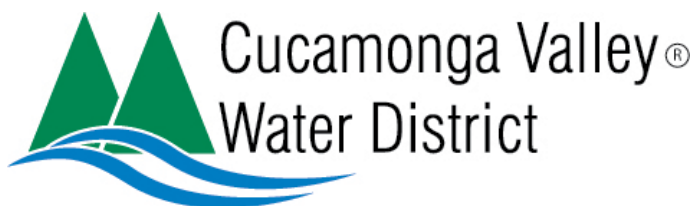
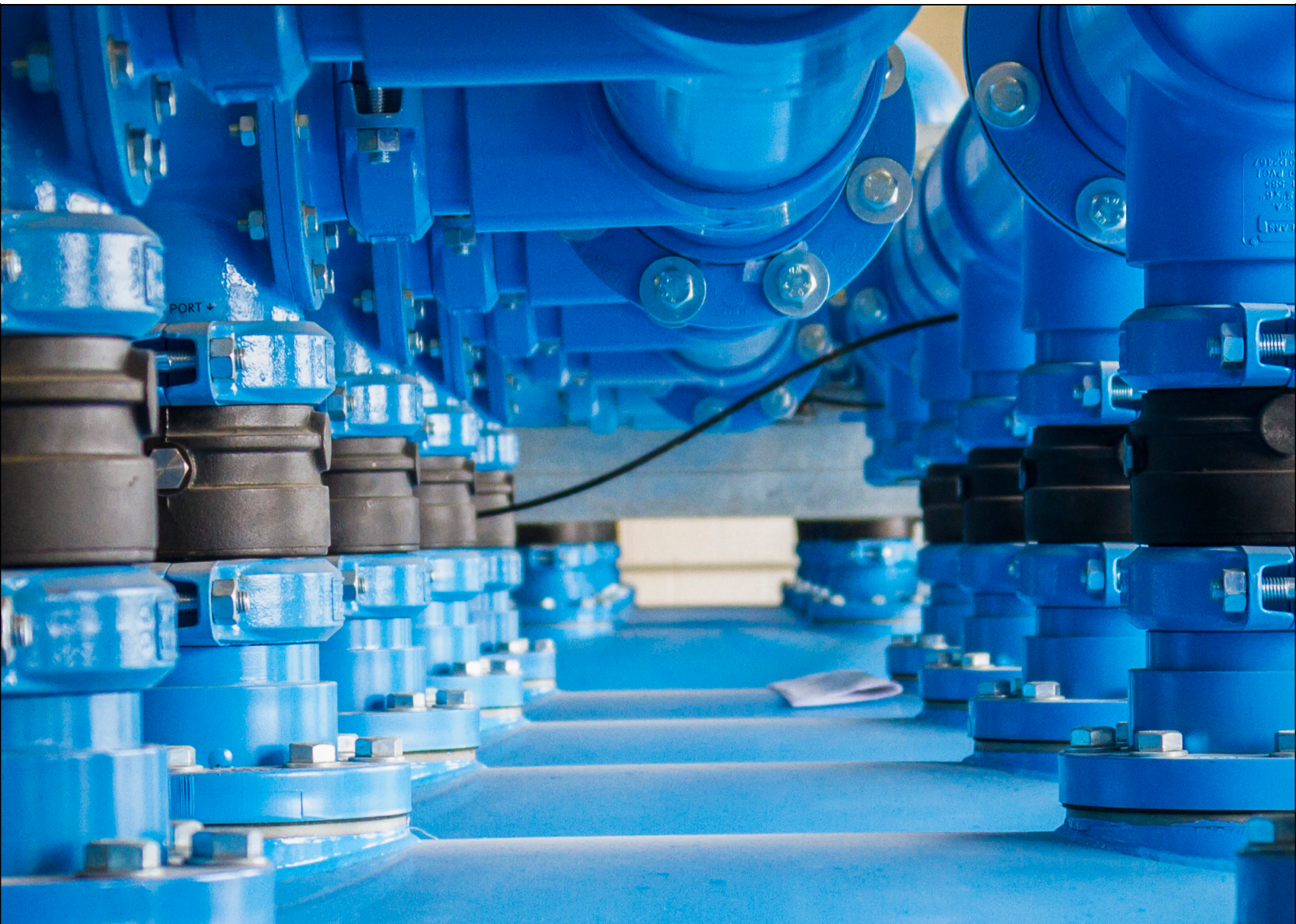


CUCAMONGA VALLEY WATER DISTRICT

ANNUAL OPERATING & CAPITAL IMPROVEMENT BUDGET

FOR THE FISCAL YEAR ENDING JUNE 30, 2018



Cucamonga Valley®
Water District

Service Beyond Expectation

Water, Service, People

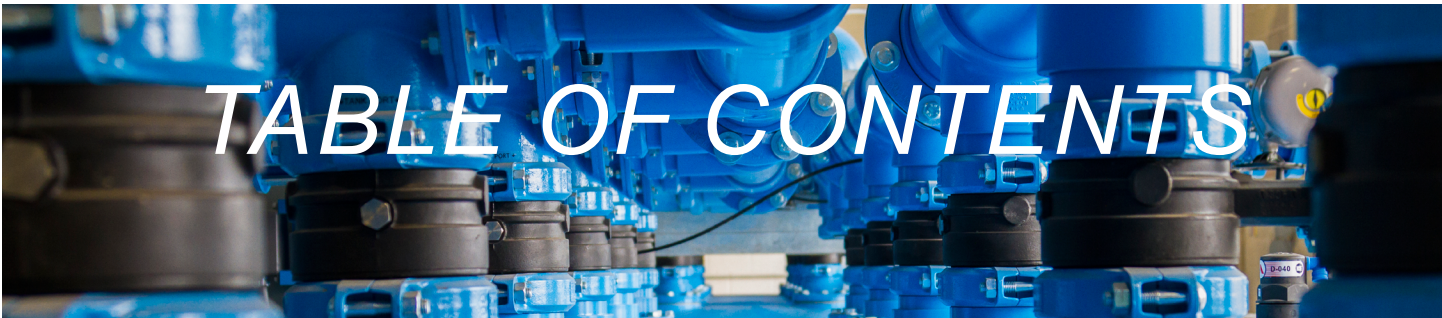
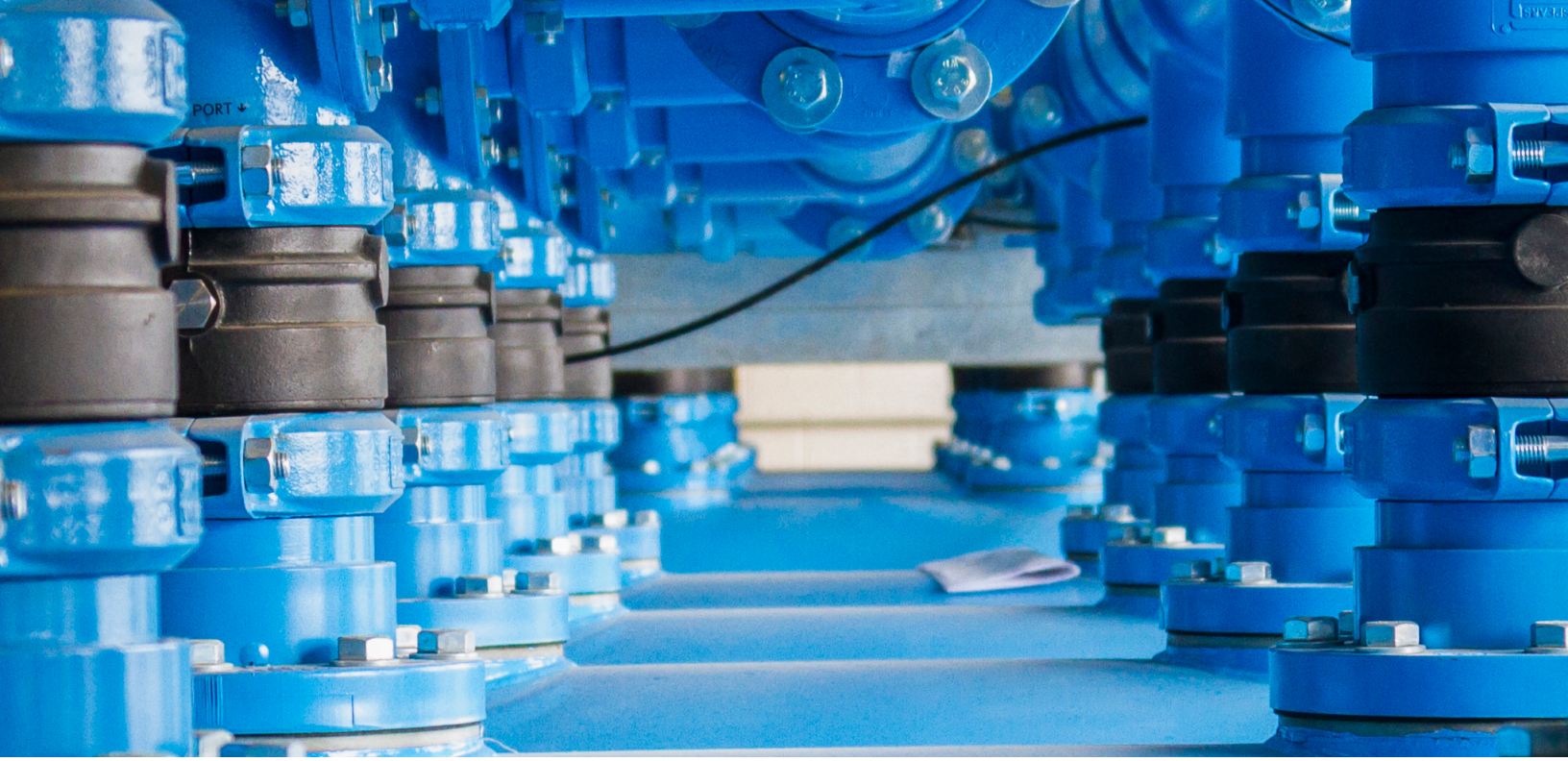


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BUDGET MESSAGE

CUCAMONGA VALLEY WATER DISTRICT

GOVERNING BOARD OF DIRECTORS



Board President
JAMES V.
CURATALO JR.



Vice President
LUIS CETINA



Director
OSCAR
GONZALEZ



Director
RANDALL JAMES
REED



Director
KATHLEEN J. TIEGS

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 2018 Fiscal Year Operating and Capital Improvement Budget. Since January 2017, our management team has worked diligently to develop a balanced budget for Fiscal Year (FY) 2018. Components of this budget have been presented to the Finance, Engineering, and Human Resources/Risk Management 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 47 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 a portion 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 serve 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 a number of District-wide goals were developed in order to align the operating divisions with the Foundational Principles. Over the next several months, teams will be challenged to create action plans that will support these goals. The following District-wide strategic goals have been established:

Water

1. CVWD will maximize the beneficial use of all of our water supplies while maintaining operational and financial flexibility
2. Ensure that CVWD's infrastructure addresses water quality, supply resiliency, and distribution reliability now and into the future
3. Actively participate in the water policy arena to influence statewide regulations

Service

4. Ensure that CVWD staff have the necessary skills, abilities and technology to deliver Service Beyond Expectation
5. Maintain an efficient water, recycled water, and wastewater system in order to provide exceptional service to our customers

People

6. Ensure that CVWD employees are actively engaged in the development and implementation of the District's Vision, Goals, and Action Plans
7. Ensure that CVWD has a resourceful, innovative and empowered pool of talent that supports the culture and values of the District

For a deeper look at the District's strategic goals, please refer to the Goals & Objectives section.



SHORT-TERM FACTORS INFLUENCING THE BUDGET

Almost one year ago the District officially rescinded its drought restrictions; however, the impacts of the statewide drought still continues to drive our water consumption projections. We have found that our customers continue to exercise wise and efficient use of water. When compared to our 2013 base year, the District factored 12.5% and 10% conservation for FY 2017 and FY 2018, respectively. In 2015, the Board adopted a four-year water rate schedule that placed a greater emphasis on collecting fixed revenues; therefore, this loss in water consumption has been offset by increasing fixed meter charges.

The District places a tremendous effort on capital improvement planning. Utilizing our water and wastewater master planning documents, projects are evaluated, prioritized, and scheduled. This year's capital projects total \$24,120,000 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 and has deliberately improved it over the past few years; therefore, this year's capital budget is funded on a Pay-Go basis.

Since 2010 the District has put into place structural changes to limit the impact of rising wages and benefit expenses. A second CalPERS formula of 2% at 60 was implemented for new employees, the defined benefit retiree health care program was closed, employees now participate in a cost-sharing of their pension, as well as other changes resulting in on-going savings to rate payers. Since this time, pension expenses have experienced increases 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 has implemented advanced discretionary payments over the next five years. This plan was implemented in FY 2017 and the District has budgeted a \$1 million payment for FY 2018. Based on our analysis, this five-year repayment plan will save rate payers approximately \$12.5 million. Despite the unique challenges facing the District, there has been no impact to the level of service provided to our customers.

BUDGET PRIORITIES FOR FY 2018

The biggest change in priority in FY 2018 is the importance of maximizing the beneficial use of all of our water supplies. The District's water supplies are imported water, groundwater, surface water, and recycled water. During the drought emergency the District was able to decrease its reliance on imported water, our most costly source, and increase our groundwater production. Just ten years ago at the height of our water production, the District's purchased imported water was 53% of its water supply. During the drought, the District purchased only 25% of its water and produced the remainder from local supplies. This strategy decreased expenses and kept drought rates low.

Now that the drought emergency has ended, the District is making it a priority to maximize imported water production to insure that CVWD can maintain its Tier I annual allocation from the Metropolitan Water District of Southern California (MWD). This has become challenging to the District during a post drought period where demand-hardening has taken place. The District is partnering with a neighboring water agency to ensure that its allocation from MWD will remain in place for the current period and years to come. This strategy has been incorporated into the FY 2018 budget and we have estimated utilizing 28,000 acre-feet (AF) of imported water at a cost of \$21 million.

BUDGET OVERVIEW

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

	2017 BUDGET	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Total Operating Revenues	\$ 82,784,421	\$ 93,566,426	\$ 10,782,005	13%
Operating Expenses				
Wages and Directors' Fees	11,368,657	11,946,941	578,284	5%
District Burden	5,814,015	6,328,068	514,053	9%
Outside Labor	149,500	176,000	26,500	18%
Professional Development	506,239	501,991	(4,248)	-1%
Professional Services	792,478	789,381	(3,097)	0%
Advertisements	67,925	45,925	(22,000)	-32%
Election Expense	-	150,000	150,000	100%
Personnel Costs	171,150	178,950	7,800	5%
Insurance	459,100	466,420	7,320	2%
Collections	100,000	82,000	(18,000)	-18%
Utilities	8,499,221	3,632,504	(4,866,717)	-57%
Materials & Supplies	3,086,164	4,106,115	1,019,951	33%
Outside Services	16,386,958	17,474,273	1,087,315	7%
Safety	99,040	103,130	4,090	4%
Water Supply	11,446,895	25,511,104	14,064,209	123%
Miscellaneous	506,120	515,785	9,665	2%
Other - Capital Equipment	177,975	150,300	(27,675)	-16%
Total Operating Expenses	59,631,437	72,158,887	12,527,450	21%
Net Operating Revenue	23,152,984	21,407,539	(1,745,445)	-8%
Non-Operating Revenues	4,920,333	5,886,530	966,197	20%
Reserves	8,200,500	1,100,000	(7,100,500)	-87%
Non-Operating Expenses				
Capital Improvement Projects	19,009,000	10,144,000	(8,865,000)	-47%
Debt Service	17,186,321	17,237,352	51,031	0%
Total Non-Operating Expenses	36,195,321	27,381,352	(8,813,969)	-24%
Net Operating Revenues	\$ 78,496	\$ 1,012,717	\$ 934,221	1,190%

SIGNIFICANT BUDGETARY ITEMS

OPERATING BUDGET

Overall, the FY 2018 budget is based on operating revenues of \$93,566,426 and operating expenses of \$72,158,887 for all funds, which reflects increases of 13% and 21% respectively over last year's budget submittal.

Water Fund operating revenues are budgeted to increase by \$9.7 million for FY 2018. Scheduled rate increases impact budgeted revenues for water sales (\$1.5 million) and fixed meter charges (\$3 million). The largest change in the fund is the increase in budgeted water sales to other agencies in the amount of \$5.2 million for surface water and groundwater sales.

A pass-through agreement with the Inland Empire Utilities Agency (IEUA) is resulting in increased wastewater treatment revenues of \$1 million. The IEUA is the regional wastewater treatment agency for seven local agencies, including CVWD. IEUA's Board adopted a multi-year rate increase that is estimated to increase the pass-through revenues and expenses in FY 2018.

Of the increase in total operating expenses, the single-largest category that increased is the purchase of imported water within the Water Supply account. This category increased by \$14 million from FY 2017 to FY 2018. Imported water increased from 22% of the production mix in FY 2017 to 60% of the mix in FY 2018. Materials & Supplies are also estimated to increase by \$1 million for water treatment chemical expenses as more imported water is treated.

As imported water production increases, the District will decrease its groundwater production and estimates a savings of \$4.9 million in electricity expense for FY 2018. In FY 2017, total groundwater production

was budgeted at 74% and in FY 2018 the estimated groundwater production will decrease to 31% of the total supply mix. The Outside Services category is budgeted to increase by \$1.1 million which primarily is a result of increased wastewater treatment expenses on behalf of IEUA as previously described.

The Wages and Benefits category is budgeted to increase by \$1.1 million as a result of two new positions, budgeted merit and cost of living adjustment (COLA) increases, as well as additional actuarial-derived contributions to Other Post-Employment Benefits and CalPERS contributions. Included in this budget proposal is the addition of an Accountant and a Communications & Outreach Representative I. The outsourcing of janitorial services will keep a Facilities Maintenance Worker position unfilled. In addition, the part-time Finance Intern and Communications & Outreach Representative I will remain unfilled.

CAPITAL IMPROVEMENT BUDGET

New requests in Capital Improvement Project (CIP) budget include Water Capital funding of \$8,010,000, Sewer Capital funding of \$1,984,000, and Recycled Water Capital funding of \$150,000. The total CIP budget includes \$10.1 million of new projects and \$14.4 million of carryover projects. Notable Water Fund projects include Reservoir 3A Nitrate Wellhead Treatment Plant (\$4.6 million), new Reservoir 3A (\$2 million), completion of New Well 48 (\$1.3 million), completion of the Fixed Network & Meter Exchange project (\$1.2 million) and a new waterline in Ramona Avenue (\$1.1 million). The Sewer Fund has two large projects that include a new sewer line in Hellman Avenue (\$2.3 million) and a new sewer line in Hermosa Avenue (\$1.1 million).

DISTRICT MANAGEMENT



MARTIN E. ZVIRBULIS
General Manager/CEO

JO LYNNE RUSSO-PEREYRA
Assistant General Manager

JOHN BOSLER
Assistant General Manager/COO

CARRIE CORDER
Assistant General Manager/CFO

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 2018.

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 Jennifer Fillinger, Senior Accountant; Agnes Boros, Accounting Supervisor; Chad Brantley, Finance Manager; and Carrie Corder, Assistant General Manager/CFO.

Respectfully submitted,

Martin E. Zvirbulis
General Manager/CEO

June 13, 2017

BUDGET RESOLUTION

RESOLUTION NO. 2017-6-3

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CUCAMONGA VALLEY WATER DISTRICT ADOPTING THE ANNUAL OPERATING AND CAPITAL IMPROVEMENT BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2018

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 Annual Operating and Capital Improvement Budget For The Fiscal Year Ending June 30, 2018 (“2018 Budget”); and

WHEREAS, on June 13, 2017, the Board of Directors received and considered all comments regarding the proposed 2018 Budget; and

WHEREAS, the proposed 2018 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 2018 Budget, as detailed in the budget document entitled “Annual Operating and Capital Improvement Budget for the Fiscal Year Ending June 30, 2018”, is hereby adopted. A copy of the 2018 Budget is attached hereto and incorporated herein by reference.
2. The expenditure amounts designated for the Fiscal Year 2017-2018, pursuant to the 2018 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 be decreased from \$0.11 per hcf to \$0.10 per hcf effective 07/01/2017.
4. The current amount of the Customer Assistance Program (CAP) shall be increased from \$15.00 per bimonthly billing period to \$20.00 per bimonthly period effective 07/01/2017.
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 13th day of June, 2017.



James V. Curatalo Jr.
President, Board of Directors

Attest:



Martin E. Zvirbulis
Secretary, Board of Directors

GOALS & OBJECTIVES

The District has developed a number of District-wide goals for FY 2018 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 will maximize the beneficial use of all of our water supplies while maintaining operational and financial flexibility
 - a. Operate within approved multi-year rate structure
 - b. Consider statewide water regulations
 - c. Work with other regional entities
 - d. Protect and secure current water rights
 - e. Obtain additional water rights as practicable
2. Ensure that CVWD's infrastructure addresses water quality, supply resiliency, and distribution reliability now and into the future
 - a. Implement the adopted master plans:
 - i. Water Master Plan
 - ii. Wastewater Master Plan
 - iii. Capital Improvement Budget
 - iv. Communications Master Plan
 - v. Long-Term Financial Plan
 - b. Adhere to current and anticipated water quality regulations
 - c. Outreach to customers and stakeholders to address the results of investments and the value of water
3. Actively participate in the water policy arena to influence statewide regulations
 - a. Engage with statewide advocacy organizations
 - b. District Board and staff will participate in statewide and regional advocacy groups that promote good water policy

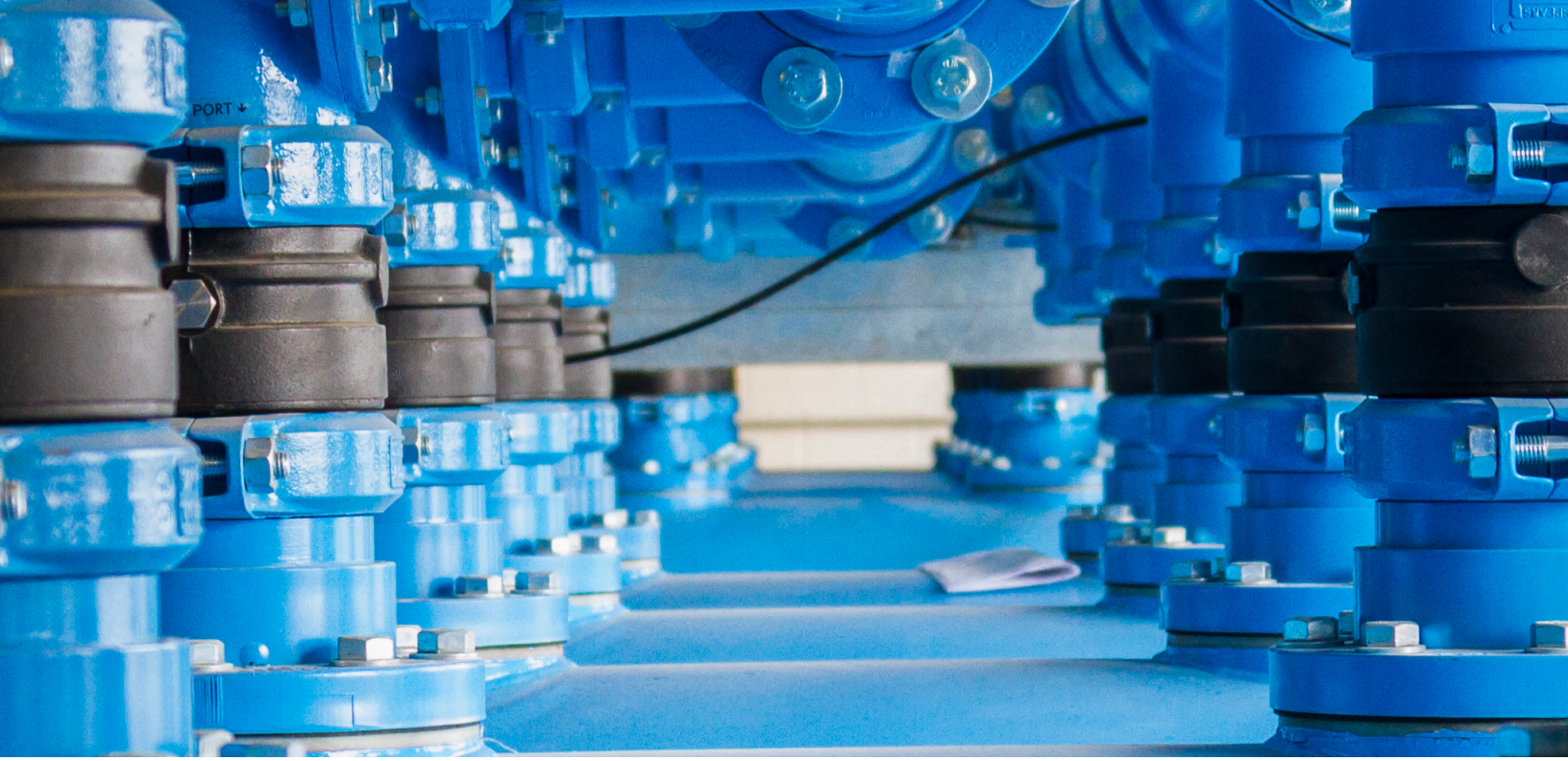
Service

4. Ensure that CVWD staff have the necessary skills, abilities and technology to deliver Service Beyond Expectation
 - a. Standardize all customer communications via the Board adopted Branding Guidelines
 - b. Develop a Customer First model
 - c. Provide ongoing internal/external customer interaction training
 - d. Explore the use of alternate modes to receive internal and external customer feedback
5. Maintain an efficient water, recycled water, and wastewater system in order to provide exceptional service to our customers

People

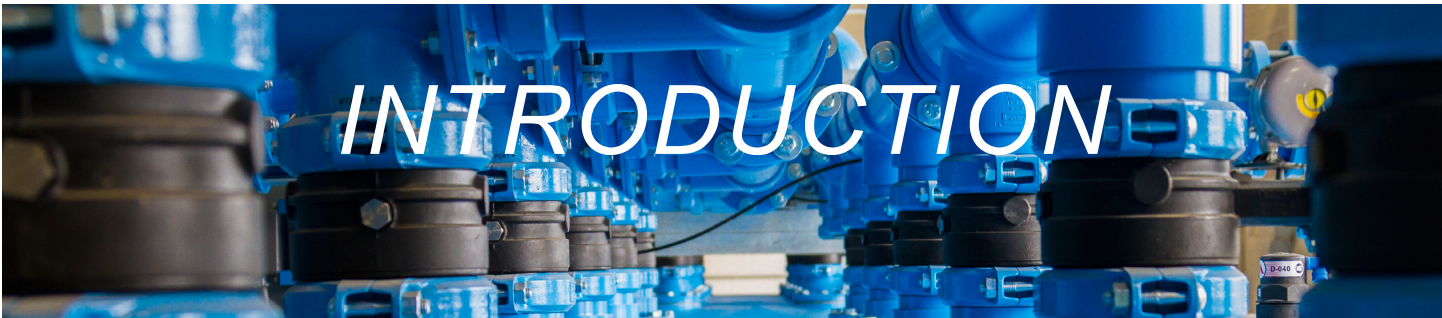
6. Ensure that CVWD employees are actively engaged in the development and implementation of the District's Vision, Goals and Action Plans
 - a. Establish a communication process to develop Action Plans at the team level
 - b. Include elements of Action Plans into the following:
 - i. Performance appraisals
 - ii. Staff reports
 - iii. Planning and financial documents
 - iv. Other external and internal communication mediums
 - c. Employees take ownership and embrace the District's Foundation Principles through their interactions and communications

7. Ensure that CVWD has a resourceful, innovative, and empowered pool of talent that supports the culture and values of the District
 - a. Offer leadership, professional development, and training programs
 - b. Explore methods to improve the recruitment process and retain quality talent
 - c. Focus on programs and practices that encourage unity
 - d. Maintain programs that encourage multi-functional skill development that brings value to the District and to employees



INTRODUCTION

CUCAMONGA VALLEY WATER DISTRICT



INTRODUCTION

BUDGET GUIDE

This budget document is the District’s annual financial plan prepared by District Management and approved by the Governing Board. The financial plan serves as a policy document, operations guide, and as a means of transparent communication. The budget document is a comprehensive and balanced financial plan that features the key elements of the budget and the major changes and expectations to help users gain an understanding of the District’s financial status and future plans. To help readers navigate this document an outline of each of the major sections of the budget is included below.

BUDGET DOCUMENT SECTIONS

BUDGET MESSAGE

This section includes the District Officials, General Manager/CEO’s Budget Message, Strategic Goals and Strategies, Short-Term Organization-Wide Factors, Priorities and Issues, Budget Overview, Budget Resolution, and Goals & Objectives.

INTRODUCTION

The Introduction section includes the Budget Guide, History & Profile, Statistical Section, Organizational Structure, and District Philosophy.

FINANCIAL STRUCTURE, PROCESS, & POLICY

This section presents an in-depth District-Wide overview of the District’s financial structure, budget process, and significant policies.

FINANCIAL SUMMARIES

This section is a comprehensive summary of the District’s Operating Budget.

DIVISION SUMMARIES

This section provides comprehensive information for each functional program within the District including their operational budget. The FY 2017-2018 Budget is organized into the following summary divisions:

- Board of Directors
- Office of the General Manager
- Human Resources
- Safety & Risk Management/Emergency Preparedness
- Office of the Assistant General Manager
- Communications & Outreach
- Financial & Technology Administration
- Accounting
- Customer Service
- Information Technology
- Purchasing & Warehouse
- General Services Administration
- Engineering Administration
- Geographic Information System
- Design & Water Resources
- Inspection
- Industrial Waste
- Cross Connection
- Operations Administration
- Source of Supply
- Water Treatment
- Production
- Telemetry
- Maintenance: Facilities
- Maintenance: Vehicles
- Water Distribution
- Collection & Transmission
- Recycled Water

CAPITAL & DEBT

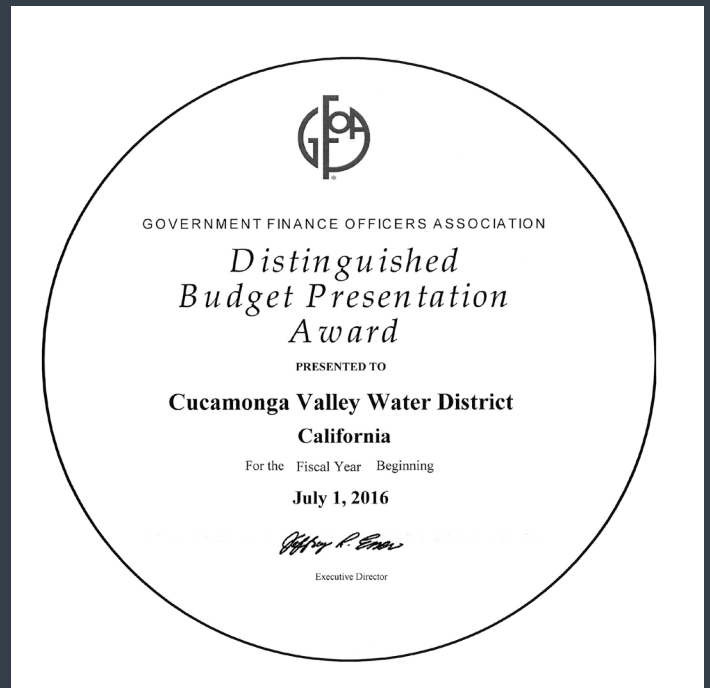
This section presents the Capital Improvement Projects for the FY 2017-2018 Budget, and describes the District's debt.

GLOSSARY

This section provides definitions for general terms and acronyms used throughout the budget document.

BUDGET AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) presented the award of Distinguished Budget Presentation Award to the Cucamonga Valley Water District for the annual budget for the fiscal year beginning July 1, 2016. In order to receive this award a governmental unit must publish a budget document of the very highest quality that adheres to program standards. The award is valid for a period of one year only. The District has received this award every year since the fiscal year beginning July 1, 2007. We believe the FY 2018 budget continues to meet the program requirements and will be submitted to the GFOA to determine its eligibility for another award.



The California Society of Municipal Finance Officers (CSMFO) recognizes those entities with highly professional budget documents with two levels of certificates. The first level is the "Meritorious Budget Award", which requires the entity to meet a very specific list of criteria defined by the CSMFO. The second level is the "Operating Budget Excellence Award", which requires the entity to meet an even higher criterion which effectively enhances the usability of the budget document. The award is valid for a period of one year only. The District has received this award every year since fiscal year 2006-2007. We believe the FY 2018 budget continues to meet the program requirements and will be submitted to the CSMFO to determine its eligibility for another award.

HISTORY & PROFILE

HISTORY

RESPONDING TO GROWING WATER NEEDS

The Cucamonga Valley experienced peak agricultural production capability of the 1940s actually began nearly one hundred years earlier. Good climate, excellent soil and an abundant water supply, prompted the early pioneers to develop a long successful agricultural era.

Beginning in the late 1940s and continuing for about twenty years into the 1960s, most of southern California experienced an extensive dry cycle. During this period, rainfall was reduced to about one-half of previous 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 in the Chino Basin to the south.

All water production was developed through the efforts of about 25 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 drilled. Many companies reduced the amount of water delivered to stockholders. Additional production in the Chino Basin commenced as a result of the lowered water table in the Cucamonga Basin.

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 to determine the water rights of all Cucamonga Basin water users. This act had the effect of solidifying the various local interests into a common defense, and resulted in the annexations to MWD, to Chino Basin Municipal Water District, and the creation of Cucamonga County Water District.

It was during this drought period that the Cucamonga Water Company was not able to adequately service its customers both agriculturally and domestically. Several of its wells were unable to produce water because of the extreme low water level and the Company's lack

of funds needed to purchase pumping equipment to lift water from the lower elevations.

As a result of these conditions, stockholders in the Cucamonga Water Company and the Cucamonga Basin Protective Association organized to create a public agency that would be able to raise sufficient funds from all property owners and water users to provide an adequate supply of water for the growing Cucamonga Valley.

ORGANIZATION & SERVICE AREA

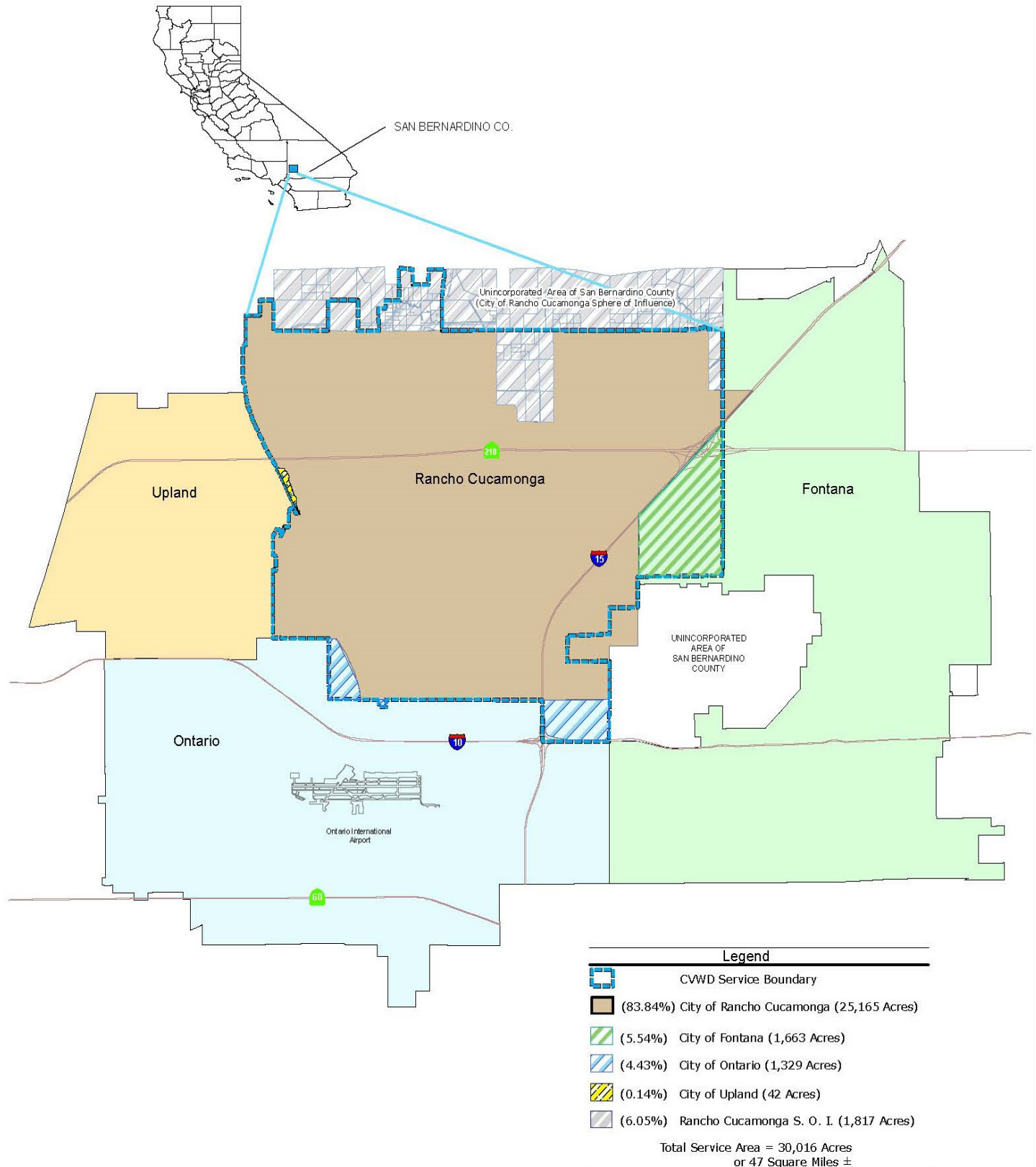
The District was organized in March 1955 as a public corporation under the provisions of Division 12 of the California Water Code, within boundaries established by the San Bernardino Board of Supervisors. CVWD is a special district, which is an independent unit of local government serving the needs of the community. Special districts are the most efficient forms of government since the cost of the services provided to the customers directly equals the revenue generated from the charges for services provided.

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. 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.



PROFILE

The District provides water, wastewater, and recycled water services to a population of approximately 190,000 within its 47 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.



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



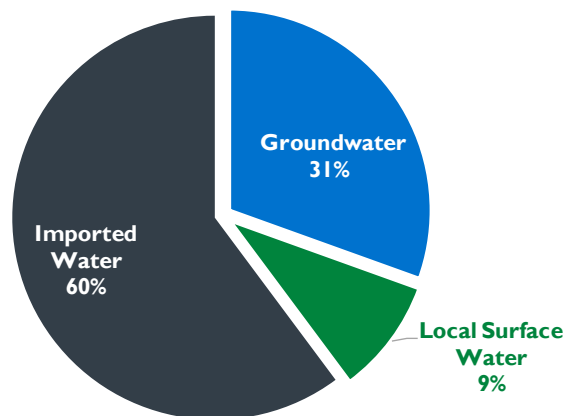
GOVERNMENT

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 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.

WATER SOURCES

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

FY 2018 Budget Water Sources



IMPORTED WATER

Imported water is the District's most significant water supply and 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 CB16 is treated at the District's Lloyd Michael Water Treatment Plant. The District has a maximum annual Tier I allocation of 28,369 AF allocated by MWD.

GROUNDWATER

The District has water rights to 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 is managed by the Chino Basin Watermaster who oversees member agencies and has assigned the District an annual safe yield of 140,000 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.

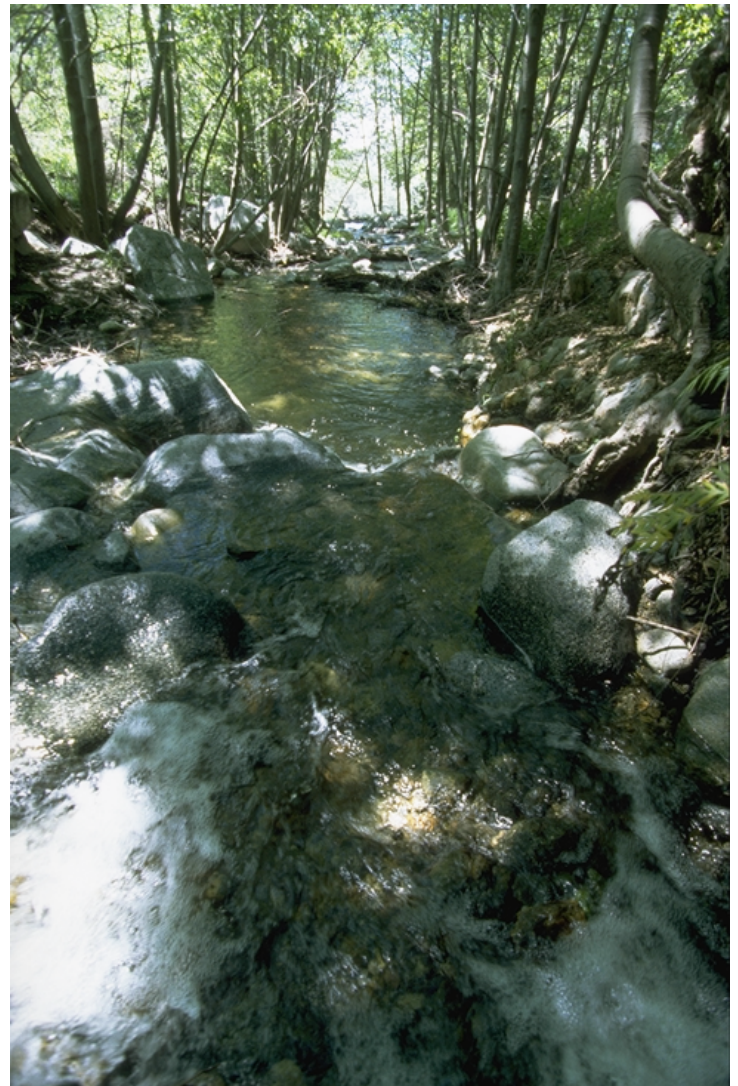
SURFACE WATER

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 two estimates: dry conditions and normal conditions. Under normal conditions the District predicts 4,540 AF annually of surface water capture, but that drops to 2,270 AF annually under dry conditions. So although canyon/surface water is the most cost-effective supply, it only contributes between 3 and 13% of the District's

annual water supply.

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 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, with no significant impact on the District's supplies.



WATER DISTRIBUTION

Currently, the District manages a potable water system that includes 13 pressure zones, 29 groundwater wells, 35 water storage reservoirs, and tanks, 22 booster pumping stations, 3 imported water connections, 33 pressure reducing valves, and approximately 703 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 in spite of 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 five 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 35 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.

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 depending on source water characteristics and water quality goals. The water from tunnels is groundwater quality and does not require treatment. All other water requires treatment at one of the District's three treatment plants before it can be introduced into the potable water supply. The District's Arthur H. Bridge Water Treatment Plant utilizes dual-stage pressure filtration followed by disinfection, while the Royer-Nesbit Water Treatment Plant and the Lloyd Michael Water Treatment Plant are conventional treatment plants. Additional improvements at the Lloyd Michael Water Treatment Plant allow for additional enhanced treatment processes such as granulated activated carbon filtration and ultraviolet irradiation.



WATER CONSERVATION

In 2009 the California legislature passed SBx7-7 which requires a statewide 20% reduction in urban per capita water use by 2020. It requires that urban water retail suppliers determine baseline water use and set reduction targets according to specified requirements, and requires agricultural water suppliers prepare plans and implement efficient water management practices. A combination of a population and land-use-based demand forecasting was used to project future demands in the District's service area. Based on the District's evaluation of years 1995 to 2004, the maximum per capita water use was 289.3 gallons per capita per day. To achieve a 20% reduction by 2020 as written under SBx7-7, the average per capita demand target was set at 231 gallons per capita per day.

Since 2012, California has experienced historic drought conditions resulting in record high temperatures and low precipitation. On January 17, 2014, California's governor proclaimed a State of Emergency asking for 20% water conservation. On April 1, 2015, the Governor signed an Executive Order imposing restrictions to achieve a 25% reduction in potable urban water usage. In order to reach this reduction, the State Water Board set conservation standards for each water supplier. Based on this reduction, the District had a conservation target of 32% as compared to 2013. For FY 2016 the District set drought rates at Stage 6 – Severe Water Emergency requiring 35% conservation by all customers. In May 2016 the State Water Resources Control Board adopted changes to the emergency conservation measures that allowed local water providers to self-certify their water supply and set their own conservation requirements. The District did an analysis that projected that CVWD had water supply necessary to meet customer demands without asking customers for a specific conservation rate, and on July 1, 2016 moved to Stage 1 – Encouraging Water Use Efficiency and NO specific conservation requirement. On April 7, 2017 the Governor issued an Executive Order lifting the emergency drought declaration but reaffirmed the need for Californians to make water use efficiency a way of life. This was a result of the record wet year for the winter 2017. For FY2018 the District will maintain rates at Stage 1.

WASTEWATER COLLECTION & TREATMENT

The District's sewer system maintains approximately 37,000 sewer connections, covering 25,986 acres (40.6 square miles), and conveys an estimated average of 12.5 million gallons per day (MGD) of wastewater. The District collects wastewater and delivers it to the IEUA. IEUA treats wastewater and either recycles it for non-potable uses (such as landscaping and industrial uses) or disposes of the treated wastewater. IEUA provides recycled water back to agencies including the District, for distribution in their water service areas. 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 two lift stations.

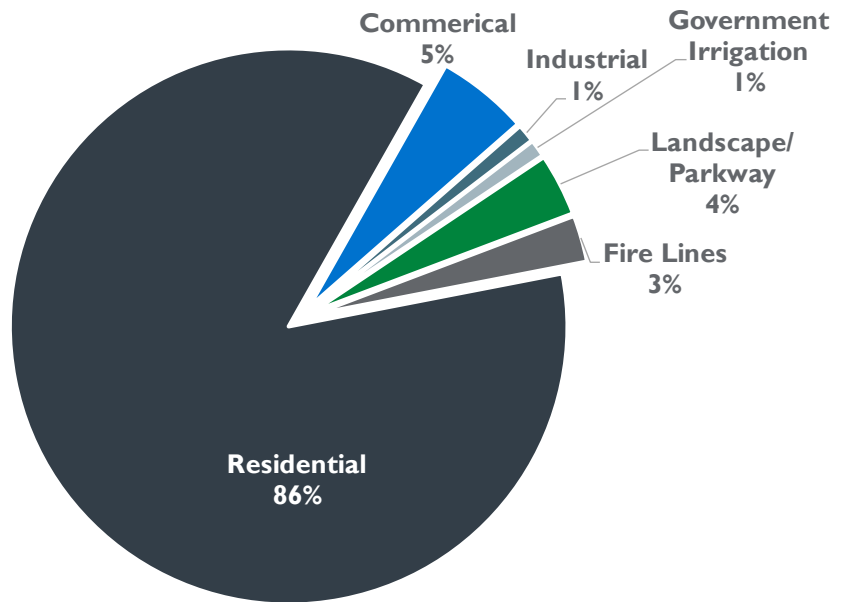


STATISTICAL SECTION

FY 2017 Customer Base

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 12.11% of total water sales revenue in FY 2016.

CUSTOMER	2016 ANNUAL USAGE (HCF)	% OF TOTAL	FY 2016 REVENUES	% OF GROSS WATER SALES & METER CHARGES
City of Rancho Cucamonga	579,116	3.60%	2,370,198	3.49%
County of San Bernardino	217,624	1.35%	1,464,425	2.16%
City of Fontana	167,951	1.04%	638,620	0.94%
Etiwanda School District	130,337	0.81%	578,626	0.85%
Gerdau Ameristeel (Tamco)	125,574	0.78%	619,656	0.91%
Frito Lay	108,487	0.67%	575,810	0.85%
Alta Loma School District	89,697	0.56%	402,587	0.59%
Chaffey Community College	84,452	0.52%	585,942	0.86%
Lewis Management Corporation	80,478	0.50%	465,232	0.68%
Nestle Waters North America	80,224	0.50%	525,884	0.77%
Total	1,663,940	10.34%	8,226,980	12.11%
Total District Consumption (All Accounts)	16,098,052	100.00%	\$67,923,650	100.00%

10 PRINCIPAL EMPLOYERS IN CITY OF RANCHO CUCAMONGA

Below is a listing of the top ten employers within the city of Rancho Cucamonga where a majority of the District's service area is located.

EMPLOYER	NUMBER OF EMPLOYEES	PERCENTAGE OF TOTAL EMPLOYMENT
Inland Empire Health Plan (IEHP)	1,450	1.57%
Chaffey Community College	1,335	1.44%
Etiwanda School District	1,025	1.11%
Amphastar Pharmaceutical	880	0.95%
City of Rancho Cucamonga	855	0.92%
Southern California Edison	800	0.86%
Alta Loma School District	650	0.70%
Big Lots Distribution Center	605	0.65%
Mercury Insurance Company	595	0.64%
Central School District	527	0.01%

Source: City of Rancho Cucamonga June 2016 CAFR

LOCAL DEMOGRAPHICS

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

YEAR	UNEMPLOYMENT RATE - RANCHO CUCAMONGA	POPULATION - RANCHO CUCAMONGA	PERSONAL INCOME (THOUSANDS OF DOLLARS)
2007	3.6%	164,195	125,407
2008	5.2%	164,671	127,657
2009	8.3%	164,764	123,849
2010	10.2%	165,269	126,656
2011	9.7%	168,251	134,663
2012	8.6%	169,370	138,312
2013	7.3%	170,614	141,978
2014	6.0%	172,146	149,682
2015	4.8%	173,897	159,429 ³
2016	4.2%	175,681	N/A
2017	3.8% ¹	177,324 ²	N/A

Source: ¹ Preliminary rate through March 2017 (latest data available) from California State Employment Development Department ² January 2017 estimate using the 2010 census benchmark from California State Department of Finance ³ Estimate for 2015 from United States Bureau of Economic Analysis for the Riverside-San Bernardino-Ontario Metropolitan Service Area

CLIMATE

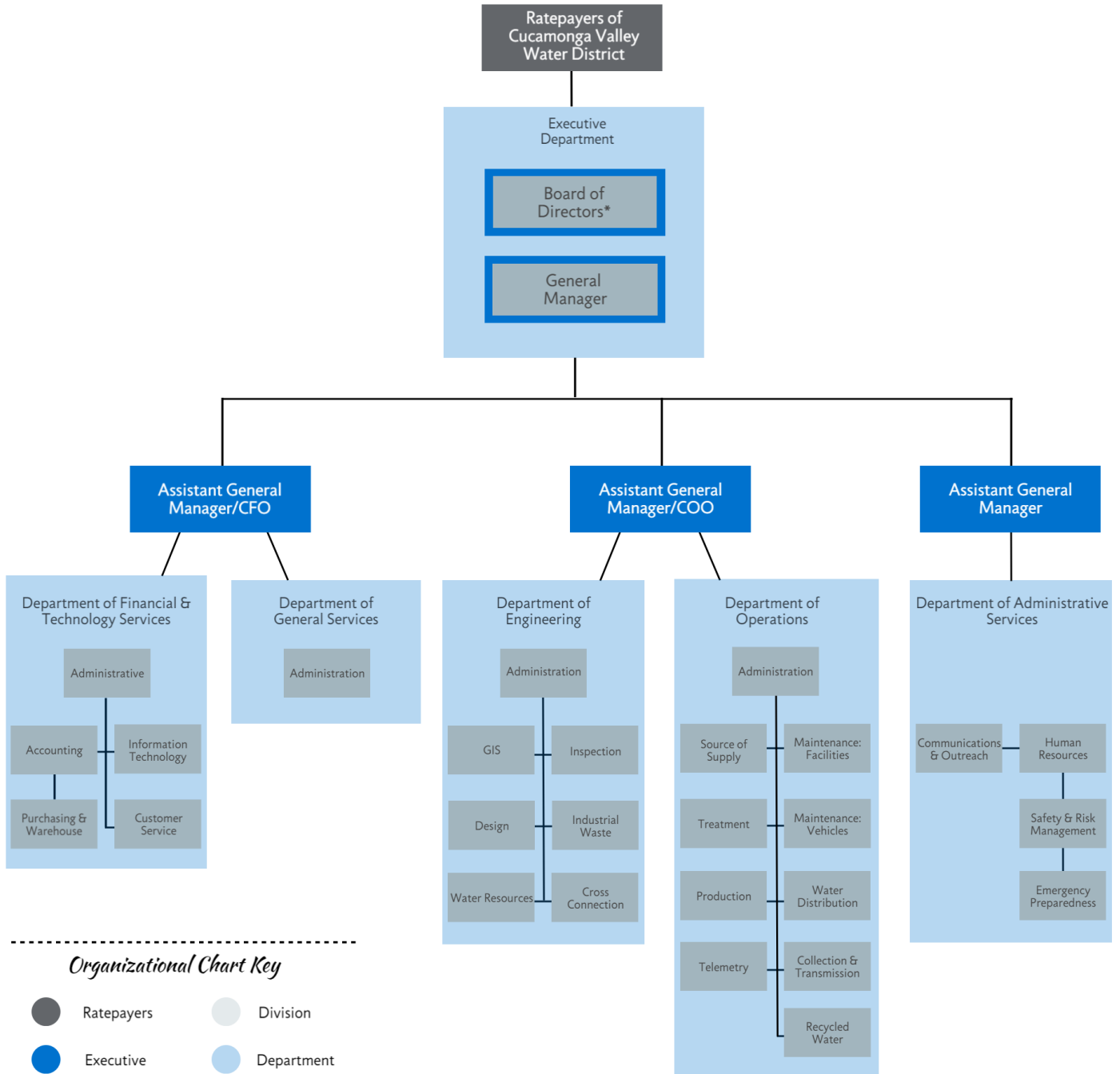
The District's service area climate is a semi-arid, Mediterranean environment with mild winters, warm summers, and moderate rainfall, consistent with interior coastal Southern California. The usually mild climatological pattern is interrupted infrequently by periods of extremely hot weather or winter storms. The average temperature is 65 degrees Fahrenheit between 1981 and 2012, with an average annual rainfall of 15.0 inches as measured at the National Climatic Data Center Ontario International Airport Station.



***WATER USE EFFICIENCY
SHOULD BE A WAY OF LIFE***

ORGANIZATIONAL STRUCTURE

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



Organizational Chart Key

- Ratepayers
- Executive
- Division
- Department
- * Elected Officials

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 influence the service 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

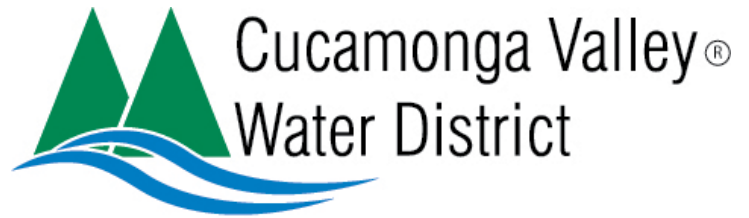
Cucamonga Valley Water District is founded on people, service, and water. The District continually looks for innovative, solution-based ideas to improve efficiency and service to customers. Open communication gives employees and customers insight into the District's business operations, and internal 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.

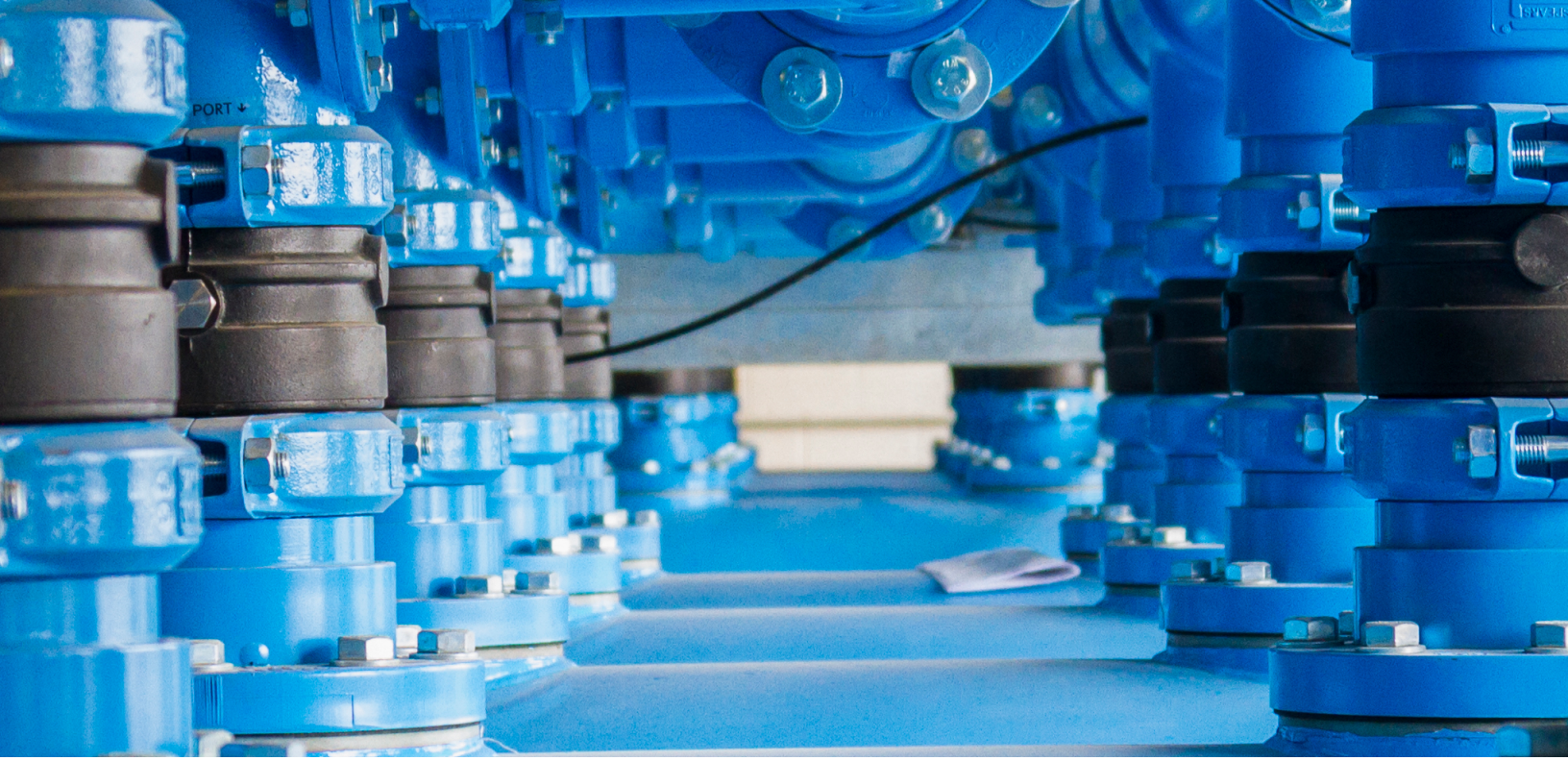
Communication – We have an efficient system of outreach that provides employees and customers with knowledge and information and cultivates a two-way system of communication.

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



Service Beyond Expectation





FINANCIAL STRUCTURE, PROCESS, & POLICY

CUCAMONGA VALLEY WATER DISTRICT

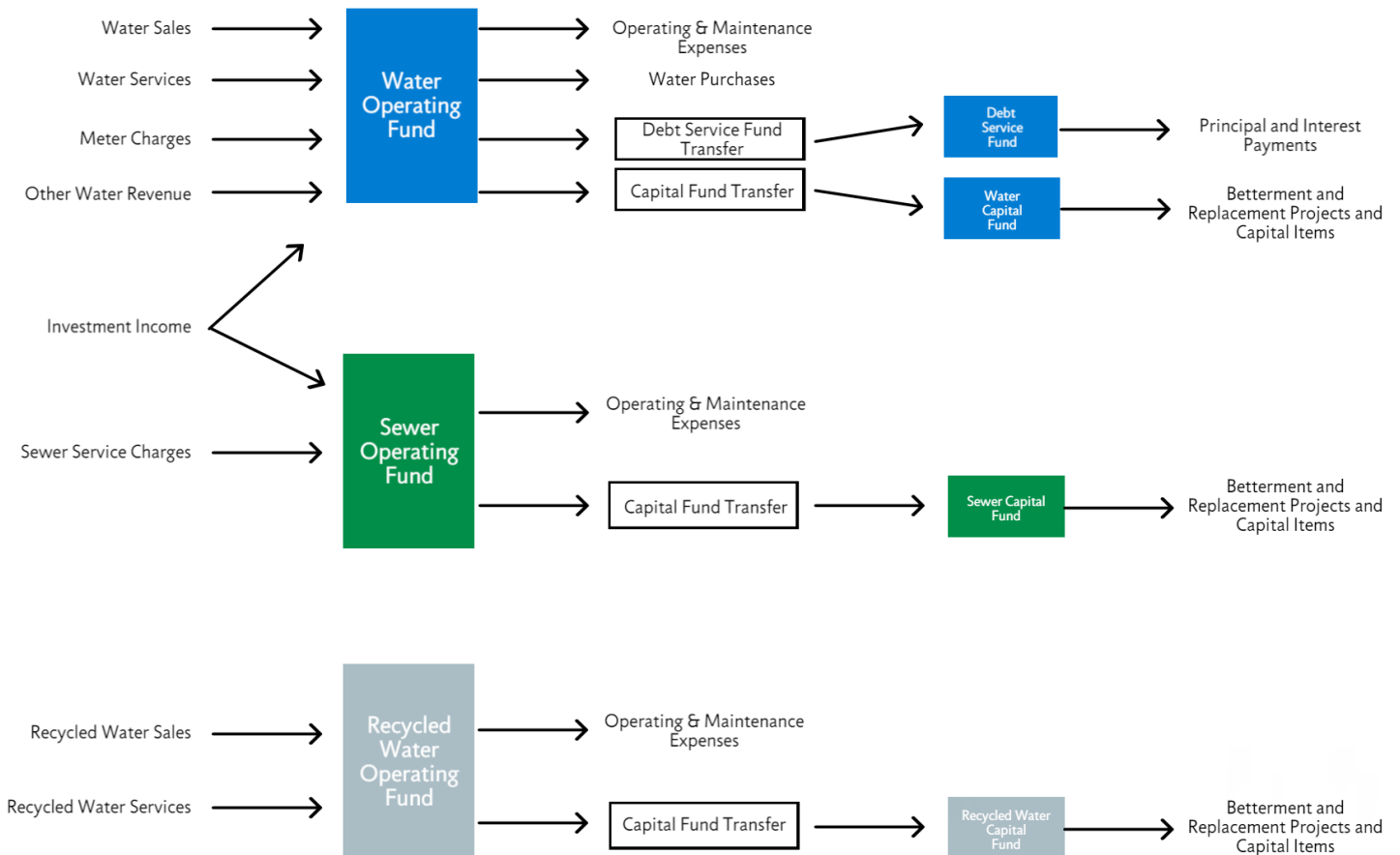
FINANCIAL STRUCTURE, PROCESS, & POLICY

FUND STRUCTURE

A California special district, CVWD, engages in three separate and distinct business-type activities, including:

1. Potable Water: Acquisition, treatment and distribution of potable water, and the construction, repair and replacement of related infrastructure
2. Sewer: Collection of domestic and industrial wastewater, and the construction, repair and replacement of conveyance facilities
3. Recycled Water: Acquisition and distribution of recycled water, and the construction, repair and replacement of related infrastructure

Accordingly, the District's budget is organized on the basis of three major enterprise funds - Water, Sewer, and Recycled Water. Additionally, the District has three capital funds - Water Capital Fund, Sewer Capital Fund, and Recycled Water Capital Fund, which are funded by transfers from the three enterprise funds. Additionally, the District has one Debt Service Fund, which is funded by transfers from the Water Fund.



Each enterprise fund is considered a separate budgetary and accounting entity, reported on a full accrual accounting basis with the exceptions noted in the Basis of Budgeting section of this document. The capital funds and debt service fund are consolidated into their respective enterprise fund for financial reporting on the comprehensive annual financial report (CAFR).

Each fund is a separate fiscal entity with its own self balancing set of accounts. Rates and budgets are adopted for each to support the associated operating and capital costs. Each enterprise fund records cash and financial resources, together with all related liabilities and residual equity balances.

FUND	FUND TYPE	DESCRIPTION	INCLUDED IN BUDGET	INCLUDED IN CAFR
Water	Enterprise	Accounts for potable water operations	Yes	Consolidated Water Fund
Water Capital	Capital Improvement	Accounts for long-term water related capital improvement projects	Yes	Consolidated Water Fund
Debt Service	Debt Service	Provides debt issuance and repayment for the Water Funds	Yes	Consolidated Water Fund
Sewer	Enterprise	Accounts for sewer operations	Yes	Consolidated Sewer Fund
Sewer Capital	Capital Improvement	Accounts for long-term sewer related capital improvement projects	Yes	Consolidated Sewer Fund
Recycled Water	Enterprise	Accounts for recycled water operations	Yes	Consolidated Recycled Water Fund
Recycled Water Capital	Capital Improvement	Accounts for long-term recycled water related capital improvement projects	Yes	Consolidated Recycled Water Fund
Frontier Project Foundation	Fiduciary	Accounts for operations and related revenues of the Frontier Project Foundation, a nonprofit public benefit corporation	No	Yes, reported as separate Frontier Project Fund as a blended component unit

FUND/DIVISION RELATIONSHIP

The cost of operating expenses, including employee wages and benefits, are allocated to each department and division based on actual expenses as tracked by the District’s work order/cost accounting system, with allocation to the Water, Sewer, or Recycled Water Funds based on percentages determined by historical trends and service levels. District-wide expenses which are general in nature and not attributable to a particular work category or division are allocated to the District’s General Services Department.

Costs are also associated with individual work orders, thereby providing the District with the information necessary to analyze costs based on individual tasks or functions.

The following chart shows the relationship between the District’s divisions and the enterprise funds that are charged for their activities.

DEPARTMENT	DIVISION	WATER FUND	SEWER FUND	RECYCLED WATER FUND
Executive	Board of Directors	✓	✓	
	Office of the General Manager	✓	✓	
Administrative Services	Human Resources	✓	✓	
	Safety & Risk Management	✓	✓	
	Emergency Preparedness	✓		
	Office of the Assistant General Manager	✓	✓	
	Communications & Outreach	✓	✓	
Financial & Technology Services	Financial & Technology Administration	✓	✓	
	Accounting	✓	✓	✓
	Customer Service	✓	✓	✓
	Information Technology	✓	✓	✓
	Purchasing & Warehouse	✓	✓	
General Services	General Services Administration	✓	✓	
Engineering	Engineering Administration	✓	✓	✓
	Geographic Information System	✓	✓	✓
	Design	✓	✓	✓
	Water Resources	✓		✓
	Inspection	✓	✓	✓
	Industrial Waste		✓	
	Cross Connection	✓		
Operations	Operations Administration	✓	✓	
	Source of Supply	✓		
	Water Treatment	✓		
	Production	✓		
	Telemetry	✓		
	Maintenance: Facilities	✓	✓	
	Maintenance: Vehicles	✓	✓	
	Water Distribution	✓		
	Collection & Transmission		✓	
	Recycled Water			✓

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 CAFR 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.
- Depreciation expense is recorded on a GAAP basis but is not contemplated on the Budget basis.
- Interest expenses are capitalized during construction on a GAAP basis, but are reported as an expense on a 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 68.

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.

BUDGET PROCESS

The budget reflects the direction of the District and is the District's communication tool to the public. The budget represents guidelines established to address the District's short-term and long-term goals and objectives. This document also demonstrates the District's ability to use financial resources for completing critical capital projects for current and future customers as well as the District's commitment to meet its financial obligations. Throughout the year executive management and the Board of Directors work closely to plan out the goals of the District that support the District mission, vision, and values.

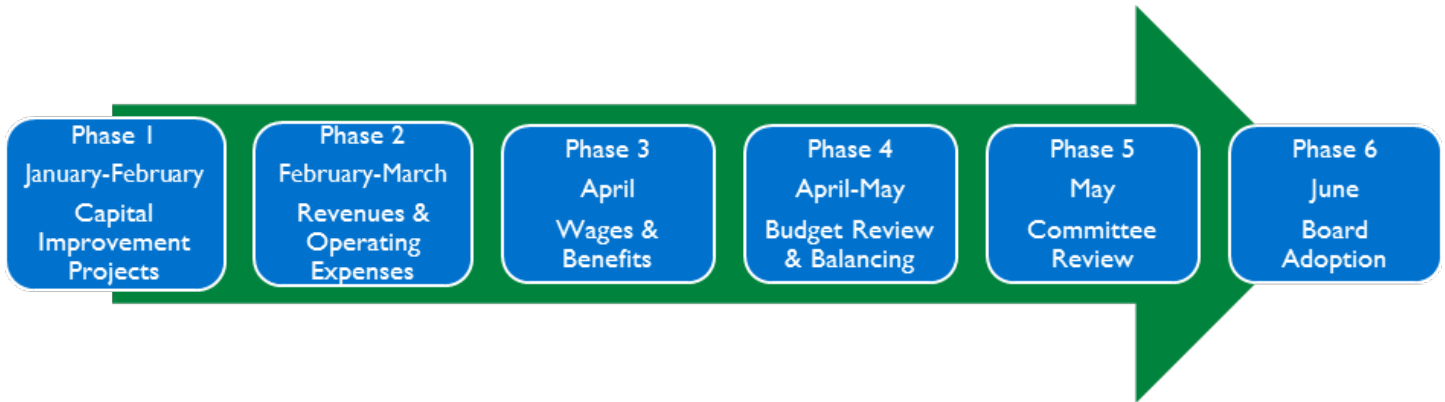
The executive team then communicates the District's goals, priorities, and strategy to the managers. Managers have the task of connecting their division goals to the District's goals and priorities and monitoring progress using key performance measures as outlined in the division summaries.

The District adopts an annual budget each year, dividing the annual budget process into four major sections.

1. Phase 1 of the budget process (January - February), budget requirements for capital improvement projects are addressed and submitted to the Engineering Committee for its initial review
2. Phase 2 (February - March), budget requests are submitted by department and division heads for operating expenses, while the Finance staff addresses rates and the revenue budget
3. Phase 3 (April), the budget requirements for the next fiscal year's wages and benefits are addressed, including division requests for new positions
4. Phase 4 (April - May) consists of reviewing and balancing the complete operating and capital budget
5. During Phase 5 (May), the Board Committees (Finance, Human Resource/Risk Management, and Engineering) review the budget before it is submitted to the full Board of Directors
6. Phase 6 (June) final review and adoption

Oversight of the District's budget process is highly interactive in that each Board committee is responsible for oversight of its respective budget sections. After each committee has reviewed and approved its section of the budget, the Board reviews and approves the

budget as a whole. This approach allows the Board and District staff to place a greater emphasis on each of the four phases.



BUDGET CALENDAR

February 3, 2017	Deadline for submission of Capital Improvement Project requests from departments
March 1, 2017	Mid-year budget review submitted to Finance Committee for review
March 3, 2017	Deadline for submission of Operating Expenses from departments
March 31, 2017	Deadline for submission of Wage & Benefit requests, including overtime, stand-by, submission of Personnel Requests, and Succession Planning from departments
April 4, 2017	Capital Improvement Project Budget submitted to Engineering Committee for review
May 4, 2017	Operating Expense and Revenue Budget submitted to Finance Committee for review
May 4, 2017	Wages and Benefits Budget submitted to Human Resources/Risk Management Committee for review
June 1, 2017	Annual Operating and Capital Improvement Budget for the Fiscal Year Ending June 30, 2018 submitted to Finance Committee for review
June 13, 2017	Annual Operating and Capital Improvement Budget for the Fiscal Year Ending June 30, 2018 submitted to Board of Directors for review and adoption

BUDGET CONTROL & AMENDMENT

Throughout the fiscal year management staff are responsible for monitoring their division’s budgets. Finance staff provide tools for managers to review their budgets at any time. In addition to the annual budget process, staff presents a monthly budget report to the Board for review and approval. This report updates the Board on the progress of all operating revenues and expense for all funds. The Finance Committee also undertakes a comprehensive mid-year review of the District’s operating budget, which is then submitted to the full Board. If during the mid-year budget review or during the annual budget presentation to finance committee it is determined that a significant adjustment is needed, then finance staff will work with managers to prepare the request for the Board of Directors to approve. Managers may transfer funds between their division accounts in accordance with the District’s Reserve and Financial Benchmark Policy, which states:

CVWD adopts an Operating and Capital Improvement Budget on an annual basis. Management staff will make every effort to stay within the allotted budget for each operating account and each capital project. Occasionally it may be necessary to transfer allotted funds between operating accounts or capital projects. These budget transfers may only be done within one of the three main categories; wages, operating expenses, or capital projects, not between categories. All budget transfers undergo Finance Review that ensures funding availability and adherence to policy before final processing. The authority for approving budget transfers without the use of reserve funds is listed in the following table:

AMOUNT UP TO:	REVIEW/APPROVAL LEVEL
\$25,000	Department Managers
\$50,000	Assistant General Managers
\$50,000+	Finance Committee & Board of Directors

Budget transfers requiring the use of reserve funds less than \$50,000 may be approved by the GM/CEO or an AGM. Budget transfers requiring the use of reserve funds in excess of \$50,000 must be reviewed by the Finance Committee and approved Board of Directors.

In the event that the General Manager/CEO determines that an emergency exists requiring immediate action, the General Manager/CEO shall have the power, without prior Board action, to enter into contracts and agreements and expend funds on behalf of the District. An emergency, as defined by Chapter 3.08 of the Cucamonga Valley Water Code, is a “situation which makes competitive bidding impractical, or not in the best interest of the District, as determined by the General Manager/CEO or his/her designee.” If the emergency expense exceeds \$100,000, Board approval is required within 30 days.

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 designed to ensure the fiscal stability of the District and have been designed to provide guidance for the development and administration of the annual operation 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

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, prudent 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, and Corporate Notes. On February 12, 2013, the Board of Directors adopted an enhanced investment policy that received a one-year

certification from the California Municipal Treasurer’s Association.

RISK MANAGEMENT

The District is a member of the Association of California Water Agencies / Joint Power Insurance Authority (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, 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 as follows:

PURCHASE AMOUNT	BID REQUIRMENTS	PURCHASE ORDER REQUIRED
\$0 - \$4,999	Informal quotes	No
\$5,000 - \$49,000	Informal bids	Yes
\$50,000 - \$99,999	Request for proposal/ Formal bids	Yes
\$100,000 +	Request for proposal/ Sealed Bids	Yes

The Purchasing Policy also includes the invoice authorization thresholds accross all levels of leadership with authority level increasing in proportion to invoice amount.

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, generally accepted accounting principles, 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.

Asset purchases are authorized through the 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 Annual 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 the Asset 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 guarantee 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 cancelled and the funds will be reallocated to the CIP Reserve.

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 pull 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.

RESERVES

General Provisions

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 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.

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.
 - The Debt Ratio at June 30, 2016 was 55.0% based on the Audited Financial Statements.
 - The Debt Ratio at June 30, 2017 is projected to be 53.5%.
2. **Credit Rating:** The District's debt is divided into the Senior Obligations (issues prior to 2012) and the Subordinate Obligations (2012 and later issues). The District's debt rating on the Senior Obligations is "AA+" from Standard & Poor's and "Aa2" from

Moody's Investor Services. The District's debt rating on the Subordinate Obligation is rated "AA" from Standard & Poor's and "AA" from Fitch Ratings.

- The District's credit rating at June 30, 2017 is projected to remain the same as above.
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.
- The number of Days Cash at June 30, 2016 was 489 days based on the Audited Financial Statements.
 - The number of Days Cash at June 30, 2017 is projected to be 399 days.
4. Capital Improvement Funding Levels: In accordance with the District's Debt Management Policy 8.5, the District will evaluate the benefits of utilizing Pay-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.
- The Capital Improvement Funding Levels at June 30, 2017 are projected to be 0% Debt, 100% Pay-Go, and 0% reserve.
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.
- The Debt Service Coverage at June 30, 2016 was 2.41 times based on the Audited Financial Statements.
 - The Debt Service Coverage at June 30, 2017 is projected to be 1.6 times.

DEBT MANAGEMENT

The District adopted a debt management policy effective August 29, 2012, which 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 project 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:
 - With respect to all options available to finance infrastructure, capital projects, and other financing needs
 - 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.

UNFUNDED 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 future significant liability that is computed through biennial 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 the annual required contribution, which amounted to \$229,000 in FY 2016 and \$181,000 in FY 2017.

CalPERS

In FY 2016, the Board approved a 5-Year advance payment strategy to address the CalPERS liability. The District will make advanced payments of \$1 million for the next four years, subject to budget approval. This advance payment strategy will provide near-term operating expense savings. This strategy is estimated to save the District approximately \$12.5 million over the next 25 years.

OPEB

Currently, the District funds 75% of the annual required contribution. District staff will monitor the near-term savings generated by the CalPERS advanced funding strategy and prepare an analysis to determine if those savings should be applied to the OPEB unfunded liability. This will be vetted through the District's Board Committee process and presented to the full Board of Directors for review and approval in FY 2020.

CUSTOMER ASSISTANCE PROGRAM (CAP)

In 2015 the District implemented a program that assists low income customers with their bimonthly 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 revenue (e.g. 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 each year through the annual 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 annually by the District's Board of Directors. For Fiscal Year 2018 the District will pledge \$102,000 of unrestricted rental income to this program, thereby providing a bimonthly CAP of \$20.00.

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 \$480.00 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 \$480.00 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 12 days 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, 2017 and January 1, 2018 employees contribute 4% and 5% respectively toward the employee portion of CalPERS. It is the District's goal that employees will add an additional 1% each year until employees contribute their full portion. 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.

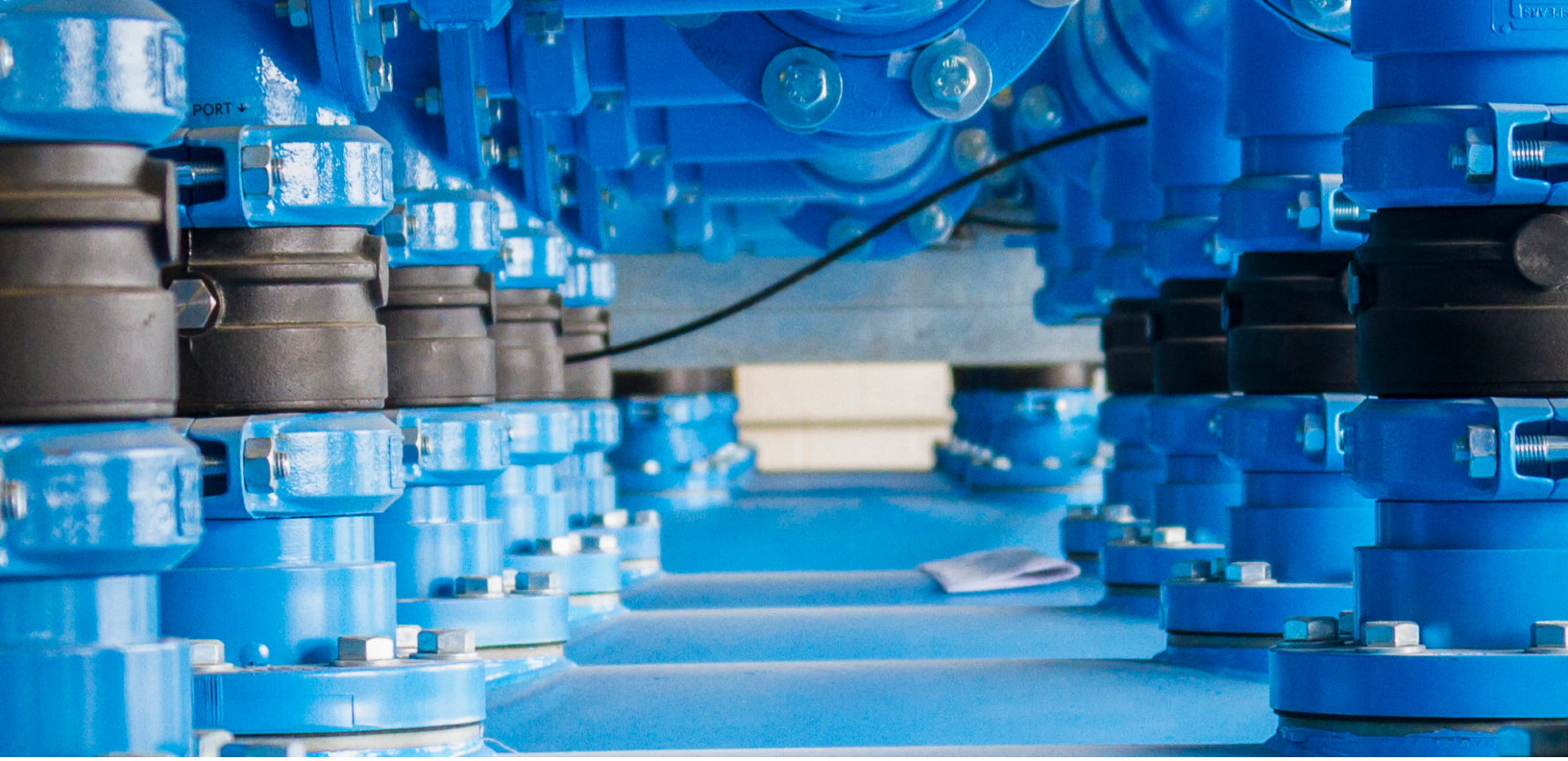
Public Agency Retirement Services (PARS) – Regular District employees hired before January 1, 2011, are enrolled in a supplemental retirement benefit of 0.2% in addition to the CalPERS retirement benefit for eligible employees who complete at least 5 years of continuous full-time regular service with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

Holidays – Full-time employees are entitled to 11 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 year through the loan program, which may be used for registration, books, and other related school expenses.

Additional Benefits – Other benefits available to eligible District employees include an employee-paid Deferred Compensation Program, Short Term & Long Term Disability, and a 9/80 work schedule.



FINANCIAL SUMMARIES

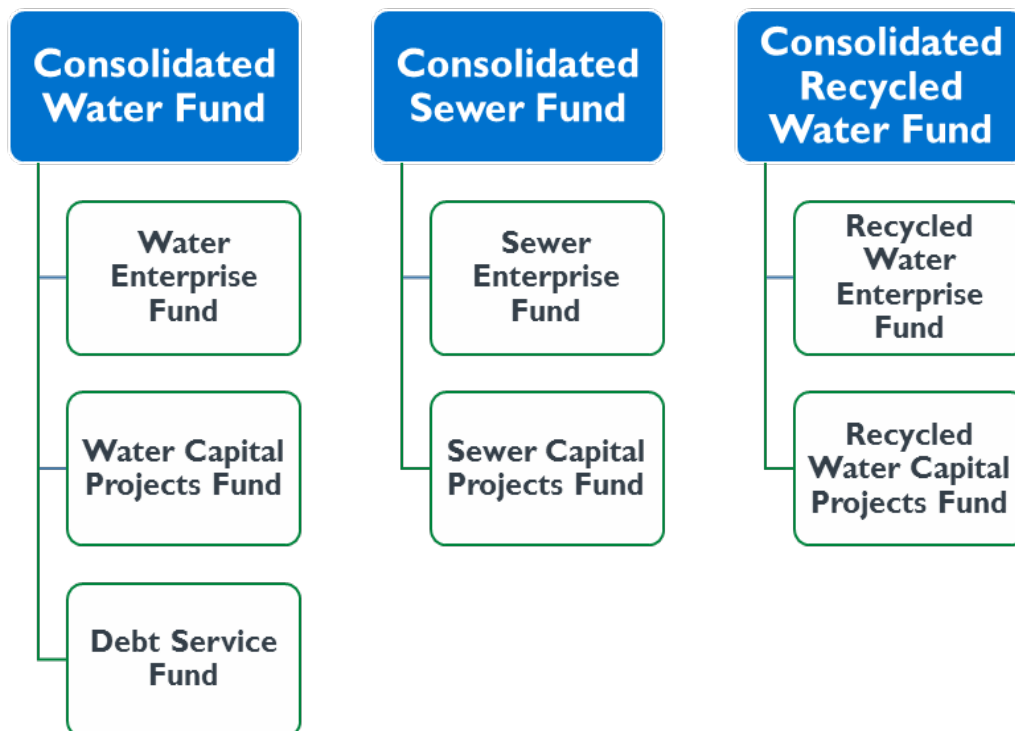
CUCAMONGA VALLEY WATER DISTRICT

FINANCIAL SUMMARIES

CONSOLIDATED FINANCIAL SCHEDULES

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The table below presents a summary of major operating revenues and expenses, as well as non-operating expenses, and estimated ending net position for all funds. Operating revenues have been presented by major type, operating expenses have been presented by Department. The funds have been consolidated into the three major funds Water, Sewer, and Recycled water similar to the District's CAFR presentation.



2018 BUDGET	CONSOLIDATED FUNDS			
	WATER FUND	SEWER FUND	RECYCLED WATER FUND	TOTAL ALL FUNDS
Operating Revenues				
Water Sales & Services	\$ 67,034,641	\$ -	\$ 1,061,745	\$ 68,096,386
Water Sales to Other Agencies	5,957,511	-	-	5,957,511
Sewer Services	-	19,512,529	-	19,512,529
Total Operating Revenues	72,992,152	19,512,529	1,061,745	93,566,426
Operating Expenses				
Executive Department	1,673,379	128,183	-	1,801,562
Administrative Services Department	2,756,537	465,621	-	3,222,158
Financial & Technology Services Department	5,490,293	972,273	14,519	6,477,085
General Services Department	384,459	84,284	-	468,743
Engineering Department	2,319,371	796,401	324,724	3,440,496
Operations Department	39,645,701	16,515,155	587,987	56,748,843
Total Operating Expenses	52,269,740	18,961,917	927,230	72,158,887
Net Operating Revenue	20,722,412	550,612	134,515	21,407,539
Non-Operating Revenues				
Interest Income	1,066,550	322,400	-	1,388,950
Development Fees	2,307,875	875,000	29,592	3,212,467
Inspection Fees	20,000	31,000	-	51,000
Meter Installations	40,000	-	-	40,000
Proceeds from Borrowing	1,000,000	-	-	1,000,000
Outside CIP Funding	164,000	-	-	164,000
Carry Over CIP Funding	6,986,000	56,000	150,000	7,192,000
Reserve Funding	3,718,000	3,402,000	-	7,120,000
Other Income	1,194,113	-	-	1,194,113
Total Non-Operating Revenues	16,496,538	4,686,400	179,592	21,362,530
Non-Operating Expenses				
Capital Improvement Projects	8,010,000	1,984,000	150,000	10,144,000
Carry Over Projects	11,868,000	2,358,000	150,000	14,376,000
Annual Debt Service	15,165,989	-	34,460	15,200,449
Debt Covenants	2,036,903	-	-	2,036,903
Total Non-Operating Expenses	37,080,892	4,342,000	334,460	41,757,352
Change in Net Position	\$ 138,058	\$ 895,012	\$ (20,353)	\$ 1,012,717

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (1 OF 2)

The table below presents a summary of major operating revenues and expenses, as well as non-operating expenses, and estimated change in net position for all funds. Operating revenues have been presented by major type, operating expenses have been presented by department. All of the funds have been presented separately to show the transfer of net operating revenues from the enterprise funds to the capital project and debt service funds.

2018 BUDGET	OPERATING FUNDS			
	WATER FUND	SEWER FUND	RECYCLED WATER FUND	SUBTOTAL OPERATING FUNDS
Operating Revenues				
Water Sales & Services	\$ 67,034,641	\$ -	\$ 1,061,745	\$ 68,096,386
Water Sales to Other Agencies	5,957,511	-	-	5,957,511
Sewer Services	-	19,512,529	-	19,512,529
Total Operating Revenues	72,992,152	19,512,529	1,061,745	93,566,426
Operating Expenses				
Executive Department	1,673,379	128,183	-	1,801,562
Administrative Services Department	2,716,537	465,621	-	3,182,158
Financial & Technology Services Department	5,490,293	972,273	14,519	6,477,085
General Services Department	384,459	84,284	-	468,743
Engineering Department	897,695	438,407	324,724	1,660,826
Operations Department	39,645,701	16,515,155	587,987	56,748,843
Total Operating Expenses	50,808,064	18,603,923	927,230	70,339,217
Net Operating Revenue(Expense)	22,184,088	908,606	134,515	23,227,209
Non-Operating Revenues				
Interest Income	967,700	322,400	-	1,290,100
Development Fees	-	-	-	-
Inspection Fees	-	-	-	-
Meter Installations	-	-	-	-
Proceeds from Borrowing	-	-	-	-
Outside CIP Funding	-	-	-	-
Carry Over CIP Funding	-	-	-	-
Reserve Funding	-	-	-	-
Other Income	1,119,113	-	-	1,119,113
Total Non-Operating Revenues	2,086,813	322,400	-	2,409,213
Non-Operating Expenses				
Capital Improvement Projects	-	-	-	-
Carry Over Projects	-	-	-	-
Annual Debt Service	-	-	-	-
Debt Covenants	-	-	-	-
Total Non-Operating Expenses	-	-	-	-
Change in Net Position Before Transfers	24,270,901	1,231,006	134,515	25,636,422
Transfers Out	(24,132,843)	(335,994)	(134,515)	(24,603,352)
Transfers In	-	-	-	-
Total Transfers	(24,132,843)	(335,994)	(134,515)	(24,603,352)
Change in Net Position	\$ 138,058	\$ 895,012	\$ -	\$ 1,033,070

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (2 OF 2)

2018 BUDGET	CAPITAL FUNDS			DEBT SERVICE	TOTAL ALL FUNDS
	WATER FUND	SEWER FUND	RECYCLED WATER FUND		
Operating Revenues					
Water Sales & Services	\$ -	\$ -	\$ -	\$ -	\$ 68,096,386
Water Sales to Other Agencies	-	-	-	-	5,957,511
Sewer Services	-	-	-	-	19,512,529
Total Operating Revenues	-	-	-	-	93,566,426
Operating Expenses					
Executive Department	-	-	-	-	1,801,562
Administrative Services Department	40,000	-	-	-	3,222,158
Financial & Technology Services Department	-	-	-	-	6,477,085
General Services Department	-	-	-	-	468,743
Engineering Department	1,421,676	357,994	-	-	3,440,496
Operations Department	-	-	-	-	56,748,843
Total Operating Expenses	1,461,676	357,994	-	-	72,158,887
Net Operating Revenue(Expense)	(1,461,676)	(357,994)	-	-	21,407,539
Non-Operating Revenues					
Interest Income	-	-	-	98,850	1,388,950
Development Fees	2,307,875	875,000	29,592	-	3,212,467
Inspection Fees	20,000	31,000	-	-	51,000
Meter Installations	40,000	-	-	-	40,000
Proceeds from Borrowing	1,000,000	-	-	-	1,000,000
Outside CIP Funding	164,000	-	-	-	164,000
Carry Over CIP Funding	6,986,000	56,000	150,000	-	7,192,000
Reserve Funding	3,718,000	3,402,000	-	-	7,120,000
Other Income	75,000	-	-	-	1,194,113
Total Non-Operating Revenues	14,310,875	4,364,000	179,592	98,850	21,362,530
Non-Operating Expenses					
Capital Improvement Projects	8,010,000	1,984,000	150,000	-	10,144,000
Carry Over Projects	11,868,000	2,358,000	150,000	-	14,376,000
Annual Debt Service	1,616,390	-	34,460	13,549,599	15,200,449
Debt Covenants	-	-	-	2,036,903	2,036,903
Total Non-Operating Expenses	21,494,390	4,342,000	334,460	15,586,502	41,757,352
Change in Net Position Before Transfers	(8,645,191)	(335,994)	(154,868)	(15,487,652)	1,012,717
Transfers					
Transfers Out	-	-	-	-	(24,603,352)
Transfers In	8,645,191	335,994	134,515	15,487,652	24,603,352
Total Transfers	8,645,191	335,994	134,515	15,487,652	-
Change in Net Position	\$ -	\$ -	\$ (20,353)	\$ -	\$ 1,012,717

HISTORICAL CONSOLIDATED FINANCIAL SCHEDULES - WATER FUND

The table below presents a summary of major operating revenues and expenses, as well as non-operating expenses, and estimated ending net position for the Consolidated Water Funds for three years – FY 2016 audited actuals, FY 2017 final budget, FY 2017 estimated actuals, and FY 2018 budget.

	CONSOLIDATED WATER FUND			
	2016 ACTUAL	2017 BUDGET	2017 ESTIMATE	2018 BUDGET
Operating Revenues				
Water Sales & Services	\$ 62,577,481	\$ 62,539,969	\$ 57,650,350	\$ 67,034,641
Water Sales to Other Agencies	283,154	732,923	1,859,702	5,957,511
Sewer Services	-	-	-	-
Total Operating Revenues	62,860,635	63,272,892	59,510,052	72,992,152
Operating Expenses				
Executive Department	1,319,011	1,404,676	1,357,856	1,673,379
Administrative Services Department	2,355,801	2,509,781	2,419,374	2,756,537
Financial & Technology Services Department	4,955,902	5,424,498	5,232,043	5,490,293
General Services Department	358,629	410,256	316,652	384,459
Engineering Department	818,335	2,261,679	2,154,458	2,319,371
Operations Department	26,353,930	29,087,068	30,981,889	39,645,701
Total Operating Expenses	36,161,608	41,097,958	42,462,272	52,269,740
Net Operating Revenue(Expense)	26,699,027	22,174,934	17,047,780	20,722,412
Non-Operating Revenues				
Interest Income	672,805	838,850	1,102,195	1,066,550
Development Fees	2,600,016	2,010,219	1,014,485	2,307,875
Inspection Fees	16,979	20,000	16,553	20,000
Meter Installations	37,154	40,000	15,510	40,000
Proceeds from Borrowing	19,940,000	11,818,587		1,000,000
Outside CIP Funding	5,977,010	164,000	8,154,400	164,000
Carry Over CIP Funding	58,524,270	2,140,100	8,301,340	6,986,000
Reserve Funding	4,031,390	4,737,000	4,737,000	3,718,000
Other Income	1,780,772	1,315,833	1,506,311	1,194,113
Total Non-Operating Revenues	93,580,396	23,084,589	24,847,793	16,496,538
Non-Operating Expenses				
Capital Improvement Projects	68,738,046	16,228,000	21,554,687	8,010,000
Carry Over Projects	8,301,340	11,802,687	-	11,868,000
Annual Debt Service	39,026,818	15,185,302	15,206,777	15,165,989
Debt Covenants	4,268,446	1,966,584	1,945,109	2,036,903
Total Non-Operating Expenses	120,334,650	45,182,573	38,706,573	37,080,892
Change in Net Position	(55,227)	76,950	3,188,999	138,058
Conversion to GAAP ¹	15,277,097	-	-	-
Net Position - Beginning	215,196,823	230,529,147	230,529,147	233,718,146
Net Position - Ending	\$ 230,529,147	\$ 230,606,097	\$ 233,718,146	\$ 233,856,204

¹ Conversion to GAAP line was included only for FY 2016 actuals to agree net position to the CAFR. Calculations were not included for 2017 and 2018.

HISTORICAL CONSOLIDATED FINANCIAL SCHEDULES - SEWER FUND

The table below presents a summary of major operating revenues and expenses, as well as non-operating expenses, and estimated ending net position for Consolidated Sewer Funds for three years – FY 2016 audited actuals, FY 2017 final budget, FY 2017 estimated actuals, and FY 2018 budget.

	CONSOLIDATED SEWER FUND			
	2016 ACTUAL	2017 BUDGET	2017 ESTIMATE	2018 BUDGET
Operating Revenues				
Water Sales & Services	\$ -	\$ -	\$ -	\$ -
Water Sales to Other Agencies	-	-	-	-
Sewer Services	17,421,827	18,533,299	18,635,414	19,512,529
Total Operating Revenues	17,421,827	18,533,299	18,635,414	19,512,529
Operating Expenses				
Executive Department	123,229	107,888	117,201	128,183
Administrative Services Department	423,583	381,559	420,989	465,621
Financial & Technology Services Department	905,286	967,301	901,464	972,273
General Services Department	52,215	63,961	63,704	84,284
Engineering Department	320,917	758,072	755,754	796,401
Operations Department	14,343,716	15,432,857	15,426,768	16,515,155
Total Operating Expenses	16,168,946	17,711,638	17,685,880	18,961,917
Net Operating Revenue(Expense)	1,252,881	821,661	949,534	550,612
Non-Operating Revenues				
Interest Income	213,338	249,100	336,950	322,400
Development Fees	324,132	367,739	131,900	875,000
Inspection Fees	31,153	31,000	37,682	31,000
Meter Installations	-	-	-	-
Proceeds from Borrowing	-	-	-	-
Outside CIP Funding	-	-	-	-
Carry Over CIP Funding	992,814	874,000	129,790	56,000
Reserve Funding	3,077,000	3,463,500	4,163,500	3,402,000
Other Income	19,476	-	3,197	-
Total Non-Operating Revenues	4,657,913	4,985,339	4,803,018	4,686,400
Non-Operating Expenses				
Capital Improvement Projects	1,471,864	2,631,000	5,751,000	1,984,000
Carry Over Projects	129,790	3,176,000	-	2,358,000
Annual Debt Service	-	-	-	-
Debt Covenants	-	-	-	-
Total Non-Operating Expenses	1,601,654	5,807,000	5,751,000	4,342,000
Change in Net Position	4,309,140	-	1,551	895,012
Conversion to GAAP ¹	4,392,346	-	-	-
Net Position - Beginning	75,758,642	75,841,848	75,841,848	75,843,399
Net Position - Ending	\$ 75,841,848	\$ 75,841,848	\$ 75,843,399	\$ 76,738,411

¹ Conversion to GAAP line was included only for FY 2016 actuals to agree net position to the CAFR. Calculations were not included for 2017 and 2018.

HISTORICAL CONSOLIDATED FINANCIAL SCHEDULES - RECYCLED WATER FUND

The table below presents a summary of major operating revenues and expenses, as well as non-operating expenses, and estimated ending net position for Consolidated Recycled Water Funds for three years – FY 2016 audited actuals, FY 2017 final budget, FY 2017 estimated actuals, and FY 2018 budget.

	CONSOLIDATED RECYCLED WATER FUND			
	2016 ACTUAL	2017 BUDGET	2017 ESTIMATE	2018 BUDGET
Operating Revenues				
Water Sales & Services	\$ 916,305	\$ 978,230	\$ 705,442	\$ 1,061,745
Water Sales to Other Agencies	-	-	-	-
Sewer Services	-	-	-	-
Total Operating Revenues	916,305	978,230	705,442	1,061,745
Operating Expenses				
Executive Department	-	-	-	-
Administrative Services Department	-	-	-	-
Financial & Technology Services Department	(2,070)	14,240	7,268	14,519
General Services Department	300	-	170	-
Engineering Department	298,462	310,441	303,675	324,724
Operations Department	351,653	497,160	341,020	587,987
Total Operating Expenses	648,345	821,841	652,133	927,230
Net Operating Revenue(Expense)	267,960	156,389	53,309	134,515
Non-Operating Revenues				
Interest Income	-	-	-	-
Development Fees	28,373	29,592	71,021	29,592
Inspection Fees	-	-	-	-
Meter Installations	-	-	-	-
Proceeds from Borrowing	-	-	-	-
Outside CIP Funding	-	-	-	-
Carry Over CIP Funding	27,637	150,000	2,934	150,000
Reserve Funding	-	-	-	-
Other Income	-	-	-	-
Total Non-Operating Revenues	56,010	179,592	73,955	179,592
Non-Operating Expenses				
Capital Improvement Projects	181,514	150,000	150,000	150,000
Carry Over Projects	2,934	150,000	-	150,000
Annual Debt Service	34,793	34,435	35,000	34,460
Debt Covenants	-	-	-	-
Total Non-Operating Expenses	219,241	334,435	185,000	334,460
Change in Net Position	104,729	1,546	(57,736)	(20,353)
Conversion to GAAP ¹	283,759	-	-	-
Net Position - Beginning	3,471,352	3,650,382	3,650,382	3,592,646
Net Position - Ending	\$ 3,650,382	\$ 3,651,928	\$ 3,592,646	\$ 3,572,293

¹ Conversion to GAAP line was included only for FY 2016 actuals to agree net position to the CAFR. Calculations were not included for 2017 and 2018.

HISTORICAL CONSOLIDATED FINANCIAL SCHEDULES - ALL FUNDS

The table below presents a summary of major operating revenues and expenses, as well as non-operating expenses, and estimated ending net position for all consolidated funds for three years – FY 2016 audited actuals, FY 2017 final budget, FY 2017 estimated actuals, and FY 2018 budget.

	CONSOLIDATED ALL FUNDS			
	2016 ACTUAL	2017 BUDGET	2017 ESTIMATE	2018 BUDGET
Operating Revenues				
Water Sales & Services	\$ 63,493,786	\$ 63,518,199	\$ 58,355,792	\$ 68,096,386
Water Sales to Other Agencies	283,154	732,923	1,859,702	5,957,511
Sewer Services	17,421,827	18,533,299	18,635,414	19,512,529
Total Operating Revenues	81,198,767	82,784,421	78,850,908	93,566,426
Operating Expenses				
Executive Department	1,442,240	1,512,564	1,475,057	1,801,562
Administrative Services Department	2,779,384	2,891,340	2,840,363	3,222,158
Financial & Technology Services Department	5,859,118	6,406,039	6,140,775	6,477,085
General Services Department	411,144	474,217	380,526	468,743
Engineering Department	1,437,714	3,330,192	3,213,887	3,440,496
Operations Department	41,049,299	45,017,085	46,749,677	56,748,843
Total Operating Expenses	52,978,899	59,631,437	60,800,285	72,158,887
Net Operating Revenue(Expense)	28,219,868	23,152,984	18,050,623	21,407,539
Non-Operating Revenues				
Interest Income	886,143	1,087,950	1,439,145	1,388,950
Development Fees	2,952,521	2,407,550	1,217,405	3,212,467
Inspection Fees	48,132	51,000	54,234	51,000
Meter Installations	37,154	40,000	15,510	40,000
Proceeds from Borrowing	19,940,000	11,818,587	-	1,000,000
Outside CIP Funding	5,977,010	164,000	8,154,400	164,000
Carry Over CIP Funding	59,544,721	3,164,100	8,434,064	7,12,000
Reserve Funding	7,108,390	8,200,500	8,900,500	7,120,000
Other Income	1,800,248	1,315,833	1,509,508	1,194,113
Total Non-Operating Revenues	98,294,319	28,249,520	29,724,765	21,362,530
Non-Operating Expenses				
Capital Improvement Projects	70,391,424	19,009,000	27,455,687	10,144,000
Carry Over Projects	8,434,064	15,128,687	-	14,376,000
Annual Debt Service	39,061,611	15,219,737	15,241,777	15,200,449
Debt Covenants	4,268,446	1,966,584	1,945,109	2,036,903
Total Non-Operating Expenses	122,155,545	51,324,008	44,642,573	41,757,352
Change in Net Position	4,358,642	78,496	3,132,815	1,012,717
Conversion to GAAP ¹	19,953,202	-	-	-
Net Position - Beginning	294,426,817	310,021,377	310,021,377	313,154,192
Net Position - Ending	\$ 298,785,459	\$ 310,099,873	\$ 313,154,192	\$ 314,166,909

¹ Conversion to GAAP line was included only for FY 2016 actuals to agree net position to the CAFR. Calculations were not included for 2017 and 2018.

NET POSITION

The District operates three enterprise funds and does not have any governmental or non-major funds. Net position is the difference between assets and liabilities reported in a proprietary fund. Net position can be considered a measure of net worth. The District has two types of net position:

- Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- Unrestricted – This component of net position consists of net position that does not meet the definition of net investment in capital assets and is available for the District’s use. Unrestricted net position is designated by the District per the Reserve Policy.

The net position schedule below, illustrates the change in net position for each fund, presenting beginning net position, total revenue (increases) and expenditures (decreases), ending net position, and the dollar and percentage change.

FUND	YEAR	BEGINNING NET POSITION JULY 1	REVENUES	EXPENSES	ENDING NET POSITION JUNE 30	INCREASE/ (DECREASE)	% CHANGE IN NET POSITION
Water Fund	2015-16	\$ 215,196,823	\$ 68,485,986	\$ 53,153,662	\$ 230,529,147	\$ 15,332,324	7.1%
	2016-17	230,529,147	84,357,844	81,168,845	233,718,146	3,188,999	1.4%
	2017-18	233,718,146	89,488,690	89,350,632	233,856,204	138,058	0.1%
Sewer Fund	2015-16	\$ 75,758,642	\$ 18,182,124	\$ 18,098,918	\$ 75,841,848	\$ 83,206	0.1%
	2016-17	75,841,848	23,438,431	23,436,880	75,843,399	1,551	0.0%
	2017-18	75,843,399	24,198,929	23,303,917	76,738,411	895,012	1.2%
Recycled Water Fund	2015-16	\$ 3,471,352	\$ 944,678	\$ 765,648	\$ 3,650,382	\$ 179,030	5.2%
	2016-17	3,650,382	779,397	837,133	3,592,646	(57,736)	-1.6%
	2017-18	3,592,646	1,241,337	1,261,690	3,572,293	(20,353)	-0.6%

REVENUES

REVENUES SOURCES

The District receives 96% 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 revenues categories that are based on rates:

Water Fund

1. Meter charges are fixed charges assessed to customers bi-monthly based on the size of the service connection/ meter to their property.
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 increases as usage increases. Water sales also include a surcharge adjustment fee of \$0.10 per unit that the District collects and passes through to MWD.
3. Water services include charges for firelines, and various fees and penalties.

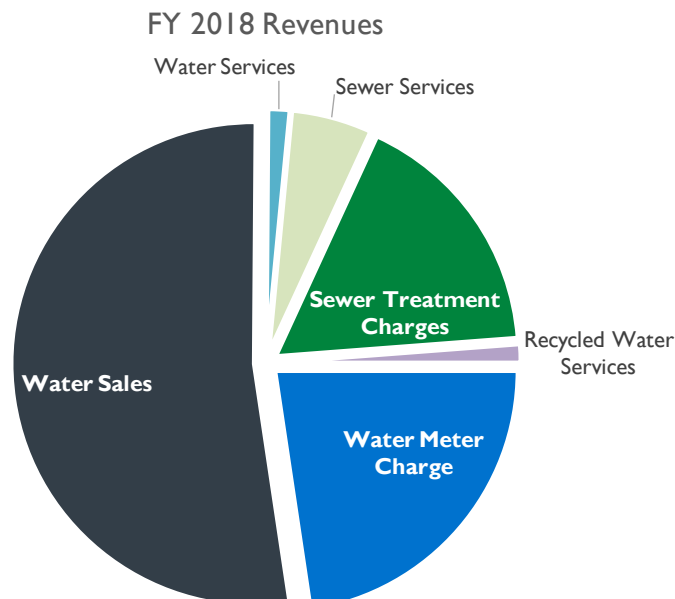
Sewer Fund

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

Recycled Water Fund

6. Recycled water meter charges are fixed charges assessed to customers bi-monthly based on the size of the service connection/meter to their property.
7. Recycled water services are based on the volume of water used by a customer during a billing period with a set price per acre foot.

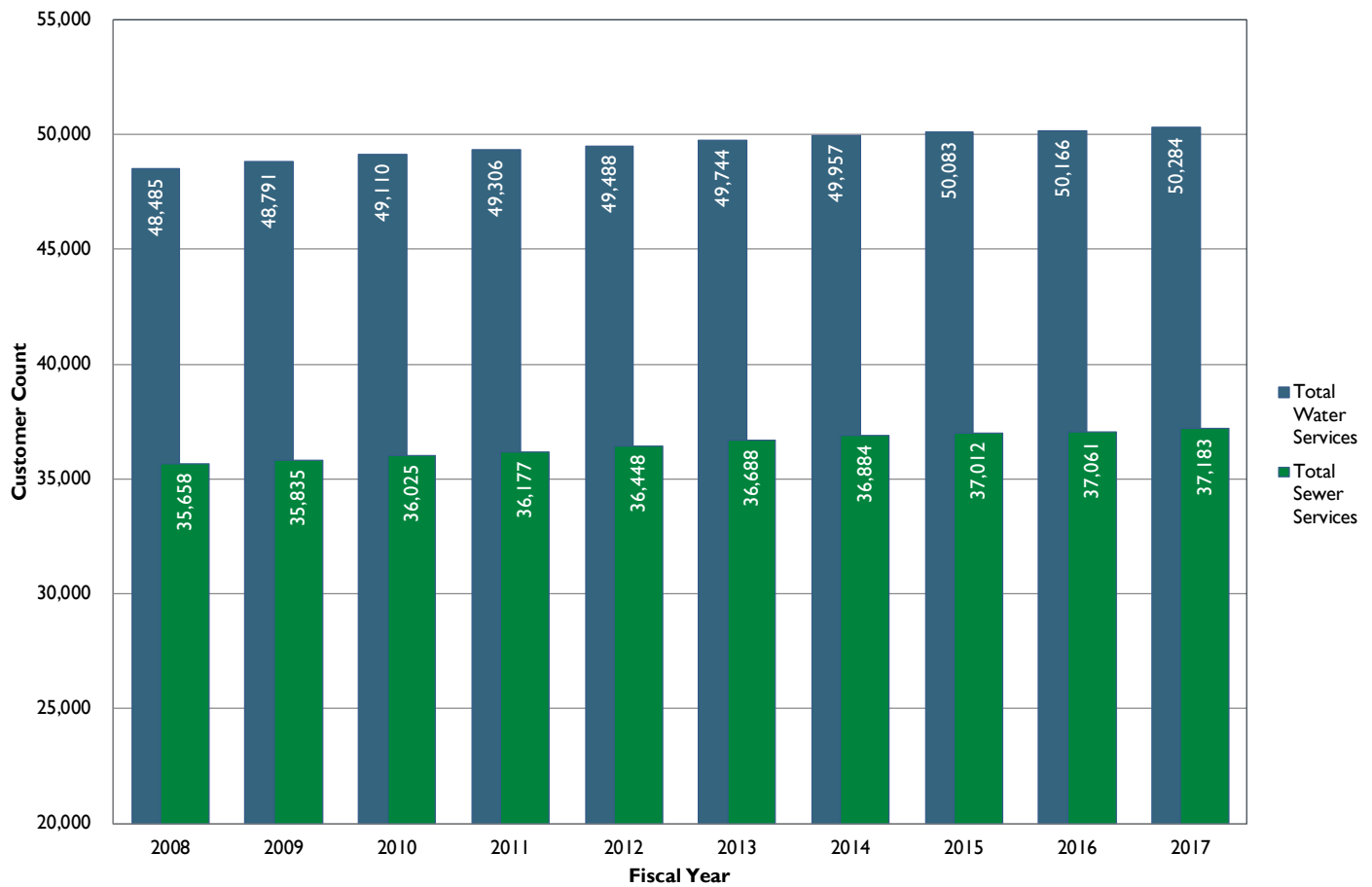
The following chart shows the allocation of the District's major revenue sources:



CUSTOMER BASE

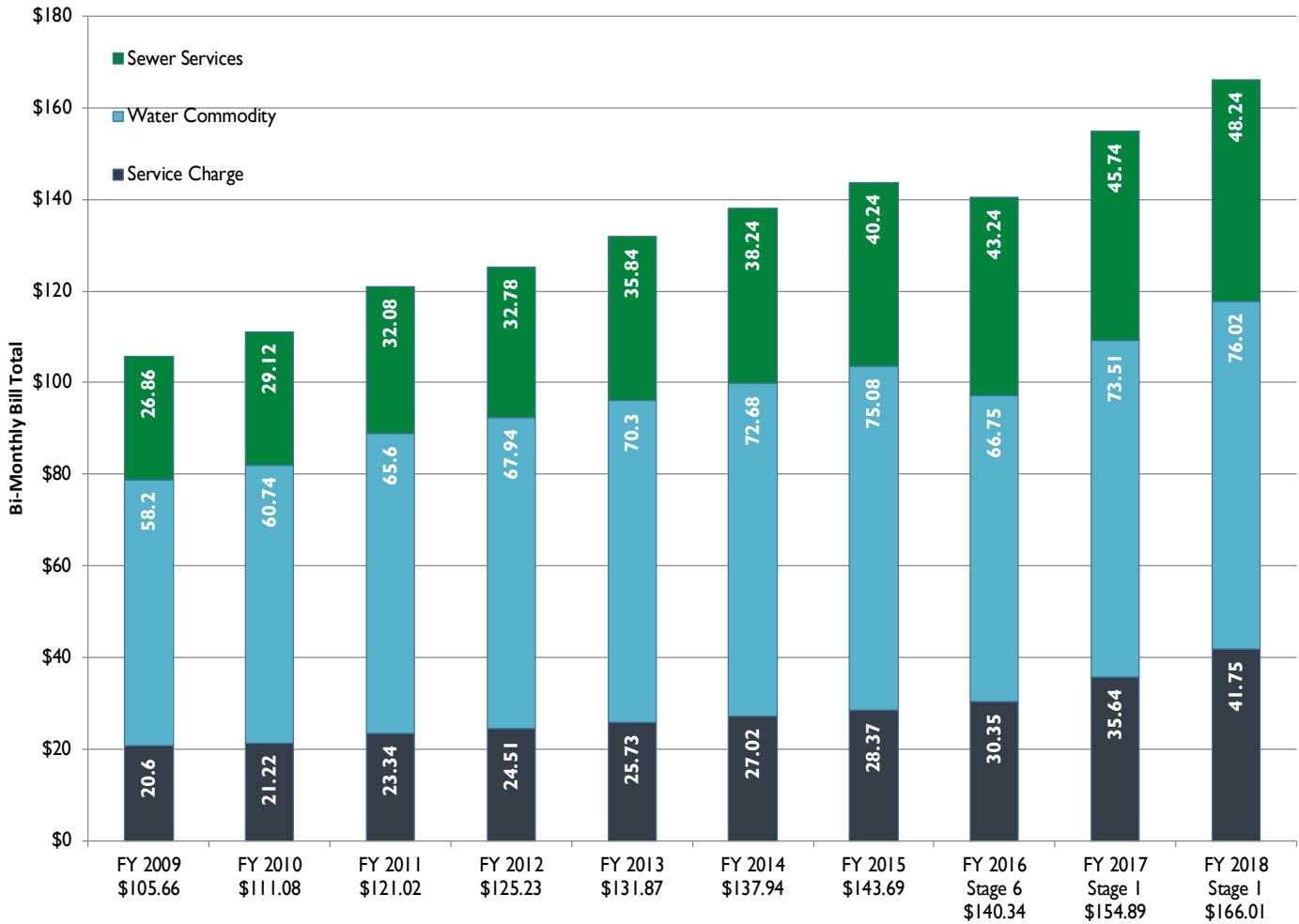
As revenues are driven by the District's customer base, the following table presents historical customer counts. Please note that recycled water customers have been included in total water customers. The total for recycled water customers was 123 for FY 2017.

Historical Customer Counts



AVERAGE BI-MONTHLY BILL

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

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:

	WATER ENTERPRISE FUND					
	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Revenues						
Water Sales	\$ 46,828,346	\$ 44,451,696	\$ 39,942,643	\$ 45,964,921	\$ 1,513,225	3%
Meter Charges	14,482,824	16,841,268	16,492,465	19,840,262	2,998,994	18%
Water Services	1,266,311	1,247,005	1,215,242	1,229,458	(17,547)	-1%
Water Sales to Other Agencies	283,154	732,923	1,859,702	5,957,511	5,224,588	713%
Total Operating Revenues	62,860,635	63,272,892	59,510,052	72,992,152	13,482,100	21%
Operating Expenses						
Wages and Directors' Fees	7,702,577	9,314,456	9,271,837	9,794,315	479,859	5%
District Burden	4,081,616	4,702,671	4,868,249	5,101,562	398,891	8%
Outside Labor	206,268	116,500	166,896	135,500	19,000	16%
Professional Development	290,968	461,520	357,147	433,472	(28,048)	-6%
Professional Services	642,057	722,530	685,172	723,117	587	0%
Advertisements	25,768	66,425	20,909	44,425	(22,000)	-33%
Election Expense	-	-	-	150,000	150,000	100%
Personnel Costs	132,258	161,175	85,019	150,937	(10,238)	-6%
Insurance	317,184	323,620	332,067	328,595	4,975	2%
Collections	57,811	80,000	53,753	66,000	(14,000)	-18%
Utilities	6,178,476	8,449,665	6,073,641	3,562,604	(4,887,061)	-58%
Materials & Supplies	3,221,042	2,869,860	2,676,639	3,900,213	1,030,353	36%
Outside Services	1,839,071	2,254,116	1,949,086	2,327,893	73,777	3%
Safety	109,862	87,740	93,702	92,430	4,690	5%
Water Supply	10,907,517	10,964,735	15,416,680	24,933,117	13,968,382	127%
Miscellaneous	387,989	419,520	358,904	430,185	10,665	3%
Other - Capital Equipment	61,144	103,425	52,571	95,375	(8,050)	-8%
Total Operating Expenses	36,161,608	41,097,958	42,462,272	52,269,740	11,171,782	27%
Net Operating Revenues	\$26,699,027	\$22,174,934	\$17,047,780	\$20,722,412	\$2,310,318	10%

WATER FUND REVENUES - OPERATING

RATES

The District bills customers on a bi-monthly basis for water usage. To develop water rates the District completed a detailed cost of service analysis with an independent consultant in 2015 which projected water rates for FY 2016 through 2019. The cost of service study evaluated the District's infrastructure needs, programs, and operations and maintenance costs to deliver and service potable water. The study then identified the required income necessary and allocated that income into the fixed meter charge and a four tiered commodities charges for water. In June 2015, the Board of Directors approved the rate study. In 2015 the state was in a drought and as such the rate study approved by the District included drought rates and non-drought rates as options.

In FY 2016 the District adopted Drought Stage 6, but in FY 2017 the District was able to set rates at the non-drought Stage 1 – Encouraging Water Use Efficiency and no specific conservation requirement. The ease of drought restrictions was possible because the District self-certified the water supply available in a multi-year projection and was allowed to set our own conservation requirements. The District will continue to maintain rates at Stage 1 for FY 2018 based on available water supply.

The MWD Surcharge is a pass-through adjustment based on charges imposed on the District that are set by MWD and IEUA. Rate increases enacted by MWD and IEUA result in a surcharge of \$0.10 per unit of water sold for FY 2018.

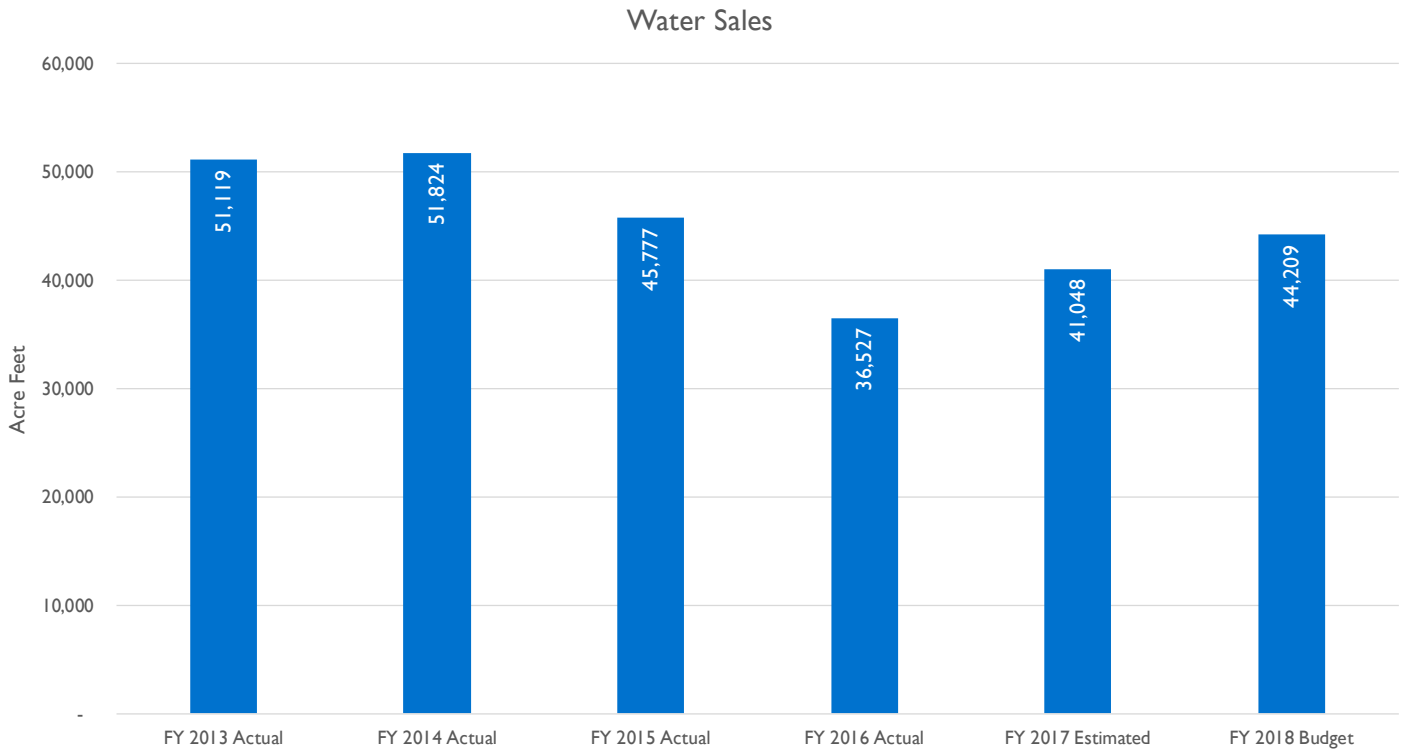
TIERED WATER RATE	7/1/2015	7/1/2016	7/1/2017	7/1/2018
PER HCF	DROUGHT STAGE 6	NON- DROUGHT	NON- DROUGHT	NON- DROUGHT
Tier 1	\$2.34	\$1.60	\$1.61	\$1.62
Tier 2	2.55	2.13	2.14	2.16
Tier 3	3.09	2.66	2.68	2.71
Tier 4	5.68	3.03	3.05	3.07
Construction Water	5.34	4.63	4.65	4.70
MWD Surcharge	-	0.11	0.10	TBD
MWD RTS Charge	0.18	-	-	-

BIMONTHLY METER CHARGE	METER CODE	EFFECTIVE 7/1/2015	EFFECTIVE 7/1/2016	EFFECTIVE 7/1/2017	EFFECTIVE 7/1/2018
5/8" x 3/4"	A	\$30.35	\$35.64	\$41.75	\$50.00
3/4"	B	30.35	35.64	41.75	50.00
1"	D	50.58	59.39	69.58	83.33
1-1/2"	E	101.16	118.79	139.16	166.67
2"	F	161.86	190.06	222.65	266.67
3"	G	303.48	356.36	417.47	500.00
4"	H	505.8	593.93	695.79	833.33
6"	I	1,011.60	1,187.87	1,391.57	1,666.67
8"	J	1,618.57	1,900.59	2,226.51	2,666.67
10"	K	2,427.85	2,850.88	3,339.77	4,000.00
12"	M	3,642.00	4,276.80	5,010.00	6,000.00

CONSUMPTION

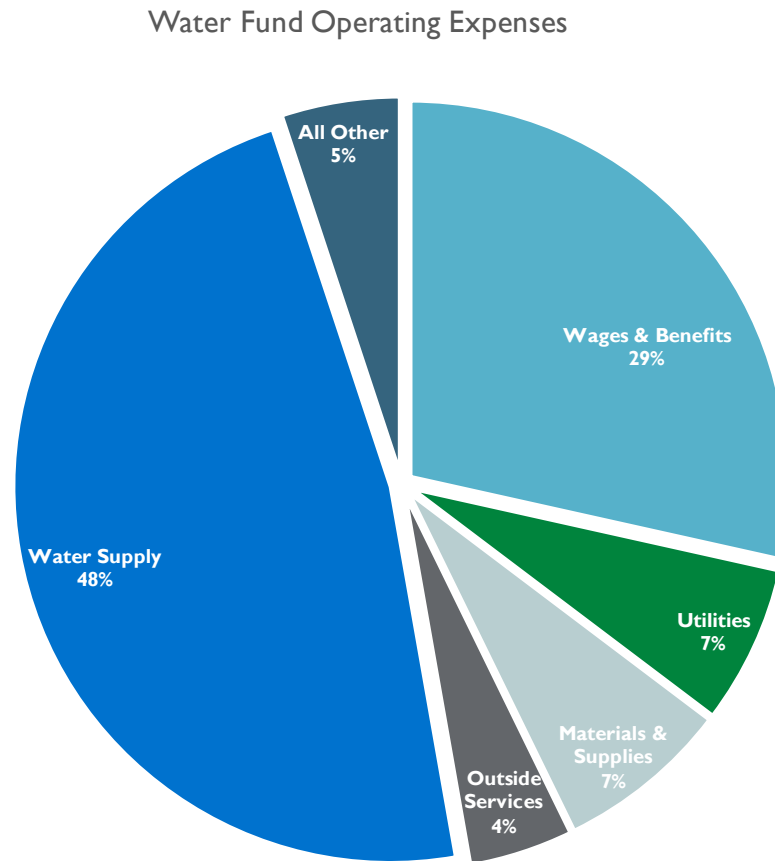
Another factor that greatly affects the calculation of the Water Fund's revenues is the quantity of water sold. During the drought the state mandated that the District tracked conservation against the base year of 2013. Therefore the District has since measured targeted consumption against 2013 results. The drought caused a significant decrease in water sales during FY 2016, which was anticipated since the District was encouraging customers to conserve 35%. FY 2017 with drought restrictions lifted, management set the expectation that 12.5% of conservation would be permanent. FY 2017 has had a record breaking wet year that has brought the state out of the drought. As such customers were able to shut off outdoor watering during the winter and be more aggressive at conserving. For FY 2018 the District is anticipating rainfall to drop down to average levels and for conservation to reduce to 10% of the base year of 2013. Customer growth of 0.2% was calculated on the fixed meter charge, but not on consumption forecasts as the impact was deemed minimal.

Water sales are measured in acre-feet (AF) the following table shows historic water sales:



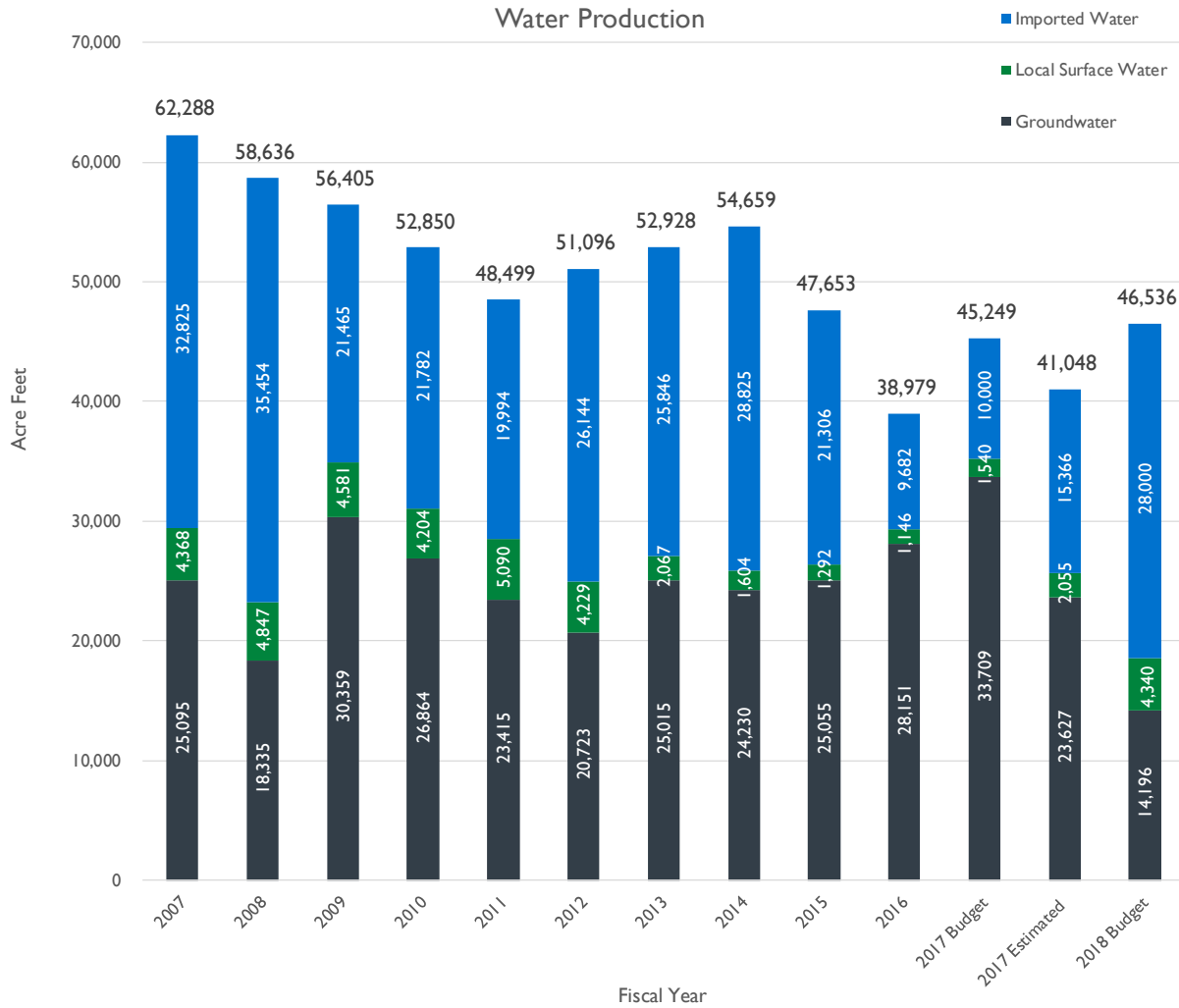
WATER FUND EXPENSES – OPERATING

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



The Water Fund has experienced a significant increase in operating expenses, but nearly all of the increase is attributed to changes in the District’s production mix. The District has the ability to choose between imported water, groundwater, and local surface water. During the drought years, the District’s strategy was to use groundwater sources to keep rates to a reasonable level through times of significant customer conservation. Now that the drought has ended and conservation has returned to a more moderate level, the District has shifted strategy and would like to focus more on using imported water as explained in the Budget Message. This strategy can be seen in the 127% increase in water supply operating expense which accounts for the purchase of imported water, and the 36% increase in materials and supplies, which includes the chemicals to treat imported water. Decreases can be seen in the 58% decline in utilities, which accounts for electricity costs associated with groundwater pumping.

The table below illustrates historical production in acre-feet:



The Water Fund’s expense mix is heavily weighted towards the actual cost of producing potable drinking water, but another significant cost is wages and benefits which represents 19% of the expenses. Wages are budgeted to include a cost of living increase of 3% beginning July 1, 2017 based on the consumer price index and the employment cost index for the District’s region. An average merit increase of 4% was factored in for those employees who have not reached the top of their position’s salary range. Additional considerations made are retirement payouts and new positions. The District is not increasing the overall headcount in FY 2018 but is reducing the number of part-time positions and increasing the number of full-time positions, which are costlier due to the burden of employee benefits. All other operating costs are determined by division management and are based on historical results.

SEWER FUND

The Sewer Fund accounts for all the activities related to wastewater collection and transmission.

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

	SEWER ENTERPRISE FUND					
	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Revenues						
Sewer Services	\$ 4,698,923	\$ 4,656,945	\$ 4,732,638	\$ 4,676,266	\$ 19,321	0%
Sewer Treatment Charges	12,722,904	13,876,354	13,902,776	14,836,263	959,909	7%
Total Operating Revenue	17,421,827	18,533,299	18,635,414	19,512,529	979,230	5%
Operating Expenses						
Wages and Directors' Fees	1,553,587	1,868,366	1,894,362	1,963,467	95,101	5%
District Burden	835,382	1,005,138	1,045,167	1,110,341	105,203	10%
Outside Labor	52,423	33,000	3,510	40,500	7,500	23%
Professional Development	49,293	40,219	41,871	63,961	23,742	59%
Professional Services	156,113	69,628	87,818	65,959	(3,669)	-5%
Advertisements	-	1,500	-	1,500	-	0%
Personnel Costs	21,095	9,975	21,765	28,013	18,038	181%
Insurance	137,255	135,480	132,089	137,825	2,345	2%
Collections	(11,323)	20,000	13,055	16,000	(4,000)	-20%
Utilities	50,380	48,256	56,729	68,600	20,344	42%
Materials & Supplies	166,824	189,404	203,853	184,002	(5,402)	-3%
Outside Services	13,036,438	14,126,442	14,065,048	15,139,644	1,013,202	7%
Safety	16,932	10,600	15,872	10,000	(600)	-6%
Miscellaneous	68,615	79,080	73,847	77,180	(1,900)	-2%
Other - Capital Equipment	35,932	74,550	30,894	54,925	(19,625)	-26%
Total Operating Expenses	16,168,946	17,711,638	17,685,880	18,961,917	1,250,279	7%
Net Operating Revenues	\$ 1,252,881	\$ 821,661	\$ 949,534	\$ 550,612	\$ (271,049)	-33%

SEWER FUND REVENUES - OPERATING

RATES

The District bills customers on a bi-monthly basis for sewer service if connected to the District's sewer system. To develop sewer rates the District completed a detailed cost of service analysis in 2013 which projected rates for FY 2014 through FY 2019. The cost of service study evaluated the District's infrastructure needs, programs, and operations and maintenance costs to collect and transmit wastewater. The study then identified the required income necessary and allocated that income into the fixed sewer charge for residential customers and a volumetric charge for commercial customers. All single family residential customers are billed for one Equivalent Dwelling Unit (EDU), which is the standard measurement of water discharged into the sewer collection and treatment system equal to the average discharge from a detached single-family unit. District schools are billed based on student head count. Commercial customers are billed based on their potable water consumption.

In addition to the District's sewer charge, customer bills also include a sewer charge from IEUA for the treatment of wastewater. The District collects this fee on behalf of IEUA and does not share in this revenue. The Board adopted the 5-year pass-thru provision for IEUA's treatment charge at the same time as the rate study. Only in those years that IEUA's Board adopts a rate increase, will CVWD pass that on to our customers.

SEWER CHARGES				
(BIMONTHLY)	10/1/2015	7/1/2016	7/1/2017	7/1/2018
Local CVWD	\$11.46	\$11.46	\$11.46	\$11.46
IEUA Treatment Pass-Thru	31.78	34.28	36.78	39.18
Total	\$43.24	\$45.74	\$48.24	\$50.64

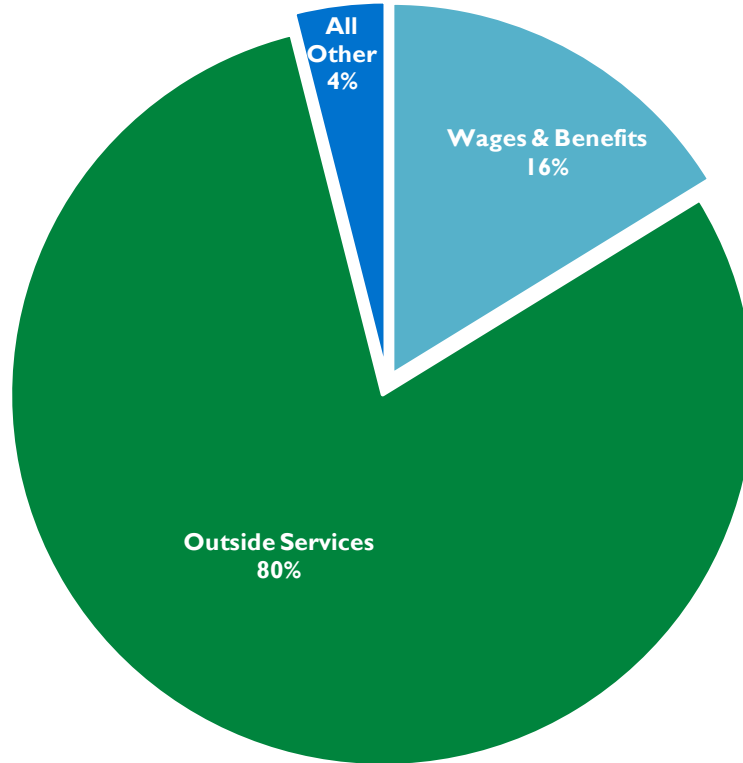
CONSUMPTION

When determining the revenues to budget for the Sewer Fund, historical EDUs billed for one year prior to time of budgeting typically in March is used. This consumption history allows for taking into account minimal customer count increases and the variables of water consumption in commercial users. As such the District's portion of sewer revenues has a minimal increase of only \$19 thousand. The significant increase in sewer treatment charges is entirely attributed to the pass-through charges imposed by IEUA who are raising rates by \$2.50/bill, which is an increase of 7% for FY 2018.

SEWER FUND EXPENSES – OPERATING

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

Sewer Fund Operating Expenses



The Sewer Fund expenses are increasing 7%, which is related to the IEUA treatment charge increase. The majority of sewer costs are for the treatment of wastewater, which is 80% of the funds expenses. The District pays IEUA a flat rate per EDU to treat waste water. IEUA is increasing their treatment charges from \$17.14/EDU to \$18.39/EDU, which is an increase of 7%.

Other increases are related to wages and benefits which follow the same assumptions as the Water Fund (3.0% COLA, 4% merit, change in positions). All other operating costs are determined by division management and are based on historical results.

RECYCLED WATER FUND

The Recycled Water Fund accounts for the District's recycled water sales and services and is the District's smallest customer base and fund.

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

	RECYCLED WATER ENTERPRISE FUND					
	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Revenues						
Recycled Water Sales	\$ 803,158	\$ 855,393	\$ 586,257	\$ 920,446	\$ 65,053	8%
Meter Charges	113,147	122,837	119,185	141,299	18,462	15%
Total Operating Revenues	916,305	978,230	705,442	1,061,745	83,515	9%
Operating Expenses						
Wages and Directors' Fees	144,946	185,835	183,012	189,159	3,324	2%
District Burden	111,932	106,206	111,210	116,165	9,959	9%
Professional Development	1,206	4,500	726	4,558	58	1%
Professional Services	670	320	419	305	(15)	-5%
Collections	162	-	375	-	-	
Utilities	581	1,300	1,164	1,300	-	0%
Materials & Supplies	3,076	26,900	8,573	21,900	(5,000)	-19%
Outside Services	2,617	6,400	2,283	6,736	336	5%
Safety	302	700	291	700	-	0%
Water Supply	376,033	482,160	334,345	577,987	95,827	20%
Miscellaneous	6,820	7,520	9,736	8,420	900	12%
Total Operating Expenses	648,345	821,841	652,133	927,230	105,389	13%
Net Operating Revenues	\$ 267,960	\$ 156,389	\$ 53,310	\$ 134,515	\$ (21,874)	-14%

RECYCLED WATER FUND REVENUES - OPERATING

RATES

In 2005 the District adopted an ordinance to begin the sale and distribution of recycled water. The District bills customers on a bi-monthly basis for water usage. To develop recycled water rates the District completed a detailed cost of service analysis in 2014 which projected recycled water rates for FY 2015 through 2019. The rate structure for the District's recycled water charges is comprised of two components: (1) fixed bimonthly 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. The meter charge is designed to recover the District's fixed costs of providing recycled water service (e.g., capital replacement and debt repayment). 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, billing, customer service, and other related costs). The District's recycled water rates are calculated based on the cost of providing recycled water to only those customers receiving that service.

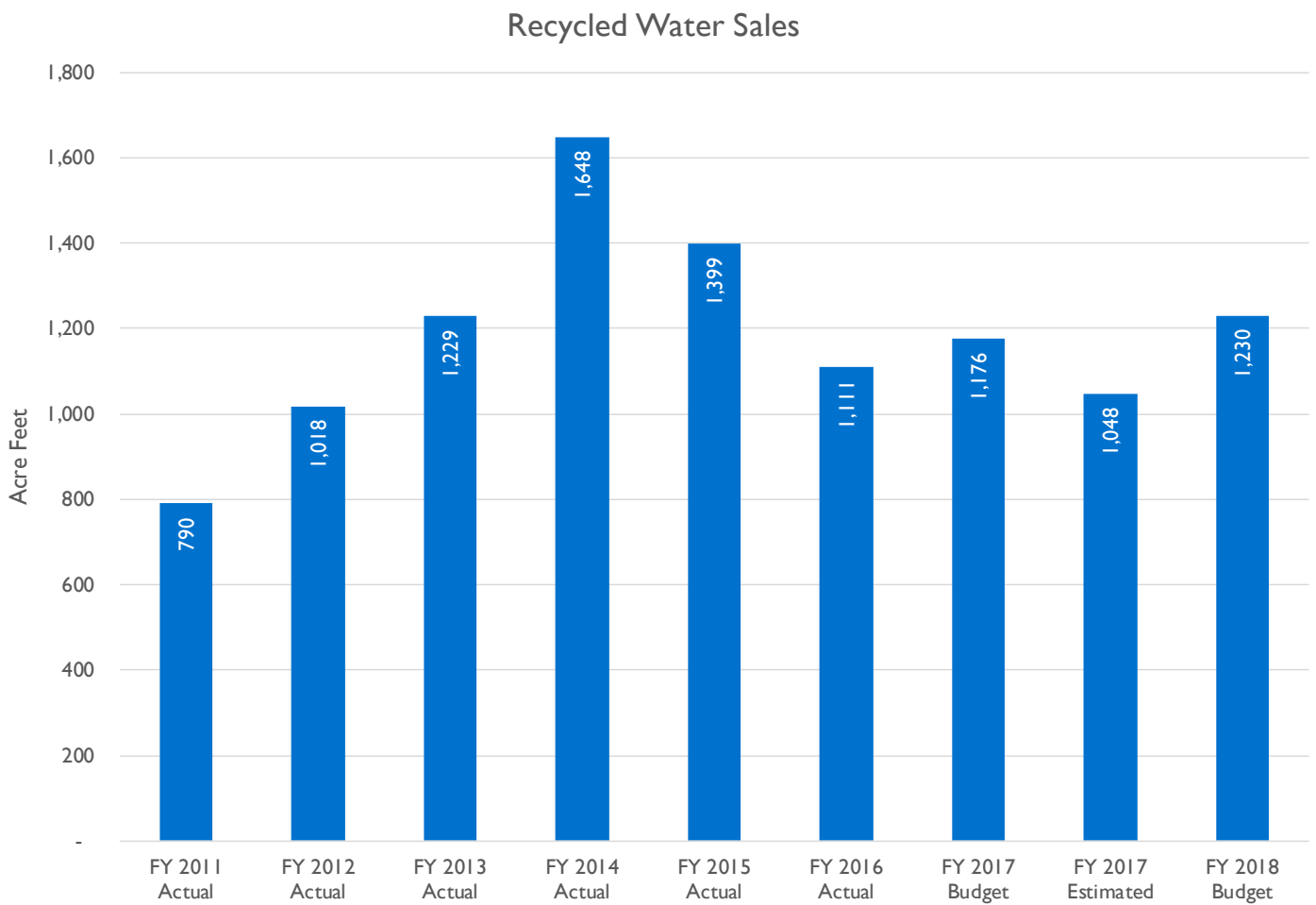
RECYCLED WATER RATE	7/1/2015	7/1/2016	7/1/2017	7/1/2018
PER HCF				
Domestic/Landscape	\$1.58	\$1.63	\$1.68	\$1.73
Construction Water	\$3.16	\$3.26	\$3.36	\$3.46

BIMONTHLY	METER	EFFECTIVE	EFFECTIVE	EFFECTIVE	EFFECTIVE
METER CHARGE	CODE	7/1/2015	7/1/2016	7/1/2017	7/1/2018
1"	D	\$49.75	\$52.24	\$54.85	\$57.59
1-1/2"	E	99.20	104.16	109.37	114.84
2"	F	158.78	166.72	175.06	183.81
3"	G	297.91	312.8	328.44	344.86
4"	H	496.62	521.45	547.52	574.90
6"	I	992.93	1,045.58	1,094.71	1,149.44
8"	J	1,588.76	1,668.19	1,751.60	1,839.18
10"	K	2,383.28	2,502.44	2,627.57	2,758.94

CONSUMPTION

Another factor that greatly affects the calculation of the Recycled Water Fund’s revenues is the quantity of water sold. The drought should not have had an effect on recycled water consumption as recycled water is a reusable water supply and wasn’t under the same conservation requirements as potable water. But despite that difference, customer consumption did decline during the drought year of FY 2015 and FY 2016. Additionally, FY 2017 was an incredibly wet year and a majority of recycled water is used for landscape irrigation which dramatically reduced consumption during the wet winter months. To determine consumption for FY 2018 the District took the average consumption per customer since FY 2011. The District also factored in a 3% increase in customer count based on historical customer increases. With drought mandates lifted the District is optimistic about the Recycled Water Fund’s consumption for the upcoming budget year.

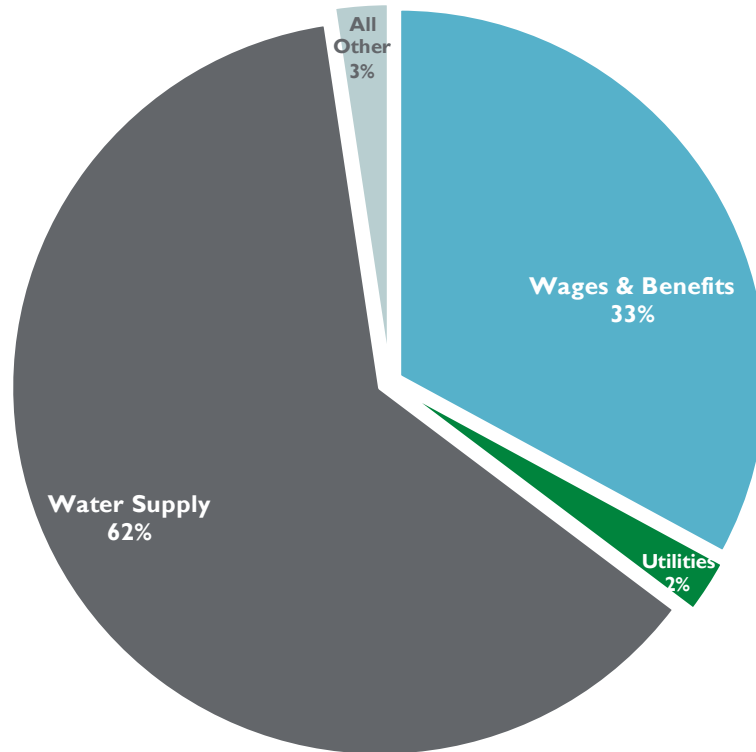
The following table shows the consumption trend of recycled water:



RECYCLED WATER FUND EXPENSES – OPERATING

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

Recycled Water Fund Operating Expenses



The Recycled Water Fund expenses are increasing 13%, which is mostly related to the cost of purchasing treated recycled water from IEUA. The cost of purchasing recycled water account for 62% of expenses. The District pays IEUA a flat rate per AF for recycled water. IEUA is increasing their recycled water cost from \$410/AF to \$470/AF, which is an increase of 15%.

Other increases are related to wages and benefits which follow the same assumptions as the Water Fund (3.0% COLA, 4% merit, change in positions). All other operating costs are determined by division management and are based on historical results.

LONG-RANGE FINANCIAL PLANS

The District has placed a significant effort in the creation of strategic objectives that help guide our organization into the future. These objectives help lead us through challenging times while keeping our focus and attention on our organization's mission and foundational principles. This attention to our future began in 2001 and is integral to our vision and policy framework. This allows the Board of Directors to focus at the policy level, while delegating the details of achieving goals to staff.

The four key elements of our organization's mission are Safety, Reliability, Quality and Stewardship. All work endeavors must be consistent with these elements. Each year the Board of Directors and Executive Staff review past accomplishments and discuss the upcoming year's goals, as well as longer-term strategic objectives. Once confirmed by the Board of Directors, these approved goals and objectives are included in the annual budget process, along with the corresponding funding levels. The strategic goals are outlined below with some of the key FY 2018 work plan items:

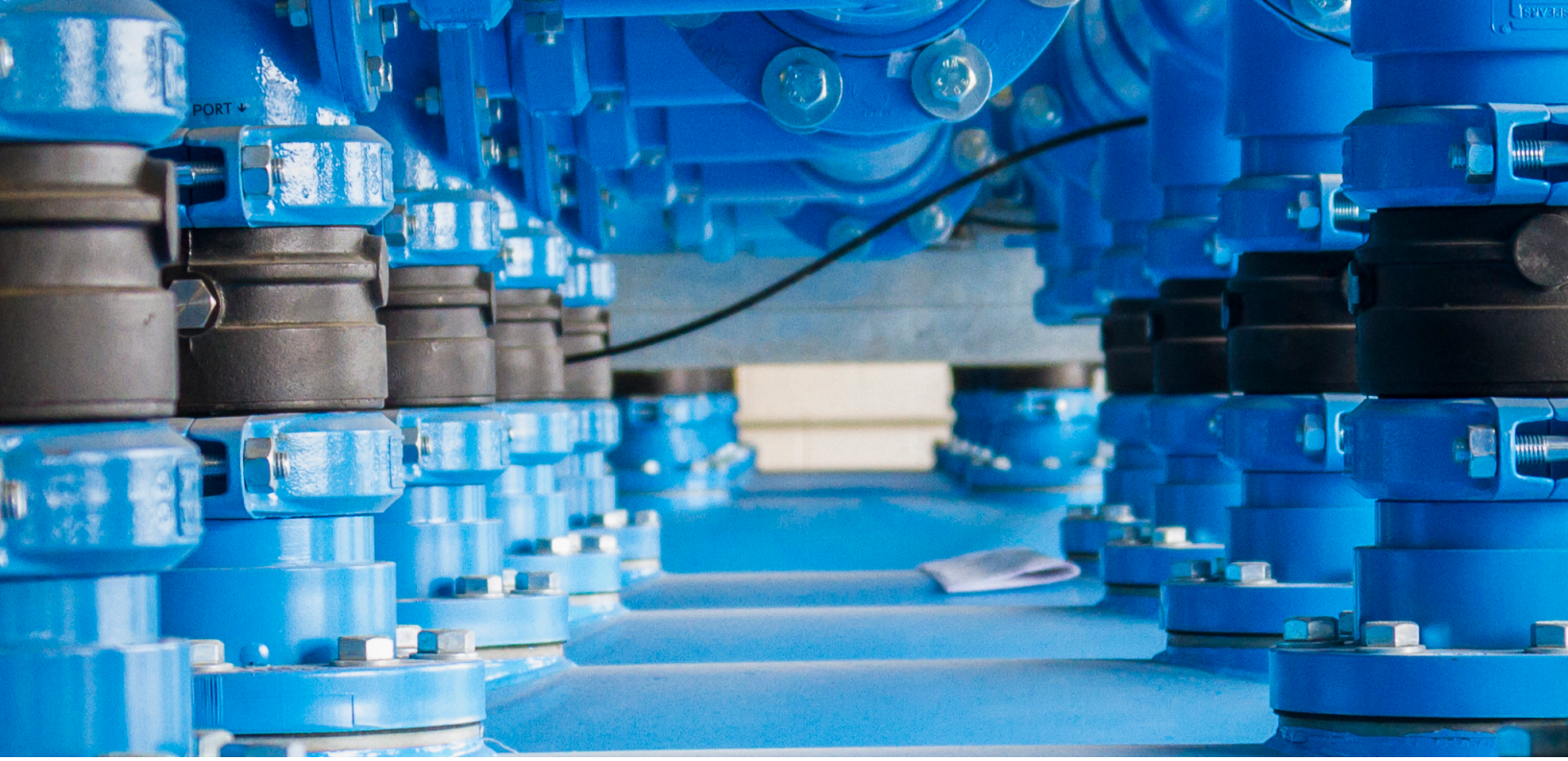
- Financial Planning and Oversight – Advanced funding of pension liabilities, budget-based rate feasibility study, future debt refunding opportunities, and cyclical review of financial policies
- Service to our Customers – Continue to expand the Water Watch Program, upgrades to the Interactive Voice Response system, and installation of the Fixed Network meter reading system
- Outreach to Customers and Stakeholders – Continue to educate customers about the smart use of water
- Investment in our Employees – Continue leadership development
- Reliability in Water Supply – Implement the Water System Master Plan document, address storage management in the Chino Basin and assist in the development of the amended judgment in the Cucamonga Basin

OPERATING & CAPITAL COST FORECAST

The District is able to forecast several budget years in advance using a variety of techniques. The most prevalent being the use of the master plan documents. The Water Master Plan was completed in March of 2017. This plan outlines the water infrastructure needs until the District reaches build-out. The District is currently on track to complete a long-term financial master plan during FY 2018. Until the long-term financial master plan is complete, the District has been using a long-term wage and benefit model, detailed cost of service studies, and has been analyzing our long-term obligations to find the best fit for the District to balance current cash flow while reducing costs. These cost savings measures include the advance funding of pension liabilities, and debt refunding. The District has no plans to issue new debt obligations in the next several years. All CIP will be funded on a pay as you go basis.

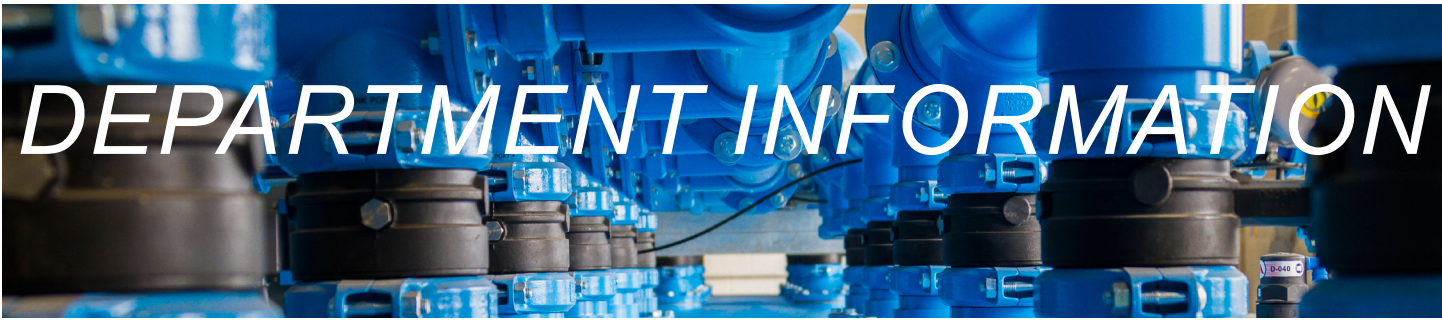
The table below is the District's long-range forecast of the Water Enterprise Fund's net operating revenues, capital projects, debt service coverage, and days cash.

	WATER FUND			
	2018 BUDGET	2019 PROJECTED	2020 PROJECTED	2021 PROJECTED
Gross Revenues				
Water Sales	\$ 51,922,432	\$ 53,277,201	\$ 54,342,745	\$ 55,429,600
Meter Charges	19,840,262	23,736,200	24,210,924	24,695,142
Water Services	1,215,242	1,233,402	1,258,070	1,283,231
Development Fees	2,307,875	4,334,951	4,209,951	7,964,102
Investment Income	1,066,550	1,145,755	1,217,889	1,309,195
Other	3,561,988	1,354,774	1,381,869	1,409,507
Total Gross Revenues	79,914,349	85,082,283	86,621,448	92,090,778
Maintenance & Operating Expenses				
Source of Supply	24,973,117	26,221,773	27,532,861	28,909,505
Pumping Operations	3,813,548	3,889,819	3,967,615	4,046,968
Water Treatment	5,477,423	5,586,971	5,698,711	5,812,685
Transmission & Distribution	3,936,567	4,015,298	4,095,604	4,177,516
Customer Accounts, General & Admin	14,069,085	14,350,467	14,637,476	14,930,226
Total Maintenance & Operating Expenses	52,269,740	54,064,328	55,932,268	57,876,899
Net Revenues	27,644,609	31,017,955	30,689,180	34,213,878
Senior Debt Service	9,003,311	8,976,698	8,969,073	8,959,573
Senior Debt Service Coverage	307%	346%	342%	382%
Subordinate Debt Service	4,546,288	4,557,313	4,564,738	4,569,513
Total Debt Service	13,549,599	13,534,011	13,533,811	13,529,086
Total Debt Service Coverage	204%	229%	227%	253%
Net Revenues Available	14,095,010	17,483,944	17,155,369	20,684,792
Capital Improvement Projects	8,010,000	8,463,000	10,263,440	17,726,384
Net Revenues Available After Debt & CIP	6,085,010	9,020,944	6,891,929	2,958,409
Unrestricted Cash & Investments	54,598,530	58,653,195	62,345,827	67,019,942
Days Cash	381	396	407	423



DEPARTMENT INFORMATION

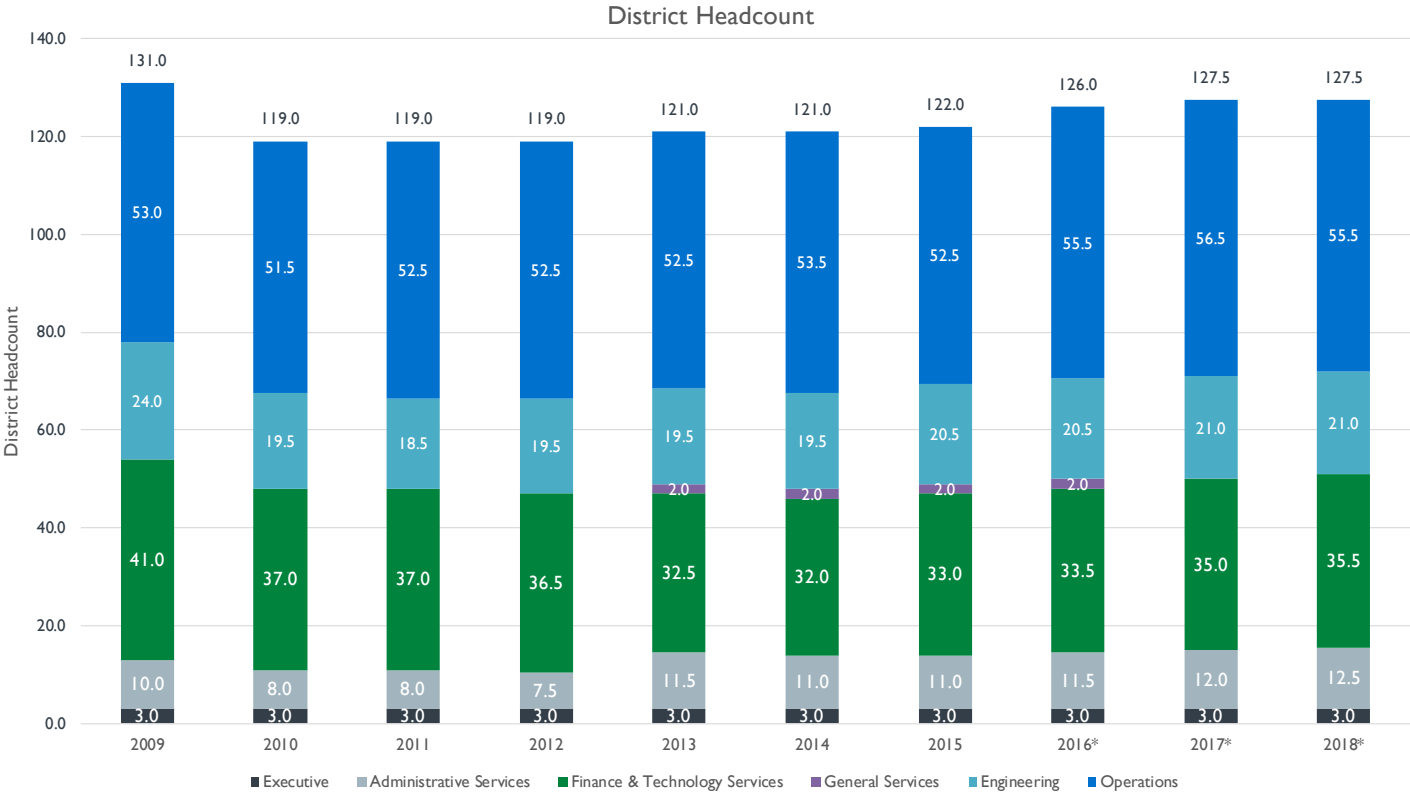
CUCAMONGA VALLEY WATER DISTRICT



POSITION SUMMARY SCHEDULE

The District’s Vision focuses on People, Service and Water. The District is a servant-oriented organization. The District provides a high quality sustainable water supply, and none of this is possible without an innovative, self-managed staff that has pride of ownership for their work product providing exceptional customer service.

The table below indicates the total District headcount for the last ten years:



*Starting FY 2016 headcount totals include part-time employees, but do not include temporary labor.

The table below highlights the upcoming changes in personnel:

DEPARTMENT	2009	2010	2011	2012	2013	2014	2015	2016*	2017*	2018*	CHANGE FY 17 & 18
Executive	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	0.0
Administrative Services	10.0	8.0	8.0	7.5	11.5	11.0	11.0	11.5	12.0	12.5	0.5
Finance & Technology Services	41.0	37.0	37.0	36.5	32.5	32.0	33.0	33.5	35.0	35.5	0.5
General Services	0.0	0.0	0.0	0.0	2.0	2.0	2.0	2.0	0.0	0.0	0.0
Engineering	24.0	19.5	18.5	19.5	19.5	19.5	20.5	20.5	21.0	21.0	0.0
Operations	53.0	51.5	52.5	52.5	52.5	53.5	52.5	55.5	56.5	55.5	-1.0
District Total	131.0	119.0	119.0	119.0	121.0	121.0	122.0	126.0	127.5	127.5	0.0

Changes in FY 2018:

Administrative Services: Increase of 0.5

The Communication and Outreach division is requesting that their current part-time position of Communication and Outreach Representative I be expanded into a full-time position. This will allow the Representative more time to focus on the coordination of the District's student educational programs and provide support in the field of legislative analysis. This position will also allow the Communication and Outreach team to manage more work in-house, including the design of billing inserts, ads, and the customer newsletter.

Finance & Technology Services: Increase of 0.5

The Accounting division is requesting an additional Accountant to assist with financial reporting, analysis, review, and reconciliations. This will be an entry-level professional position that will also facilitate delegation, coverage and succession planning within the Finance Department. The anticipated hire date of the accountant is January 1, 2018. The Accounting division will suspend their current finance internship program.

Operations: Decrease of 1.0

The Facilities division will not be filling the Facilities Maintenance Worker vacancy left from an employee retirement. The work previously performed is now handled by contracted janitorial services.

DEPARTMENTAL DESCRIPTIONS

The District sets the overall organization wide goals that support the District’s mission and strategic plan. The divisions are the link that converts planning into action. Divisions are overseen by a manager. Divisions are organized into Departments which are overseen by an assistant general manager. Each division will follow the following format if applicable:

- Department – the department in which the division operates
- Description of Services Provided – a short overview and explanation of the services provided by the division
- Staffing Levels – full-time and part-time positions budgeted for the division
- Goals & Objectives – The planned tasks of the division that support the overall District goals
- Performance Measures – Specific quantitative measures of work performed by the division that help the District assess the effectiveness and efficiency of the division. Performance measures are tied to one of the seven District goals and outlined in the Goals & Objectives section.
- Operating Expenses – A summary of budget data by expense type of the current and past budget years
- Significant Changes – Highlights the proposed major changes in the upcoming budget year

The Fiscal Year 2017-2018 Budget is organized into the following summary divisions:

- Board of Directors
- Office of the General Manager
- Human Resources
- Safety & Risk Management/Emergency Preparedness
- Office of the Assistant General Manager
- Communications & Outreach
- Financial & Technology Administration
- Accounting
- Customer Service
- Information Technology
- Purchasing & Warehouse
- General Services Administration
- Engineering Administration
- Geographic Information System
- Design & Water Resources
- Inspection
- Industrial Waste
- Cross Connection
- Operations Administration
- Source of Supply
- Water Treatment
- Production
- Telemetry
- Maintenance: Facilities
- Maintenance: Vehicles
- Water Distribution
- Collection & Transmission
- Recycled Water



EXECUTIVE DEPARTMENT

BOARD OF DIRECTORS

Department: Executive

DESCRIPTION OF SERVICES PROVIDED:

The Board of Directors provide direction and leadership for the District. The Office prepares Board and Committee agenda packets and ancillary correspondence and is responsible for the creation and maintenance of all public records as a result of the business conducted by the Board of Directors. The Directors also serve as Trustees of the Frontier Project Foundation, a non-profit foundation established by the Cucamonga Valley Water District with a mission of demonstrating environmental sustainability. The Board of Directors also serve on the boards of the Cucamonga Valley Water District Financing Authority and the Cucamonga Public Facilities Corporation. The Fontana Union Water Company is a mutual water company for which the District is a majority shareholder. Currently, three Directors serve as regular Board Members, and one Director serves as an alternate.

GOALS & OBJECTIVES:

1. Develop, support, and advocate District policy initiatives at local, state, and regional levels.
2. Participate and provide leadership in regional and statewide advocacy and oversight organizations, including the Association of California Water Agencies, California Special Districts Association, Local Agency Formation Commission for San Bernardino County, and the Association of San Bernardino County Special Districts, as well as water resource management organizations.

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Directors' Fees	\$ 208,250	\$ 150,000	\$ 133,125	\$ 150,000	\$ -	0%
District Burden	186,906	112,558	100,029	107,872	(4,686)	-4%
Professional Development	50,452	61,460	59,506	79,370	17,910	29%
Professional Services	79,121	50,000	52,682	50,000	-	0%
Advertisements	583	600	-	600	-	0%
Election Expense	-	-	-	150,000	150,000	100%
Personnel Costs	65	-	-	-	-	0%
Utilities	3,353	2,400	2,358	2,400	-	0%
Materials & Supplies	7,588	1,750	326	1,750	-	0%
Safety	-	850	-	850	-	0%
Water Supply	-	-	-	-	-	-
Miscellaneous	1,061	4,000	1,002	4,000	-	0%
Total Operating Expenses	\$ 537,379	\$ 383,618	\$ 349,028	\$ 546,842	\$ 163,224	43%

SIGNIFICANT CHANGES:

Election expenses have increased due to scheduled November 2017 local elections.

OFFICE OF THE GENERAL MANAGER

Department: Executive

DESCRIPTION OF SERVICES PROVIDED:

The General Manager/CEO is the liaison to the Board of Directors and oversees the day to day operations of the District. The General Manager/CEO provides leadership and initiates strategic planning to implement the goals and the vision of the Board of Directors. The Foundational Principles provide guidance in establishing long-term organizational goals, and the General Manager/CEO utilizes the talent and skills of the entire staff to fulfill the organizational objectives. The General Manager/CEO also serves as President of the Fontana Union Water Company, a mutual water company managed by the District, and is the President of the Frontier Project Foundation, a non-profit corporation that seeks grant funding to conduct educational outreach programs.

GOALS & OBJECTIVES:

1. Ensure alignment between the Board of Directors and staff to accomplish district wide goals.
2. Promote policies that secure our long-term financial stability.
3. Continue to seek out opportunities that ensures a diverse and resilient water supply.
4. Empower CVWD's next generation workforce with development opportunities that promote our culture and values.
5. Provide a Customer First model of service to our ratepayers and stakeholders.

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
General Manager / CEO	1.0	1.0	1.0
Executive Assistant	2.0	2.0	2.0
Total	3.0	3.0	3.0

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 379,772	\$ 494,215	\$ 511,953	\$ 519,877	\$ 25,662	5%
District Burden	253,150	319,271	324,335	346,708	27,437	9%
Professional Development	34,001	58,060	50,607	51,905	(6,155)	-11%
Professional Services	220,831	242,000	225,523	321,590	79,590	33%
Personnel Costs	4,206	4,400	1,853	3,700	(700)	-16%
Utilities	3,467	4,800	4,907	4,440	(360)	-8%
Materials & Supplies	5,632	1,500	548	1,600	100	7%
Safety	-	300	495	400	100	33%
Miscellaneous	3,802	4,300	4,475	4,500	200	5%
Other - Capital Equipment	-	100	1,337		(100)	-100%
Total Operating Expenses	\$ 904,861	\$ 1,128,946	\$ 1,126,029	\$ 1,254,720	\$ 125,774	11%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. Professional services have increased due to legal fees.



ADMINISTRATIVE SERVICES DEPARTMENT

HUMAN RESOURCES

Department: Administrative Services

DESCRIPTION OF SERVICES PROVIDED:

This division is responsible for ensuring that the District initiates and facilitates strategies for building a workforce which supports and enhances organizational objectives and values. In addition to workforce development, the division is responsible for overseeing employee benefits, classification and compensation, policies and procedures, employee relations, administrative support, and employee development.

GOALS & OBJECTIVES:

1. Recruit and retain a diverse workforce to meet the needs of the District.
2. Ensure that compensation and performance management processes are designed and executed to align and maximize people's performance with the goals of the District.
3. Offer staff development opportunities through cross-training, knowledge capture, and succession planning.
4. Develop a Human Resources Strategic Plan, which will set direction for the division to address future workforce trends and challenges.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
7	Average number of days to hire staff, from recruitment posting to the candidate's effective date of hire (start date)	70	64	60	61	60
7	Number of compensation and classification studies conducted	30	46	50	48	55
6	Percentage of annual performance evaluations completed	95%	96%	98%	79%	95%

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Human Resources Manager	1.0	1.0	1.0
Human Resources Analyst	1.0	1.0	1.0
Administrative Assistant II	0.5	0.5	0.5
Total	2.5	2.5	2.5

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 238,918	\$ 258,261	\$ 267,321	\$ 274,705	\$ 16,444	6%
District Burden	126,733	137,809	147,356	164,281	26,472	19%
Professional Development	16,879	24,610	26,293	26,010	1,400	6%
Professional Services	33,963	20,000	18,801	18,500	(1,500)	-8%
Personnel Costs	64,269	73,250	28,353	77,300	4,050	6%
Utilities	2,492	3,000	1,284	2,200	(800)	-27%
Materials & Supplies	3,823	5,300	2,159	5,050	(250)	-5%
Outside Services	31	5,950	6,395	3,450	(2,500)	-42%
Safety	391	500	-	400	(100)	-20%
Miscellaneous	1,091	1,300	591	1,200	(100)	-8%
Other - Capital Equipment	-	150	-	-	(150)	-100%
Total Operating Expenses	\$ 488,590	\$ 530,130	\$ 498,553	\$ 573,096	\$ 42,966	8%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. There are no other significant changes.

SAFETY & RISK MANAGEMENT / EMERGENCY PREPAREDNESS

Department: Administrative Services

DESCRIPTION OF SERVICES PROVIDED:

This division administers the District’s risk management program, which promotes and provides a safe and secure work environment for employees. The risk management program includes employee safety and training programs, workers compensation, emergency management and disaster preparedness, loss prevention, and general auto and property liability insurance for the District.

GOALS & OBJECTIVES:

1. Protect District assets by controlling loss exposure while conserving human and financial resources.
2. Ensure fair and equitable handling of all claims through administrative, legal and medical services.
3. Provide training, create awareness, and implement reasonable workplace accommodations.
4. Expand risk management/assessments/safety training opportunities to educate staff and mitigate risk.
5. Secure and protect employee confidence in workplace safety through the development and delivery of safety programs and services.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
7	Number of work days lost per worker’s compensation claim	5	0	0	3	0
7	Number of ergonomic assessments completed	12	---	8	12	55
7	Percentage of employees who completed first-aid/CPR training	95%	---	18%	79%	95%
7	Percentage of employees utilizing TargetSolutions online modules	95%	96%	90%	90%	95%
7	Percentage of security camera monitored campus coverage	60%	---	90%	88%	90%
7	Number of key emergency operations center staff who completed CSTI emergency preparedness trainings	100%	40%	60%	70%	80%

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Risk Management Analyst	1.0	1.0	1.0
Safety Analyst	1.0	1.0	1.0
Administrative Assistant II	0.5	0.5	0.5
Total	2.5	2.5	2.5

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 253,026	\$ 202,070	\$ 203,697	\$ 212,928	\$ 10,858	5%
District Burden	83,970	127,807	132,180	137,870	10,063	8%
Professional Development	22,407	34,920	26,269	25,850	(9,070)	-26%
Professional Services	-	2,000	-	1,500	(500)	-25%
Personnel Costs	45,793	49,900	23,503	51,350	1,450	3%
Insurance	454,439	459,100	464,156	466,420	7,320	2%
Utilities	8,051	10,105	66,050	74,255	64,150	635%
Materials & Supplies	14,896	13,500	20,571	13,000	(500)	-4%
Outside Services	85,395	40,400	43,404	47,800	7,400	18%
Safety	1,647	3,200	886	3,000	(200)	-6%
Miscellaneous	-	-	63	-	-	-
Other - Capital Equipment	1,365	900	-	6,000	5,100	567%
Total Operating Expenses	\$ 970,989	\$ 943,902	\$ 980,779	\$ 1,039,973	\$ 96,071	10%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and increased retirement obligations. Additionally, emergency radio service costs were transferred to the division and account for the increase in utilities.

OFFICE OF THE ASSISTANT GENERAL MANAGER

Department: Administrative Services

DESCRIPTION OF SERVICES PROVIDED:

This division provides leadership and coordination to the Communications & Legislative Outreach and Human Resources/Risk Management divisions. The Administrative Services Department monitors state and federal legislation that may impact District operations and engages in policy dialogue on issues with the intention of influencing outcomes for the benefit of the ratepayers. The Administrative Services Department oversees the organization's human capital initiatives with the goal of recruiting and retaining talent, succession planning, workplace safety, employee training and minimizing financial exposure related to risk. The Administrative Services Department oversees the development of strategic communications with customers, stakeholders, and regional partners promoting the District's vision, mission and values.

GOALS & OBJECTIVES:

1. Actively participate in the water policy arena to influence local, regional, and statewide regulations.
2. Work with other local, regional, and statewide entities to maximize the beneficial use of all District water supplies.
3. Communicate to key stakeholders the value of water and issues that could impact them.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
3	Contact made with legislators	Ongoing	70	65	65	65
3	Legislative letters sent	Ongoing	40	40	40	45
3	Bills tracked	Ongoing	30	35	35	35
2	Stakeholder tours provided	Ongoing	6	8	8	8

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Assistant General Manager	1.0	1.0	1.0
Principal Management Analyst	1.0	1.0	1.0
Total	2.0	2.0	2.0

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 306,388	\$ 323,483	\$ 339,386	\$ 342,229	\$ 18,746	6%
District Burden	158,358	177,912	185,172	199,333	21,421	12%
Professional Development	22,105	32,350	11,985	32,350	-	0%
Professional Services	68,259	74,000	57,576	75,000	1,000	1%
Advertisements	250	2,000	-	2,000	-	0%
Personnel Costs	841	400	645	600	200	50%
Utilities	3,259	3,000	1,971	3,000	-	0%
Materials & Supplies	342	2,900	41	1,900	(1,000)	-34%
Safety	108	300	152	300	-	0%
Miscellaneous	1,934	1,200	453	1,000	(200)	-17%
Total Operating Expenses	\$ 561,844	\$ 617,545	\$ 597,380	\$ 657,712	\$ 40,167	7%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and increased retirement obligations. There are no other significant changes.

COMMUNICATIONS & OUTREACH

Department: Administrative Services

DESCRIPTION OF SERVICES PROVIDED:

This division oversees the strategic communications, community outreach, water conservation outreach, special events, and school education programs of the District. A number of communication methods are used to disseminate information to internal and external customers and strengthen the CVWD brand within the community and throughout the water industry. These include customer newsletters, website management, social media outreach, student education, community workshops and trainings, community and stakeholder tours, community events, and media relations. Each of these elements plays a critical role in promoting the District's strategic vision, mission, and values.

GOALS & OBJECTIVES:

1. Promote the CVWD brand to the community through an active presence at community events, District programs and workshops, student education programs, special events, social media, and media relations.
2. Complete a website redesign of CVWDwater.com. The redesign will include a refresh the content, page design, and layout in order for users to continue to obtain District information, customer service and bill payment options, employment opportunities, District facilities and investments, rebates and workshops, and more.
3. Target 2,500 students in fiscal year 2017-2018 through all District education programs, including increased participation in the Fifth Grade Poster Contest, maximize Environmental Learning Center field trips, provide treatment plant tours to junior high and high school students, increase educator and student participation in regional programs such as the MWD Solar Cup, WEWAC Water Scholar and EduGrant Programs.
4. Continued implementation of the Communications Master Plan in order to maintain brand consistency, provide exceptional customer service to internal and external customers, set priorities for communications efforts, and plan for long-term District communication strategies.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
4	Increased participation in the District's Parkway Turf Removal Rebate Program.	100 rebates completed in FY 18	56	100	75	100
4	Increased participation in education programs by teachers and students.	2,500 participants in FY 18	2,000	2,000	1,750	2,500
4	Improved social media presence throughout multiple channels, including increased followers and improved engagement.	June 30, 2018	685 Facebook followers	850 Facebook followers	737 Facebook followers	1,200 Facebook followers
4	Customer engagement through FlashVote surveys.	250 survey participants by June 30, 2018	--	100 participants	55 participants	250 participants
4	Increased engagement on the newly designed District website.	Redesign to be completed by September 1, 2017; engagement to increase 25%.	156,000 site visits	175,000 site visits	120,000 site visits	150,000 site visits

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Communication & Outreach Manager	1.0	1.0	1.0
Lead Community Outreach Representative	2.0	1.0	1.0
Community Outreach Representative I	-	1.5	2.0
Community Outreach Intern	0.5	0.5	0.5
Administrative Assistant II	1.0	1.0	1.0
Total	4.5	5.0	5.5

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 392,432	\$ 395,474	\$ 384,905	\$ 453,360	\$ 57,886	15%
District Burden	128,290	170,429	193,544	214,267	43,838	26%
Professional Development	13,891	20,805	16,466	22,195	1,390	7%
Professional Services	-	2,000	1,220	12,000	10,000	500%
Advertisements	23,473	61,025	20,675	39,025	(22,000)	-36%
Personnel Costs	224	200	273	200	-	0%
Utilities	3,908	3,480	3,910	3,480	-	0%
Materials & Supplies	50,205	32,150	46,102	33,150	1,000	3%
Outside Services	120,168	105,200	60,270	124,700	19,500	19%
Safety	-	-	161		-	
Miscellaneous	25,370	9,000	1,127	49,000	40,000	444%
Total Operating Expenses	\$ 757,961	\$ 799,763	\$ 728,653	\$ 951,377	\$ 151,614	19%

SIGNIFICANT CHANGES:

The Communication and Outreach division is requesting that their current part-time position of Communication and Outreach Representative I be expanded into a full-time position. This will allow the Representative more time to focus on the coordination of the District's student educational programs and provide support in the field of legislative analysis. This position will also allow the Communication and Outreach team to manage more work in-house, including the design of billing inserts, ads, and the customer newsletter. Wages and benefits have also increased due to the COLA and increased retirement obligations.

The Communications & Outreach division will continue to focus on implementation of the Communications Master Plan and the recommended strategies. One of the major components of this plan is the implementation of the new Branding Guidelines and District-wide brand consistency. Several new budget items will contribute to this significant project, including FlashVote survey implementation, an increase in sponsorships to promote the CVWD brand, and consulting fees related to other District projects, including a District Annual Report, new professional District photos, and educational videos. Additionally, the Communications & Outreach division is budgeting for the Parkway Turf Removal Rebate Program to support water conservation efforts, the first program of its kind offered by CVWD, which accounts for the \$40,000 increase in the miscellaneous category.



FINANCIAL & TECHNOLOGY SERVICES DEPARTMENT

FINANCIAL & TECHNOLOGY SERVICES ADMINISTRATION

Department: FINANCIAL & TECHNOLOGY SERVICES

DESCRIPTION OF SERVICES PROVIDED:

This division coordinates the activities for the department. The Assistant General Manager/CFO oversees investment activities, debt administration, rate-setting, as well as overall financial and budgetary oversight of the District. Other administrative duties of this division include employee relations and performance, strategic visioning, and goal setting. This division also provides administrative support to all department members.

GOALS & OBJECTIVES:

1. Collaborate with team members to create and execute action plans that are aligned the Board approved goals that support the foundational principles of the District.
2. Complete the conservation-based rate project funded by the Integrated Regional Water Management Grant (Prop 84).
3. Finalize and implement the Long-Term Financial plan.
4. Research and development a Customer First model.
5. Review the department’s key performance indicators to ensure timely progress.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
6	Team review of goals, team development of action plans, and final presentation to the Board of Directors.	1/31/2018	N/A	N/A	N/A	Board Adoption of Action Plans
2	Delivery of final report by consultant and presentation to the Board of Directors.	2/28/2018	N/A	N/A	N/A	Board Action
2	Delivery and acceptance of consultant-prepared model. Presentation to Finance Committee and Board of Directors	09/30/2017	N/A	N/A	N/A	Board Receive and File
4	Collaboration with Customer Service & Communication/ Outreach teams to develop a model and implementation plan.	06/30/2018	N/A	N/A	N/A	Board Receive and File
6	Review progress of action plans with team managers.	Continual	N/A	N/A	N/A	Continual

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Assistant General Manager/Chief Financial Officer	1.0	1.0	1.0
Administrative Assistant II	-	1.0	1.0
Administrative Assistant I	1.0	-	-
Total	2.0	2.0	2.0

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 252,657	\$ 267,937	\$ 281,540	\$ 282,917	\$ 14,980	6%
District Burden	116,274	131,559	135,794	145,288	13,729	10%
Outside Labor	-	-	-	10,000	10,000	100%
Professional Development	6,666	7,510	7,869	5,810	(1,700)	-23%
Professional Services	175,070	223,495	173,886	107,780	(115,715)	-52%
Advertisements	1,180	4,000	-	4,000	-	0%
Personnel Costs	464	1,000	123	1,200	200	20%
Utilities	2,298	1,500	1,292	1,500	-	0%
Materials & Supplies	885	1,400	369	1,400	-	0%
Outside Services	-	500	-	500	-	0%
Safety	291	300	146	300	-	0%
Miscellaneous	193	950	80	250	(700)	-74%
Other - Capital Equipment	-	875	-	1,425	550	63%
Total Operating Expenses	\$ 555,978	\$ 641,026	\$ 601,097	\$ 562,370	\$ (78,656)	-12%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased costs of retirement obligations, but the total budget for the division is decreasing by almost \$79,000 from FY 2017 to FY 2018. This is due to the multi-year Conservation-Based Rate project that will be completed in FY2018. The majority of the contract will have been spent by June 30, 2017. This project includes funding for the rate study and the underlying Long-Term Financial plan. Legal expenses are budgeted to decrease by \$10,500 due to a possible legal issue that did not come to fruition. Temporary labor is budgeted to increase by \$10,000 due to additional help needed in the fall as a result of an anticipated staffing vacancy.

ACCOUNTING

Department: Financial & Technology Services

DESCRIPTION OF SERVICES PROVIDED:

This division performs all financial related services for the District, which include general ledger functions, investment tracking, debt management, payroll and benefit processing, accounts payable, accounts receivable, customer billing, collection processing/referral, customer payment remittance processing, bank account reconciliation, monthly financial reporting, annual budget preparation, rate analysis/update, CAFR preparation, State controller's report preparation, and Capital Improvement Program reporting.

GOALS & OBJECTIVES:

1. Create a Budget document that meets the requirements of the GFOA Excellence in Budgeting and CSMFO Budget award programs.
2. Create a CAFR that meets the GFOA Excellence in Financial Reporting award program.
3. Document the business processes of the division with Standard Operating Procedures.
4. Monitor liquidity needs to balance a high level of safety and maximize interest income from investments.
5. Complete actuarial report for the Other Post Employment Benefits plan in order to comply with GASB 75.
6. Maximize the usage of paperless ACH vendor payments.
7. Maintain high levels of staff performance by providing technical, professional, and leadership training.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
7	GFOA Budget Award	Ongoing	1	1	1	1
7	CSMFO Budget Award	Ongoing	1	1	1	1
7	GFOA CAFR Award	Ongoing	1	1	1	1
7	SOP documents current & complete	Ongoing	90	110	110	120
1	Investment Income	Ongoing	\$1,569,781	\$1,011,000	\$1,347,895	\$1,312,000
1	Cash & Cash Equivalent Holdings	Ongoing	\$27,729,909	\$25,000,000	\$27,000,000	\$20,000,000
1	Actuarial Studies Completed	Ongoing	2	0	0	2
1	EFT % of Payments	Ongoing	14.3%	14.7%	15.0%	20.0%
1	EFT % of Payment \$ Amounts	Ongoing	52.1%	56.9%	60.0%	60.0%
7	Staff hours of Professional Training	Ongoing	119	153	169	180
7	CPA's on Staff	Ongoing	4	4	4	4

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Finance Manager	0.5	0.5	0.5
Accounting Supervisor	1.0	1.0	1.0
Senior Accountant	-	-	1.0
Accountant	1.0	1.0	1.0
Account Clerk II	4.0	4.0	4.0
Finance Intern	0.5	0.5	-
Total	7.0	7.0	7.5

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 513,620	\$ 542,448	\$ 560,534	\$ 594,104	\$ 51,656	10%
District Burden	243,447	229,995	252,225	269,910	39,915	17%
Outside Labor	-	1,000	-	25,000	24,000	2400%
Professional Development	9,165	12,185	16,244	13,630	1,445	12%
Professional Services	63,930	77,203	74,739	80,831	3,628	5%
Advertisements	282	300	-	300	-	0%
Personnel Costs	271	-	-	-	-	-
Collections	42,887	100,000	66,987	82,000	(18,000)	-18%
Utilities	748	800	777	900	100	13%
Materials & Supplies	1,711	2,900	1,866	2,900	-	0%
Outside Services	32,494	28,000	27,543	31,000	3,000	11%
Safety	1,639	400	-	800	400	100%
Miscellaneous	361,069	402,000	376,535	392,000	(10,000)	-2%
Total Operating Expenses	\$ 1,271,263	\$ 1,397,231	\$ 1,377,449	\$ 1,493,375	\$ 96,144	7%

SIGNIFICANT CHANGES:

The Accounting division is requesting an additional Accountant to assist with financial reporting, analysis, review, and reconciliations. This will be an entry-level professional position that will also facilitate delegation, coverage and succession planning within the Finance Department. The anticipated hire date of the accountant is January 1, 2018. The Accounting division will suspend their current finance internship program. Wages and benefits have also increased due to the COLA and increased retirement obligations.

Additionally, the division selected a new auditing firm and entered into a professional services agreement for the fiscal years 2017-2019. This agreement with the new audit firm resulted in savings during FY 2018 of \$2,273, which is reflected in a budget reduction in accounting services. Funding for the shared cost of a temporary worker in the Customer Service Division was added in order to allow Customer Service staff members to participate in billing desk coverage rotation. Two actuarial studies are planned for FY 2018 necessitating an \$18,000 increase in professional services. These actuarial studies are required on a biennial basis in order to meet financial reporting requirements. In order to promote the professional development of accounting staff members, \$11,040 was budgeted for professional training and tuition reimbursement.

CUSTOMER SERVICE

Department: Financial & Technology Services

DESCRIPTION OF SERVICES PROVIDED:

This division is the first point of contact for our 50,140 customers. We provide call center support (approximately 300 calls per day), walk-up counter payment service (approximately 100 per day), Interactive Voice Response/ Internet payment service, new account processing, and work order generation. The division also handles all field service requests that include turn on/off accounts, meter repairs, water consumption investigations and consultations, new meter installation, meter calibrations, and meter reading, which includes traditional and Fixed Network (FN) reading. Utilizing our Fixed Network system, we provide leak notification through our Water Watch Program (WWP) developed by our Field Service staff. The WWP allows us to assist our customers in locating leaks before they have a chance to impact their bill. This helps us to be proactive and provide Service Beyond Expectation.

GOALS & OBJECTIVES:

1. Continue to provide our customers with exceptional service both over the phone and in person.
2. Complete and utilize our Fixed Network system to enhance meter reading.
3. Utilize the fixed network System to identify customer leaks in conjunction with the WWP.
4. Continue the cross-training program to ensure future coverage in Finance and Customer Service.
5. Maintain high levels of staff performance by providing technical training.
6. Roll-out the redesigned customer utility statement, reminder notice, and disconnection notice with our new bill-print vendor.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
4	Call monitoring and consistent coaching through one-on-one meetings with staff.	On going	N/A	96 meetings & 300 calls screened per year	96 meetings & 300 calls screened per year	96 meetings & 300 calls screened per year
4	Work with Engineering and I.T. to ensure completion of the FN infrastructure and Customer Service Portal.	March 1, 2018	50% Complete	80% complete	95% Complete	Project Completion
4	Continue identifying leaks in conjunction with the WWP.	On Going	575 leaks detected saving 65 AF (21 million gallons)	800 leaks detected saving 106 AF (34.5 million gallons)	750 leaks saving of 100 AF (32.5 million gallons)	1,150 leaks saving 30 AF (42 million gallons)
7	Verify that newly trained staff can process utility billing independently. Continue to check in with staff's progress.	On going	Not previously measured	Not previously measured	Three out of the four participating employees are trained	Four out of the four participating employees fully trained
7	Set goals for staff to attend training seminars and classes during annual appraisals. Staff is required to present in staff meetings on seminar curriculum.	On going	Not previously measured	Not previously measured	Five of the eight staff have taken classes	All staff will attend classes, a total of eight
4	Complete redesign process of new utility statement, reminder notice, and disconnect notice. Work with I.T. to ensure a seamless transition into our new bill implementation process.	January 31, 2018	RFP completed and be awarded	75 % complete.	Complete	Go live by January 31st 2018

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Customer Service Manager	1.0	1.0	1.0
Customer Service Supervisor	1.0	1.0	1.0
Lead Customer Service Representative	1.0	1.0	1.0
Customer Service Representative II	4.0	5.0	4.0
Customer Service Representative I	1.0	1.5	2.5
Field Service Supervisor	1.0	1.0	1.0
Field Service Technician II	-	1.0	1.0
Field Service Technician I	-	-	3.0
Field Service Representative II	7.0	6.0	5.0
Field Service Representative I	2.0	2.0	-
Total	18.0	19.5	19.5

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 1,132,837	\$ 1,307,340	\$ 1,278,869	\$ 1,328,975	\$ 21,635	2%
District Burden	649,760	685,564	650,616	692,807	7,243	1%
Outside Labor	144,404	80,000	119,013	75,000	(5,000)	-6%
Professional Development	12,145	15,400	7,683	13,700	(1,700)	-11%
Professional Services	1,695	2,000	2,738	2,500	500	25%
Personnel Costs	455	500	524	800	300	60%
Utilities	29,449	27,320	28,014	27,320	-	0%
Materials & Supplies	245,876	288,516	218,562	238,223	(50,293)	-17%
Outside Services	20,739	27,620	22,988	27,620	-	0%
Safety	8,888	9,700	13,122	9,700	-	0%
Miscellaneous	157	200	108	200	-	0%
Other - Capital Equipment	6,742	24,500	2,376	11,500	(13,000)	-53%
Total Operating Expenses	\$ 2,253,147	\$ 2,468,660	\$ 2,344,611	\$ 2,428,345	\$ (40,315)	-2%

SIGNIFICANT CHANGES:

The budget for the Customer Service Division of the Financial and Technology Services department is decreasing by approximately \$40,000 from FY 2017 to FY 2018. Most of the savings are generated by the negotiation of a new contract for the District's utility statement processing. In FY 2017, a RFP was disseminated and based on the results the District will experience savings of approximately \$22,000. In addition, postage savings for the utility statements is estimated to be \$24,000 for FY 2018. Wages and benefits have increased due to the COLA and the increased cost of retirement obligations.

INFORMATION TECHNOLOGY

Department: Financial & Technology Services

DESCRIPTION OF SERVICES PROVIDED:

This division provides comprehensive technology planning, development, integration, operation, maintenance, and support to all areas of the District to maximize efficiency. The division's primary responsibilities include day-to-day network center operation and the provision of a safe and secure network environment for centralized data libraries and equipment. Extended responsibilities include access control systems, audio-visual systems, data storage, database systems, disaster recovery, mobile devices, network intrusion prevention, printers, scanners, multi-function copiers, servers, workstations, software development, software implementation, telecommunications, telephone system, video surveillance security systems, WIFI, and Internet. In FY 2016, the IT Help Desk received approximately 186 tickets per month.

GOALS & OBJECTIVES:

1. Provide ongoing technical services to internal customers and maximize operating efficiency in all areas of the District. Provide staff training so that I.T. can continue to deliver "Service Beyond Expectation."
2. Develop integrated database systems, implement server virtualization upgrades, and continue to increase wide area network data bandwidths that allows faster access to all District data.
3. Complete and release the RFP for replacing the current SunGard Enterprise ERP software. I.T. has already completed 20 user interview workshops in April 2017. The ERP Research Project consultant will deliver a draft of the Needs Assessment Report by the end of May 2017. In FY2018 we will release the RFP for ERP replacement, select a new software solution, budget for Phase I upgrades, and start implementation planning.
4. Upgrade District's technologies, such as the Voice over IP (VOIP) telephone system, AV Equipment, Microsoft SharePoint Intranet, Microsoft Office 2016, and the Dell Blade Server/Storage Systems.
5. Complete the Network Security Vulnerability Assessment. Our network has changed drastically since the 2012 Vulnerability Assessment and a current assessment would be advisable to ensure the security of the District's systems. This assessment will not only make sure our network environment is safe and secure, but also evaluate the infrastructure and data center efficiency.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
4	Help Desk annual service tickets – Receiving more requests since we are supporting more I.T. hardware and software	Support 2,500 Help Desk tickets in a timely manner	2,232	2,400	2,400	2,500
4	Data center total data size	Ongoing	35 TB	37.5 TB	38TB	40TB
4	Total internet bandwidth	Ongoing	100MB	135MB	130MB	150MB
4	ERP Enterprise Software Research and Upgrade	Complete phase one ERP upgrade in FY 2019	RFP for Research vendor and selection	Workshops & complete Needs Assessment report	Workshops have been completed	Release RFP, select ERP vendor, and budget for Phase one upgrade
4	Microsoft SharePoint Intranet upgrade & roll out Microsoft Office 2016	New Intranet & ongoing software upgrade	Budget for software upgrades	Complete Intranet migration & renew Microsoft licenses	New Intranet & complete Microsoft Assurance renewal CIP	Continue to add new Intranet features & roll out Microsoft Office 2016
4	VOIP telephone system, Frontier Project audio visual equipment upgrade, and Dell Blade System upgrades	Ongoing	N/A	Budget for these 3 CIP projects	CIP budget has been approved	Implementation
4	Network Security Vulnerability Assessment	Safe and secure network environment	N/A	Budget for Network Assessment	CIP budget has been approved	Implementation

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Information Technology Manager	1.0	1.0	1.0
Network Administrator	1.0	1.0	1.0
Information Technology Specialist II	1.0	1.0	1.0
Information Technology Specialist I	1.0	1.0	1.0
Information Helpdesk Specialist	1.0	1.0	1.0
Total	5.0	5.0	5.0

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 432,170	\$ 479,430	\$ 480,006	\$ 503,470	\$ 24,040	5%
District Burden	197,438	209,643	216,875	229,226	19,583	9%
Professional Development	32,849	42,200	29,807	42,200	-	0%
Professional Services	-	100	-	-	(100)	-100%
Personnel Costs	-	-	167	200	200	100%
Utilities	62,479	79,500	75,792	83,420	3,920	5%
Materials & Supplies	66,802	93,098	93,557	97,150	4,052	4%
Outside Services	785,481	780,826	679,850	784,640	3,814	0%
Safety	597	570	626	780	210	37%
Miscellaneous	44	200	23	400	200	100%
Other - Capital Equipment	-	-	510	800	800	100%
Total Operating Expenses	\$ 1,577,860	\$ 1,685,567	\$ 1,577,210	\$ 1,742,286	\$ 56,719	3%

SIGNIFICANT CHANGES:

The budget for the Information Technology Division will increase by approximately \$57,000 from FY 2017 to FY 2018. One of the contributing factors are support services for more District-utilized software (\$17,500). Wages and benefits have also increased due to the COLA and the increased costs of retirement obligations.

PURCHASING & WAREHOUSE

Department: Financial & Technology Services

DESCRIPTION OF SERVICES PROVIDED:

This division administers the decentralized purchasing system for the District, including the operation of a full-service warehouse. The division is responsible for oversight of the procurement and purchase order process for all departments. This division provides enhanced supply management, a high level of accountability, value-added services, and cost savings to the District.

GOALS & OBJECTIVES:

1. Establish a new three year uniform cleaning and maintenance services agreement.
2. Conduct a review and update process for the Purchasing Policy.
3. Support emergency preparedness of the Operations Department by stocking the warehouse inventory with necessary parts.
4. Review and maintain the list of vendor contacts for parts, materials, and supplies for use during an emergency.
5. Utilize purchasing procedures for effective documentation, efficiency, and internal controls.
6. Maintain high levels of staff performance by providing technical, professional, and leadership training.
7. Utilize warehouse space efficiently by maximizing inventory turnover.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
5	Service Contracts Reviewed	1	0	0	0	1
5	Policy Updated	1	1	0	0	1
5	Meetings for Emergency Planning	1	1	1	1	1
5	Utilization of Purchase Orders	300	334	248	280	300
5	Utilization of Blanket Orders	60	57	50	50	60
5	P-Card Program Purchases	\$ 1,000,000	\$ 820,531	\$ 687,580	\$ 900,000	\$ 900,000
5	P-Card & Other Rebates	\$ 15,000	\$ 9,405	\$ 11,229	\$ 15,000	\$ 15,000
7	Hours of Professional Training	80	36	120	120	78
5	Inventory Turnover Ratio	.70	.81	.78	.78	.80

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Finance Manager	0.5	0.5	0.5
Warehouse & Supply Coordinator	-	1.0	1.0
Purchasing & Warehouse Specialist II	1.0	-	-
Total	1.5	1.5	1.5

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 127,352	\$ 143,044	\$ 153,653	\$ 154,541	\$ 11,497	8%
District Burden	76,316	59,636	81,834	85,163	25,527	43%
Professional Development	903	3,475	878	3,585	110	3%
Professional Services	28	-	-	-	-	-
Utilities	446	400	1,061	420	20	5%
Materials & Supplies	2,998	5,000	1,052	5,000	-	0%
Outside Services	453	1,000	638	1,000	-	0%
Safety	560	1,000	1,295	1,000	-	0%
Miscellaneous	(8,186)	-	-	-	-	-
Total Operating Expenses	\$ 200,870	\$ 213,555	\$ 240,408	\$ 250,709	\$ 37,154	17%

SIGNIFICANT CHANGES:

During FY 2017 the warehouse staff position and classification was changed to Purchasing and Supply Coordinator. For FY 2018, this change has been incorporated into the Purchasing & Warehouse Division Budget. The Purchasing and Supply Coordinator is also pursuing an educational certificate in purchasing from California State University Dominguez Hills. Wages and benefits have also increased due to the COLA and the increased cost of retirement obligations.



GENERAL SERVICES DEPARTMENT

GENERAL SERVICES ADMINISTRATION

Department: General Services

DESCRIPTION OF SERVICES PROVIDED:

This division accounts for district-wide expenses that are general in nature and not attributed to a particular work category. General expenses are accumulated in this department to provide improved means of accounting and monitoring of certain utility expenses, general office supplies, District-sponsored employee events, District membership for industry organizations, and non-utility billing postage costs.

GOALS & OBJECTIVES:

This department does not have any staffing allocated to it and only accounts for District-wide expenses; therefore, no goals have been established.

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Administrative Aide	1.0	-	-
Receptionist	1.0	-	-
Total	2.0	-	-

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Outside Labor	\$ 23,002	\$ 2,500	\$ -	\$ -	\$ (2,500)	-100%
Professional Development	41,750	52,914	49,169	49,076	(3,838)	-7%
Professional Services	30,423	30,000	33,989	35,000	5,000	17%
Personnel Costs	35,464	39,900	50,787	42,000	2,100	5%
Utilities	218,394	237,503	210,837	234,900	(2,603)	-1%
Materials & Supplies	40,013	73,250	27,937	73,152	(98)	0%
Outside Services	2,535	14,000	885	26,000	12,000	86%
Miscellaneous	19,563	20,150	6,922	4,615	(15,535)	-77%
Other - Capital Equipment	-	4,000	-	4,000	-	0%
Total Operating Expenses	\$ 411,144	\$ 474,217	\$ 380,526	\$ 468,743	\$ (5,474)	-1%

SIGNIFICANT CHANGES:

The General Services department budget has decreased by approximately \$10,000 from FY 2017 to FY 2018. It is expected that electricity savings in the amount of \$8,700 will be realized. Printing services is budgeted to increase by \$12,000, which will fund a Proposition 218 notice based on the outcome of the conservation-based rate study. Legal Services is budgeted to increase by \$5,000, which is also related to the results of the rate study. Finally, savings in property tax expenses are anticipated in the amount of \$15,000 for FY 2018.



ENGINEERING DEPARTMENT

ENGINEERING ADMINISTRATION

Department: Engineering

DESCRIPTION OF SERVICES PROVIDED:

This division coordinates the activities for the department. The Assistant General Manager/Chief Operations Officer (“AGM/ COO”) oversees the management of capital improvement projects, water resource management, the District’s Master Plans for water, sewer, recycled water, and water supplies. The AGM/COO actively participates in regional water and wastewater planning committees. The AGM/COO allocates his efforts evenly between the Engineering Department and the Operations Department.

GOALS & OBJECTIVES:

1. Collaborate with divisions to create and implement action plans that are aligned with the District goals.
2. Maximize the beneficial use, reliability, and quality of all of the District’s water supplies.
3. Engage with regional agencies to develop the renewal of the regional sewerage contract.
4. Engage with regional agencies for the management of the Chino Basin Watermaster.
5. Implementation of the District’s master plans within the CIP budget.
6. Create opportunities for staff and team development.
7. Review the department’s key performance indicators.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
6	Goals and action plans development	12/29/17	Not Applicable	Not Applicable	Not Applicable	Board Adoption
2	Develop strategic action plan	1/31/18	Not Applicable	Not Applicable	Not Applicable	Continual
2	Regional sewerage contract	12/29/18	Not Applicable	Not Applicable	Not Applicable	Board Action
2	Chino Basin Watermaster basin management	Continual	Not Applicable	Not Applicable	Not Applicable	Continual
2	CIP approval and implementation	6/26/18	Not Applicable	Not Applicable	Not Applicable	Board Approval
7	Leadership and technical workshops and training	Continual	Not Applicable	Not Applicable	Not Applicable	Continual
6	Performance indicator review	Continual	Not Applicable	Not Applicable	Not Applicable	Continual

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Assistant General Manager/Chief Operating Officer	0.5	0.5	0.5
Administrative Assistant II	1.0	1.0	1.0
Total	1.5	1.5	1.5

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 192,170	\$ 173,773	\$ 173,298	\$ 178,033	\$ 4,260	2%
District Burden	95,194	91,168	102,645	101,377	10,209	11%
Professional Development	7,223	18,500	7,412	18,730	230	10%
Professional Services	92,275	29,840	29,669	32,840	3,000	0%
Personnel Costs	963	1,100	416	1,100	-	0%
Utilities	3,014	4,160	1,776	4,160	-	0%
Materials & Supplies	1,250	3,600	1,427	3,600	-	0%
Outside Services	33	500	-	500	-	0%
Safety	155	700	314	700	-	0%
Miscellaneous	534	1,600	2,600	1,600	-	0%
Other - Capital Equipment	218	750	-	750	-	5%
Total Operating Expenses	\$ 393,029	\$ 325,691	\$ 319,554	\$ 343,390	\$ 17,699	-12%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. There are no other significant changes.

GEOGRAPHIC INFORMATION SYSTEMS

Department: Engineering

DESCRIPTION OF SERVICES PROVIDED:

This division is responsible for coordinating and participating in database management for both the Geographic Information System (GIS) and AutoCAD applications. This division updates and maintains GIS and AutoCAD databases for water, recycled water, and wastewater facilities from construction drawings to as-built information; performs data capturing and conversion, data entry, and graphic editing activities; develops user friendly file management systems and completes geographic data analyses. This division utilizes professional Global Positioning System (GPS) equipment to collect geographical information in the field; locates District assets, resolves accuracy issues using GPS and integrates GPS data into GIS database. GIS viewing application provides accurate, accessible, and functional data to both the desktop and mobile devices within the District. GIS also functions as a great reporting tool and has asset management capabilities.

GOALS & OBJECTIVES:

1. Provide accurate, consistent and up to date geographic databases/GIS data and provide excellent customer service by timely response to the request for projects and services.
2. Develop and implement intuitive, accessible and user friendly GIS applications and tools.
3. Develop, implement and maintain GIS/CAD standards and procedures.
4. In support of Design and Construction, prepare capital projects drawings through field work, engineering design and as-built services.
5. Maintain a highly level of expertise in CAD and GIS support, through training to stay abreast of new technology and tools.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
2	Record drawings scanned and drafted	12 months	250	280	250	250
2	Maintain, update and print water and sewer atlas pages	12 months	W Atlas-275 S Atlas-251	W Atlas-275 S Atlas-251	W Atlas-275 S Atlas-251	W Atlas-275 S Atlas-251
2	Update GIS maps and databases with new changes in system	12 months	148	231	200	250

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
GIS Technician II	1.0	1.0	1.0
GIS Technician I	-	-	1.0
GIS Analyst	1.0	1.0	-
Total	2.0	2.0	2.0

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 125,441	\$ 157,822	\$ 86,523	\$ 130,799	\$ (27,023)	-17%
District Burden	63,808	73,613	55,761	73,458	(155)	0%
Outside Labor	15,600	-	15,600		-	
Professional Development	3,661	8,600	654	12,100	3,500	41%
Materials & Supplies	3,295	18,500	23,274	18,500	-	0%
Outside Services	4,382	16,000	-	16,000	-	0%
Safety	-	400	54	400	-	0%
Total Operating Expenses	\$ 216,187	\$ 274,935	\$ 181,866	\$ 251,257	\$ (23,678)	-9%

SIGNIFICANT CHANGES:

Wages and benefits have decreased despite the COLA and the increased cost of retirement obligations, due to turnover within the division. There are no other significant changes.

DESIGN & WATER RESOURCES

Department: Engineering

DESCRIPTION OF SERVICES PROVIDED:

This division prioritizes and establishes schedules and methods for the design and construction of District capital improvement projects. This division monitors and oversees engineering design activities, including those prepared by consultants; prepares or reviews engineering plans, cost estimates, labor proposals, agreements, public works contracts, and project specifications. This division implements construction management methods to manage contractors that are building the District's capital improvements projects in the field.

Water Resources conducts water supply analysis and makes projections of future water supply needs based on estimates of development activities and other factors; develops and recommends short and long term plans and strategies for meeting expected demand. This division helps develop and coordinate a variety of water conservation programs and activities, including but not limited to, use of recycled water, groundwater basin management, maximizing the efficiency of groundwater recharge facilities and similar efforts, and planning and conducting research projects associated with water resources and water conservation. Maintains and runs the District's water and sewer hydraulic models in InfoWater/InfoSewer for the purposes of planning and design. Enforces and gains compliance of applicable District, local, regional, state and federal rules and best practices related to water, sewer and recycled water from residential, commercial and industrial developers. This is done by an application and plan check process for all new development projects and tenant improvements of existing developments.

GOALS & OBJECTIVES:

1. Ensure that all single year capital projects are completed by end of fiscal year and multi-year projects are making progress by conducting monthly progress updates with staff.
2. Design and construct new water lines to replace old existing pipeline to minimize maintenance, risk of leaks, and interruptions to service.
3. Design and construct new sewer lines to replace existing siphons to minimize maintenance and risk of sewer overflow.
4. Develop and deliver Wellhead Treatment Project at Well Field 3A to improve groundwater quality and production.
5. Construct a new chlorine generator to help the District comply with the Stage 2 Disinfection Byproduct Rule by maintaining consistent chlorine residual in the distribution system without high dosing levels of chlorine at any one location.
6. Maintain updated water, recycled water and sewer data and hydraulic models to prepare and maintain master plan documents, reports and studies. Utilize all available resources to help plan for future infrastructure, supply and collection needs in order to ensure the quality, quantity, and reliability of water supply and provide reliable sewer collection services.
7. Plan check Tenant Improvements to ensure compliance with the Regional Sewage Service Contract, the CVWD Non-domestic Wastewater Discharge Ordinance, the National Pretreatment Program (40 CFR Part I, Subchapter N) and IEUA requirements. In addition, plan check Tenant Improvements for determination of Capital Capacity Reimbursement ["CCR"] fees, and verification that there is adequate hydraulic capacity in

the CVWD sewer collection system to accommodate current and future wastewater loading.

8. Plan check new developments to ensure that all new water, recycled water and sewer infrastructures meet and/or exceed District standards and requirements, to collect all fees including plan check, water capacity, sewer capacity and capital capacity fees.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
2	Design and construct water distribution pipeline in linear feet	June 30, 2018	4,663	5,612	6,512	6,767
2	Design and construct gravity sewer main to replace existing siphons	June 30, 2018	0	1	0	2
2	Design and construct wellhead treatment plant and reservoir (multi-year project)	December 31, 2018	0	0.25	0	1
2	Design and construct new chlorine system per year	February 28, 2018	1	1	1	1
5	Water Capacity Fee Collected	\$2,000,000	\$943,719	\$1,200,000	\$1,087,792	\$2,000,000
5	Sewer Capacity Fee Collected	\$200,000	\$111,465	\$200,000	\$516,640	\$200,000
5	Capital Capacity Fee Collected	\$2,500,000	\$6,174,873	\$2,000,000	\$3,000,000	\$2,500,000
5	Tenant Improvements Plan Checked	80	86	70	95	80

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Planning & Development Manager	1.0	1.0	1.0
Design & Construction Manager	1.0	1.0	1.0
Capital Projects Coordinator	1.0	1.0	1.0
Associate Engineer	1.0	2.0	2.0
Assistant Engineer	2.0	2.0	2.0
Engineering Analyst	1.0	-	-
CAD Analyst	1.0	1.0	1.0
Lead Engineering Technician	2.0	2.0	2.0
Engineering Technician I	1.0	1.0	1.0
Engineering Intern	-	0.5	0.5
Recycled Water Coordinator	1.0	1.0	1.0
Total	12.0	12.5	12.5

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 305,392	\$ 1,216,614	\$ 1,230,219	\$ 1,261,263	\$ 44,649	4%
District Burden	168,062	590,169	625,301	617,417	27,248	5%
Professional Development	9,159	24,195	16,983	26,770	2,575	11%
Professional Services	2,825	16,840	46,898	18,840	2,000	12%
Personnel Costs	244	500	141	500	-	0%
Utilities	6,045	7,300	7,058	7,300	-	0%
Materials & Supplies	8,554	16,850	5,484	17,050	200	1%
Outside Services	399	9,000	-	9,000	-	0%
Safety	1,847	1,900	2,022	2,200	300	16%
Miscellaneous	3,390	3,900	6,413	5,000	1,100	28%
Other - Capital Equipment	-	3,300	-	3,300	-	0%
Total Operating Expenses	\$ 505,917	\$ 1,890,568	\$ 1,940,517	\$ 1,968,640	\$ 78,072	4%

SIGNIFICANT CHANGES:

Wages and benefits have increased because of the COLA and the increased cost of retirement obligations. There are no other significant changes.

INSPECTION

Department: Engineering

DESCRIPTION OF SERVICES PROVIDED:

This division conducts construction inspections of water, recycled water, and sewer systems for a variety of District or developer- built projects.

GOALS & OBJECTIVES:

1. Inspectors enforce compliance in the field with plans and specifications issued for construction and the District's standard drawings.
2. Inspectors track and document construction progress in the field by writing a daily report and taking pictures of each day's construction activities.
3. Coordinate with stakeholder entities, such as traffic control, pavement repair, and other utility crossing from jurisdictions where the District does construction work.
4. Track design changes in the field and check against corrections submitted by contractors for quality assurance on record drawings.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
5	Construction daily reports	500	500	500	500	500
5	Reviews for record drawing development, by contract set of drawings (pipeline and site improvement projects only)	10	9	12	10	10

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Lead Engineering Inspector	1.0	1.0	1.0
Engineering Inspector II	2.0	2.0	2.0
Total	3.0	3.0	3.0

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 38,869	\$ 278,461	\$ 279,656	\$ 286,802	\$ 8,341	3%
District Burden	20,643	159,440	166,208	171,987	12,547	8%
Professional Development	3,677	6,900	1,878	6,900	-	0%
Utilities	2,369	6,250	3,524	6,250	-	0%
Materials & Supplies	1,252	8,050	1,853	6,500	(1,550)	-19%
Outside Services	2,505	6,000	1,275	5,000	(1,000)	-17%
Safety	1,425	3,800	1,110	3,200	(600)	-16%
Other - Capital Equipment	1,279	2,000	714	2,000	-	0%
Total Operating Expenses	\$ 72,019	\$ 470,901	\$ 456,216	\$ 488,639	\$ 17,738	4%

SIGNIFICANT CHANGES:

Wages and benefits have increased because of the COLA and the increased cost of retirement obligations. There are no other significant changes.

INDUSTRIAL WASTE

Department: Engineering

DESCRIPTION OF SERVICES PROVIDED:

This division ensures compliance of commercial and industrial customers with the District's pretreatment/ source control program to protect the wastewater collection system. This division achieves its purpose through inspection, issuance, and renewal of permits for discharge of non-domestic wastewater into the sanitary sewer.

GOALS & OBJECTIVES:

1. Ensure compliance of commercial and industrial customers with the Regional Sewage Service Contract, the District's Non-domestic Wastewater Discharge Ordinance, the National Pretreatment Program and IEUA requirements.
2. To implement and operate the District's Fats, Oils and Grease (FOG) Control Program to facilitate the maximum beneficial public use of the District's wastewater collection system while preventing blockages of sewer lines and reducing the adverse effects on sewage treatment operations resulting from discharges of FOG into the system.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
5	Food Service Establishment Permits Issued	125	112	122	122	125
5	Food Service Establishment Inspections	650	708	650	606	650
5	Industrial User Sampling	36	36	36	36	36
5	Tenant Improvement Inspections	110	104	110	107	110

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Industrial Waste Inspector II	1.0	1.0	1.0
Total	1.0	1.0	1.0

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 77,422	\$ 82,892	\$ 81,849	\$ 85,357	\$ 2,465	3%
District Burden	45,820	54,183	55,952	60,776	6,593	12%
Professional Development	322	2,625	21		(2,625)	-100%
Professional Services	1,958	-	-		-	
Utilities	234	-	569		-	
Materials & Supplies	364	1,350	230	1,300	(50)	-4%
Outside Services	170	-	-		-	
Safety	1,792	-	1,068		-	
Total Operating Expenses	\$ 128,082	\$ 141,050	\$ 139,688	\$ 147,433	\$ 6,383	5%

SIGNIFICANT CHANGES:

Wages and benefits have increased because of the COLA and the increased cost of retirement obligations. There are no other significant changes.

CROSS CONNECTION

Department: Engineering

DESCRIPTION OF SERVICES PROVIDED:

This division ensures compliance by commercial and industrial customers to the District's Cross Connection Ordinance and the State of California Title 22. This division monitors and tests all private backflow prevention devices and inspects backflow installations. Additionally, this division also tests and repairs the City of Rancho Cucamonga and District backflow prevention assemblies, and provides plan check review.

GOALS & OBJECTIVES:

1. Ensure compliance of commercial and industrial customers with District's cross-connection ordinance and State of California Title 17 and 22.
2. Ensure there are no cross-connections to the potable water system through management and monitoring of testing of all private backflow prevention devices on an annual basis and maintain testing records for 5-years per the District record retention schedule and surveying of existing facilities.
3. Ensure the proper installation of approved assembly devices meet State and District Standards through plan check review and site/installation inspection.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
5	Inspection of New Services	25	20	25	20	25
5	Monitoring of annual backflow testing	5,490	5,467	5,480	5,475	5,490
5	Testing and repair of City of Rancho Cucamonga backflow devices	680	677	680	680	680
5	Testing and repair of District backflow devices	100	100	100	100	100

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Cross-Connection Coordinator	1.0	1.0	1.0
Total	1.0	1.0	1.0

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 75,515	\$ 165,117	\$ 106,881	\$ 166,141	\$ 1,024	1%
District Burden	44,399	46,780	62,087	59,446	12,666	27%
Professional Development	1,424	4,300	2,535	4,300	-	0%
Utilities	560	1,900	401	1,900	-	0%
Materials & Supplies	13,533	5,800	15,737	5,800	-	0%
Outside Services	(13,471)	1,600	(12,438)	2,000	400	25%
Safety	521	1,550	845	1,550	-	0%
Total Operating Expenses	\$ 122,481	\$ 227,047	\$ 176,046	\$ 241,137	\$ 14,090	6%

SIGNIFICANT CHANGES:

Wages and benefits have increased because of the COLA and the increased cost of retirement obligations. There are no other significant changes.



OPERATIONS DEPARTMENT

OPERATIONS ADMINISTRATION

Department: Operations

DESCRIPTION OF SERVICES PROVIDED:

This division coordinates the activities for the department. The Assistant General Manager/Chief Operations Officer (“AGM/ COO”) oversees the management of capital improvement projects, water resource management, the District’s Master Plans for water, sewer, recycled water, and water supplies. The AGM/COO actively participates in regional water and wastewater planning committees. The AGM/COO allocates his efforts evenly between the Engineering Department and the Operations Department.

GOALS & OBJECTIVES:

1. Collaborate with divisions to create and implement action plans that are aligned with the District goals.
2. Maximize the beneficial use, reliability, and quality of all of the District’s water supplies.
3. Engage with regional agencies to develop the renewal of the regional sewerage contract.
4. Engage with regional agencies for the management of the Chino Basin Watermaster.
5. Implementation of the District’s master plans into the CIP budget.
6. Create opportunities for staff and team development.
7. Review the department’s key performance indicators.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 18 FORECAST
6	Goals and action plans development	12/29/17	Not Applicable	Not Applicable	Not Applicable	Board Adoption
2	Develop strategic action plan	1/31/18	Not Applicable	Not Applicable	Not Applicable	Continual
2	Regional sewerage contract	12/29/18	Not Applicable	Not Applicable	Not Applicable	Board Action
2	Chino Basin Watermaster basin management	Continual	Not Applicable	Not Applicable	Not Applicable	Continual
2	CIP approval and implementation	6/26/18	Not Applicable	Not Applicable	Not Applicable	Board Approval
7	Leadership and technical workshops and training	Continual	Not Applicable	Not Applicable	Not Applicable	Continual
6	Performance indicator review	Continual	Not Applicable	Not Applicable	Not Applicable	Continual

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Assistant General Manager/Chief Operating Officer	0.5	0.5	0.5
Administrative Assistant II	1.0	1.0	1.0
Total	1.5	1.5	1.5

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 166,073	\$ 174,887	\$ 174,971	\$ 178,034	\$ 3,147	2%
District Burden	70,948	92,066	92,661	102,970	10,904	12%
Professional Development	1,420	1,700	150	1,700	-	0%
Professional Services	3,606	7,000	9,750	7,000	-	0%
Personnel Costs	94	-	-	-	-	-
Materials & Supplies	1,042	1,700	389	1,700	-	0%
Safety	-	150	114	150	-	0%
Miscellaneous	1,350	6,000	392	6,000	-	0%
Total Operating Expenses	\$ 244,533	\$ 283,503	\$ 278,426	\$ 297,554	\$ 14,051	5%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. There are no other significant changes.

SOURCE OF SUPPLY

Department: Operations

DESCRIPTION OF SERVICES PROVIDED:

This division accounts for the cost of imported water from IEUA as well as the cost of Chino Basin Watermaster and Fontana Union assessments.

GOALS & OBJECTIVES:

This department does not have any staffing allocated to it and only accounts for imported water related expenses; therefore, no goals have been established.

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Outside Services	\$ 3,104	\$ 40,000	\$ 5,733	\$ 40,000	\$ -	0%
Water Supply	10,907,517	10,964,735	15,416,683	24,933,117	13,968,382	127%
Total Operating Expenses	\$ 10,910,621	\$ 11,004,735	\$ 15,422,416	\$ 24,973,117	\$ 13,968,382	127%

SIGNIFICANT CHANGES:

The water supply category has significantly increased because the District is budgeting an increase in imported water production from 10,000 AF to 28,000 AF.

WATER TREATMENT

Department: Operations

DESCRIPTION OF SERVICES PROVIDED:

This division responsibilities include District-wide water quality monitoring, state and federal drinking water regulatory compliance, and the operation and maintenance of three surface water treatment facilities: the Lloyd W. Michael Treatment Plant, a 60 million gallon per day (MGD) enhanced-conventional treatment facility, the Royer-Nesbit Treatment Plant, an 11-MGD conventional treatment facility, and the Arthur H. Bridge Treatment Plant, a 3-MGD dual-stage pressure filtration treatment facility. Water sources include local ground water, local surface water, and imported surface water.

GOALS & OBJECTIVES:

1. Continue providing a high quality reliable water supply for District customers
2. Continue ensuring the District's drinking water meets all state and federal regulations
3. Maximize local surface water resources
4. Maximize the available imported surface water supply
5. Develop and implement a new computerized maintenance management system

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 16 ACTUAL	FY 17 TARGET	FY 17 ESTIMATE	FY 18 FORECAST
5	Water quality - Percentage of days/year goal is met	Ongoing	100%	100%	100%	100%
5	Compliance with federal and state regulations - Percentage of days/year goal is met	Ongoing	100%	100%	100%	100%
5	Total acre feet of surface water produced	Ongoing	1004 AF	2500 AF	2700 AF	4200 AF
5	Total acre feet of imported water produced	Ongoing	9,713 AF	15,000 AF	15,000 AF	28,000 AF
5	Percentage of facilities and equipment integrated into CMMS	4/1/2018	N/A	N/A	N/A	50%

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Water Treatment Plant Manager	1.0	1.0	1.0
Water Quality Coordinator	1.0	1.0	1.0
Water Treatment Plant Supervisor	1.0	1.0	1.0
Lead Water Treatment Operator	3.0	2.0	3.0
Water Treatment Operator II	6.0	6.0	6.0
Water Treatment Operator I	2.0	3.0	2.0
Plant Mechanic	1.0	1.0	1.0
Total	15.0	15.0	15.0

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 1,253,396	\$ 1,357,539	\$ 1,399,904	\$ 1,472,496	\$ 114,957	8%
District Burden	690,159	711,555	761,241	773,187	61,632	9%
Professional Development	7,229	10,145	10,193	13,050	2,905	29%
Advertisements	-	-	234		-	
Utilities	231,079	268,997	245,303	258,550	(10,447)	-4%
Materials & Supplies	1,751,672	1,337,750	1,298,625	2,408,650	1,070,900	80%
Outside Services	303,739	492,003	432,401	466,270	(25,733)	-5%
Safety	26,239	21,600	25,322	24,400	2,800	13%
Miscellaneous	7,061	7,700	1,455	5,200	(2,500)	-32%
Other - Capital Equipment	22,678	7,200	19,749	21,100	13,900	193%
Total Operating Expenses	\$ 4,293,252	\$ 4,214,489	\$ 4,194,425	\$ 5,442,903	\$1,228,414	29%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. Other changes are associated with the increase in the production mix of imported water, which requires treatment. The District will be working to maximize this resource while conserving its local groundwater supplies. This approach will serve to meet the District's projected customer water demands while preserving its local groundwater assets. The anticipated increase in operating expenses will be offset by reduced energy costs and the implementation of innovative water sales agreements with neighboring agencies and stakeholders.

PRODUCTION

Department: Operations

DESCRIPTION OF SERVICES PROVIDED:

This division's responsibilities include water supply and operations. In addition, the division is responsible for daily monitoring, maintenance, and repair of the District's 28 groundwater wells, 69 boosters, 35 reservoirs, 9 chlorination stations, and 52 control valves.

GOALS & OBJECTIVES:

1. Implementation of equipment, instrumentation, communications and software technologies that allows for better analysis of the distribution system and more energy efficient operations. This also includes taking advantage of grants and other incentives to reduce capital costs.
2. Decrease total expenses in operating and maintaining disinfection systems.
3. Continue implementation of preventative maintenance program to minimize mechanical failures and reduce production down-time, especially during times of high water demand.
4. Update production management plan that implements strategies for more efficient operations.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
5	Installation of both power and water production meters on each pump	12/01/2017	0	21	21	86
5	Total annual cost spent on disinfection systems	12/01/2017	\$157,800	\$139,000	\$130,000	\$122,000
5	Decrease the number of motor replacements	12/01/2017	1	0	0	1
5	Decrease overall cost per AF	06/30/2018	\$215	\$187	\$187	\$190

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Water Production Manager	0.5	0.5	0.5
Lead Water System Operator	1.0	1.0	1.0
Water System Operator II	2.0	3.0	3.0
Water System Operator I	1.0	-	-
Total	4.5	4.5	4.5

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 443,268	\$ 472,177	\$ 482,039	\$ 451,444	\$ (20,733)	-4%
District Burden	207,429	222,049	254,349	236,045	13,996	6%
Professional Development	8,398	11,990	10,718	8,590	(3,400)	-28%
Professional Services	24,856	16,000	25,940	26,000	10,000	63%
Utilities	5,589,849	7,765,785	5,416,759	2,846,209	(4,919,576)	-63%
Materials & Supplies	297,692	250,450	210,993	220,190	(30,260)	-12%
Outside Services	153,186	205,331	203,052	215,320	9,989	5%
Safety	8,513	7,000	6,270	8,200	1,200	17%
Miscellaneous	9,866	32,200	38,277	29,400	(2,800)	-9%
Other - Capital Equipment	9,822	25,400	3,203	11,000	(14,400)	-57%
Total Operating Expenses	\$ 6,752,879	\$ 9,008,382	\$ 6,651,598	\$ 4,052,398	\$(4,955,984)	-55%

SIGNIFICANT CHANGES:

Wages have decreased despite the COLA due to employee turnover. Benefits have increased due to the increased cost of retirement obligations. The electrical budget was decreased from \$7.76 million to \$2.84 million due to the focus on the new production strategy, which reduces groundwater production to 14,196 AF from 33,709 AF.

TELEMETRY

Department: Operations

DESCRIPTION OF SERVICES PROVIDED:

This division's responsibilities include industrial electrical, communications, and controls for the District's Water Treatment, Water Production, and Sewer Lift Stations. Such responsibilities consist of electrical design, implementation, and maintenance of electrical equipment ranging from marginal volts direct current to 480 volts alternating current. Communications include Ethernet and serial networks utilizing wire, fiber optics, and wireless media. Controls focuses on the design, integration, development and implementation of controls systems which leverage technology to facilitate more effective and efficient operational strategies.

GOALS & OBJECTIVES:

1. Staff development in the areas of electrical, industrial networking and controls
2. Configuration of production subnetworks
3. Comprehensive documentation of wiring, networking, and controls at all facilities
4. Disinfection system upgrades
5. Integration of pump sequencing logic

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
5	Increase certification/education minimum Water Treatment & Distribution Grade 2, and electrical certification	01/01/2018	2	3	3	3
5	26 Ethernet subnetworks	01/01/2018	0	2	2	26
5	Completion of 2018 CIP	06/30/2018	0	0	0	1
5	Disinfection system retrofits	12/01/2018	1	3	4	9
5	Integration of pump sequencing logic	12/1/2017	28	28	40	57

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Water Production Manager	0.5	0.5	0.5
Water Production & Controls Supervisor	1.0	1.0	1.0
Controls Analyst	1.0	1.0	1.0
Lead Instrumentation Technician	1.0	-	-
Instrumentation/Electrical Technician II	-	2.0	2.0
Total	3.5	4.5	4.5

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 296,289	\$ 431,606	\$ 345,932	\$ 459,587	\$ 27,981	6%
District Burden	101,856	193,228	179,715	231,593	38,365	20%
Professional Development	8,697	17,570	7,439	15,220	(2,350)	-13%
Utilities	9,320	11,550	9,126	11,000	(550)	-5%
Materials & Supplies	85,885	138,150	126,561	132,900	(5,250)	-4%
Outside Services	14,811	21,000	11,550	20,000	(1,000)	-5%
Safety	3,125	3,420	1,716	3,400	(20)	-1%
Other - Capital Equipment	8,009	5,000	4,208	5,000	-	0%
Total Operating Expenses	\$ 527,992	\$ 821,524	\$ 686,246	\$ 878,700	\$ 57,176	7%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. There are no other significant changes.

MAINTENANCE: FACILITIES

Department: Operations

DESCRIPTION OF SERVICES PROVIDED:

This division's responsibilities include the maintenance, repair, and general upkeep of the District's buildings and building equipment. The Facilities Division is also responsible for logistical set-up for all District events, most importantly the District's bi-monthly Board of Director's meetings.

GOALS & OBJECTIVES:

1. To maintain buildings and grounds that are both functional and aesthetically pleasing to customers and employees.
2. To maintain all campus restrooms, floors, carpets and trash cans to ensure a clean, sanitary and safe environment for the public and employees.
3. To conduct periodic inspections of HVAC systems to ensure comfort for the public and staff.
4. To maintain proper indoor lighting to ensure comfortable working conditions and outdoor lighting to ensure public and staff safety. The goal also includes conversion to energy efficient lighting when fixtures need replacement and taking advantage of incentive programs when available.
5. To implement a recycling program for waste generated by the District to maintain environmental stewardship and collect financial incentives.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
5	HVAC preventative maintenance in number of buildings	32	32	32	32	32
5	General and thorough inspection of all campus buildings (exterior and interior) once a month and generate work orders to address deficiencies.	12	12	12	10	12
4	Setup chairs and tables for Board of Directors meetings, trainings, and other events (number of events shown)	240	N/A	240	200	240

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Facilities Supervisor	1.0	1.0	1.0
Lead Facilities Maintenance Specialist	1.0	1.0	1.0
Facilities Maintenance Specialist II	1.0	1.0	1.0
Facilities Maintenance Worker	2.0	2.0	1.0
Total	5.0	5.0	4.0

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 300,119	\$ 311,368	\$ 324,458	\$ 285,146	\$ (26,222)	-8%
District Burden	194,530	194,381	194,277	176,298	(18,083)	-9%
Professional Development	661	5,650	293	2,650	(3,000)	-53%
Utilities	27,035	29,956	28,032	29,900	(56)	0%
Materials & Supplies	68,914	57,150	131,024	87,150	30,000	52%
Outside Services	112,592	148,674	166,733	258,710	110,036	74%
Safety	5,901	6,000	7,323	6,000	-	0%
Miscellaneous	1,366	2,000	-	2,000	-	0%
Other - Capital Equipment	-	3,000	-	1,000	(2,000)	-67%
Total Operating Expenses	\$ 711,118	\$ 758,179	\$ 852,138	\$ 848,854	\$ 90,675	12%

SIGNIFICANT CHANGES:

The reduction in wages and burden cost is due to the elimination of one Facilities Maintenance Worker position. The work previously performed is now handled by contracted janitorial services.

MAINTENANCE: VEHICLES

Department: Operations

DESCRIPTION OF SERVICES PROVIDED:

This division responsibilities include the maintenance and repair of the District’s vehicles and heavy equipment.

GOALS & OBJECTIVES:

1. To implement a preventative maintenance program for fleet vehicles to ensure reliability and minimize mechanical failures.
2. Regularly inspect vehicles and utilize on-board hardware and software technology that reports certain diagnostics back to the shop in order to identify and take corrective action.
3. Utilize vendors as needed to perform specialized repairs and maintenance.
4. Maintain and operate the District’s fuel station and keep adequate supply of fuels (gasoline and diesel)

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
5	Scheduled preventative maintenance work orders for fleet and equipment	350	340	325	320	350
5	Repair (unscheduled) work orders for vehicles	300	350	300	300	300

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Lead Fleet & Equipment Mechanic	1	1	1
Fleet & Equipment Mechanic II	1	1	1
Total	2.0	2.0	2.0

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 154,159	\$ 161,732	\$ 172,691	\$ 168,253	\$ 6,521	4%
District Burden	96,789	95,990	100,134	104,959	8,969	9%
Professional Development	2,367	3,900	585	2,400	(1,500)	-38%
Utilities	2,061	3,000	2,474	3,000	-	0%
Materials & Supplies	300,027	363,000	275,051	346,750	(16,250)	-4%
Outside Services	83,132	151,500	100,420	128,000	(23,500)	-16%
Safety	3,245	2,400	1,871	2,400	-	0%
Miscellaneous	33,684	-	-	-	-	
Other - Capital Equipment	2,001	4,500	3,363	5,750	1,250	28%
Total Operating Expenses	\$ 677,465	\$ 786,022	\$ 656,587	\$ 761,512	\$ (24,510)	-3%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. Cost savings on materials and supplies and outside services have allowed for a reduction in the budget.

WATER DISTRIBUTION

Department: Operations

DESCRIPTION OF SERVICES PROVIDED:

This division's responsibilities include the maintenance and repair of the District's water system infrastructure which includes mains, hydrants, valves, services, and implementation of preventative maintenance programs. The division strives to provide prompt turnaround times on all customer requests, exceptional customer service and responds 24 hours a day, 365 days a year to all water emergencies.

GOALS & OBJECTIVES:

1. To maintain and operate the water distribution system in order to minimize disruptions in service, meet the demands of our customers, and provide adequate fire suppression.
2. Develop and prioritize an asset replacement schedule for those aging parts of the system in order to minimize service interruptions and costly, unplanned pipeline breaks and repairs.
3. Continue to implement an aggressive polyvinyl chloride pipe service replacement program, in order to prevent leaks.
4. Continue to implement the valve exercising, fire hydrant flushing and blow-off valve programs to ensure reliable waterline isolation and safe drinking water.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
5	Valve exercising program	7,000	6,594	7,000	5,838	7,000
5	1-inch service replacement program	500	425	500	450	500
5	Dead end/blow-off valve flushing	1,500	582	1,500	1,100	1,500

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Construction & Maintenance Manager	0.75	0.75	0.75
Water Utility Supervisor	1.0	1.0	1.0
Lead Utility Service Representative	0.5	0.5	0.5
Lead Water Utility Worker	4.0	4.0	4.0
Water Utility Worker II	7.0	3.0	5.0
Water Utility Worker I	2.0	6.0	4.0
Total	15.25	15.25	15.25

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 1,100,729	\$ 1,141,476	\$ 1,188,083	\$ 1,279,716	\$ 138,240	12%
District Burden	607,082	542,067	545,762	594,753	52,686	10%
Outside Labor	34,512	33,000	35,793	33,000	-	0%
Professional Development	18,888	15,600	13,884	15,600	-	0%
Utilities	9,886	15,000	9,674	14,600	(400)	-3%
Materials & Supplies	377,669	316,150	310,314	320,350	4,200	1%
Outside Services	294,558	370,000	343,276	370,000	-	0%
Safety	45,458	25,000	30,663	25,000	-	0%
Miscellaneous	75	6,920	1,973	6,920	-	0%
Other - Capital Equipment	10,303	25,000	17,624	25,000	-	0%
Total Operating Expenses	\$ 2,499,160	\$ 2,490,213	\$ 2,497,044	\$ 2,684,939	\$ 194,726	8%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. There are no other significant changes.

COLLECTION & TRANSMISSION

Department: Operations

DESCRIPTION OF SERVICES PROVIDED:

This division's responsibilities include the maintenance and repair of the District's sewer collection system infrastructure which includes sewer mains, sewer laterals, lift stations, inverted siphons. This also includes implementation of preventative maintenance programs to monitor flows and clean the system. The division's mission is to ensure the entire collection system is clean and free-flowing at all times while providing protection to the environment and public health. The division provides 24 hours emergency response to sewer emergency calls.

GOALS & OBJECTIVES:

1. Continue to implement aggressive, proactive sewer line cleaning program of the 420 miles of sewerline in the District every year to eliminate sanitary sewer overflows that may cause a disruption in service and prevent sanitary sewer overflows.
2. Video inspect all sewer mains every 8 years to ensure clear sewers. Deficiencies, depending on size, scope and urgency, are repaired immediately or reported to the engineering division for inclusion into the Capital Improvement Projects schedule.
3. Minimize inflow and infiltration of ground water and storm water into sewer lines by repairing infiltration points. This minimizes unnecessary demand on hydraulic capacity and minimizes negative impacts to the regional wastewater treatment plants.
4. Identify projects and assist engineering division in implementing collection system spot repair, line and manhole rehabilitation work.

PERFORMANCE MEASURES:

CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
5	Total miles of sewer line cleaned	420	420	420	335	420
5	Total miles of sewer line reviewed with closed-circuit television	75	50	75	50	75
5	Number of sanitary sewer overflows	0	1	0	1	0

STAFFING LEVELS:

POSITION/TITLE	FY 2016	FY 2017	FY 2018
Construction & Maintenance Manager	0.25	0.25	0.25
Lead Utility Service Representative	0.5	0.5	0.5
Wastewater Utility Supervisor	1.0	1.0	1.0
Lead Wastewater Utility Worker	2.0	3.0	3.0
Wastewater Utility Worker II	2.0	1.0	1.0
Wastewater Utility Worker I	3.0	3.0	3.0
Total	8.75	8.75	8.75

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Wages	\$ 649,050	\$ 679,491	\$ 707,724	\$ 726,764	\$ 47,273	7%
District Burden	401,427	385,143	408,576	431,077	45,934	12%
Outside Labor	41,173	33,000	-	33,000	-	0%
Professional Development	5,128	8,675	9,228	8,300	(375)	-4%
Collections	3,743	-	(81)		-	
Utilities	9,641	11,515	8,591	11,400	(115)	-1%
Materials & Supplies	40,374	46,400	75,018	51,400	5,000	11%
Outside Services	12,856,276	13,921,854	13,922,447	14,896,763	974,909	7%
Safety	14,754	8,000	14,294	8,000	-	0%
Miscellaneous	-	2,500	-	2,500	-	0%
Other - Capital Equipment	34,659	71,300	30,383	51,675	(19,625)	-28%
Total Operating Expenses	\$14,056,225	\$ 15,167,878	\$15,176,178	\$ 16,220,879	\$ 1,053,001	7%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. Sewer expenses are increasing 7%, which is related to the IEUA treatment charge rate increase.

RECYCLED WATER

Department: Operations

DESCRIPTION OF SERVICES PROVIDED:

This division ensures compliance by recycled water customers of the District to state rules and regulations that govern recycled water usage through plan checks, permitting, inspections and training. Additionally staff promotes recycled water usage throughout the District.

GOALS & OBJECTIVES:

1. Ensure compliance of all recycled water sites with District's recycled water ordinance and State of California Title 22.
2. Ensure there are no cross-connections of recycled water to the potable water system through annual site inspections and shutdown testing.
3. Actively pursue opportunities to convert potable water users to recycled water and pursue funding assistance through grants for recycled water retrofit costs.
4. Ensure that all recycled water users have properly trained site supervisors and staff

PERFORMANCE MEASURES:

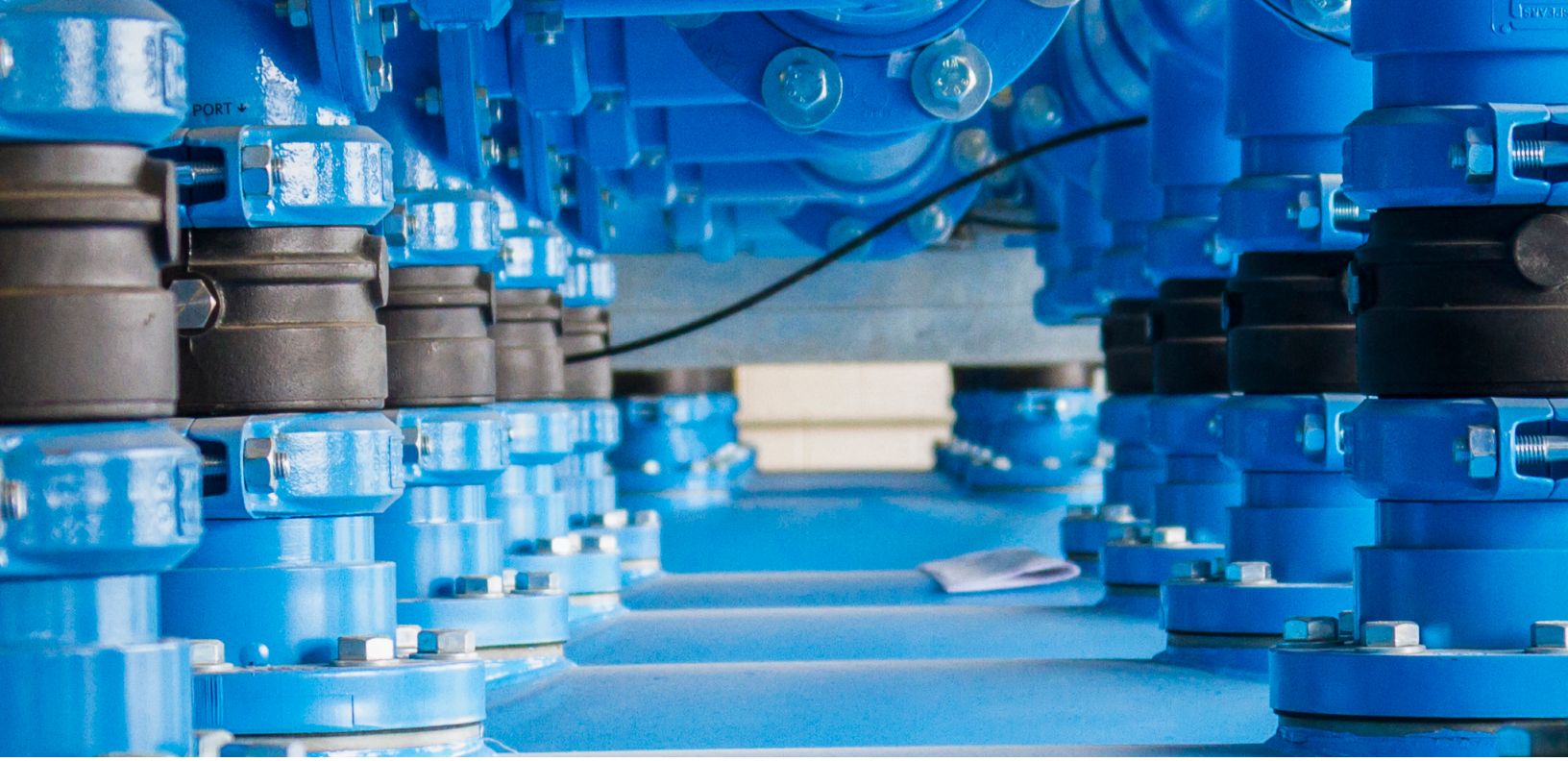
CVWD GOAL	PERFORMANCE MEASUREMENT	TARGET	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 ESTIMATE	FY 2018 FORECAST
5	Annual site inspection	130	90	120	120	130
5	Shutdown tests performed	12	17	48	48	12
2	New recycled water connections	10	15	10	10	10

OPERATING EXPENSES:

	2016 ACTUAL	2017 BUDGET	2017 ESTIMATED	2018 BUDGET	CHANGE FY 17 & FY 18 BUDGET	
Operating Expenses						
Collections	\$ 20	\$ -	\$ 276	\$ -	\$ -	0%
Materials & Supplies	-	-	-	10,000	10,000	100%
Water Supply	376,033	482,160	334,345	577,987	95,827	20%
Total Operating Expenses	\$ 376,053	\$ 482,160	\$ 334,621	\$ 587,987	\$ 105,827	22%

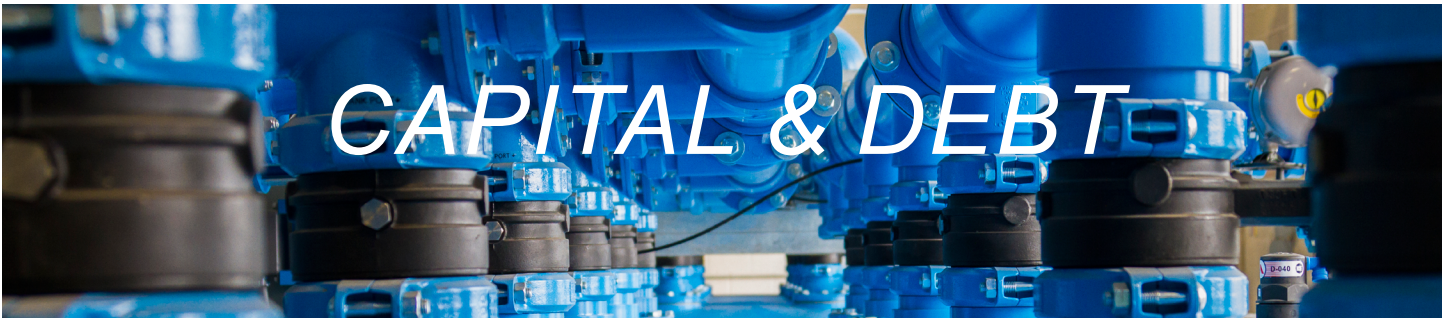
SIGNIFICANT CHANGES:

The Recycled Water division's expenses are increasing 20%, which is due to the cost of purchasing treated recycled water from IEUA. The District pays IEUA a flat rate per AF for recycled water. IEUA is increasing their recycled water rate from \$410/AF to \$470/AF, which is an increase of 15%. Additionally, consumption is budgeted to increase to 1,230 AF, up from 1,176 AF in FY 2017.



CAPITAL & DEBT

CUCAMONGA VALLEY WATER DISTRICT



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 then used to budget a portion of wages and burden for future capital projects.

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 Annual 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 guarantee 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 assimilated 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 that help create our future. 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.
- We continue constant communication and project planning with the District's Operations Department and have 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 annual CIP planning process includes preliminary scoping, cost estimating, prioritization and financial analyses. The proposed FY 2017-2018 Capital Improvement Projects Budget includes priority projects which conforms with District's recently adopted master plans.

The recent master plans prioritized projects based on urgency to mitigate existing deficiencies, increase water supply and distribution reliability. These projects include: wellhead treatment, additional pumping and storage and well construction. In addition, several large sewer projects will improve collection system reliability.



CIP SUMMARY

CIP CATEGORY	2018 BUDGET	% OF 2018 BUDGET
Water Capital Projects		
Source of Supply	\$125,000	1.2%
Field Equipment	212,000	2.1%
Water Treatment	1,030,000	10.2%
Pumps & Pumping Equipment	680,000	6.7%
Reservoirs	500,000	4.9%
Telemetry	469,000	4.6%
Building Improvements	477,500	4.7%
Water Mains	3,440,000	33.9%
Total Water Capital Projects	\$6,933,500	68.4%
Sewer Capital Projects		
Field Equipment	72,000	0.7%
Building Improvements	282,500	2.8%
Sewer Improvements	1,450,000	14.3%
Total Sewer Capital Projects	\$1,804,500	17.8%
Recycled Water Capital Projects		
Recycled Water Improvements	\$150,000	1.5%
Total Recycled Water Capital Projects	\$150,000	1.5%
Office Equipment		
Office Equipment - Water	\$623,500	6.1%
Office Equipment - Sewer	134,500	1.3%
Total Office Equipment	\$758,000	7.5%
Vehicle Replacement		
Vehicle Replacement - Water	\$453,000	4.5%
Vehicle Replacement - Sewer	45,000	0.4%
Total Vehicle Replacement	\$498,000	4.9%
FY 2018 Capital Projects	\$10,144,000	
Carryover Capital Projects	14,376,000	
Total Capital Projects	\$24,520,000	

SIGNIFICANT CAPITAL PROJECTS FOR FY 2018

The top five priority projects identified to improve local water supply and infrastructure reliability are listed below.

1. Well Field 3A Nitrate Treatment Plant
2. Construction of new Reservoir 3A
3. New Well 48 in Chino Basin
4. Construct Sewer line in Hellman Ave and 4th Street
5. Construct Sewer line in Hermosa Ave and 4th Street

The following is a detailed look at each of these significant projects.

WELL FIELD 3A NITRATE WELLHEAD TREATMENT PLANT

Purpose: The District's Well Field 3A consists five production wells (16, 19, 21, 24, and 32) that pump water from the Cucamonga Basin Aquifer. Only three wells (16, 19, & 24) currently operate while the others (21 & 32) have been offline or decommissioned due to age or high levels of contamination. All three active wells have varying levels of contamination and must be blended in order to be utilized. Recent spikes in dibromo chloropropane and nitrate concentrations have started to appear in the groundwater from Well Field 3A and have further limited production.

In order to improve supply reliability and further maximize production in the well field, nitrate wellhead treatment is required. This project will design and construct a nitrate treatment plant for Well Field 3A. The project will be delivered by a design-build contractor, and is a multi-year project and is scheduled for completion in Fall 2018.

Total Project Cost: \$4,600,000

FY 2018 Cost: \$0 - \$4,600,000
of carryover in FY 2018

Anticipated Start & End:
July 2017– Fall 2018

Impact to Operational Budget:

Once complete, potential savings of \$1,643,000

Consisting of:

- Water cost savings versus the cost of MWD imported water \$1,694,000
- Annual energy savings of \$35,000
- Annual staff time savings of \$15,600



CONSTRUCT NEW RESERVOIR 3A

Purpose: This project will improve water supply and distribution reliability in Zone 3A by replacing the existing reservoir that is nearing the end of its useful life. Reservoir 3A was built in the 1920s and has a capacity of less than 1 million gallons. In 2011, the reservoir was temporarily out of service due to a partial failure of the roof. A membrane floating roof was installed and the tank was placed back in service. It continues to operate as normal. A new project will construct up to 1.5 million gallons of reliable water storage. The cost includes construction of two new tanks, demolition of the existing tank, and provisions to maintain continuous service of Pump Station 3A.

The project is expected to be delivered by design-build along with the Well Field 3A nitrate removal treatment project. Combining the projects will take advantage of economies of scale and will closely coordinate the projects since Reservoir 3A is the receiving tank for the new treatment project.

Total Project Cost: \$2,000,000

FY 2018 Cost: \$0 - \$2,000,000 of carryover in FY 2018

Anticipated Start & End: July 2017– Fall 2018

Impact to Operational Budget:

Once complete, potential savings of \$62,000

Consisting of:

- Annualized contractor cost savings of \$10,000
- Annual staff time savings of \$52,000



NEW WELL 48 IN CHINO BASIN

Purpose: This project will improve water supply reliability by constructing a new groundwater production well. This new well allows the District to increase Chino Basin pumping production and fully utilize the boosting capacity of the 1C/2C pumping stations. The new well will further reduce the District's reliance on imported water when supplies are limited. This is a multi-year project. The well siting and easements have been secured. The well drilling and casing were completed in March 2017.

The final phase of the project includes equipping the well with a pump and motor; electrical supply and building; and designing and constructing a pipeline to Reservoir 1C. This final phase will be completed in FY 2018.

Total Project Cost: \$3,010,000

FY 2018 Cost: \$0 - \$1,270,000 of carryover in FY 2018

Anticipated Start & End: July 2017– March 2018

Impact to Operational Budget: Once complete, potential savings of \$2,011,000

Consisting of:

- Water cost savings versus the cost of MWD imported water \$2,541,000
- Annual energy costs of \$530,000



CONSTRUCT SEWERLINE IN HELLMAN AVENUE AND 4TH STREET

Purpose: Sewer siphons require extensive maintenance and have added risk of overflow. In order to provide more reliable and cost effective maintenance, the District has identified several siphons that can be reasonably replaced with a gravity system. The sewer siphon in Hellman Avenue and 4th Street was built in 1970 to cross the Cucamonga Channel. This project will construct a gravity sewerline across the channel to eliminate the existing siphon.

The project was designed in FY 2016. However, because the project is crossing the channel there is a lengthy permitting process with San Bernardino County Flood Control District and Army Corps of Engineers. The project will commence construction in Fall 2017 and will be completed in FY 2018.

Total Project Cost: \$2,302,000

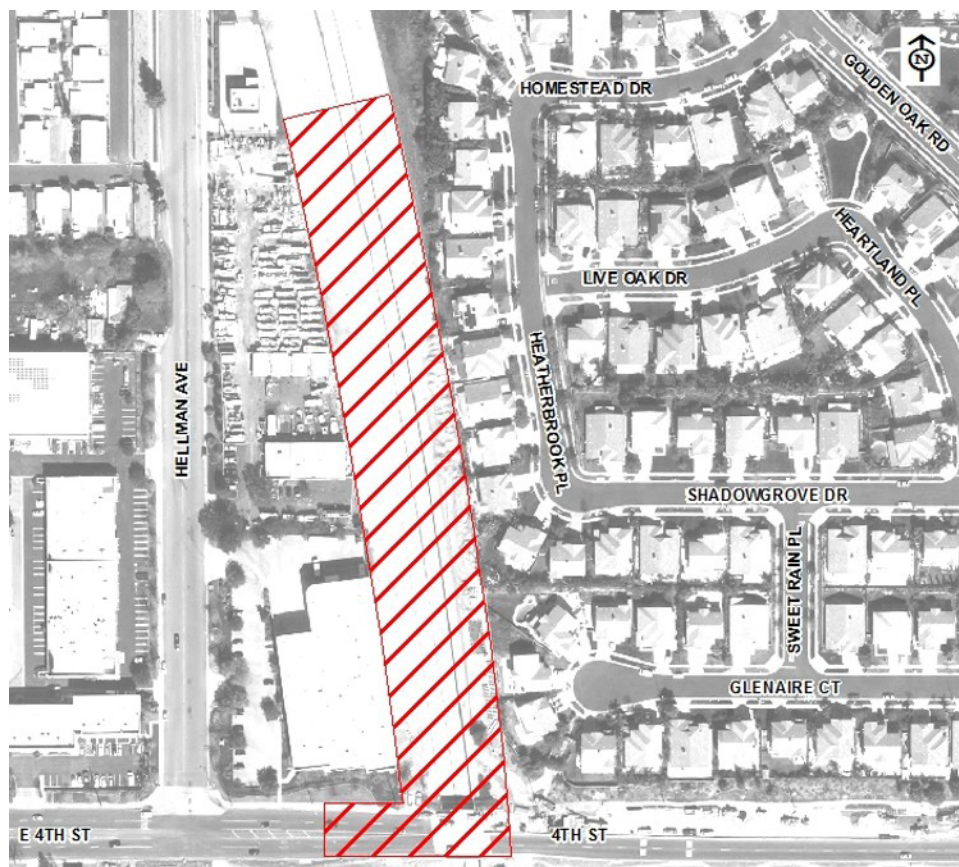
FY 2018 Cost: \$0 - \$2,302,000 of carryover in FY 2018

Anticipated Start & End: October 2017– May 2018

Impact to Operational Budget: Once complete, potential savings of \$28,800

Consisting of:

- Annual equipment savings of \$17,000
- Annual staff time savings of \$11,800



CONSTRUCT SEWERLINE IN HERMOSA AVENUE AND 4TH STREET

Purpose: Sewer siphons require extensive maintenance and have added risk of overflow. In order to provide more reliable and cost effective maintenance, the District has identified several siphons that can be reasonably replaced with a gravity system. The sewer siphon in Hermosa Ave and 4th St was built in 1980 to cross the Deer Creek Channel. This project will construct a gravity sewerline across the channel to eliminate the existing siphon. This project will also replace a segment of reinforced plastic mortar pipe in Hermosa Ave built in 1971.

Total Project Cost: \$1,100,000

FY 2018 Cost: \$1,100,000

Anticipated Start & End: July 2017– June 2018

Impact to Operational Budget: Once complete, potential savings of \$28,800

Consisting of:

- Annual equipment savings of \$17,000
- Annual staff time savings of \$11,800



CIP LISTING

The following table lists all CIP projects:

* Project funding is split between funds

CIP #	PROJECT TITLE	2017 BUDGET CARRYOVER	2018 BUDGET	OUTSIDE FUNDING AMOUNT	SPECIAL FUNDING SOURCE
WATER CAPITAL PROJECTS					
SOURCE OF SUPPLY					
CP7437	Cucamonga Basin Management Plan	\$ 250,000	\$ -	\$ -	
CP7638	Cucamonga Basin 6 Desilting Project	60,000			
CP7662	Canyon Mitigation	160,000	25,000		
CP7700	Chino Basin Water Banking	50,000	100,000		
	Subtotal	520,000	125,000		
FIELD EQUIPMENT					
CP5334	Fixed Network Project/Meter Exchange	1,000,000	200,000	1,000,000	Fixed Network Lease
CP7736	Water Tank Replacement For Unit 233 Water Tender Truck		12,000		
	Subtotal	1,000,000	212,000	1,000,000	
OFFICE EQUIPMENT					
CP7533	Enterprise Software Upgrade RFP Consulting Service	18,000	27,000		*
CP7737	Desktop, Laptop, and Tablet Computer Replacements		48,000		*
CP7738	District Telephone System Upgrade		57,000		*
CP7739	Frontier Project Technology Gallery AV Equipment Upgrade		60,000		*
CP7740	Geoviewer for mobile devices		15,000		*
CP7741	I.T. Network Security Vulnerability Assessment		60,000		*
CP7742	Microsoft Software Assurance (Year 2 of 3-Year agreement)		45,000		*
CP7743	Network Equipment Replacement		21,000		*
CP7744	Network Server Replacements		33,000		*
CP7745	Security System Badge Printer Replacement		7,500		*
CP7746	WTP Video Surveillance System Replacement		250,000		

CIP #	PROJECT TITLE	2017 BUDGET CARRYOVER	2018 BUDGET	OUTSIDE FUNDING AMOUNT	SPECIAL FUNDING SOURCE
	Subtotal	18,000	623,500		
TREATMENT					
CP7647	LWMWTP UV Hydraulic Control	1,000,000			
CP7649	Reservoir 3A Nitrate Wellhead Treatment Plant	4,600,000		2,840,000	Capital Reserves
CP7747	LWMWTP Bulk Chemical Storage Tank Replacement		450,000		
CP7748	LWMWTP Sleeve Valve Replacement		230,000		
CP7749	Reservoir 3 Chlorine Building Replacement		350,000		
	Subtotal	5,600,000	1,030,000	2,840,000	
PUMPS & EQUIPMENT					
CP7025	New Well #48 Chino Basin	1,270,000			
CP7299	New Cucamonga Basin Well	100,000			
CP7651	General Production Site Improvement	40,000	100,000		
CP7750	General Booster Rehabilitation		150,000		
CP7751	General Well Rehabilitation		300,000		
CP7752	Pressure Regulating Valve Vault Lids		50,000		
CP7753	Pump Stations 6B and 7B Automatic Transfer Switches		80,000		
	Subtotal	1,410,000	680,000		
RESERVOIRS					
CP7657	Construct New Reservoir 3A	2,000,000		878,000	Capital Reserve
CP7754	Reservoir Mixing Systems (3 per year)		200,000		
CP7755	Tank Rehabilitation		300,000		
	Subtotal	2,000,000	500,000	878,000	
TELEMETRY					
CP7661	Replacement / Addition of Field UPS Systems		12,000		
CP7662	Booster Sequencing	400,000			
CP7663	Install 3 Infrastructure Communication Towers	70,000	200,000		

CIP #	PROJECT TITLE	2017 BUDGET CARRYOVER	2018 BUDGET	OUTSIDE FUNDING AMOUNT	SPECIAL FUNDING SOURCE
CP7664	Radio Upgrade to multiple input, multiple output		55,000		
CP7756	Control System Network Routability		30,000		
CP7757	Control System Architecture Analysis and Design		172,000		
	Subtotal	470,000	469,000		
BUILDING IMPROVEMENT					
CP7668	LWMWTP Wilson Ave Frontage Roadway Improvements	800,000			
CP7669	Outside Public Facility Accessibility Improvements		12,500		*
CP7670	San Bernardino Lot Improvements	50,000			*
CP7758	Admin Building HVAC Replacement		210,000		*
CP7759	Chlorine Sump Reseal		35,000		
CP7760	Exterior Painting Service for Admin, Ops & Fleet Buildings		50,000		*
CP7761	Frontier Project Terrazzo Repair		70,000		*
CP7762	LWMWTP Exterior Building Paint & Repair		20,000		
CP7763	New File Archive Room in Warehouse		35,000		*
CP7764	Wrought Iron Fence Installation At Lot C		45,000		*
	Subtotal	850,000	477,500		
VEHICLE					
CP7765	1/2 Ton Pickup 4x2 to Replace Unit 298		35,000		
CP7766	1/2 Ton Pickup 4x2 to Replace Unit 307		35,000		
CP7767	1/2 Ton Pickup 4x2 to Replace Unit 308		35,000		
CP7768	1/2 Ton Pickup 4x4 To Replace Unit 282		40,000		
CP7769	2-Ton 4x2 Crew Truck with 12-Foot Bed to Replace Unit 245		225,000		
CP7770	New Conventional Diesel Semi Truck to Replace Unit 291		30,000		*
CP7771	Passenger Car to Replace Unit 317		38,000		
CP7772	Passenger Van to Replace Unit 267		15,000		*
	Subtotal	-	453,000		

CIP #	PROJECT TITLE	2017 BUDGET CARRYOVER	2018 BUDGET	OUTSIDE FUNDING AMOUNT	SPECIAL FUNDING SOURCE
WATER MAINS					
CP7680	Const Waterline in 7500 block of Camino Norte		500,000		
CP7685	Const Waterline in Haven Ave from 210 Fwy to Banyan St		870,000		
CP7773	Construct Waterline in Ramona Ave to Fir		1,100,000		
CP7774	New Water Main in 8th St crossing the Cucamonga Channel		290,000		
CP7775	Service Replacement Program		500,000		
CP7776	Standard Specs and Drawings Update		30,000		
CP7777	Various Valve and Main Improvements		150,000		
	Subtotal	-	3,440,000		
	Total Water Capital Projects	11,868,000	8,010,000	4,718,000	
SEWER CAPITAL PROJECTS					
FIELD EQUIPMENT					
CP7778	Sewer By-Pass Pump to Replace Pump 2015		48,000		
CP7779	Wastewater Sewer Van technology upgrade		12,000		
CP7780	Water Tank Replacement for Unit 233 Water Tender Truck		12,000		
	Subtotal	-	72,000		
OFFICE EQUIPMENT					
CP7533	Enterprise Software Upgrade RFP Consulting Service	6,000	9,000		*
CP7737	Desktop, Laptop, and Tablet Computer Replacements		16,000		*
CP7738	District Telephone System Upgrade		19,000		*
CP7739	Frontier Project Technology Gallery AV Equipment Upgrade		20,000		*
CP7740	Geoviewer for mobile devices		15,000		*
CP7741	I.T. Network Security Vulnerability Assessment		20,000		*
CP7742	Microsoft Software Assurance (Year 2 of 3-Year agreement)		15,000		*
CP7743	Network Equipment Replacement		7,000		*

CIP #	PROJECT TITLE	2017 BUDGET CARRYOVER	2018 BUDGET	OUTSIDE FUNDING AMOUNT	SPECIAL FUNDING SOURCE
CP7744	Network Server Replacements		11,000		*
CP7745	Security System Badge Printer Replacement		2,500		*
	Subtotal	6,000	134,500		
BUILDING IMPROVEMENT					
CP7669	Outside Public Facility Accessibility Improvements		12,500		*
CP7670	San Bernardino Lot Improvements	50,000			*
CP7758	Admin Building HVAC Replacement		70,000		*
CP7760	Exterior Painting Service for Admin, Ops & Fleet Buildings		50,000		*
CP7761	Frontier Project Terrazzo Repair		70,000		*
CP7763	New File Archive Room in Warehouse		35,000		*
CP7764	Wrought Iron Fence Installation At Lot C		45,000		*
	Subtotal	50,000	282,500		
VEHICLE					
CP7770	New Conventional Diesel Semi Truck to Replace Unit 291		30,000		*
CP7772	Passenger Van To Replace Unit 267		15,000		*
	Subtotal	-	45,000		
SEWER IMPROVEMENT					
CP7589	Const Sewerline in Archibald Ave from Main St to Acacia St				
CP7594	Construct Sewerline in Hellman Ave and 4th St	2,302,000		2,302,000	Capital Reserve
CP7733	Construct Sewer in Hermosa and 4th St		1,100,000	1,100,000	Capital Reserve
CP7781	Almond Sewer Lift Station Modification		120,000		
CP7782	Construct Sewerline in Rochester north of 6th St		50,000		
CP7783	Standard Specs and Drawings Update		30,000		
CP7784	Various Sewer Relining and Manhole Rehabilitation		150,000		
	Subtotal	2,302,000	1,450,000	3,402,000	
	Total Sewer Capital Projects	14,170,000	9,517,000	8,120,000	

CIP #	PROJECT TITLE	2017 BUDGET CARRYOVER	2018 BUDGET	OUTSIDE FUNDING AMOUNT	SPECIAL FUNDING SOURCE
RECYCLED WATER CAPITAL PROJECTS					
RECYCLED WATER					
CP7396	Recycled Water Master Plan	150,000			
CP7691	Construct Various Recycled Water Valves at Various Locations		50,000		
CP7692	Recycled Water Retrofits		100,000		
	Subtotal	150,000	150,000		
	Total Recycled Water Capital Projects	150,000	150,000		
	Total Capital Projects	2,452,000	1,890,000	3,402,000	

IMPACT OF CAPITAL INVESTMENTS ON OPERATING BUDGET

The District takes into consideration the impacts that capital improvement projects have on the operating budget once complete. Many of the District's CIPs are to replace or repair aging infrastructure to maintain system reliability. As the District systematically updates the infrastructure, savings are realized on energy as the technology is improving and the District makes a concerted effort to realize the maximum savings possible. Some of the larger CIPs are to improve our access to local water sources by drilling wells and building treatment facilities. This allows the District more flexibility when planning the use of local sources within the water production mix.

An in-depth analysis was conducted on the five largest CIP projects and the potential impacts on the operating budget and can be found in the Significant Capital Projects for FY 2018 section. All CIP projects were reviewed and it was determined that none of these projects would result in a need for additional personnel.



DEBT

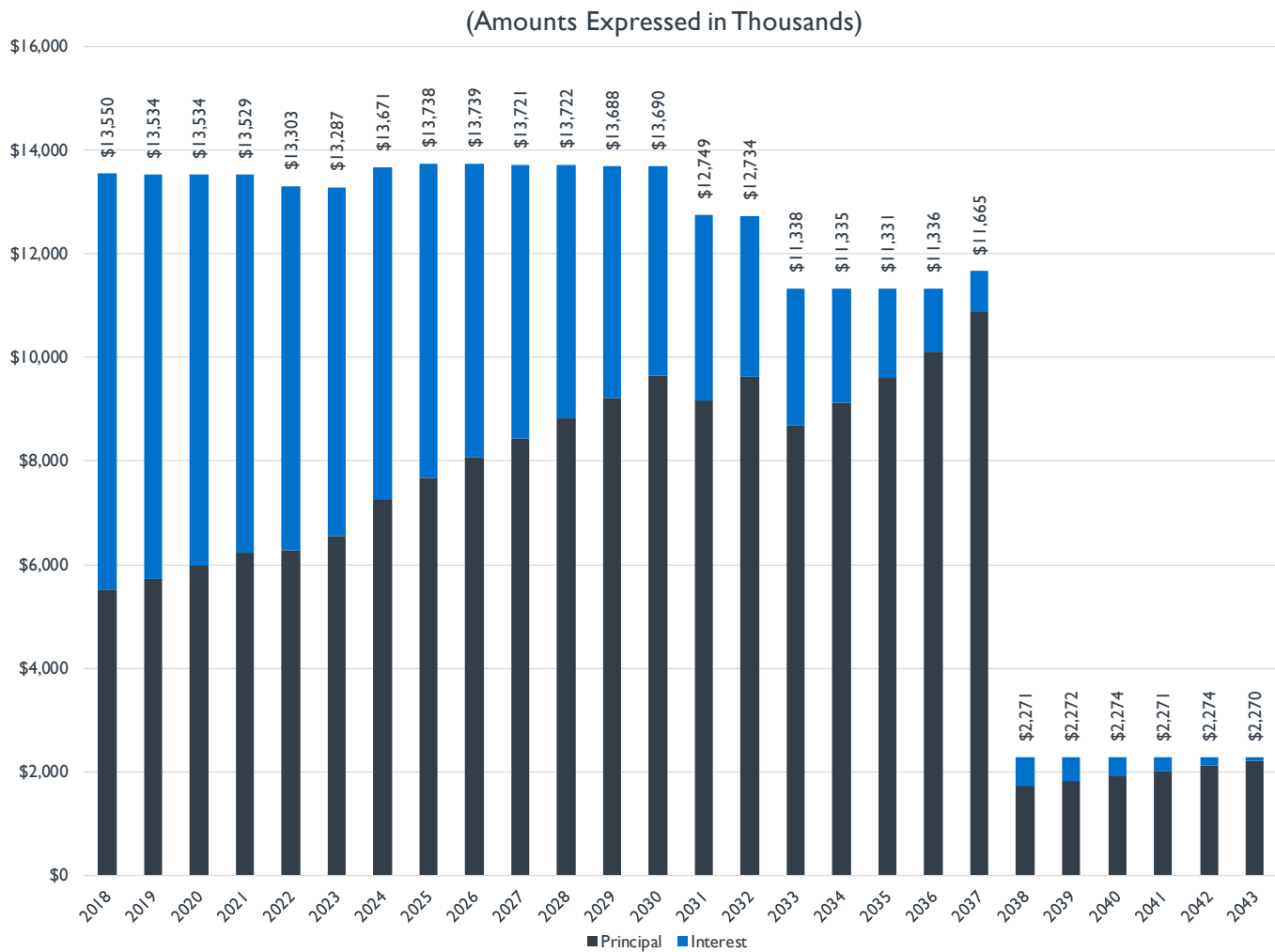
The District has an established a debt management policy and the District has no plans to issue any new debt in FY 2018. The District's debt is divided into Senior Obligations (issues prior to 2012) and Subordinate Obligations (2012 and later issues). District's debt stems from capital improvement projects that could not be financed from current revenues alone.

The table below summaries the District's long-term bonds:

YEAR OF ISSUANCE	DEBT RANKING	USE OF PROCEEDS	PRINCIPLE BALANCE AS OF JUNE 30, 2017
2009	Senior	Certificates of Participation that provided funds for the acquisition and construction of various capital improvements.	\$ 7,500,000
2009	Senior	Interest-free Clean Renewable Energy Bonds that provided funds for the acquisition of a solar energy recovery system.	175,716
2011	Senior	Certificates of Participation that refunded bonds that originally provided funds for the acquisition and construction of various capital improvements.	100,920,000
2012	Subordinate	Revenue Bonds that provided funds for the acquisition and construction of various capital improvements.	34,995,000
2014	Subordinate	Revenue Bonds that 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.	10,885,000
2016	Subordinate	Revenue Bonds that refunded bonds that originally provided funds for the acquisition and construction of various capital improvements.	19,940,000
		TOTAL BOND DEBT	\$ 174,415,716

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

YEAR(S)	PRINCIPAL	INTEREST	TOTAL
2018	\$ 5,509,286	\$ 8,040,313	\$ 13,549,599
2019	5,734,286	7,799,725	13,534,011
2020	5,984,286	7,549,525	13,533,811
2021	6,234,286	7,294,800	13,529,086
2022	6,274,286	7,028,750	13,303,036
2023-2027	37,984,286	30,172,519	68,156,805
2028-2032	46,500,000	20,081,465	66,581,465
2033-2037	48,415,000	8,589,591	57,004,591
2038-2042	9,565,000	1,797,375	11,362,375
2043	2,215,000	55,375	2,270,375
Total	\$ 174,415,716	\$ 98,409,438	\$ 272,825,154



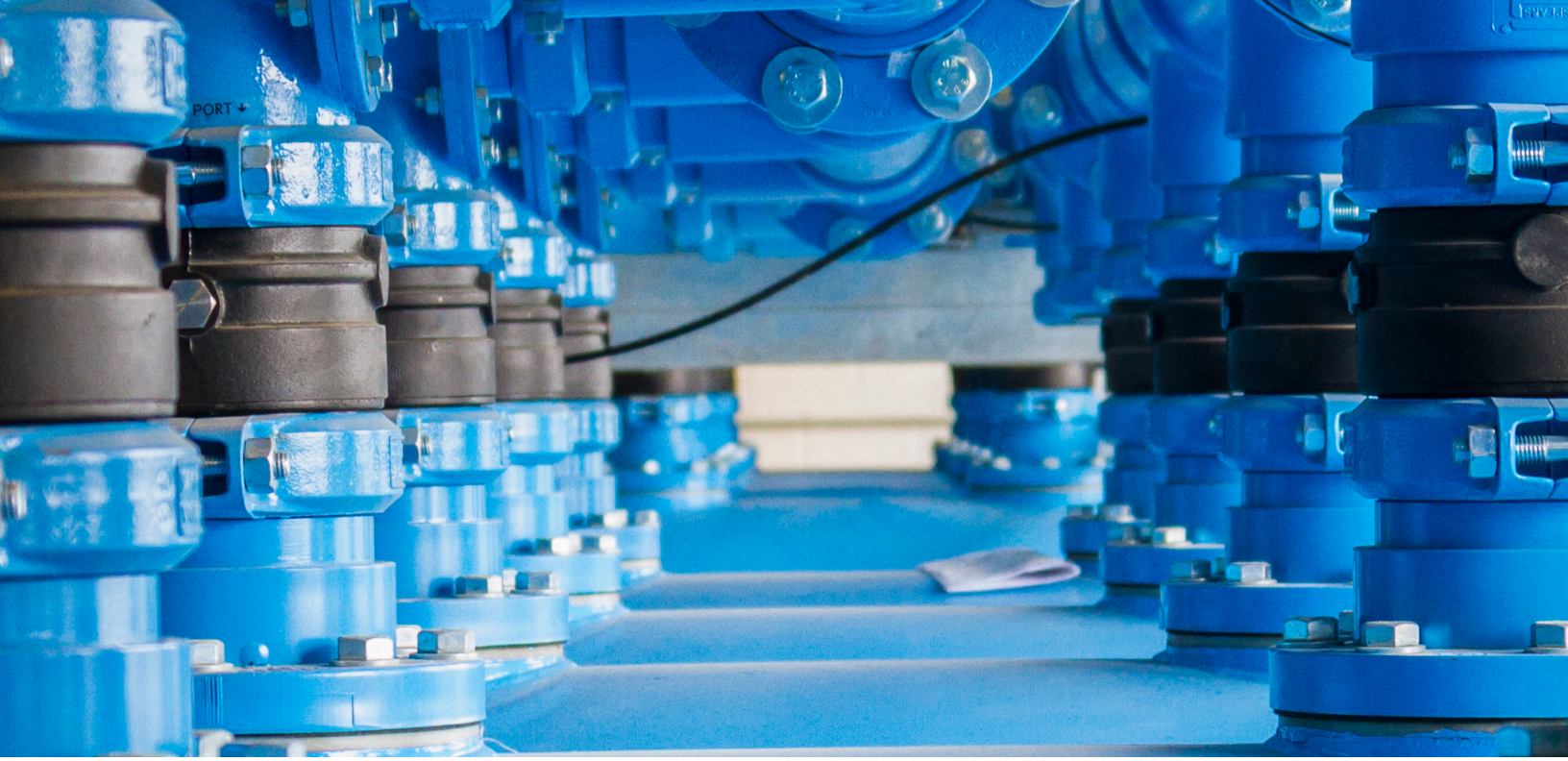
The District's credit risk is evaluated by credit rating agencies and is a strong indication of the District's ability to make debt payments, which effects the interest rate the District pays. The District's debt rating on the Senior Obligations is "AA+" from Standard & Poor's and "Aa2" from Moody's Investor Services. The District's debt rating on the Subordinate Obligation is rated "AA" from Standard & Poor's 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. The covenants on the senior obligations require the ratio to exceed 1.1 times and the subordinate obligations require it to exceed 1.25 times (net revenues/debt service).

As shown on the table of projected operating results the District is budgeting to meet its debt ratio requirements in the next several years with a ratio of 3.07 times on senior obligation and 2.04 times on total debt service coverage.

In addition to bonds, the District has three capital leases taken out in 2007, 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 2018 is \$1,616,390 and the total outstanding balance as of June 30, 2017 is \$8,987,030.

The Water Fund pays for the bonds and the capital leases, but 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 2018 is \$34,460 and the total outstanding balance as of June 30, 2017 is \$449,973.



GLOSSARY

CUCAMONGA VALLEY WATER DISTRICT

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.

ACH – Automated Clearing House electronic payment to vendors

Acre-Feet (AF) – The volume of water that would cover one acre to a depth of one foot. Equal to 325,949 gallons or 435.6 hundred cubic feet of water.

Adoption – Formal action by the Board of Directors

AF – See acre-feet

AGM – Assistant General Manager

AHBWTP – Arthur H. Bridge Water Treatment Plant

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

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

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

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.

CAD – See computer-aided design

CalPERS – California Public Employees Retirement System

Capital Expenses – Expenses which result in the acquisition of, or addition to, fixed assets, including land, buildings, improvements, machinery, and equipment.

Capital Improvement Project (CIP) – 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.

CIP – See Capital Improvement Project

CAD (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.

CAFR – See Comprehensive Annual Financial Report.

CAP – Customer Assistance Program

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

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

CMMS – Computerized Maintenance Management System

COLA – Cost of Living Adjustment

COP – See Certificates of Participation

CPA – Certified Public Accountant

CSMFO – California Society of Municipal Finance Officers

CSTI – California Specialized Training Institute

CVWD – Cucamonga Valley Water District

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.

EDU – See Equivalent Dwelling Unit

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 (EDU) – 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.

ERP – see Enterprise Resource Planning

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

Fiscal Year (FY) or Fiscal Year-End (FYE) – 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 (FN) – A wireless network technology which allows the remote collection of data from water meter devices.

FOG – Fats, Oils, and Grease

FN – See Fixed Network

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.

GAAP – See Generally Accepted Accounting Principles

GASB – Governmental Accounting Standards Board

Generally Accepted Accounting Principles (GAAP) – 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 (GIS) – An information system integrating maps with electronic data.

GFOA – Government Finance Officers Association

GIS – See Geographical Information System

GPS – Global Positioning System

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

HCF – See Hundred cubic feet

HVAC – Heating, Ventilation, and Air Conditioning

IEUA – See Inland Empire Utilities Agency

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

IT – Information Technology

LAIF – Local Agency Investment Fund

LMMWTP (or LMWTP) – Lloyd W. Michael Water Treatment Plant

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.

MGD – Million gallons per day

MWD – See Metropolitan Water District of Southern California

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

OPEB – Other Post-Employment Benefits

PARS – Public Agency Retirement Service. A supplemental retirement plan.

Pay-Go – Pay as You Go

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

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.

RFP – see Request for Proposal

SCE – See Southern California Edison.

SOPs – Standard Operating Procedures

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

State Water Resources Control Board (SWRCB) – An oversight board for the California Environmental Protection Agency.

SWRCB – See State Water Resources Control Board

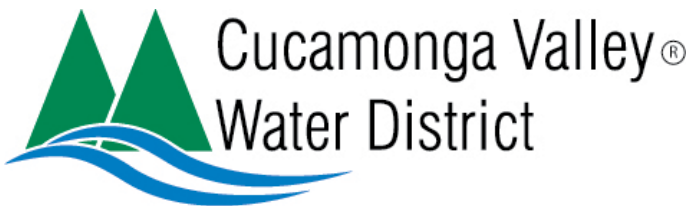
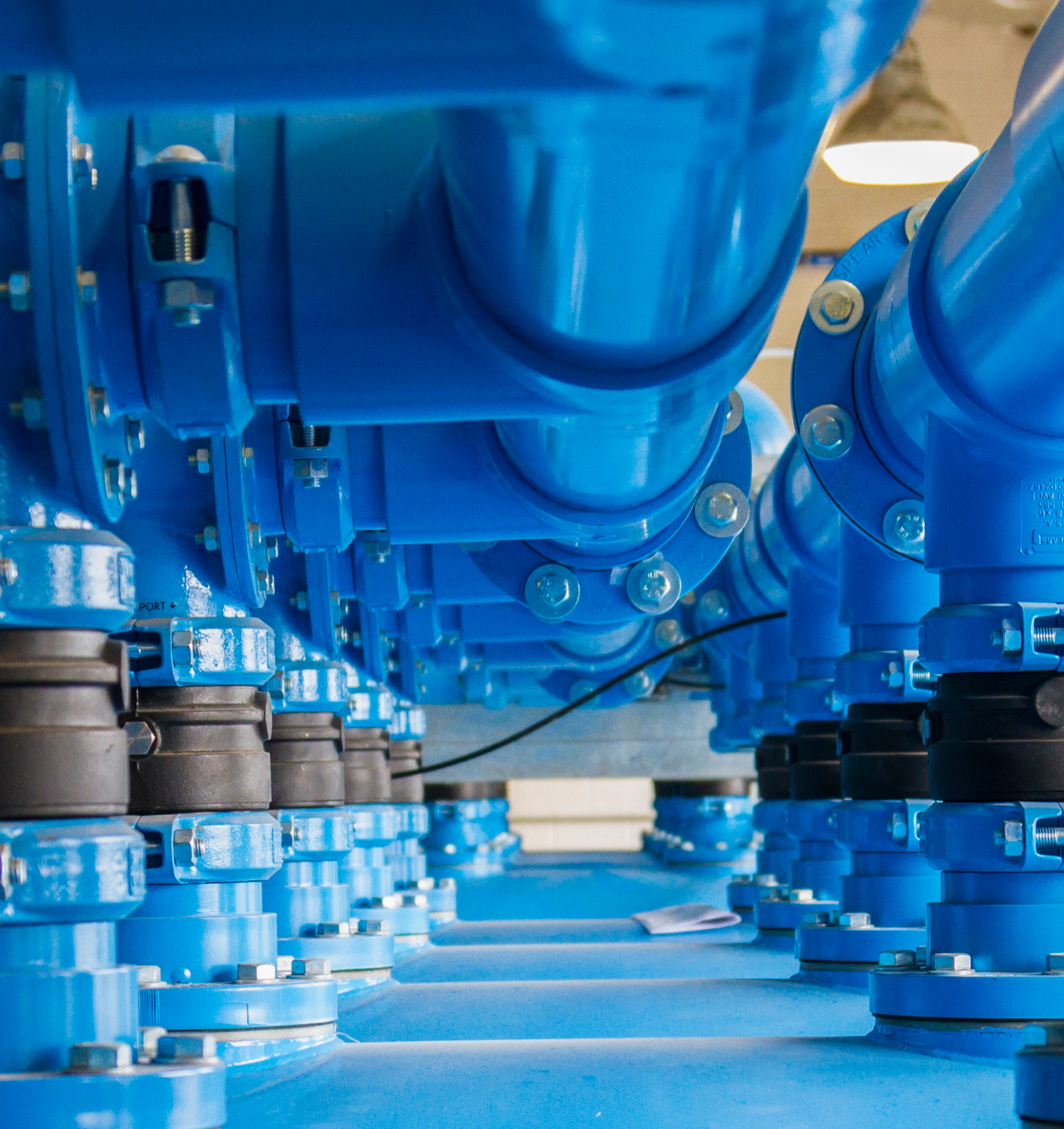
TBD – To Be Determined

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

VOIP – see Voice Over IP

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

WWP – Water Watch Program



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