixed sewer charge for residential customers and a volumetric charge for commercial and industrial customers. Beginning July 1, 2024, the rate per Equivalent Dwelling Unit (EDU) per month will be \$6.69. The EDU rate will increase to \$7.23 per month on July 1, 2025.

The CVWD Board also adopted a 5-year pass-through provision for IEUA’s Sewer Treatment Charge as part of the sewer rate study. This pass-through provision authorizes CVWD to collect the Sewer Treatment Charge on behalf of the IEUA. IEUA has approved a rate increase for FY 2025 to \$24.79 per EDU, which is a 6% increase from the previous rate of \$23.39 per EDU. CVWD will continue to collect and pass-through this rate and any future rates that are adopted by the IEUA’s Board of Directors. For FY 2026, IEUA has not announced a new rate, therefore the District is projecting an increase of 6% for the purposes of this budget.

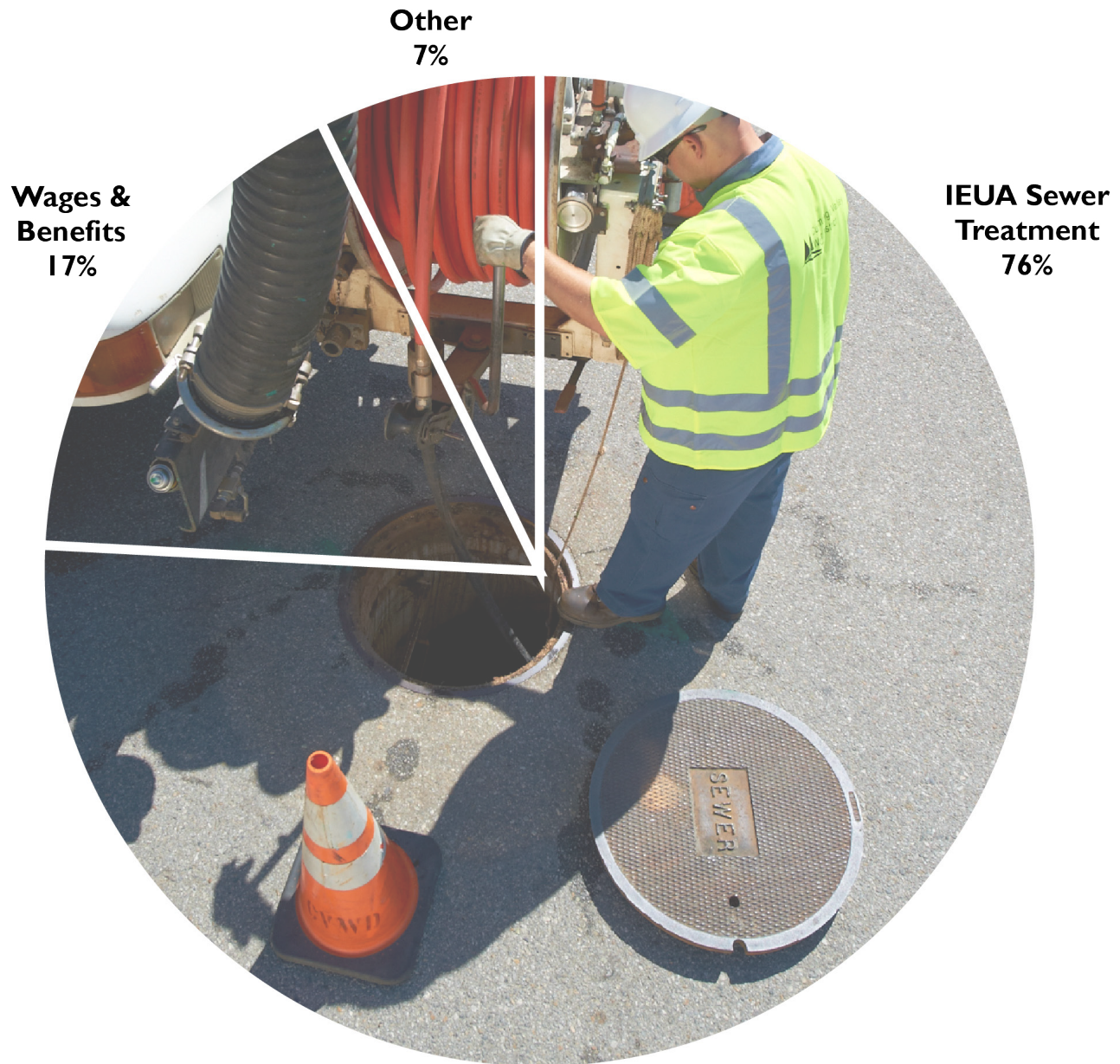
Sewer Charges	Effective	Effective	Effective	Effective	Budgeted	Budgeted
Monthly	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027
Local CVWD	\$5.73	\$6.19	\$6.69	\$7.23	\$7.81	\$8.43
IEUA Treatment Pass-Through	21.86	23.17	24.79	24.79	26.28	TBD

CONSUMPTION

Revenues in the Sewer Fund are budgeted based on historical EDUs in prior years. Projections for additional customers include an estimated increase of 0.51% in both FY 2025 and FY 2026. Including the rate adjustments and the estimated increase in the number of customers, revenues for FY 2025 and FY 2026 are projected to increase 5% and 8%, respectively.

SEWER FUND EXPENSES – OPERATING

The chart below indicates the allocation of costs within the Sewer Fund’s operating expenses:



The majority of sewer costs are for the treatment of wastewater by IEUA, which is 76% of the fund’s expenses. Other notable costs are related to wages and benefits which follow the same assumptions as the Water Fund and include a 4% COLA and an average 4% merit for eligible employees in each budget year. All other operating costs are determined by division management and are based on historical results. The Sewer Fund expenses are increasing a total of 2% and 6% for FY 2025 and FY 2026, respectively.

The Sewer Fund Budget has a net operating loss which is part of the strategy to utilize reserve funds which are being leveraged in order to keep the local sewer rate adjustments to a minimum over the five-year rate study period.

RECYCLED WATER FUND

The Recycled Water Fund accounts for the District’s recycled water sales and services and has the District’s smallest customer base.

The following is a table of the District’s Recycled Water Fund operating revenues and expenses:

	2023 Actual	2024 Amended Budget	2025 Budget	% Change (FY25 - FY24)	2026 Budget	% Change (FY26 - FY25)
Operating Revenues						
Recycled Water Sales						
CVWD Volumetric	\$849,371	\$401,958	\$409,056	2%	\$423,420	4%
IEUA Pass-Through	-	560,617	512,701	(9%)	536,660	5%
Meter Charges						
CVWD Meter Charge	171,807	65,695	78,265	19%	80,544	3%
IEUA Pass-Through Fixed Charge	-	111,357	184,248	65%	257,952	40%
Total Operating Revenues	1,021,178	1,139,627	1,184,270	4%	1,298,576	10%
Operating Expenses						
Wages & Benefits	321,640	350,954	355,755	1%	377,876	6%
Outside Labor	-	500	2,000	300%	1,000	(50%)
Professional Development	4,379	3,700	3,605	(3%)	3,605	0%
Professional Services	450	2,375	2,551	7%	2,560	0%
Personnel Costs	350	1,000	850	(15%)	850	0%
Utilities	661	1,300	1,300	0%	1,300	0%
Materials & Supplies	6,419	48,200	11,621	(76%)	11,886	2%
Outside Services	2,811	17,390	7,333	(58%)	7,334	0%
Source of Supply	515,510	561,000	511,500	(9%)	536,800	5%
IEUA Pass-Through Charges	45,289	108,828	239,940	120%	251,940	5%
Miscellaneous	7,809	10,600	10,515	(1%)	10,515	0%
Total Operating Expenses	905,318	1,105,847	1,146,970	4%	1,205,666	5%
Net Operating Revenue	\$115,860	\$33,780	\$37,300	10%	\$92,910	149%

RECYCLED WATER FUND REVENUES - OPERATING

Recycled water meter charges are fixed charges assessed to customers monthly based on the size of the service connection/meter to their property. Meter charges also include the IEUA fixed charge pass-through rate. Recycled water services are based on the volume of water used by a customer during a billing period with a set price per hundred cubic feet. The volumetric rate is split between a CVWD rate and an IEUA pass-through rate that has been introduced in the 2023 Rate Study.

RATES

In 2005 the District adopted an ordinance to begin the sale and distribution of recycled water which is purchased from the Inland Empire Utility Agency (IEUA). The rate structure for the District’s recycled water charges is comprised of two components: (1) fixed monthly meter charge that is determined on the basis of the size of the meter serving the property; and (2) a commodity charge that is determined on the basis of the amount of recycled water delivered to a property. Assembly Bill 3030, which became effective January 1, 2009, authorizes a public agency (such as the District) that provides water, recycled water, or sewer services to authorize automatic adjustments to its rates that pass-through to its customers any increases in the wholesale charges for water, recycled water, or sewer services that are imposed on it. This can be done for a period of no more than five years, and only the proportionate share of the adopted increases or decreases in the wholesale charges may be passed on. In 2023, the District conducted a Rate Study of the recycled water charges and redesigned its recycled water rate structure to separately identify the rate components that are directly imposed on the District by IEUA, as described below.

The meter charge is designed to recover the District’s fixed costs of providing recycled water service (e.g., customer service, billing, debt repayment and reserve funding). The IEUA Pass-Through Fixed Charge is a direct pass-through of Fixed Cost Recovery charges imposed on the District by the IEUA which is allocated to the existing customers based on the meter size.

The recycled water commodity charge is designed to recover the District’s costs of purchasing wholesale recycled water from IEUA and other operating costs (e.g. inspection, operations and maintenance, capital replacement and other related costs). The IEUA Surcharge is a pass-through adjustment based on charges imposed on the District that are set by IEUA. To develop recycled water rates the District completed a detailed cost of service analysis in 2023 which committed to a five-year plan that included 3% annual revenue adjustments to the Monthly CVWD Recycled Water Meter Charge and the CVWD Recycled Water Commodity Rate for FY 2025 through FY 2029. In 2023 the IEUA introduced a fixed meter charge and their intention to initially lower their commodity charge to offset the fixed charge. To eliminate the uncertainty from the District’s rates for the next five fiscal years, the District established an IEUA pass-through rate for both the commodity rates and the meter service charges. In no event will any pass-through adjustment increase the rate for the IEUA Fixed Charge or the IEUA Recycled Water Rate by more than 40% per year. At the time of the preparation of this document only the 7/1/2024 IEUA pass-through rates have been finalized. The rates effective 7/1/2025 have been estimated to facilitate the budgeting process. Actual rates for customers would only become effective based on approved rates and with a minimum of 30-day notice.

Recycled Water Rate per HCF	Effective 10/1/2023	Effective 7/1/2024	Effective 7/1/2025	Effective 7/1/2026	Effective 7/1/2027	Effective 7/1/2028
Domestic / Landscape/ Construction	\$0.83	\$0.85	\$0.88	\$0.91	\$0.94	\$0.97

Recycled Water IEUA Surcharge per HCF	Effective	Effective	Budgeted			
	10/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
IEUA Surcharge	\$1.17	\$1.07	\$1.12	TBD	TBD	TBD

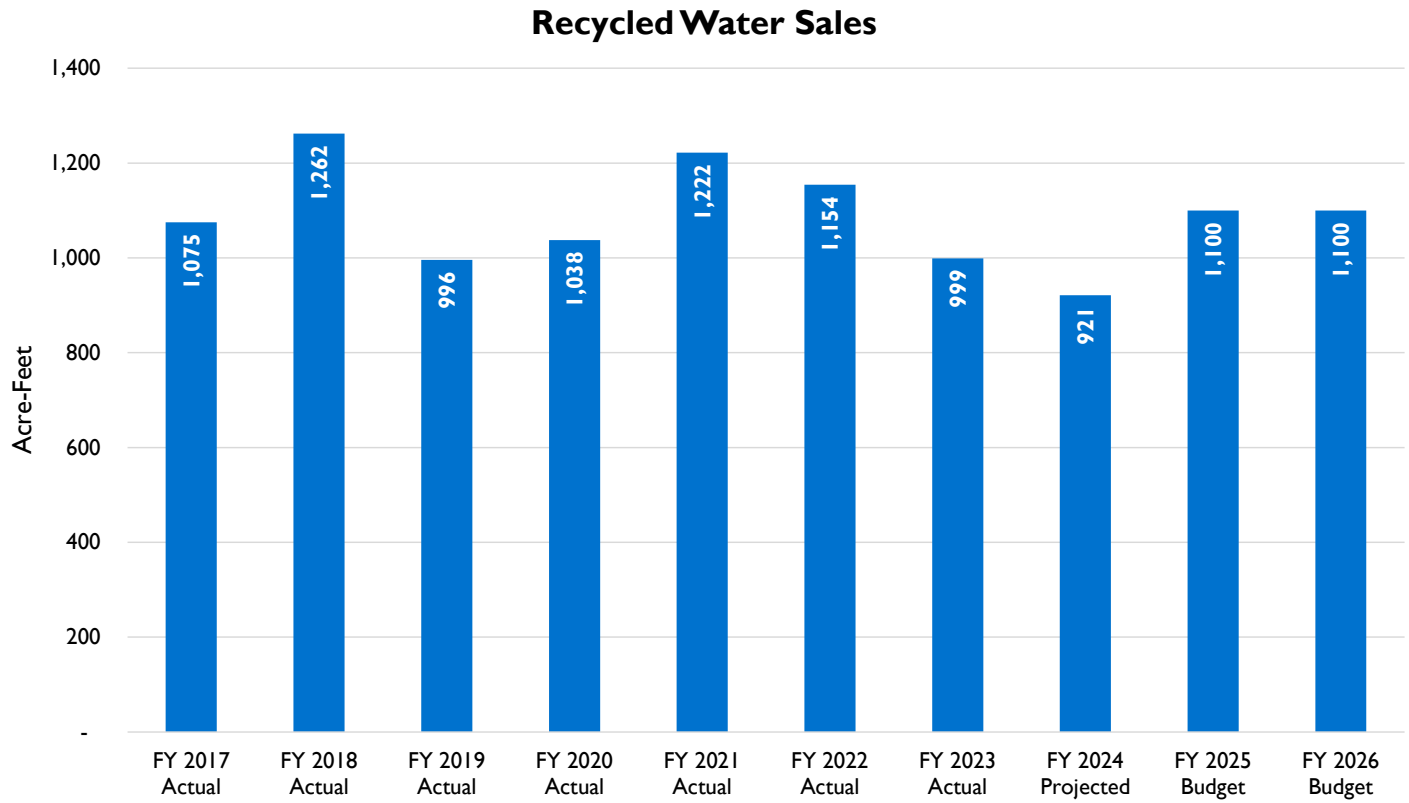
CVWD Monthly Meter Charge by Meter Size	Effective	Effective	Effective	Effective	Effective	Effective
	10/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
1"	\$13.66	\$14.07	\$14.50	\$14.93	\$15.38	\$15.84
1-1/2"	27.13	27.94	28.78	29.65	30.54	31.45
2"	43.44	44.75	46.09	47.47	48.89	50.36
3"	61.86	63.71	65.63	67.59	69.62	71.71
4"	84.78	87.32	89.94	92.64	95.42	98.28
6"	114.12	117.55	121.07	124.70	128.45	132.30
8"	119.55	123.13	126.83	130.63	134.55	138.59
10"	416.05	428.53	441.38	454.62	468.26	482.31

IEUA Fixed Meter Charge by Meter Size	Effective	Budgeted	Budgeted			
	10/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
1"	\$19.72	\$27.56	\$38.58	TBD	TBD	TBD
1-1/2"	39.44	55.11	77.16	TBD	TBD	TBD
2"	63.10	88.18	123.45	TBD	TBD	TBD
3"	138.03	192.89	270.05	TBD	TBD	TBD
4"	248.46	347.21	486.09	TBD	TBD	TBD
6"	552.13	771.57	1,080.19	TBD	TBD	TBD
8"	946.51	1,322.69	1,851.76	TBD	TBD	TBD
10"	1,183.14	1,653.36	2,314.70	TBD	TBD	TBD

CONSUMPTION

Another factor that greatly affects the calculation of the Recycled Water Fund's revenues is the quantity of recycled water sold. FY 2023 was affected by State mandated drought messaging encouraging water conservation followed by a wet winter. Although the water conservation was not directed towards users of recycled water, sales declined compared to previous years' consumption. FY 2024 was also a wet year bringing consumption down further. Anticipating warmer temperatures but recognizing that customer behavior may have been altered permanently, FY 2025 and FY 2026 consumption estimates were kept at 1,100 acre feet. This volume is equal to the budget for FY 2024 but is slightly higher than the estimated actuals for FY 2024. Recycled Water customers should not be impacted by the drought, as recycled water is not subject to conservation requirements, but changes in the culture of how customers use water manifested in the increased number of water savvy landscape designs that recycled water customers embraced as well. Another factor for consumption is the number of customers. Our recycled water customer base is small at only 154 customers. Although there were a few new connections added during FY 2024 these were utilizing existing main lines. No customer growth was budgeted for FY 2025 and FY 2026 to be as conservative as possible. These factors combine to project operating revenues, excluding the passthroughs, to decrease about 1% in FY 2025, and to increase by 3% for FY 2026 in line with the change in the District's rates. IEUA pass-through volumetric rate is decreasing by 8.5% while the pass-through fixed charges are increasing by 40% in FY 2025. There is no information from IEUA related to FY 2026 rates. Overall, recycled water operating revenues are budgeted to increase by 4% in FY 2025 and 10% in FY 2026.

The following table shows the historical trends and future projections of recycled water consumption:



RECYCLED WATER FUND EXPENSES – OPERATING

The chart below indicates the allocation of costs within the Recycled Water Fund’s operating expenses:



The largest expense for the Recycled Water Fund is the cost of purchasing recycled water from IEUA, which accounts for 65% of total operating expenses. IEUA’s change in their recycled water cost rate structure initially lowered the cost of recycled water from \$510/AF in FY 2024 to \$465/AF in FY 2025. The rate for FY 2026 is unknown and the District used a 5% rate of increase assumption for budgeting purposes. The newly introduced IEUA Fixed Charge component will be in its final year of phase-in, doubling from FY 2024 to FY 2025. FY 2026 amounts are not available, the budget uses a 5% estimated increase rate. At the time of the 2023 recycled water rate study, no future rates beyond FY 2025 were available from IEUA, so the District decided that instead of estimating future rates, to pass through this cost directly to the customers

The District’s portion of the IEUA’s total Fixed Cost Recovery amount is unknown until the final direct use recycled water sales and recharge water sales are finalized for the previous fiscal year and allocated among the member agencies. Then the District’s share of this fixed cost needs to be allocated between the District’s direct use and groundwater recharge purchase estimates for the current fiscal year. This process has several unknown factors which lead the District to make this rate component a pass-through charge. The IEUA Fixed Cost for all participating member agencies increased from \$2,362,600 in FY 2024 to \$4,957,400 in FY 2026. The District’s share was \$492,866 in FY 2024 and is estimated at \$1,090,628 in FY 2025. These amounts are then split between the District’s previous fiscal year direct sales, 999 AF in FY 2023 and estimated 921 AF in FY 2024 and the recharge water volume purchased from IEUA of 3,356 AF in FY 2023 and estimated 3,358 AF in FY 2024. Based on all these factors, the estimated fixed cost recovery charge that is related to FY 2025 recycled water sales is \$239,938. The FY 2026 amount is projecting a 5% increase as a place holder for budgeting purposes. In FY 2025 not all of these charges will be passed through to the customers since the rate of increase is more than the allowed 40% that the District is legally limited to in the Recycled Water Rate Study process.

Wages and benefits are the other notable operating expenses of the Recycled Water Fund, representing 31% of the total operating expenses, and follow the same assumptions as the Water Fund (4.0% COLA, 4% merit). All other operating costs are determined by division management and are based on historical results. Overall operating costs are expected to increase 4% in FY 2025 and 5% in FY 2026.



CAPITAL & DEBT



Capital & Debt

CAPITAL EXPENSES

CAPITAL ASSETS

The District's Capital Assets Policy defines capital assets as non-financial assets that are used in operations and have an initial useful life in excess of one year. The District's capitalization threshold is \$5,000. Assets are capitalized if the cost exceeds the capitalization threshold except for groups of similar assets such as meters, computers, or printers when the total of the similar assets purchased during the year exceeds \$5,000. Employee wages and burden expenses related to implementing capital projects are tracked and also capitalized.

Asset purchases are authorized through the Capital Improvement Project (CIP) Budgeting Process (except for emergency projects) which involves the following steps:

1. Need is identified – either a new asset is needed or an asset is in need of replacement or major repair
2. Manager, who is responsible for operating the asset, submits a Capital Project Request form during the CIP Budget process
3. Funding source for the project is identified
4. Projects are reviewed by the Engineering Committee
5. Project funding is granted through approval of the Biennial Operating and Capital Improvement Budget by the Board of Directors

The source of funding for each project must be identified as part of the Capital Budgeting Process. Possible sources of funding include:

- Pay-Go – this source means that assets will be purchased with resources provided by the current year Operating Activities of the District
- Debt – this source can be used to fund large projects with useful lives of 30 years or more
- Reserves – this source may only be used with Board approval
- Grant or other outside source – this source may be used only if there is preliminary or guaranteed approval of the project
- Carryover – this source may be used when a project was budgeted in the previous year but was not completed. If a carryover request is not submitted as part of the new CIP Budget, the project will be canceled and the funds will be reallocated to the CIP Reserve

STRATEGIC PLANNING

Staff has incorporated the Board of Directors' Strategic Vision by evaluating and changing our planning and project life cycle structure. This process has assisted the Departments' approach in completing the approved budget, and implementing the District's planning strategies to ensure a reliable infrastructure and actively manage our water resources. Staff continuously seeks out innovative ways of working with private developers to construct new facilities, procure new site properties, and upgrade existing facilities. Staff has developed District master plans to prepare for more stringent water quality parameters, to identify projects to offset the increasing demands placed on our system, and to incorporate new conservation methods and implement the recycled water program. We look forward to improving methods of data capture and dissemination of information to other departments using GIS technology interfacing.

CIP GOALS

RELIABLE WATER SUPPLY

- Continue implementation of District's Water Supply Plan
- Develop opportunities for more efficient use of groundwater rights within the Chino and Cucamonga Basins
- Continued emphasis on recycled water recharge
- Improve our treatment plant for optimizing canyon source of supplies
- Implement water treatment plant improvements for water quality requirements
- Improve well production and pump facility capability

OPERATING PERFORMANCE

- We have developed a Water Supply Plan and are implementing it in coordination with our Board of Directors
- We have enhanced our Technical Support capabilities through GIS and CAD to provide accurate maps, capture as-built drawings, and provide facility information to all departments of the District
- Consistent communication and project planning with the District's Operations Department has lead to improved utility coordination meetings with the various cities and utility agencies in our service area
- Projects have been constructed that will enhance the District's distribution and collection systems in an effort to meet the needs of our customers and prepare for future growth
- We continue developing new operating procedures to reduce maintenance costs and ensure dependable service to our customers

CIP PRIORITIZATION

The CIP planning process includes preliminary scoping, cost estimating, prioritization and financial analyses. The proposed Capital Improvement Project Budget includes priority projects which conform with District's adopted master plans. The master plans prioritize projects based on urgency to mitigate existing deficiencies, increase water supply and distribution reliability.

Project Title	Estimated Carry Over 2024 Budget	Budget Request 2025	Budget Request 2026	Budget Request 2027	Budget Request 2028
Water Fund Capital Projects					
Source of Supply					
Cucamonga Basin Management	\$ 173,000	\$ -	\$ -	\$ -	\$ -
Canyon Mitigation	120,000				
Cucamonga Basin - Crosswall and Basin 6 Rehabilitation	231,000				
CVWD-JCSD Supply Reliability Project	32,000				
Tunnel Condition Assessment - Hermosa, Smith, Bee	65,000				
Integrated Master Plan	309,000				
Cross Connection Control Plan		50,000			
Urban Water Management Plan			50,000		
UWUO Mapping Project		50,000			
Subtotal Source of Supply	930,000	100,000	50,000	-	-
Field Equipment					
Annual Meter Replacement		250,000	250,000	250,000	250,000
Large Meter Tester Replacement		120,000			
Subtotal Field Equipment	-	370,000	250,000	250,000	250,000
Office Equipment					
Enterprise Resource and Planning Software Upgrade - Phase 2	309,000				
Frontier Project Conference Room Technology Upgrade			37,500		
Annual Desktop, Laptop, and Tablet Computer Replacements		48,000	48,000	48,000	48,000
Annual Network Equipment Replacements		27,000	45,000	36,000	36,000
Annual Network Server & Storage System Replacements		165,000	15,000	18,000	24,000
Operations Building Mobile Enhancement System		39,000			
Subtotal Office Equipment	309,000	279,000	145,500	102,000	108,000

Project Title	Estimated Carry Over 2024 Budget	Budget Request 2025	Budget Request 2026	Budget Request 2027	Budget Request 2028
Treatment					
WTP Video Surveillance System Replacement	250,000				
Reservoir 3A Nitrate Wellhead Treatment Plant	437,000				
LWMWTP Backwash Tank Rehab		490,000			
LWMWTP Valve Actuators			430,000		
Subtotal Treatment	687,000	490,000	430,000	-	-
Pumps & Equipment					
Annual General Booster Rehabilitation		150,000	150,000	150,000	150,000
Annual General Production Site Improvement		100,000	100,000	100,000	100,000
Annual General Well Rehabilitation		300,000	300,000	300,000	300,000
Generator Access Platforms					125,000
Well 39 Pump Rehabilitation		275,000			
Subtotal Pumps & Equipment	-	825,000	550,000	550,000	675,000
Reservoirs					
Reservoir 1 Replacement	1,432,000	150,000			
New Reservoir 5B-2	7,523,000	600,000			
Reservoir 1B Exterior and 1B-2 Interior/Exterior	770,000				
Reservoir 4B-1 Exterior and 4B-2 Interior/ Exterior Rehab			1,700,000		
New Reservoir 2C-2				230,000	
New Reservoir 6A		160,000		3,400,000	
Reservoir 2A Rehabilitation - Interior / Exterior			1,150,000		
Reservoir 3C Rehabilitation - Interior / Exterior		1,150,000			
Reservoir 5C Cathodic Protection		30,000			
Reservoir 5D Cathodic Protection		25,000			
Reservoir 6B Cathodic Protection		25,000			
Reservoir 7B Cathodic Protection		25,000			
Subtotal Reservoirs	9,725,000	2,165,000	2,850,000	3,630,000	-

Project Title	Estimated Carry Over 2024 Budget	Budget Request 2025	Budget Request 2026	Budget Request 2027	Budget Request 2028
Telemetry					
Main Circuit Breaker Replacement - CS2 and CS4		50,000			
SCADA Client Licenses - LMMWTP		15,000			
SCADA Cybersecurity Vulnerability Assessment and ERP			65,000		
SCADA Server Licenses - RNWTP EOC SCADA				25,000	
Subtotal Telemetry	-	65,000	65,000	25,000	-
Building Improvement					
LMMWTP Operations Building Tile Roof Replacement	290,000				
LMMWTP Wilson Ave Frontage Roadway Improvements	800,000				
Admin Building Network Server Room HVAC Replacement				37,500	
Annual Campus Facility Improvements		45,000	45,000	45,000	45,000
Ashford Admin & Ops Parking Lot Rehabilitation					262,500
Ashford Campus Exterior Painting				67,500	
Bulk Construction Material Storage Bays & Canopies		150,000			
CBWM Bldg Maintenance - Exterior Painting				56,250	
Confined Space Assessments & Program Development		74,100			
Engineering Department Modernization		45,000			
Frontier Project Building TPO Roof Sealing/Coating				37,500	
Klusman Warehouse Building Roof Replacement				112,500	
LMMWTP Exterior Lighting LED Upgrade				53,500	
LMMWTP Glass Storefront Door Replacement				48,500	

Project Title	Estimated Carry Over 2024 Budget	Budget Request 2025	Budget Request 2026	Budget Request 2027	Budget Request 2028
LWMWTP Parking Lot & Asphalt				325,000	
LWMWTP Window Replacement					128,900
Subtotal Building Improvement	1,090,000	314,100	45,000	783,250	436,400
Vehicles					
Fleet Shop Equipment Replacement - Fluid/Gas Reels	7,500				
Fleet Shop Equipment Replacement - Tire Mount/ Balance	11,250				
Fleet Shop Equipment Replacement - Vehicle Lift	22,500				
Replace Unit 293 2007 Cab Chassis Dump Truck		124,900			
Replace Unit 302 2008 Cab Chassis Dump Truck			129,300		58,800
Replace Unit 318 2011 Pickup			47,300		58,800
Replace Unit 319 2011 Pickup		45,700			
Replace Unit 330 2012 Cab Chassis Base Utility				111,700	
Replace Unit 331 2012 Cab Chassis Base Utility				84,100	
Replace Unit 338 2015 Pickup				78,200	
Replace Unit 349 2015 Pickup		64,500			
Replace Unit 351 2015 Van Industrial Waste				56,400	
Replace Unit 364 2017 Pickup			66,700		
Replace Unit 366 2017 Cab Chassis Base Utility			108,000		
Replace Unit 370 2017 Pickup				78,200	
Subtotal Vehicles	-	41,250	235,100	351,300	408,600
Water Mains					
Reservoir 6 and Almond St Waterline Replacement	750,000	150,000			
Well 17 Transmission Main Replacement	156,000				
Annual Distribution System Valve & Mainline Repair		100,000	100,000	100,000	100,000
Annual Water Service Lateral Replacement Program		700,000	700,000	700,000	700,000

Project Title	Estimated Carry Over 2024 Budget	Budget Request 2025	Budget Request 2026	Budget Request 2027	Budget Request 2028
Construct Waterline in 6th St from Archibald Ave to Hellman Ave		50,000			1,670,000
Construct Waterline in Baseline Rd from Deer Creek to Milliken		50,000	2,030,000		
Construct Waterline in Almond St from Beryl to Carnelian		2,930,000			
Construct Waterline in Almond St from Carnelian to Sapphire				3,050,000	
Construct Waterline in Baseline Rd from Milliken to Rochester				2,320,000	
Relocate Transmission Main from 4B to 5B		50,000			2,790,000
Construct Waterline Between Amethyst and Archibald Ave from 7th to Meadow			50,000		2,870,000
Waterline in Ivy Lane & Scott Lane North of Palo Alto St			50,000		
Waterline in Malachite Ave from Devon St to Arrow Rte			50,000		
Subtotal Water Mains	906,000	4,030,000	2,980,000	6,170,000	8,130,000
Total Water Fund Capital Projects	\$13,647,000	\$8,679,350	\$7,600,600	\$11,861,550	\$10,008,000

Project Title	Estimated Carry Over 2024 Budget	Budget Request 2025	Budget Request 2026	Budget Request 2027	Budget Request 2028
Sewer Fund Capital Projects					
Office Equipment					
Enterprise Resource and Planning Software Upgrade - Phase 2	\$ 103,000	\$ -	\$ -	\$ -	\$ -
Frontier Project Conference Room Technology Upgrade			12,500		
Annual Desktop, Laptop, and Tablet Computer Replacements		16,000	16,000	16,000	16,000
Annual Network Equipment Replacements		9,000	15,000	12,000	12,000
Annual Network Server & Storage System Replacements		55,000	5,000	6,000	8,000
Operations Building Mobile Enhancement System	103,000	93,000	48,500	34,000	36,000
Building Improvement					
Admin Bldg Network Server Room HVAC Replacement				12,500	
Annual Campus Facility Improvements		15,000	15,000	15,000	15,000
Ashford Admin & Ops Parking Lot Rehabilitation					87,500
Ashford Campus Exterior Painting				22,500	
Bulk Construction Material Storage Bays & Canopies		150,000			
CBWM Bldg Maintenance - Exterior Painting				18,750	
Confined Space Assessments & Program Development		24,700			
Engineering Department Modernization		15,000			
Frontier Project Building TPO Roof Sealing/Coating				12,500	
Klusman Warehouse Building Roof Replacement				37,500	
Subtotal Building Improvement	-	204,700	15,000	118,750	102,500
Vehicles					
Fleet Shop Equipment Replacement - Fluid/Gas Reels	2,500				

Project Title	Estimated Carry Over 2024 Budget	Budget Request 2025	Budget Request 2026	Budget Request 2027	Budget Request 2028
Fleet Shop Equipment Replacement - Tire Mount/ Balance	3,750				
Fleet Shop Equipment Replacement - Vehicle Lift	7,500				
Replace Unit 293 2007 Cab Chassis Dump Truck		124,900			
Replace Unit 302 2008 Cab Chassis Dump Truck			129,300		
Replace Unit 314 2007 Cab Chassis Sewer Camera Truck				564,600	
Subtotal Vehicles	-	13,750	124,900	129,300	564,600
Sewer Improvement					
Replace Existing Siphon in 8th St and Vineyard Ave	86,000			3,900,000	
Construct Sewer Line in 4th St from Haven Ave to Hermosa Ave	1,832,000				
Construct Sewer Line in Rochester Ave from Church to Foothill	1,285,000				
Replace Existing Siphon in 4th St and Archibald Ave	64,000				6,550,000
Sewer Casing Extension in Metrolink Corridor	259,000				
2025 Sewer System Management Plan Update		75,000			
Annual Sewer System Relining & Manhole Rehab Program		150,000	150,000	150,000	150,000
Construct Sewer Line in Archibald Ave from Main to Acacia		50,000	1,850,000		
Construct Sewer Line in Lemon Ave from Mayberry to Haven		1,140,000			
Subtotal Sewer Improvement	3,526,000	1,415,000	2,000,000	4,050,000	6,700,000
Total Sewer Fund Capital Projects	\$3,629,000	\$1,726,450	\$2,188,400	\$4,332,050	\$7,403,100

Project Title	Estimated Carry Over 2024 Budget	Budget Request 2025	Budget Request 2026	Budget Request 2027	Budget Request 2028
Recycled Water Fund Capital Projects					
Recycled					
New Recycled Water Pipeline in Village of Heritage	\$ 300,000	\$ -	\$ -	\$ -	\$ -
Annual Recycled Water Retrofits		50,000	50,000	50,000	50,000
Subtotal Recycled	300,000	50,000	50,000	50,000	50,000
Total Recycled Water Fund	\$300,000	\$50,000	\$50,000	\$50,000	\$50,000
Total Capital Projects	\$17,576,000	\$10,455,800	\$9,839,000	\$16,243,600	\$17,461,100



DEBT

The District has established a debt management policy and the District has no plans to issue any new debt in FY 2025 or 2026.

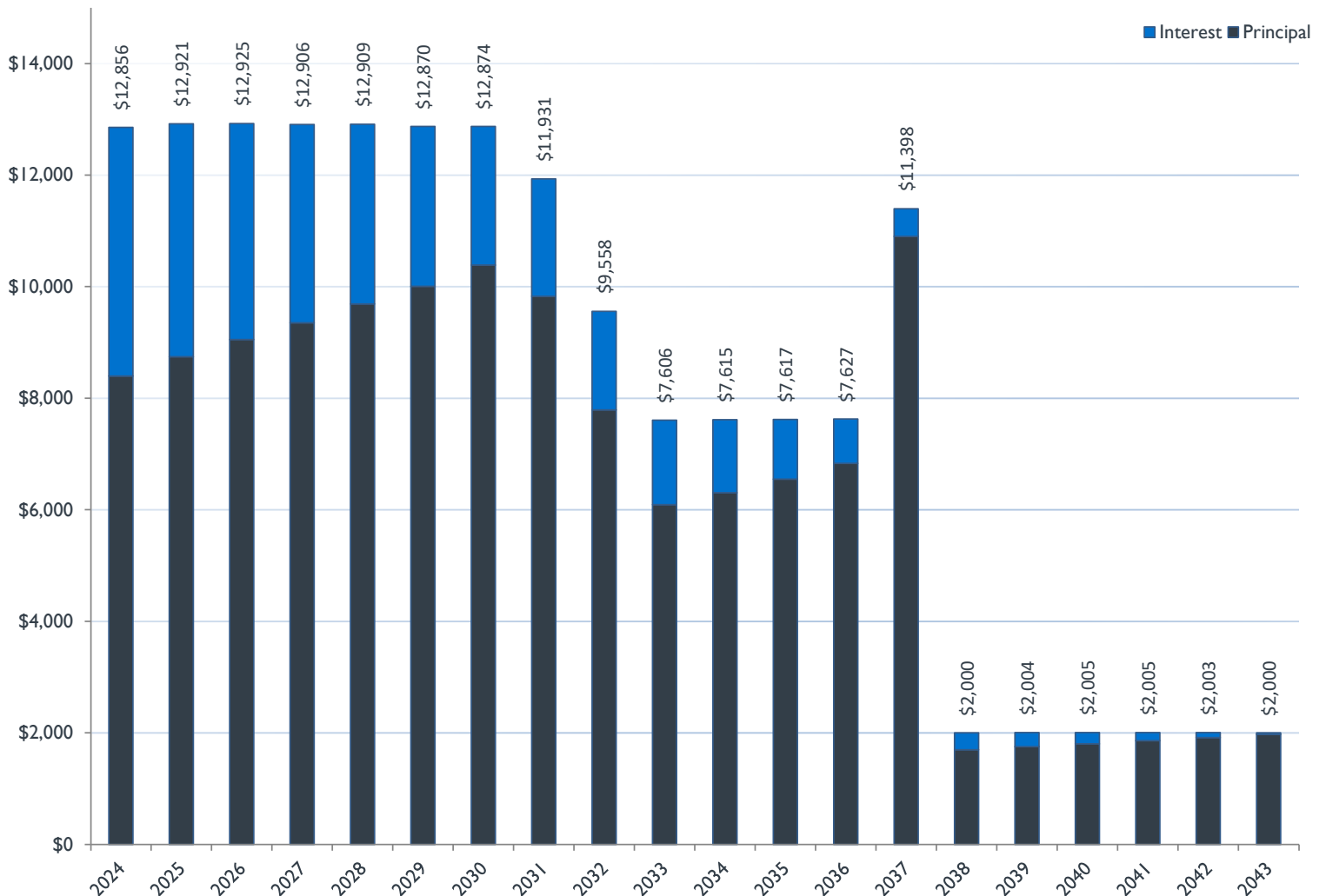
The table below summarizes the long-term bonds of the District’s Water Fund:

Year of Issuance	Use of Proceeds	Principle Balance as of June 30, 2024
2014	Provided funds for the acquisition and construction of various capital improvements and refunded bonds that originally provided funds for the acquisition and construction of various capital improvements.	\$4,955,000
2016	Refunded bonds that originally provided funds for the acquisition and construction of various capital improvements.	13,265,000
2018A	Provided funds for the acquisition and construction of various capital improvements.	9,710,000
2018B	Revenue Bonds that advance refunded the bonds that originally provided funds for the acquisition of water rights in the Chino Basin.	45,750,000
2021A	Revenue Bonds that advance refunded the 2012 bonds that originally provided funds for the acquisition and construction of capital improvements.	29,800,000
2021B	Revenue Bonds that advance refunded the 2011 bonds that originally provided funds for the acquisition and construction of various capital improvements.	19,030,000
TOTAL BOND DEBT		\$122,510,000

Principal and interest payments on bonds are included in the table and graph below:

Year(s)	Principal	Interest	Total
2025	\$17,795,000	\$8,051,372	\$25,846,372
2026	9,050,000	3,875,217	12,925,217
2027-2031	49,255,000	14,235,564	63,490,564
2032-2036	33,565,000	6,458,854	40,023,854
2037-2041	18,010,000	1,401,561	19,411,561
2042-2043	3,885,000	117,764	4,002,764
Total	\$122,510,000	\$30,265,115	\$152,775,115

(Amounts Expressed in Thousands)



DEBT & CREDIT RATING

The District's credit risk is evaluated by credit rating agencies and is a strong indication of the District's ability to make debt payments, which effects the interest rate the District pays. The District's debt rating is "AA+" from Standard & Poor's Global and "AA+" from Fitch Ratings.

There is no specific provision within the California Government Code that limits the amount of debt that may be issued by the District. The District's future borrowing capacity is limited by the debt coverage ratio and additional debt limitations required by the existing bond covenants. All debt requires 1.25 times coverage (net revenues/ debt service).

As shown on the table of projected operating results for the Water Fund, the District is budgeting to meet its annual debt service and continue to increase net position.

In addition to bonds, the District has two capital leases entered in 2010, and 2015 for the purchase of equipment related to the District's fixed network retrofit and meter exchange program. Total principal and interest due in FY 2025 and 2026 is \$1,656,850 and the total outstanding balance as of June 30, 2024 is \$1,623,003.

The Recycled Water Fund is responsible for a loan payable to the State of California Revolving Fund through the IEUA for the construction of a recycled water pipeline. The principal and interest due in FY 2025 and FY 2026 is \$34,793 and the total outstanding balance as of June 30, 2024 is \$208,220.





ACRONYMS & GLOSSARY

ACRONYMS

AC	Air Conditioner
ACFR	Annual Comprehensive Financial Report
ACH	Automated Clearing House
ACWA	Association of California Water Agencies
ADA	Americans with Disabilities Act
AED	Automated External Defibrillator
AF	Acre-Foot or Acre-Feet
AFY	Acre-Feet per Year
AGM	Assistant General Manager
AHBWTP	Arthur H. Bridge Water Treatment Plant
AutoCAD	Automated Computer Aided-Design and Drafting
AV	Audiovisual
CAD	Computer-Aided Design
CalPERS	California Public Employees Retirement System
CAP	Customer Assistance Program
CBMWD	Chino Basin Municipal Water District
CBWM	Chino Basin Water Master
CCWD	Cucamonga County Water District
CEO	Chief Executive Officer
CEQA	California Environmental Quality Act
CIP	Capital Improvement Project
Cla-Val	Automatic control valves
CMMS	Computerized Maintenance Management System
COLA	Cost of Living Adjustment
COP	Certificates of Participation
CPA	Certified Public Accountant
CPI	Consumer Price Index
CPR	Cardio-Pulmonary Resuscitation
CSDA	California Special Districts Association
CSMFO	California Society of Municipal Finance Officers
CSTI	California Specialized Training Institute
CVRA	California Voter's Right Act
CVWD	Cucamonga Valley Water District
CWC	Cucamonga Water Company
CWEA	California Water Environment Association
CWSRF	Clean Water State Revolving Fund
DDW	Division of Drinking Water
EAM	Enterprise Asset Management
ECT	Employee Cross Training Program
EDU	Equivalent Dwelling Unit
ELC	Environmental Learning Center
ERP	Enterprise Resource Planning
FDM	Field Deployment Manager
FMLA	Family and Medical Leave Act
FN	Fixed Network
FOG	Fats, Oils, and Grease
FP	Frontier Project

FSE	Food Service Establishment
FTE	Full-Time Equivalent
FY	Fiscal Year-End
FYE	Fiscal Year-End
GAAP	Generally Accepted Accounting Principles
GAC	Ganular Activated Carbon
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GIS	Geographical Information System
GM	General Manager
GPA	Government and Public Affairs
GPS	Global Positioning System
HCF	Hundred cubic feet
HR	Human Resources
HVAC	Heating, Ventilation, and Air Conditioning
I.T.	Information Technology
IEUA	Inland Empire Utilities Agency
IVR	Interactive Voice Response
JCSD	Jurupa Community Services District
JPA	Joint Powers Authority
JPIA	Joint Powers Insurance Authority
LAFCO	Local Agency Formation Commission
LAIF	Local Agency Investment Fund
LMWTP	Lloyd W. Michael Water Treatment Plant
LWMWTP	Lloyd W. Michael Water Treatment Plant
MDM	Mobile Device Management
MG	Million gallons
MGD	Million gallons per day
MWD	Metropolitan Water District of Southern California
N/A	Not Applicable
NPDES	National Pollutant Discharge Elimination System
NTF	Nitrate Treatment Facility
NTU	Nephelometric Turbidity Units
OBMPU	Optium Basin Management Plan Update
OPEB	Other Post-Employment Benefits
PARS	Public Agency Retirement Service
Pay-Go	Pay as You Go
PLC	Programmable Logic Controllers
PSI	Pounds per square inch
RCMU	Rancho Cucamonga Municipal Utility
RFP	Request for Proposal
RTS	Readiness to Serve
SB	Senate Bill
SCADA	Supervisory Control and Data Acquisition
SCE	Southern California Edison
SGMA	Sustainable Groundwater Management Act
SOP	Standard Operating Procedure
SOW	Statement of Work
SQL	Structured Query Language
SSMP	Sewer System Management Plan

SWRCB	State Water Resources Control Board
SYR	Safe Yield Reset
TBD	To Be Determined
TOC	Total Organic Carbon
UCR	University of California Riverside
USFS	United States Forest Service
UV	Ultra Violet
VCP	Vitrified Clay Pipe
VOIP	Voice Over Internet Protocol
VPN	Virtual Private Network
WDR	Waste Discharge Requirement
WSCP	Water Shortage Contingency Plan
WSSCP	Water Supply Shortage Contingency Plan
WTP	Water Treatment Plant
WWP	Water Watch Program

GLOSSARY

Account – A systematic arrangement showing the effect of a business transaction. A separate account exists for each asset, liability, equity, revenue, and expense

Accrual Basis of Accounting – The method of recording financial transactions in the accounting period in which revenues are earned and expenses are incurred, rather than only after cash is received or paid

Acre-Feet – The volume of water that would cover one acre to a depth of one foot. Equal to 325,851 gallons or 43,560 cubic feet of water

Adoption – Formal action by the Board of Directors

Amortization – The paying off of debt in regular installments over a period of time

Annual Comprehensive Financial Report – The official annual report, including financial statements, statistical information, and extensive narration, which goes beyond the minimum financial reporting

App – Application software

Appropriation – The act of setting aside money for a specific purpose

Assets – Resources owned or held by an entity which have monetary value

AutoCAD – Automated Computer Aided-Design and Drafting

Automated Clearing House – electronic payment to vendors

Balanced Budget – A budget for which expenses are equal to income

Budget – The District’s financial plan balancing proposed expenses for a certain period of time to the expected revenue for that same period

Capital Expenses – Expenses which result in the acquisition of, or addition to, fixed assets, including land, buildings,

improvements, machinery, and equipment

Capital Improvement Project – An addition of a new pipeline or facility, a renovation or major maintenance to existing facilities, a major landscape improvement, land, or one-time major equipment purchase

Certificates of Participation – A form of lease-purchase financing used to construct or acquire capital facilities and equipment

Cla-Val – Automatic control valves

Computer Aided Design – The use of a wide range of computer-based tools that assist engineers, engineering technicians, and other design professionals in their design activities.

Debt – The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on long-term debt

Depreciation – A portion of the cost of a fixed asset which is charged as an expense during a year, representing an estimate of the value of the asset used up during that year as a result of wear, deterioration, obsolescence, or action of the physical elements

Enterprise Fund – A fund which accounts for the financing of a self-supporting enterprise for which a fee is charged to external users for goods or services

Enterprise Resource Planning – is business process management software that allows an organization to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources

Equivalent Dwelling Unit – A standard unit of measurement of water discharged into the sewer collection and treatment system equal to the average discharge from a detached single-family unit

Expenses – An outflow of assets, not necessarily in cash, in exchange for materials or services received for the ordinary course of business

Fiscal Year – A twelve-month period of time to which the annual budget applies and, at the end of which an entity determines its financial position and the results of its operations, in this case from July 1 to June 30

Fixed Asset – A tangible item which provides benefit over more than one year, such as property, plant, and equipment

Fixed Network – A wireless network technology which allows the remote collection of data from water meter devices

Fund – A set of accounts used to account for a specific activity, such as a water system or sewer treatment plant

Fund Balance/Net Position – The difference between the assets and liabilities for a particular fund at any given point in time

Generally Accepted Accounting Principles – The uniform accounting principles, standards, and procedures for the presentation of financial reports. For local governments, GAAP is set by the Government Accounting Standards Board

Geographical Information System – An information system integrating maps with electronic data

Hundred cubic feet – Unit of measure of water volume equivalent to 748 gallons or 1/435.6 acre-feet

Inland Empire Utilities Agency (IEUA)– A supplemental water supplier and regional wastewater treatment agency with domestic and industrial disposal systems and energy recovery/production facilities

Metropolitan Water District of Southern California (MWD)– Imports water from the Colorado River and Northern California Bay Delta and sells it at wholesale to its member agencies

Operating Expenses – All costs associated with doing the day-to-day business of the District which are not considered capital improvements or debt repayments

Projected – An estimate of revenues and/or expenses based on past trends, the present economic situation, and future financial forecasts

Public Agency Retirement Service (PARS)– A supplemental retirement plan

Request for Proposal – is utilized by the District to solicit vendor bids

Reserves – Assets that are set aside in an account for a specific future use

Resolution – A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute

Southern California Edison (SCE)– The primary electricity supply company for much of Southern California

State Water Resources Control Board – An oversight board for the California Environmental Protection Agency

Voice over IP (VOIP)– Is a methodology and group of technologies for the delivery of voice communications and multimedia sessions over Internet Protocol (IP) networks

WIFI – a facility allowing computers, smartphones, or other devices to connect to the Internet or communicate with one another wirelessly within a particular area



www.CVWDwater.com