



Cucamonga Valley Water District

BUDGET

FISCAL YEARS 2019 & 2020




Cucamonga Valley®
Water District

Service Beyond Expectation



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Serving The Community Since 1955

BUDGET MESSAGE

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 Fiscal Years 2019-2020 Operating and Capital Improvement Budget. Since January 2018, our management team has worked diligently to develop a balanced budget for both Fiscal Years (FY) 2019 and 2020. 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 46 square mile service area. The District serves a population of approximately 192,000 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. In 2018 these goals were converted into action plans by the various teams in order to support the accomplishment of these goals. The planning efforts culminated in a Board Workshop presentation on January 30, 2018 in which all the managers gave a group presentation highlighting the action plans for their respective areas. Performance

Measures in each Division have been developed to quantify these work efforts. The progress on these Performance Measures are included in the Department Information section of this Budget. The following District-wide strategic goals have been established:

Water

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

Service

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

People

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

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



SHORT-TERM FACTORS INFLUENCING THE BUDGET

Economic health in the District's service area is currently very strong. Unemployment rates are at or near all-time lows. Strong economic conditions tend to encourage more water consumption but 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 5% and 3% conservation for FY 2019 and FY 2020, respectively. Fiscal Year 2019 is the last of a four-year period in which water rates were set by an extensive cost of service study which was completed in 2015. We have already begun the process of completing a new cost of service study for the fiscal years 2020 through 2023. This process will also include Proposition 218 notices which will provide our rate payers with the opportunity to participate in the rate setting process.

The District places a tremendous effort on capital improvement planning. Utilizing our water and wastewater master planning documents, projects are evaluated, prioritized, and scheduled. The total capital project investments in this Budget is approximately \$28 million and in accordance with the District's Debt Management Policy, the use of debt is prudently reviewed and is limited to long-term projects that meet specific criteria. The District closely monitors its debt ratios. This year's capital budget is funded primarily on a Pay-Go basis but includes approximately \$10 million in bond funding for three critical long-lived water projects.

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 cost-sharing for their pension, as well as other changes resulting in on-going savings to rate-payers. Since this time, pension expenses have increased as the CalPERS Board changed actuarial assumptions and made efforts to improve the funded status of the plan. In 2015, staff commenced a cost-benefit analysis of advanced repayments of the CalPERS unfunded liability. In 2016, the Board approved a funding plan and the District has implemented advanced discretionary payments over the subsequent five years. This plan was

implemented in FY 2017 and the District has planned a \$1 million payment for both FY 2019 and FY 2020. 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 2019 & 2020

One of the most significant priorities in FY 2019 and FY 2020 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. During this time, 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). The economic strength in the area, as well as planned real estate developments, have driven estimates of District-wide water usage back up to near pre-drought levels. This level of water consumption has been incorporated into the FY 2019 and FY 2020 budget and we have estimated utilizing 30,500 acre-feet (AF) of imported water in both years at a cost of \$24.3 million and \$25.3 million, respectively.

SIGNIFICANT BUDGETARY ITEMS

OPERATING BUDGET

Overall, the budget is based on operating revenues of \$102,636,373 for FY 2019 and \$106,375,863 for FY 2020 for all funds, which reflects increases of 6% and 4%, respectively. Operating expenses are budgeted at \$77,733,407 for FY 2019 and \$81,383,884 for FY 2020 for all funds. These operating expenses have been held to only a 4% increase in FY 2019 and a 5% increase in FY 2020, including costs that are driven by outside agencies.

Water Fund operating revenues are budgeted to increase by \$4.7 million for FY 2019. Scheduled rate increases that were set by the four-year cost of service study will impact budgeted revenues for water sales (\$1.1 million) and fixed meter charges (\$3.8 million). Operating revenues for the Water Fund have been projected to increase by \$3.3 million in FY 2020 however, this projection for FY 2020 is based on inflation estimates and not on a cost of service study.

A pass-through agreement with the Inland Empire Utilities Agency (IEUA) is resulting in increased wastewater treatment revenues of about \$1 million in FY 2019 and estimated to increase by about \$370,000 in FY 2020. 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 both FY 2019 and FY 2020.

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 \$2.5 million from FY 2018 to FY 2020. Imported water is expected to provide 61% of the production mix in FY 2019 and 59% of the mix in FY 2020. As imported water remains the largest portion of the District's supply, groundwater production will be 32% of the mix in FY 2019 and 33% in FY 2020 resulting in electricity expense of \$1.8 million for FY 2019 and \$2 million for FY 2020. The District's booster pumps which are required to move both imported and locally sourced water around the District will result in electricity costs of about \$2.3 and \$2.4 million for FY 2019 and FY 2020, respectively. The Outside Services category is budgeted to increase by approximately 10% per year over the two-year budget timeframe, which is primarily a result of increased wastewater treatment expenses on behalf of IEUA as previously described.

The Wages and Benefits category is budgeted to increase by \$350 thousand in FY 2019. This increase takes into consideration budgeted merit and cost of living adjustment (COLA) increases, as well as additional actuarial-derived contributions to Other Post-Employment Benefits and PARS. In FY 2020, Wages and Benefits are expected to increase by 5.8% including the factors listed above.

CAPITAL IMPROVEMENT BUDGET

New requests in the two-year total Capital Improvement Project (CIP) budget include Water Capital funding of approximately \$21 million, Sewer Capital funding of about \$6 million, and Recycled Water Capital funding of \$800,000. Notable Water Fund projects include Reservoir 3A Nitrate Wellhead Treatment Plant (\$6.3 million), new Reservoir 3A (\$3.7

million), a new reservoir to replace Reservoir 1 (\$3.6 million), and completion of a new Cucamonga Basin well (\$3 million). The Sewer Fund has large projects that include a new sewer line in Hellman Avenue (\$2.3 million), a new sewer line in Rochester (\$1.3 million), a new sewer line in 8th Street (\$1.2 million), and a new sewer line in Hermosa Avenue (\$1.1 million).

BUDGET OVERVIEW

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

	FY18 Amended Budget	FY19 Budget	% Change (FY19 to FY18)	FY20 Budget	% Change (FY20 to FY19)
Operating Revenues	\$ 96,468,957	\$ 102,636,373	6%	\$ 106,375,863	4%
Operating Expenses					
Wages & Director's Fees	11,946,941	11,913,476	(0%)	12,439,945	4%
Benefits	6,328,068	6,710,085	6%	7,254,665	8%
Outside Labor	176,000	129,750	(26%)	129,750	0%
Professional Development	501,991	553,789	10%	557,843	1%
Professional Services	782,481	883,960	13%	797,720	(10%)
Advertisements	45,925	38,465	(16%)	25,225	(34%)
Election Expense	150,000	-		150,000	100%
Personnel Costs	184,650	173,140	(6%)	173,840	0%
Insurance	466,420	431,022	(8%)	446,569	4%
Collections	82,000	82,000	0%	82,000	0%
Utilities	5,115,156	5,364,008	5%	5,679,532	6%
Materials & Supplies	4,434,715	4,486,930	1%	4,501,779	0%
Outside Services	17,475,073	18,761,695	7%	19,204,434	2%
Safety	102,930	104,000	1%	104,875	1%
Water Supply	26,606,983	27,433,657	3%	29,181,467	6%
Miscellaneous	515,785	515,435	(0%)	505,635	(2%)
Other - Capital Equipment	150,300	151,995	1%	148,605	(2%)
Total Operating Expenses	75,065,418	77,733,407	4%	81,383,884	5%
Net Operating Revenue	21,403,539	24,902,966	16%	24,991,979	0%
Non-Operating Revenues	6,986,530	12,139,712	74%	10,129,151	(17%)
Non-Operating Expenses					
Capital Improvement Projects	10,144,000	15,540,000	53%	12,672,000	(18%)
Debt Service	17,237,352	17,447,450	1%	17,452,421	0%
Reserves	1,008,717	4,055,228	302%	4,996,709	23%
Total Non-Operating Expenses	28,390,069	37,042,678	30%	35,121,130	(5%)
Change in Net Position	\$ -	\$ -	0%	\$ -	0%

DISTRICT MANAGEMENT



MARTIN E. ZVIRBULIS
General Manager/CEO

JOHN BOSLER
Assistant General Manager

CARRIE CORDER
Assistant General Manager

CHAD BRANTLEY
Director of Finance & Technology Services

EDUARDO ESPINOZA
Director of Engineering Services

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 2019 and FY 2020.

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, Interim Finance Manager; Chad Brantley, Director of Finance and Technology Services; and Carrie Corder, Assistant General Manager.

Respectfully submitted,

Martin E. Zvirbulis
General Manager/CEO

June 12, 2018

BUDGET RESOLUTION

RESOLUTION NO. 2018-6-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CUCAMONGA VALLEY WATER DISTRICT ADOPTING THE BIENNIAL OPERATING AND CAPITAL IMPROVEMENT BUDGET FOR THE FISCAL YEARS ENDING JUNE 30, 2019 AND JUNE 30, 2020

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 Years Ending June 30, 2019 & June 30, 2020 ("2019 & 2020 Budget"); and

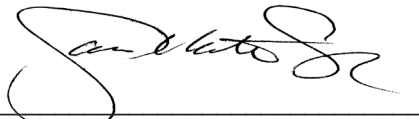
WHEREAS, on June 12, 2018, the Board of Directors received and considered all comments regarding the proposed 2019 & 2020 Budget; and

WHEREAS, the proposed 2019 & 2020 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 2019 & 2020 Budget, as detailed in the budget document entitled "Budget Fiscal Years 2019 & 2020," is hereby adopted. A copy of the 2019 & 2020 Budget is attached hereto and incorporated herein by reference.
2. The expenditure amounts designated for the Fiscal Years 2018-2019 and 2019-2020, pursuant to the 2019 & 2020 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 increased from \$0.10 per hcf to \$0.14 per hcf effective 07/01/2018, and then decrease to \$0.00 per hcf effective 07/01/2019.
4. The current amount of the Customer Assistance Program (CAP) shall remain the same at \$20.00 per bimonthly period effective 07/01/2018 and 07/01/2019.
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 12th day of June, 2018.



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 FY2019 and FY2020 to align the operating divisions with the Foundational Principles of the District. Divisions are tasked with aligning their action plans to support these goals.

The following District-wide strategic goals have been established:

WATER

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

SERVICE

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

PEOPLE

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



INTRODUCTION



Introduction

BUDGET GUIDE

This budget document is the District’s biennial 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.

CAPITAL & DEBT

This section presents the Capital Improvement Projects and describes the District’s debt.

DEPARTMENT INFORMATION

This section provides comprehensive information for each division within the District including their operational budget. The Budget is organized into the following summary divisions:

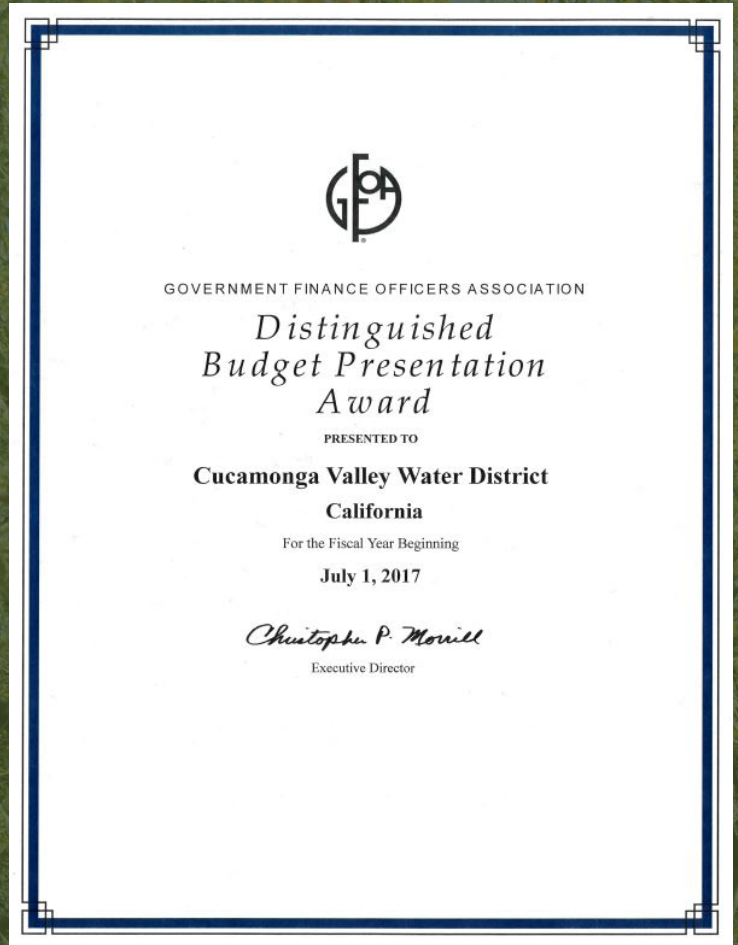
- Board of Directors
- Office of the General Manager
- Office of the Assistant General Manager
- Human Resources & Risk Management
- Legislative & Governmental Affairs
- Communications & Outreach
- Financial & Technology Administration
- Accounting & Purchasing
- Customer Service
- Information Technology
- General Services Administration
- Engineering
- Operations Administration
- Water Treatment
- Production & Telemetry
- Facilities
- Vehicles
- Water Distribution
- Collection & Transmission

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, 2017. 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 2019 & 2020 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 2019 & 2020 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

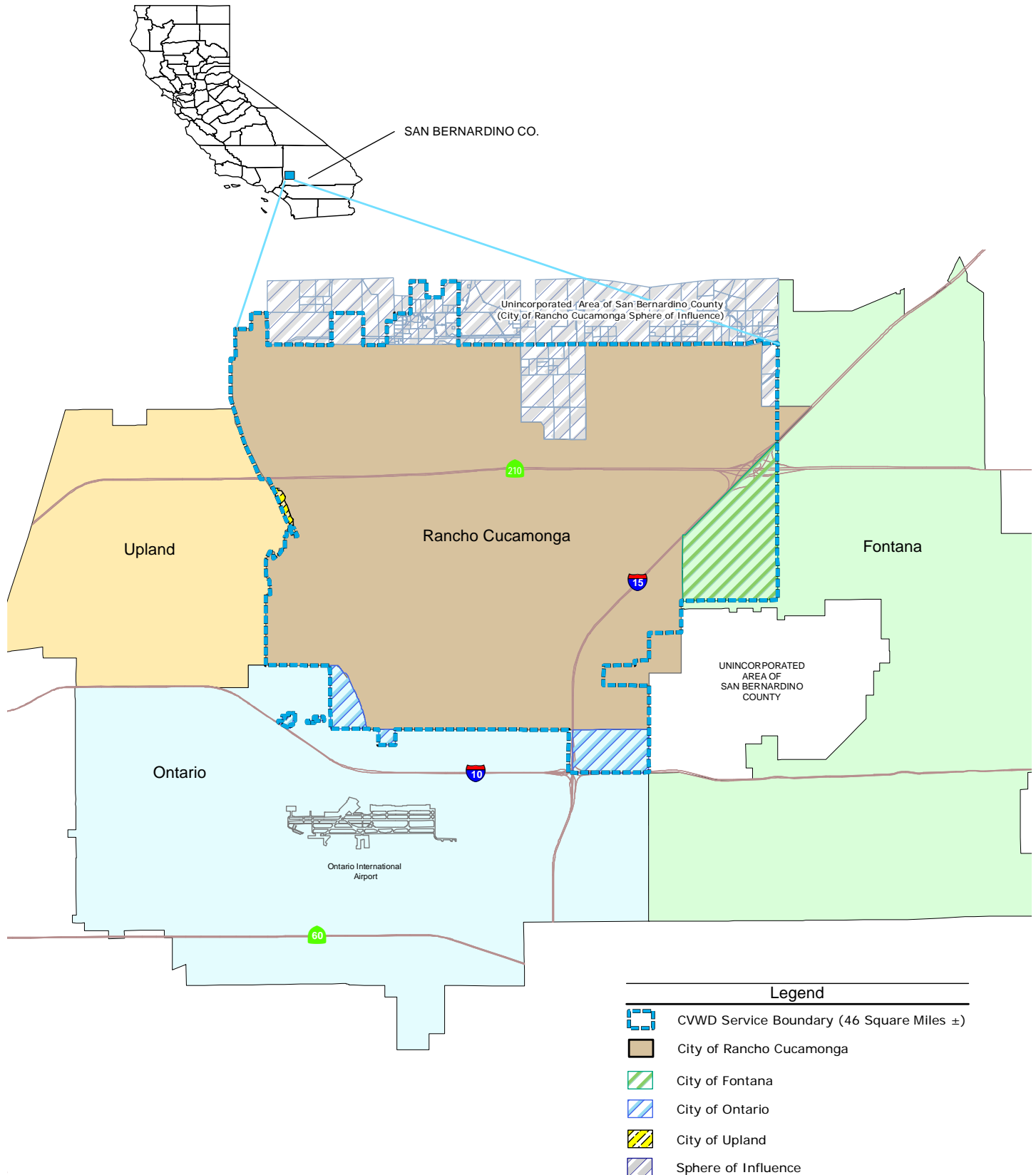
The District was organized in March 1955 as a public corporation under the provisions of Division 12 of the California Water Code, within boundaries established by the San Bernardino Board of Supervisors. CVWD is a special district, which is an independent unit of local government serving the needs of 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 46 square mile service area, which is located in the western area of San Bernardino County, California. The District encompasses the majority of the community of Rancho Cucamonga and portions of the cities of Fontana, Ontario, Upland, and some of the unincorporated areas of San Bernardino County.



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



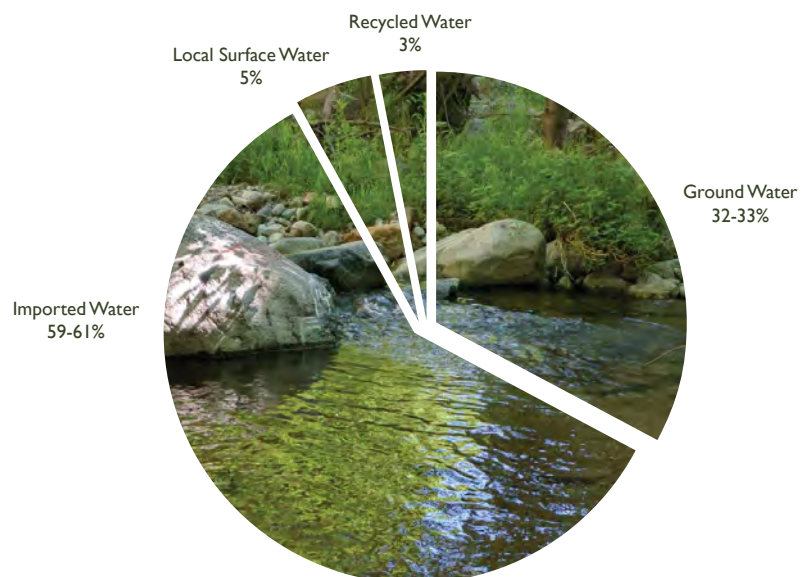
GOVERNMENT

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, recycled water, and interconnection water.

FY 19 & 20 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.

GROUNDWATER

The District has water rights in two groundwater basins that underlie the District's service area: Chino Basin and Cucamonga Basin. These water rights allow the District to pump groundwater out of the basins via District wells. The Chino Basin management is overseen by the Chino Basin Watermaster. The Basin has an established annual safe yield of 135,000 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

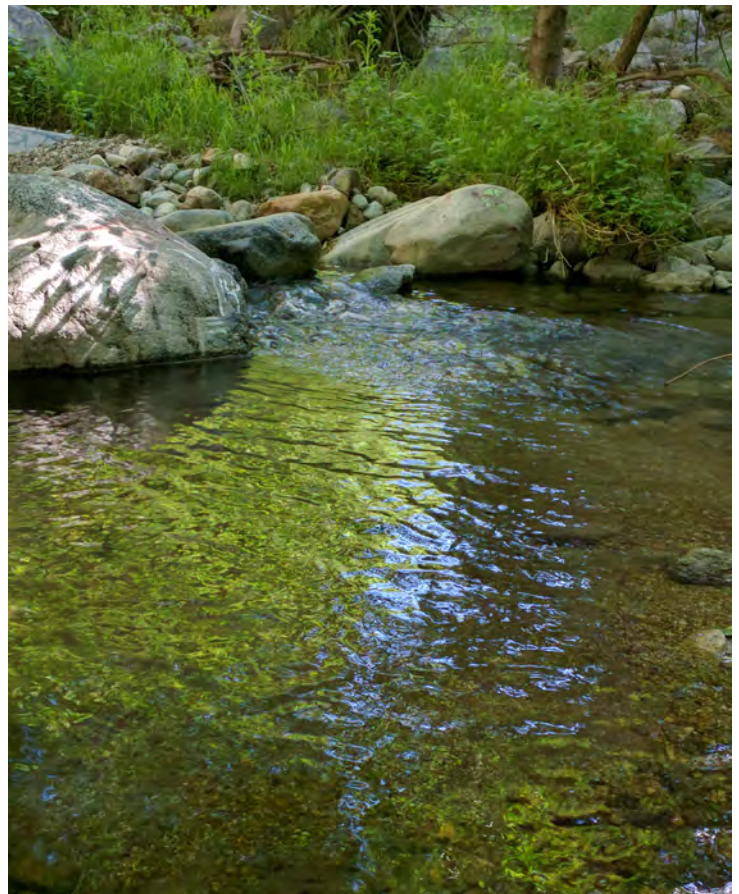
The District's canyon/surface water supplies come from streams, springs, and tunnels located within the northern area of the District. The District has rights to six sources of canyon water: Cucamonga Canyon, Day/East Canyon, Deer Canyon, Lytle Creek, Smith Canyon Group, and the Golf Course Tunnel. Currently, 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 9% of the District's annual water supply.

RECYCLED WATER

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

INTERCONNECTION

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



WATER DISTRIBUTION

Currently, the District manages a potable water system that includes 8 primary pressure zones, 29 groundwater wells, 35 water storage reservoirs, and tanks, 22 booster pumping stations, 3 imported water connections, 33 pressure reducing valves, and approximately 707 miles of pipeline. For water systems that have varied topography, such as the District, water distribution systems are typically divided into different hydraulic regions, known as pressure zones. The purpose of these pressure zones is to maintain adequate pressures throughout the distribution system 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 seven subzones. The District's potable water distribution system contains 22 pumping stations that move water between pressure zones and one pumping station that moves water laterally within the same zone. Water distribution systems rely on stored water to help equalize fluctuations between supply and demand. Currently, the District's potable water system has 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.

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.



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.

From 2012 to 2017, California experienced historic drought conditions. In April 2015 the State Water Board set conservation standards for each water supplier, and based on this reduction, the District was required to set a conservation target of 32% as compared to 2013. In FY 2016 the District set drought rates at Stage 6 – Severe Water Emergency requiring 35% conservation by all customers, but due to the District's water supply was able to move to Stage 1 – Encouraging Water Use Efficiency and NO specific conservation requirement on July 1, 2016. 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. For FY2019 and 2020 the District will maintain rates at Stage 1.

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.



STATISTICAL SECTION

FY 18 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 11.42% of total water sales revenue in FY 2017.

Customer	2017 Annual Usage (HCF)	% of Total	FY 2017 Revenues	% of Gross Water Sales & Meter Charges
City of Rancho Cucamonga	664,273	3.83%	\$ 2,464,515	3.58%
County of San Bernardino	216,949	1.25%	1,201,756	1.74%
Etiwanda School District	200,918	1.16%	712,198	1.03%
City of Fontana	179,138	1.03%	564,538	0.82%
Gerdau Ameristeel	129,742	0.75%	458,469	0.67%
Frito Lay	120,933	0.70%	460,264	0.67%
Chaffey College	106,788	0.62%	644,528	0.94%
Alta Loma School District	101,102	0.58%	374,121	0.54%
Homecoming at Terra Vista, LLC	83,188	0.48%	487,505	0.71%
Evolution Fresh	72,517	0.42%	501,526	0.73%
Total	1,875,548	10.83%	7,869,418	11.42%
Total District Consumption (All Accounts)	17,323,192	100.00%	\$ 68,905,223	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)	2,200	2.46%
Chaffey Community College	2,064	2.31%
Etiwanda School District	1,706	1.91%
Amphastar Pharmaceutical	1,217	1.36%
Alta Loma School District	941	1.05%
City of Rancho Cucamonga	882	0.99%
Southern California Edison	800	0.89%
Big Lots Distribution Center	600	0.67%
Mercury Insurance Company	600	0.67%
Central School District	554	0.62%

Source: City of Rancho Cucamonga June 2017 CAFR

DEMOGRAPHICS

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

Year	Rancho Cucamonga		State of California		Riverside-San Bernardino-Ontario MSA		Personal Income (thousands of dollars)
	Unemployment Rate	Population	Unemployment Rate	Unemployment Rate	Population		
2008	5.2%	164,671	7.0%	8.1%	4,113,447	127,657	
2009	8.6%	164,764	11.6%	13.9%	4,160,685	123,849	
2010	10.3%	165,269	12.2%	14.4%	4,243,788	126,656	
2011	10.2%	168,251	12.1%	14.3%	4,299,091	134,663	
2012	9.1%	169,370	10.7%	12.6%	4,342,166	138,312	
2013	7.7%	170,614	8.9%	10.3%	4,379,397	141,978	
2014	6.1%	172,146	7.3%	8.4%	4,428,390	149,936	
2015	5.0%	173,897	6.2%	6.5%	4,475,437	160,049	
2016	4.6%	175,681	5.7%	6.6%	4,527,837 ³	166,658 ³	
2017	4.2%	177,324 ²	4.9%	5.5%	N/A	N/A	
2018	3.1% ¹	177,324 ²	4.2% ¹	4.1% ¹	N/A	N/A	

Source: ¹ Preliminary rate through March 2018 (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 2016 from United States Bureau of Economic Analysis for the Riverside-San Bernardino-Ontario Metropolitan Service Area

CLIMATE

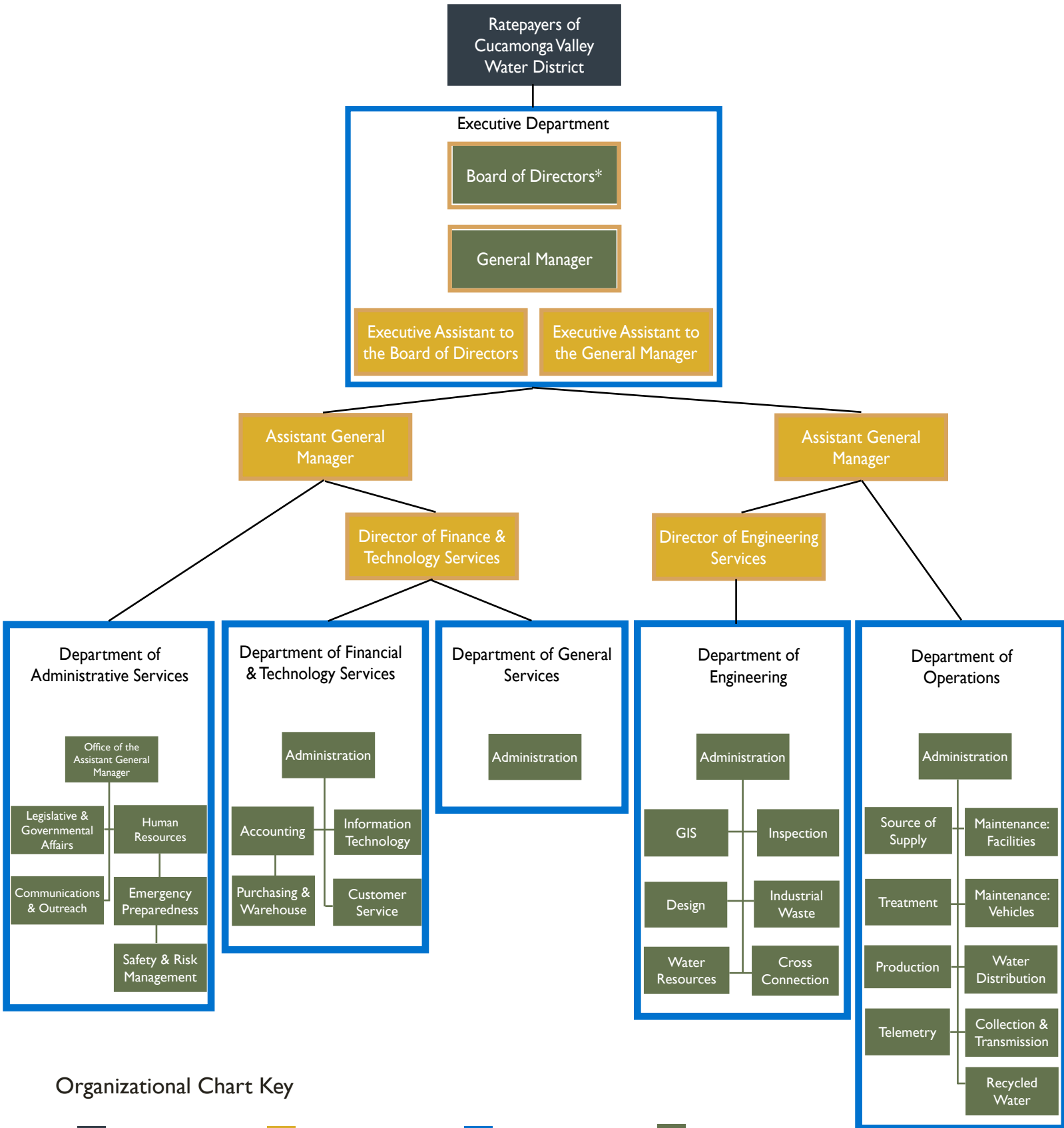
The District's service area climate is a semi-arid, Mediterranean environment with mild winters, warm summers, and moderate rainfall, consistent with interior coastal Southern California. The usually mild climatological pattern is interrupted infrequently by periods of extremely hot weather or winter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

*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 ensure that top quality service is provided to the community. Accountability, reliability, and sustainability guide the District in all daily operations.

MISSION STATEMENT

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

VISION

Cucamonga Valley Water District is founded on people, service, and water. The District 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 that cultivates a two-way system of communication.

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





FINANCIAL STRUCTURE, PROCESS, & POLICY

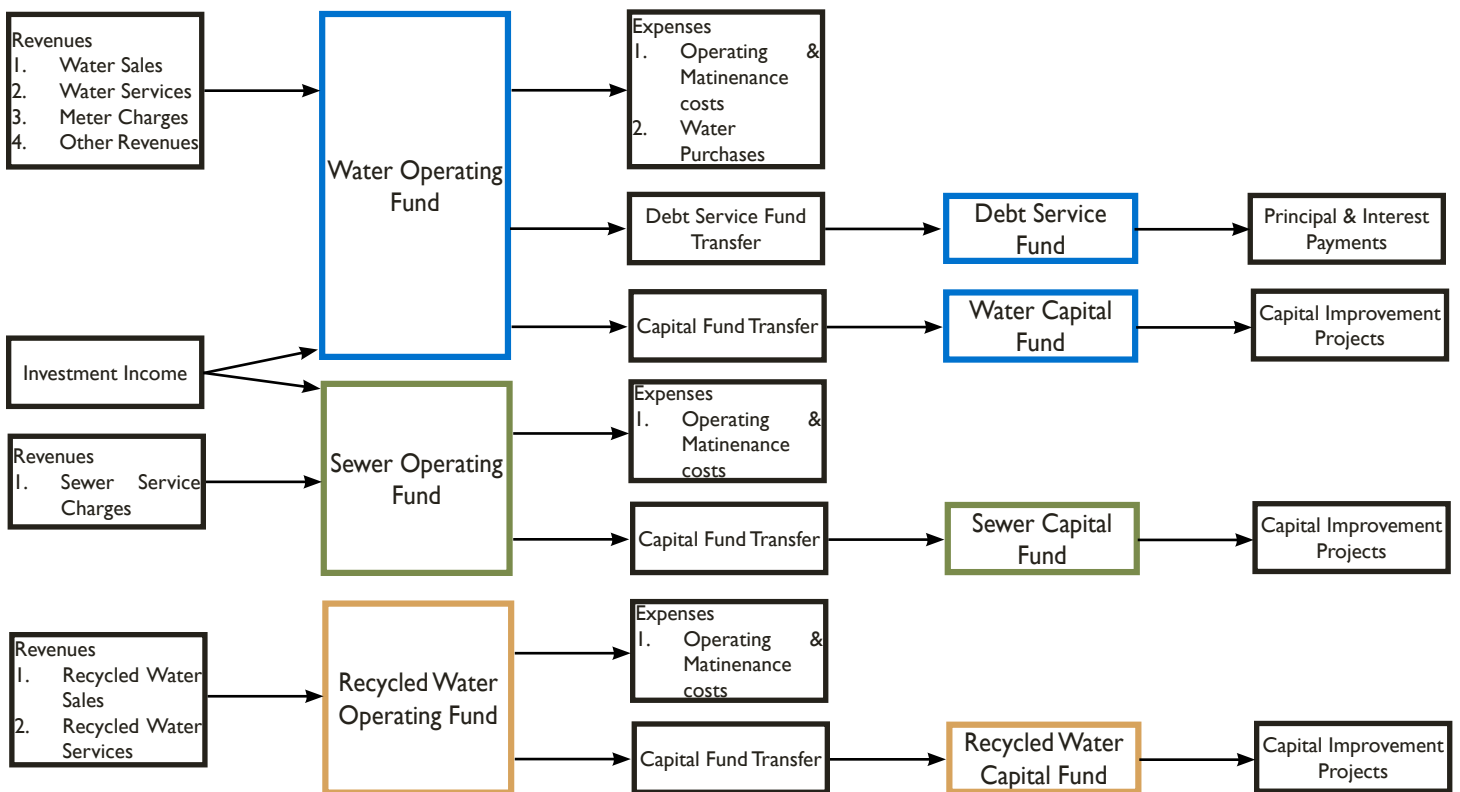
Financial Structure, Process, & Policy

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 in 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	X	X	
	Office of the General Manager	X	X	
Administrative Services	Human Resources	X	X	
	Safety & Risk Management	X	X	
	Emergency Preparedness	X		
	Legislative & Governmental Affairs	X	X	
	Office of the Assistant General Manager	X	X	
	Communications & Outreach	X	X	
Finance & Technology Services	Finance & Technology Administration	X	X	X
	Accounting	X	X	X
	Customer Service	X	X	X
	Information Technology	X	X	X
	Purchasing & Warehouse	X	X	
General Services	General Services Administration	X	X	
Engineering	Engineering Administration	X	X	X
	Geographic Information System (GIS)	X	X	X
	Design	X	X	X
	Water Resources	X		X
	Inspection	X	X	X
	Industrial Waste		X	
	Cross Connection	X		
Operations	Operations Administration	X	X	
	Source of Supply	X		
	Water Treatment	X		
	Water Production	X		
	Telemetry	X		
	Facilities Maintenance	X	X	
	Vehicles Maintenance	X	X	
	Water Distribution	X		
	Collection & Transmission		X	
	Recycled Water			X

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.
- Other post-employment benefits (OPEB) is budgeted based on the District's anticipated fiscal year contribution. For financial statement reporting, OPEB expense is recorded based on the change in net OPEB liability in accordance with GASB.

The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a

continuous basis and are entirely financed by revenues derived from user charges. The District maintains a self-balancing set of accounts established to record the financial position and operating results that pertain to each activity.

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 Districts biennial budget process is outlined below:

1. Phase 1 (January - February), budget requirements for capital improvement projects are addressed and submitted to the Engineering Committee for its initial review. District goals are presented to the Board.
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. Department measurements are prepared.
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 phase.



BUDGET CALENDAR

Date	Activity
January 30, 2018	Operational Goals & Actions Plans Workshop with Board of Directors
February 6, 2018	Deadline for submission of Capital Improvement Project requests from departments
March 8, 2018	Mid-year budget review submitted to Finance Committee for review
March 2, 2018	Deadline for submission of Operating Expenses from departments
March 30, 2018	Deadline for submission of Wage & Benefit requests, including overtime, stand-by, submission of Personnel Requests, and Succession Planning from departments
April 17, 2018	Capital Improvement Project Budget submitted to Engineering Committee for review
May 1, 2018	Wage and Benefit Budget submitted to Human Resources / Risk Committee for review
May 3, 2018	Operating Expense and Revenue Budget submitted to Finance Committee for review
June 7, 2018	Biennial Operating and Capital Improvement Budget for Fiscal Years 2019 & 2020, submitted to Finance Committee for review
June 12, 2018	Biennial Operating and Capital Improvement Budget for Fiscal Years 2019 & 2020, submitted to Board of Directors for review and adoption

BUDGET CONTROL & AMENDMENT

Throughout the budget period 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 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 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 a biennial 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 within 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:

Review/Approval Level	Amount up to:
Department Managers	\$25,000
Assistant General Managers	\$50,000
Finance Committee & Board of Directors	\$50,000+

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 operating and capital budgets. The development of these financial policies is conducted in collaboration with the Board of Director’s Committee process, as well as final review and adoption by the Board of Directors. The following policies are instrumental in understanding the District’s fiscal strategies and the guidelines used to measure financial performance.

RELEVANT FINANCIAL POLICIES & PRACTICES

INTERNAL CONTROL STRUCTURE

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

INVESTMENT POLICY

The Board of Directors annually adopts an investment policy that conforms to state law, District ordinances and resolutions, 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.

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, Cyber Insurance, Workers’ Compensation, Public Officials’ and Employees’ Errors and Omissions, and Fidelity Coverage.

PURCHASING POLICY

The District’s purchasing policy defines the practices governing the procurement of supplies, materials, equipment and services, including construction and capital improvements, for District use and to relate the principals of applicable provisions of governing law and to District administrative policies. This policy is the written rule and regulation required by California Government Code Section 54202 and also serves as the District administrative procedure governing procurement activities. The policy does not allow for any conflicts of interest, or unauthorized purchases, and subjects all purchasing and accounts payable documentation to random internal and external audits. The District has established bid thresholds 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, GAAP, internal controls, and audit requirements. The District has defined capital assets as non-financial assets that are used in operations and have an initial useful life in excess of one year. The District's capitalization threshold is \$5,000. Assets are capitalized if the cost exceeds the capitalization threshold except for groups of similar assets such as water meters, computers, or printers when the total of the similar assets purchased during the year exceeds \$5,000. The District uses the straight-line method of depreciation for all depreciable fixed assets (land, intangible assets, and construction-in-progress are not depreciated). A half year of depreciation is recognized in the year the asset is placed into service and in the last year of estimated useful life. For more information refer to the Capital & Debt section of this document.

CREDITS & ADJUSTMENTS POLICY

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

BALANCED BUDGET

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

CUSTOMER ASSISTANCE PROGRAM (CAP)

In 2015 the District implemented a program that assists low income customers with their 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 through the budget adoption process. Customers must demonstrate a need for this financial assistance and follow the income thresholds established by the Public Utility Commission and the California Alternate Rates for Energy.

The CAP will result in fixed savings each month and will appear on the customer's next water bill following the application approval date. The CAP has limited funding and will be reviewed and approved biennially by the District's Board of Directors. For Fiscal Years 2019 & 2020 the District will pledge \$192,000 per year of unrestricted rental income to this program, thereby providing a bimonthly CAP of \$20.00.



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, 2017 was 53.3% based on the Audited Financial Statements.
 - The Debt Ratio at June 30, 2018 is projected to be 51.7%.
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, 2018 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, 2017 was 440 days based on the Audited Financial Statements.
 - The number of Days Cash at June 30, 2018 is projected to be 355 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, 2018 are projected to be 4% Debt, 66% Pay-Go, and 30% 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, 2017 was 1.99 times based on the Audited Financial Statements.
 - The Debt Service Coverage at June 30, 2018 is projected to be 2.06 times.

DEBT MANAGEMENT

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

The purpose of this debt management policy is to:

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

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

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

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

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

EMPLOYEE COMPENSATION

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

EMPLOYEE BENEFITS

Cafeteria Style Benefits – All new, full-time, regular employees of the District on initial probationary status are provided membership in an approved group health insurance plan at the earliest opportunity of inclusion. For executive staff, the District pays the greater of \$480.00 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, 2018 and January 1, 2019 employees contribute 6% and 7% respectively toward the employee portion of CalPERS. It is the District's goal that employees will add an additional 1% each year until employees contributes 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 12 designated holidays and 3 personal days per year.

Life Insurance – Employees working 30 hours or more per week are covered by a District-paid life insurance policy of \$25,000. Additional insurance up \$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.



PENSION LIABILITIES

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

PARS

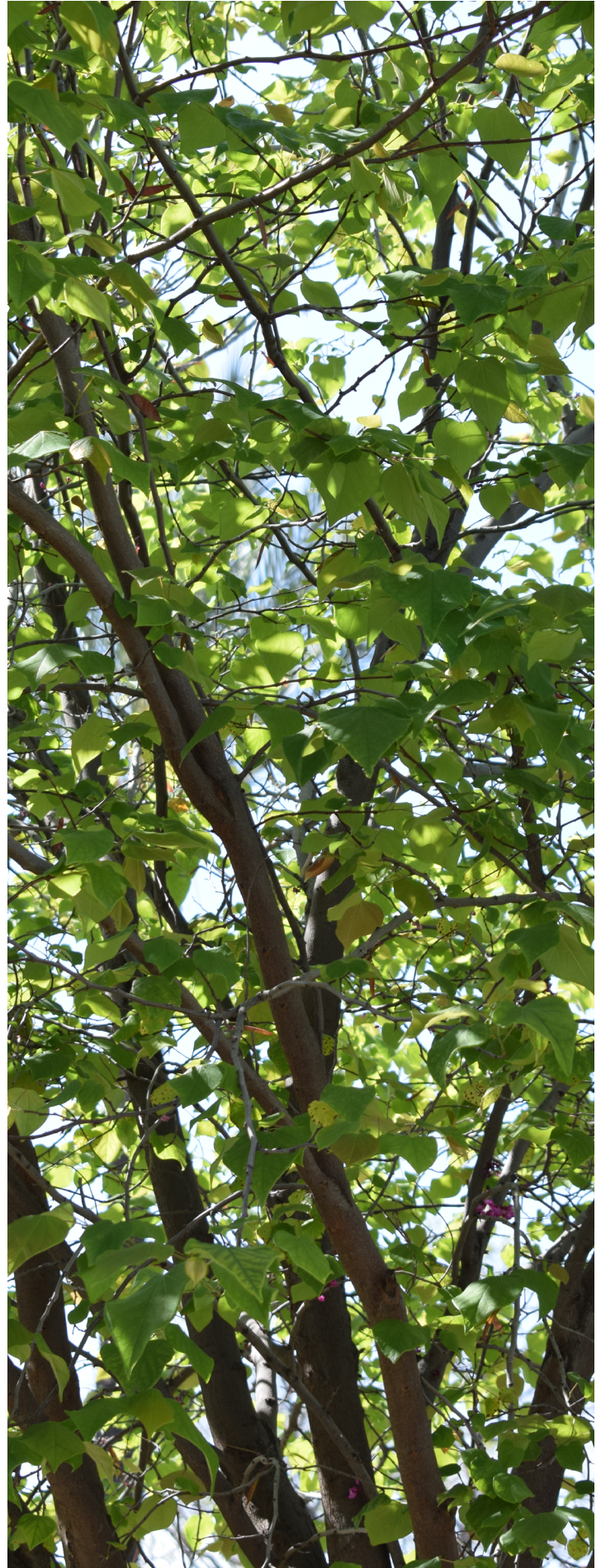
The District has enacted a plan to address the PARS long-term liability. In FY 2015, the District's Board of Directors authorized staff to make a contribution in the amount of the actuarially determined annual benefit payments, which amounted to \$180,000 in FY 2018 and is budgeted to remain the same for FY 2019 & 2020.

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 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 100% of the actuarially determined contribution. In FY 2017, the District funded 75% of the annual required contribution. GASB 75 became effective for FY 2018 and the District will contribute 100% of the actuarially determined contribution. The District plans to continue to contribute 100% of the actuarially determined contribution in FY 2019 & 2020.

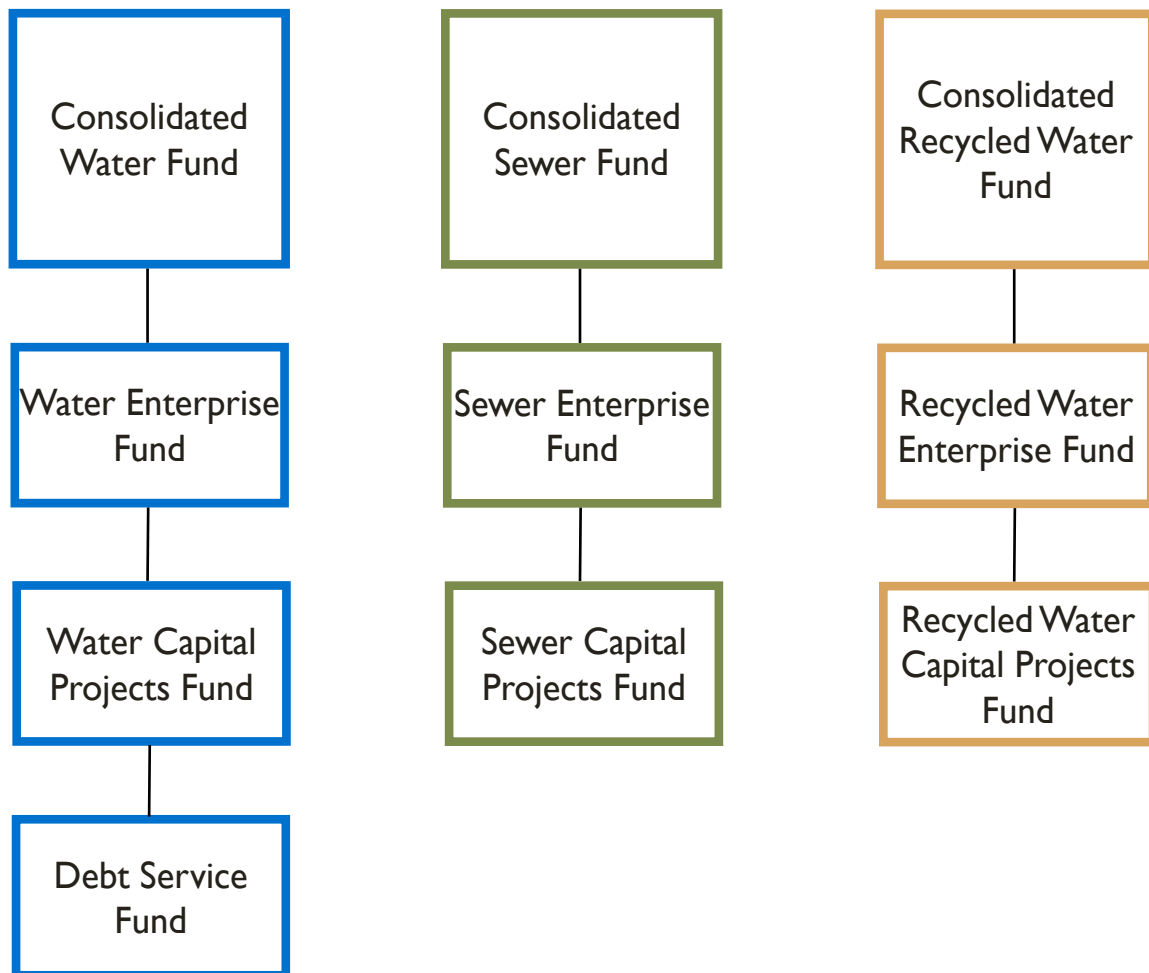




FINANCIAL SUMMARIES

Financial Summaries

The subsequent tables present 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.



FISCAL YEAR 2019

	Water Fund	Sewer Fund	Recycled Water Fund	Total All Funds
Operating Revenues				
Water Sales & Services	\$ 74,917,737	\$ -	\$ 1,144,171	\$ 76,061,908
Water Sales to Other Agencies	5,679,734	-	-	5,679,734
Sewer Services	-	20,894,731	-	20,894,731
Total Operating Revenues	80,597,471	20,894,731	1,144,171	102,636,373
Operating Expenses				
Executive Department	1,544,024	149,712	-	1,693,736
Administrative Services Department	2,984,155	518,278	3,040	3,505,473
Financial & Technology Services Department	5,298,835	955,628	19,932	6,274,395
General Services Department	356,643	57,068	650	414,361
Engineering Department	2,403,809	892,528	261,309	3,557,646
Operations Department	43,751,627	17,907,028	629,141	62,287,796
Total Operating Expenses	56,339,093	20,480,242	914,072	77,733,407
Net Operating Revenue	24,258,378	414,489	230,099	24,902,966
Non-Operating Revenues				
Interest Income	1,405,200	404,700	-	1,809,900
Development Fees	4,102,451	1,209,000	29,592	5,341,043
Inspection Fees	30,000	38,000	-	68,000
Meter Installations	60,000	-	-	60,000
Outside CIP Funding	2,000,000	-	50,000	2,050,000
Reserve Funding	-	1,550,000	-	1,550,000
Other Income	1,260,769	-	-	1,260,769
Total Non-Operating Revenues	8,858,420	3,201,700	79,592	12,139,712
Non-Operating Expenses				
Capital Improvement Projects	11,886,500	3,453,500	200,000	15,540,000
Annual Debt Service	14,631,007	-	34,486	14,665,493
Debt Covenants	2,781,957	-	-	2,781,957
Allocation to Reserves	3,817,334	162,689	75,205	4,055,228
Total Non-Operating Expenses	33,116,798	3,616,189	309,691	37,042,678
Change in Net Position	\$ -	\$ -	\$ -	\$ -

FISCAL YEAR 2020

	Water Fund	Sewer Fund	Recycled Water Fund	Total All Funds
Operating Revenues				
Water Sales & Services	\$ 77,333,868	\$ -	\$ 1,229,600	\$ 78,563,468
Water Sales to Other Agencies	6,543,756	-	-	6,543,756
Sewer Services	-	21,268,639	-	21,268,639
Total Operating Revenues	83,877,624	21,268,639	1,229,600	106,375,863
Operating Expenses				
Executive Department	1,760,273	154,844	-	1,915,117
Administrative Services Department	3,073,520	542,816	-	3,616,336
Financial & Technology Services Department	5,378,641	984,063	16,852	6,379,556
General Services Department	312,619	45,882	-	358,501
Engineering Department	2,546,295	936,561	277,953	3,760,809
Operations Department	46,325,492	18,356,623	671,450	65,353,565
Total Operating Expenses	59,396,840	21,020,789	966,255	81,383,884
Net Operating Revenue	24,480,784	247,850	263,345	24,991,979
Non-Operating Revenues				
Interest Income	1,405,400	424,800	-	1,830,200
Development Fees	4,209,951	1,130,000	29,592	5,369,543
Inspection Fees	32,000	40,000	-	72,000
Meter Installations	63,000	-	-	63,000
Outside CIP Funding	-	-	450,000	450,000
Reserve Funding	-	1,050,000	-	1,050,000
Other Income	1,294,408	-	-	1,294,408
Total Non-Operating Revenues	7,004,759	2,644,800	479,592	10,129,151
Non-Operating Expenses				
Capital Improvement Projects	9,324,000	2,748,000	600,000	12,672,000
Annual Debt Service	14,634,499	-	34,507	14,669,006
Debt Covenants	2,783,415	-	-	2,783,415
Allocation to Reserves	4,743,629	144,650	108,430	4,996,709
Total Non-Operating Expenses	31,485,543	2,892,650	742,937	35,121,130
Change in Net Position	\$ -	\$ -	\$ -	\$ -

BUDGET TRENDS - ALL FUNDS

	2017 Actual	2018 Budget	2019 Budget	2020 Budget
Operating Revenues				
Water Sales & Services	\$ 59,430,756	\$ 70,998,917	\$ 76,061,908	\$ 78,563,468
Water Sales to Other Agencies	5,641,974	5,957,511	5,679,734	6,543,756
Sewer Services	19,450,186	19,512,529	20,894,731	21,268,639
Total Operating Revenues	84,522,916	96,468,957	102,636,373	106,375,863
Operating Expenses				
Executive Department	1,443,569	1,801,562	1,693,736	1,915,117
Administrative Services Department	2,975,966	3,262,658	3,505,473	3,616,336
Financial & Technology Services Department	6,393,654	6,477,085	6,274,395	6,379,556
General Services Department	363,115	428,243	414,361	358,501
Engineering Department	1,557,301	3,440,496	3,557,646	3,760,809
Operations Department	48,637,923	59,655,374	62,287,796	65,353,565
Total Operating Expenses	61,371,528	75,065,418	77,733,407	81,383,884
Net Operating Revenue	23,151,388	21,403,539	24,902,966	24,991,979
Non-Operating Revenues				
Interest Income	1,305,705	1,388,950	1,809,900	1,830,200
Development Fees	2,328,001	3,212,467	5,341,043	5,369,543
Inspection Fees	74,998	51,000	68,000	72,000
Meter Installations	39,829	40,000	60,000	63,000
Outside CIP Funding	-	-	2,050,000	450,000
Other Income	1,845,930	1,194,113	1,260,769	1,294,408
Total Non-Operating Revenues	5,594,463	5,886,530	10,589,712	9,079,151
Non-Operating Expenses				
Capital Improvement Projects	29,492,857	10,144,000	15,540,000	12,672,000
Annual Debt Service	16,186,361	15,200,449	14,665,493	14,669,006
Debt Covenants	1,945,109	2,036,903	2,781,957	2,783,415
Total Non-Operating Expenses	47,624,327	27,381,352	32,987,450	30,124,421
Change in Net Position	(18,878,476)	(91,283)	2,505,228	3,946,709
Conversion to GAAP ¹	24,997,247	-	-	-
Net Position - Beginning	310,021,377	316,140,148	316,048,865	318,554,093
Net Position - Ending	\$ 316,140,148	\$ 316,048,865	\$ 318,554,093	\$ 322,500,802

¹ Conversion to GAAP line was included only for FY 2017 actuals to agree net position to the CAFR. Calculations were not included for 2018 to 2020.

BUDGET TRENDS - WATER FUND

	2017 Actual	2018 Budget	2019 Budget	2020 Budget
Operating Revenues				
Water Sales & Services	\$ 58,578,673	\$ 69,937,172	\$ 74,917,737	\$ 77,333,868
Water Sales to Other Agencies	5,641,974	5,957,511	5,679,734	6,543,756
Total Operating Revenues	64,220,647	75,894,683	80,597,471	83,877,624
Operating Expenses				
Executive Department	1,318,661	1,655,934	1,544,024	1,760,273
Administrative Services Department	2,532,926	2,786,912	2,984,155	3,073,520
Financial & Technology Services Department	5,481,804	5,490,293	5,298,835	5,378,641
General Services Department	303,589	354,084	356,643	312,619
Engineering Department	866,982	2,319,371	2,403,809	2,546,295
Operations Department	32,129,725	42,527,591	43,751,627	46,325,492
Total Operating Expenses	42,633,687	55,134,185	56,339,093	59,396,840
Net Operating Revenue	21,586,960	20,760,498	24,258,378	24,480,784
Non-Operating Revenues				
Interest Income	984,710	1,066,550	1,405,200	1,405,400
Development Fees	1,615,229	2,307,875	4,102,451	4,209,951
Inspection Fees	35,880	20,000	30,000	32,000
Meter Installations	34,969	40,000	60,000	63,000
Outside CIP Funding	-	-	2,000,000	-
Other Income	1,833,594	1,194,113	1,260,769	1,294,408
Total Non-Operating Revenues	4,504,382	4,628,538	8,858,420	7,004,759
Non-Operating Expenses				
Capital Improvement Projects	27,156,897	8,010,000	11,886,500	9,324,000
Annual Debt Service	16,151,926	15,165,989	14,631,007	14,634,499
Debt Covenants	1,945,109	2,036,903	2,781,957	2,783,415
Total Non-Operating Expenses	45,253,932	25,212,892	29,299,464	26,741,914
Change in Net Position	(19,162,590)	176,144	3,817,334	4,743,629
Conversion to GAAP ¹	24,778,745			
Net Position - Beginning	230,529,147	236,145,302	236,321,446	240,138,780
Net Position - Ending	\$ 236,145,302	\$ 236,321,446	\$ 240,138,780	\$ 244,882,409

¹ Conversion to GAAP line was included only for FY 2017 actuals to agree net position to the CAFR. Calculations were not included for 2018 to 2020.

BUDGET TRENDS - SEWER FUND

	2017 Actual	2018 Budget	2019 Budget	2020 Budget
Operating Revenues				
Sewer Services	\$ 19,450,186	\$ 19,512,529	\$ 20,894,731	\$ 21,268,639
Total Operating Revenues	19,450,186	19,512,529	20,894,731	21,268,639
Operating Expenses				
Executive Department	124,908	145,628	149,712	154,844
Administrative Services Department	443,040	475,746	518,278	542,816
Financial & Technology Services Department	899,689	972,273	955,628	984,063
General Services Department	59,413	74,159	57,068	45,882
Engineering Department	401,768	796,401	892,528	936,561
Operations Department	16,103,919	16,539,796	17,907,028	18,356,623
Total Operating Expenses	18,032,737	19,004,003	20,480,242	21,020,789
Net Operating Revenue	1,417,449	508,526	414,489	247,850
Non-Operating Revenues				
Interest Income	320,995	322,400	404,700	424,800
Development Fees	588,486	875,000	1,209,000	1,130,000
Inspection Fees	39,118	31,000	38,000	40,000
Other Income	12,336	-	-	-
Total Non-Operating Revenues	960,935	1,228,400	1,651,700	1,594,800
Non-Operating Expenses				
Capital Improvement Projects	2,253,996	1,984,000	3,453,500	2,748,000
Total Non-Operating Expenses	2,253,996	1,984,000	3,453,500	2,748,000
Change in Net Position	124,388	(247,074)	(1,387,311)	(905,350)
Conversion to GAAP ¹	220,636	-	-	-
Net Position - Beginning	75,841,848	76,186,872	75,939,798	74,552,487
Net Position - Ending	\$ 76,186,872	\$ 75,939,798	\$ 74,552,487	\$ 73,647,137

¹ Conversion to GAAP line was included only for FY 2017 actuals to agree net position to the CAFR. Calculations were not included for 2018 to 2020.

BUDGET TRENDS - RECYCLED WATER FUND

	2017 Actual	2018 Budget	2019 Budget	2020 Budget
Operating Revenues				
Water Sales & Services	\$ 852,083	\$ 1,061,745	\$ 1,144,171	\$ 1,229,600
Total Operating Revenues	852,083	1,061,745	1,144,171	1,229,600
Operating Expenses				
Administrative Services Department	-	-	3,040	-
Financial & Technology Services Department	12,161	14,519	19,932	16,852
General Services Department	113	-	650	-
Engineering Department	288,551	324,724	261,309	277,953
Operations Department	404,279	587,987	629,141	671,450
Total Operating Expenses	705,104	927,230	914,072	966,255
Net Operating Revenue	146,979	134,515	230,099	263,345
Non-Operating Revenues				
Development Fees	124,286	29,592	29,592	29,592
Meter Installations	4,860	-	-	-
Outside CIP Funding	-	-	50,000	450,000
Total Non-Operating Revenues	129,146	29,592	79,592	479,592
Non-Operating Expenses				
Capital Improvement Projects	81,964	150,000	200,000	600,000
Annual Debt Service	34,435	34,460	34,486	34,507
Total Non-Operating Expenses	116,399	184,460	234,486	634,507
Change in Net Position	159,726	(20,353)	75,205	108,430
Conversion to GAAP ¹	(2,134)	-	-	-
Net Position - Beginning	3,650,382	3,807,974	3,787,621	3,862,826
Net Position - Ending	\$ 3,807,974	\$ 3,787,621	\$ 3,862,826	\$ 3,971,256

¹ Conversion to GAAP line was included only for FY 2017 actuals to agree net position to the CAFR. Calculations were not included for 2018 to 2020.

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.

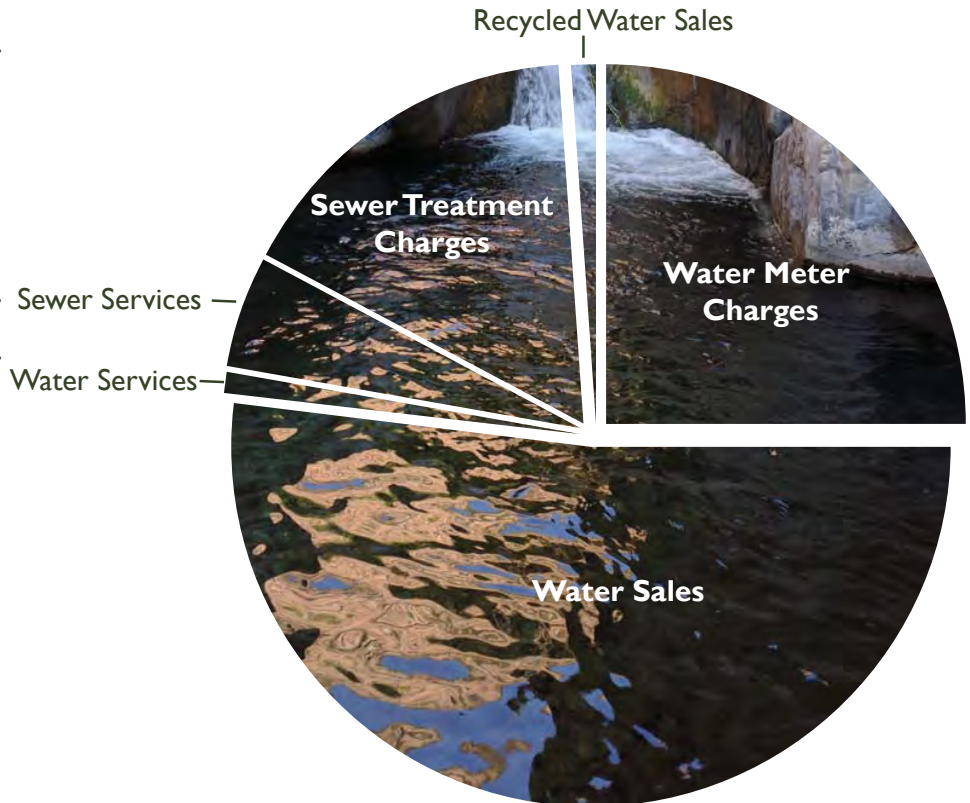
Fund	Year	Beginning Net Position July 1	Revenues	Expenses	Ending Net Position June 30	Increase / (Decrease)	% Change in Net Position
Water Fund	2016-17	\$ 230,529,147	\$ 68,511,277	\$ 62,895,122	\$ 236,145,302	\$ 5,616,155	2%
	2017-18	236,145,302	80,523,221	80,347,077	236,321,446	176,144	0%
	2018-19	236,321,446	89,455,891	85,638,557	240,138,780	3,817,334	2%
	2019-20	240,138,780	90,882,383	86,138,754	244,882,409	4,743,629	2%
Sewer Fund	2016-17	\$ 75,841,848	\$ 20,418,195	\$ 20,073,171	\$ 76,186,872	\$ 345,024	0%
	2017-18	76,186,872	20,740,929	20,988,003	75,939,798	(247,074)	(0%)
	2018-19	75,939,798	22,546,431	23,933,742	74,552,487	(1,387,311)	(2%)
	2019-20	74,552,487	22,863,439	23,768,789	73,647,137	(905,350)	(1%)
Recycled Water Fund	2016-17	\$ 3,650,382	\$ 981,229	\$ 823,637	\$ 3,807,974	\$ 157,592	4%
	2017-18	3,807,974	1,091,337	1,111,690	3,787,621	(20,353)	(1%)
	2018-19	3,787,621	1,223,763	1,148,558	3,862,826	75,205	2%
	2019-20	3,862,826	1,709,192	1,600,762	3,971,256	108,430	3%

REVENUES

FY 19 & 20 Revenues

REVENUE SOURCES

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



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

Water Fund

1. Meter charges are fixed charges assessed to customers 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 an MWD surcharge adjustment fee of \$0.14 per unit for FY 2019 and \$0.00 per unit for FY 2020 that the District collects as a pass-through.
3. Water services include charges for firelines, and various fees and penalties.

Sewer Fund

4. Sewer services are a fixed bi-monthly charge 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.

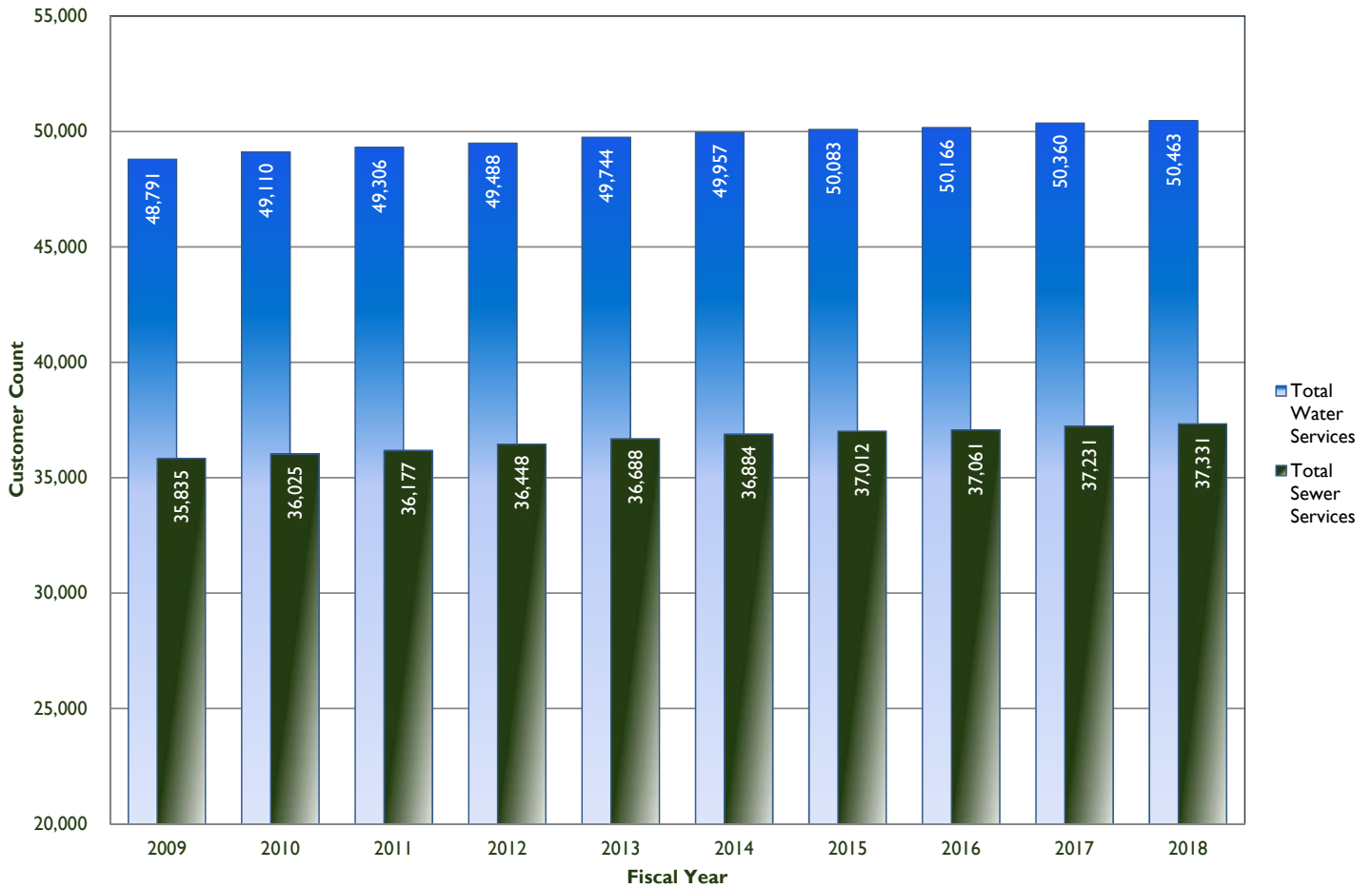
Recycled Water Fund

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 hundred acre foot.

CUSTOMER BASE

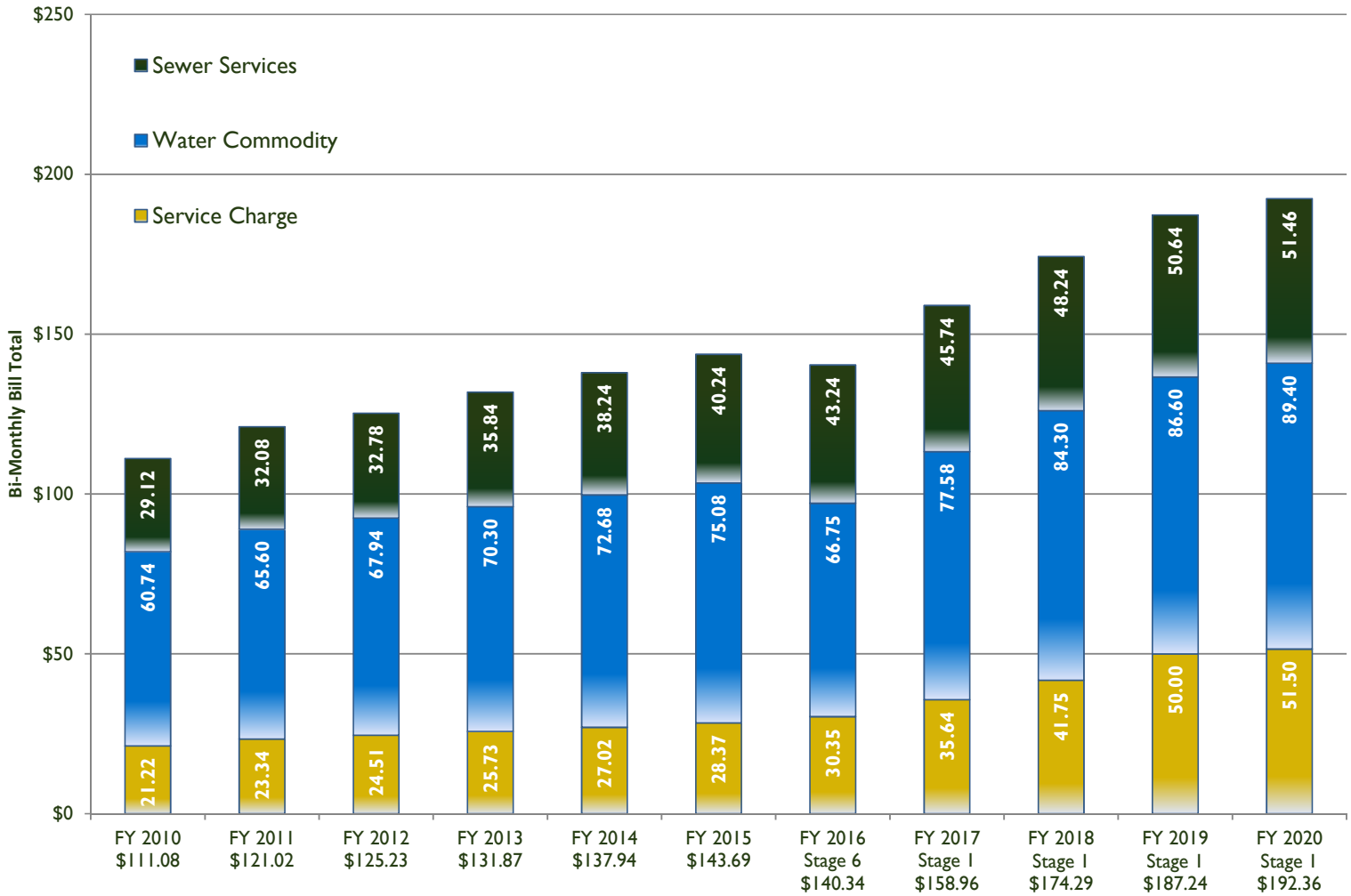
As revenues are driven by the District's customer base, the following table presents historical customer counts. Please note that recycled water customers have been included in total water customers. The total for recycled water customers was 133 for FY 2018.

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 single family residential customer with a ¾ inch meter who is connected to the District's sewer system and who uses the average amount of water while following 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:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Revenues						
Water Sales	\$ 40,702,411	\$ 48,867,452	\$ 50,008,318	2%	\$ 51,543,678	3%
Meter Charges	16,651,893	19,840,262	23,653,536	19%	24,491,883	4%
Water Services	1,224,369	1,229,458	1,255,883	2%	1,298,307	3%
Water Sales to Other Agencies	5,641,974	5,957,511	5,679,734	(5%)	6,543,756	15%
Total Operating Revenues	64,220,647	75,894,683	80,597,471	6%	83,877,624	4%
Operating Expenses						
Wages & Director's Fees	8,255,940	9,794,315	9,706,124	(1%)	10,141,930	4%
Benefits	4,960,403	5,101,562	5,386,157	6%	5,824,544	8%
Outside Labor	145,144	135,500	93,000	(31%)	93,000	0%
Professional Development	314,845	425,527	469,073	10%	472,695	1%
Professional Services	669,140	706,217	789,497	12%	718,047	(9%)
Advertisements	21,988	44,425	37,625	(15%)	25,225	(33%)
Election Expense	-	150,000	-		150,000	0%
Personnel Costs	114,534	156,637	144,919	(7%)	145,514	0%
Insurance	337,300	328,595	301,215	(8%)	312,099	4%
Collections	86,170	66,000	66,000	0%	66,000	0%
Utilities	5,736,820	5,045,256	5,295,138	5%	5,610,422	6%
Materials & Supplies	2,112,133	4,216,813	4,279,632	1%	4,298,205	0%
Outside Services	1,954,207	2,316,552	2,334,092	1%	2,408,492	3%
Safety	109,695	92,230	94,150	2%	95,025	1%
Water Supply	17,401,512	26,028,996	26,814,516	3%	28,520,017	6%
Miscellaneous	323,943	430,185	426,710	(1%)	417,895	(2%)
Other - Capital Equipment	89,913	95,375	101,245	6%	97,730	(3%)
Total Operating Expenses	42,633,687	55,134,185	56,339,093	2%	59,396,840	5%
Net Operating Revenue	\$ 21,586,960	\$ 20,760,498	\$ 24,258,378	17%	\$ 24,480,784	1%

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 revenue necessary and allocated that revenue into the fixed meter charge and a four tiered commodities charges for water. In June 2015, the Board of Directors approved the rate study. A new cost of service study is to be conducted during FY 2019 and will determine rates effective July 1, 2019 through June 30, 2023 for FY 2020 to FY 2023. In order to budget FY 2020, staff estimated a reasonable increase based on historical rate trends.

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 easing of drought restrictions was possible because the District self-certified the water supply available in a multi-year projection and was allowed to set its own conservation requirements. The District will continue to maintain rates at Stage 1 for FY 2019 and 2020 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 \$0.14 and \$0.00 per unit of water sold for FY 2019 and FY 2020, respectively.

Tiered Water Rate per hcf	7/1/2015 Drought Stage 6	7/1/2016 Non- Drought	7/1/2017 Non- Drought	7/1/2018 Non- Drought	7/1/2019 Budgeted
Tier 1	\$ 2.34	\$ 1.60	\$ 1.61	\$ 1.62	\$ 1.72
Tier 2	2.55	2.13	2.14	2.16	2.31
Tier 3	3.09	2.66	2.68	2.71	2.90
Tier 4	5.68	3.03	3.05	3.07	3.28
Construction Water	5.34	4.63	4.65	4.70	5.03
MWD Surcharge	-	0.11	0.10	0.14	-
MWD RTS Charge	0.18	-	-	-	-

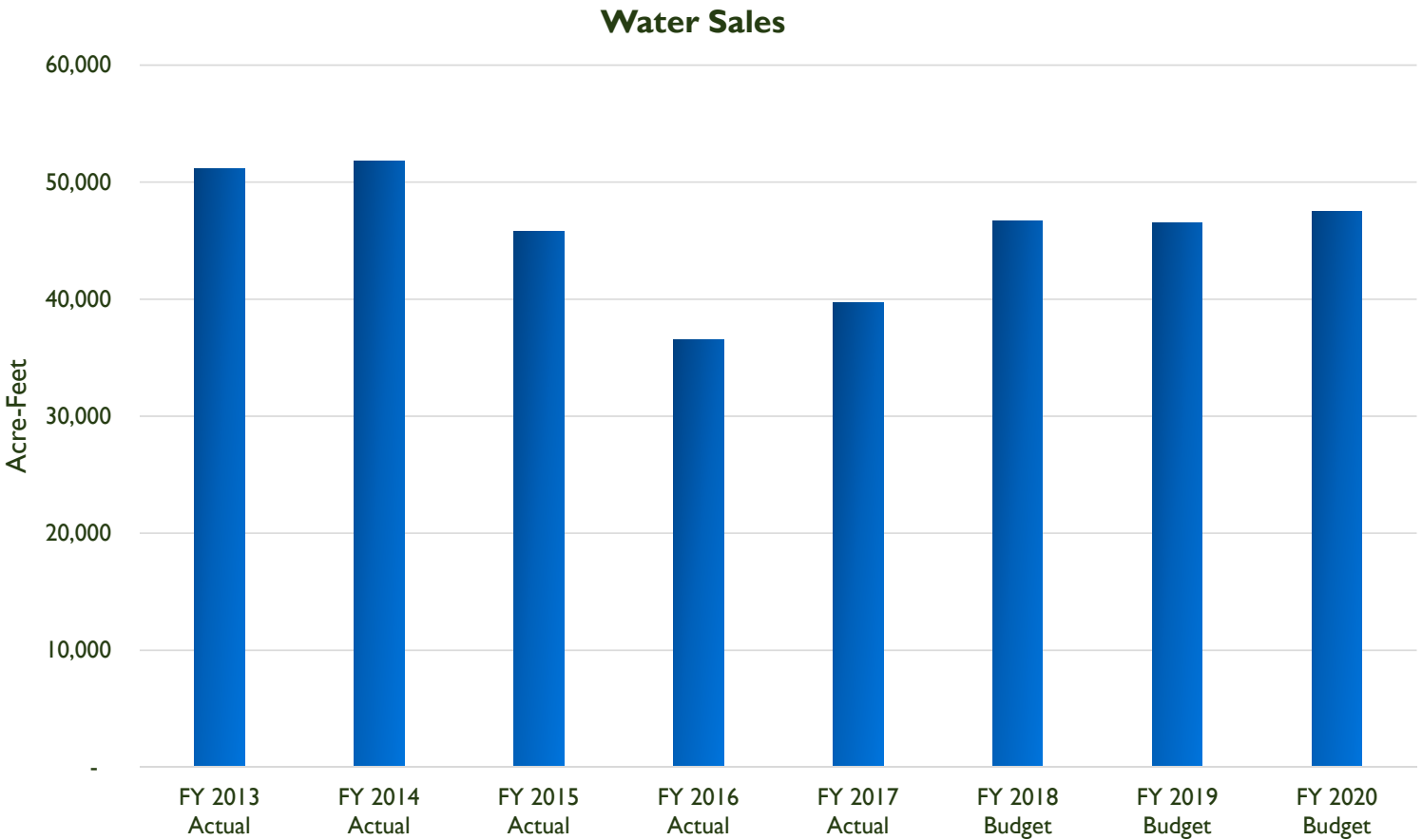
Bi-monthly Meter Charge	Meter Code	Effective 7/1/2015	Effective 7/1/2016	Effective 7/1/2017	Effective 7/1/2018	Budgeted 7/1/2019
5/8" x 3/4"	A	\$ 30.35	\$ 35.64	\$ 41.75	\$ 50.00	\$ 51.50
3/4"	B	30.35	35.64	41.75	50.00	51.50
1"	D	50.58	59.39	69.58	83.33	85.83
1-1/2"	E	101.16	118.79	139.16	166.67	171.67
2"	F	161.86	190.06	222.65	266.67	274.67
3"	G	303.48	356.36	417.47	500.00	515.00
4"	H	505.80	593.93	695.79	833.33	858.33
6"	I	1,011.60	1,187.87	1,391.57	1,666.67	1,716.67
8"	J	1,618.57	1,900.59	2,226.51	2,666.67	2,746.67
10"	K	2,427.85	2,850.88	3,339.77	4,000.00	4,120.00
12"	M	3,642.00	4,276.80	5,010.00	6,000.00	6,180.00

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 track conservation against the base year of 2013. Therefore, the District has since measured targeted consumption compared to 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%. In FY 2017 with drought restrictions lifted, management set the expectation that 12.5% of conservation would be permanent.

FY 2017 was a record breaking wet year that 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 5% of the base year of 2013. For FY 2019 and FY 2020 conservation expectations have been set at 5% and 3%, respectively. Customer growth of 0.34% was calculated on the fixed meter charge, but not on consumption forecasts as the impact was deemed minimal.

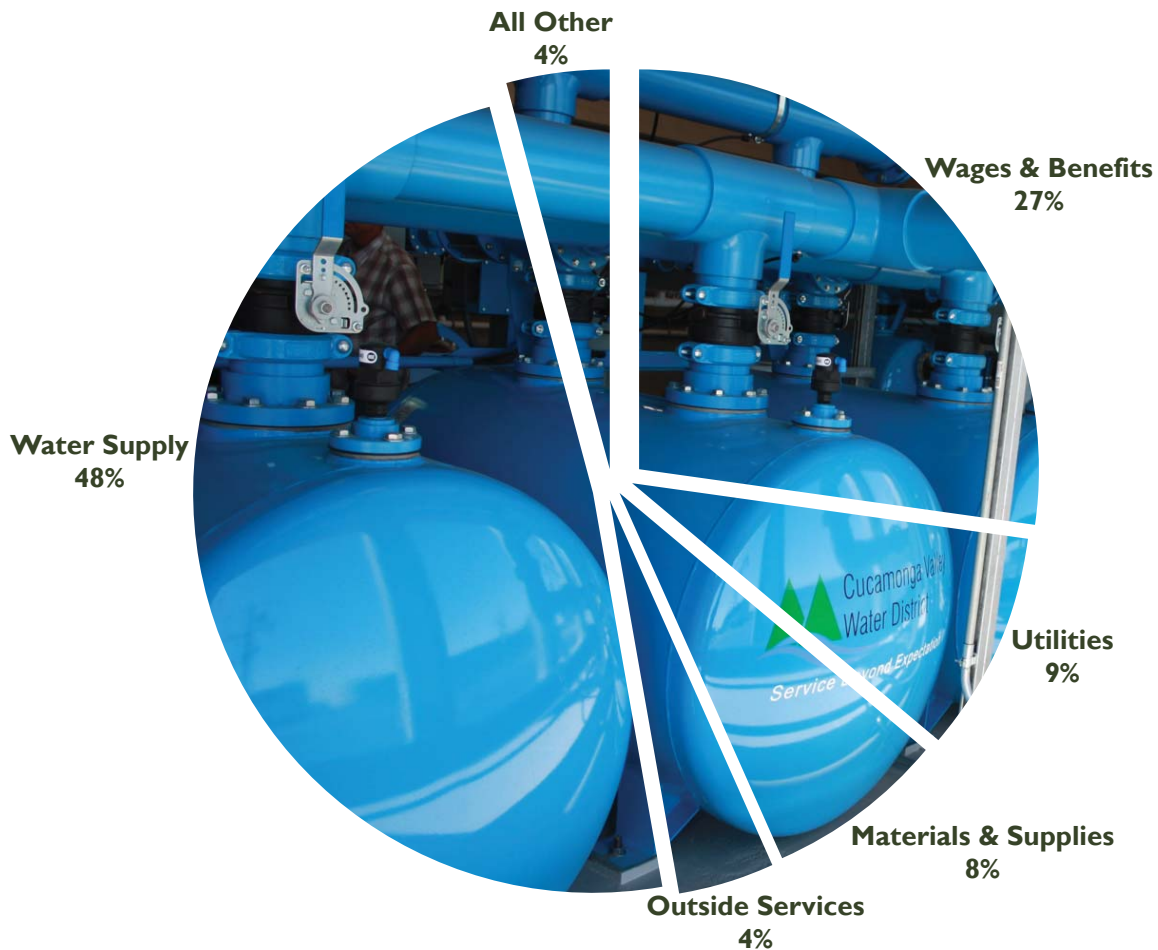
The following table shows historic water sales measured in acre-feet (AF) :



WATER FUND EXPENSES – OPERATING

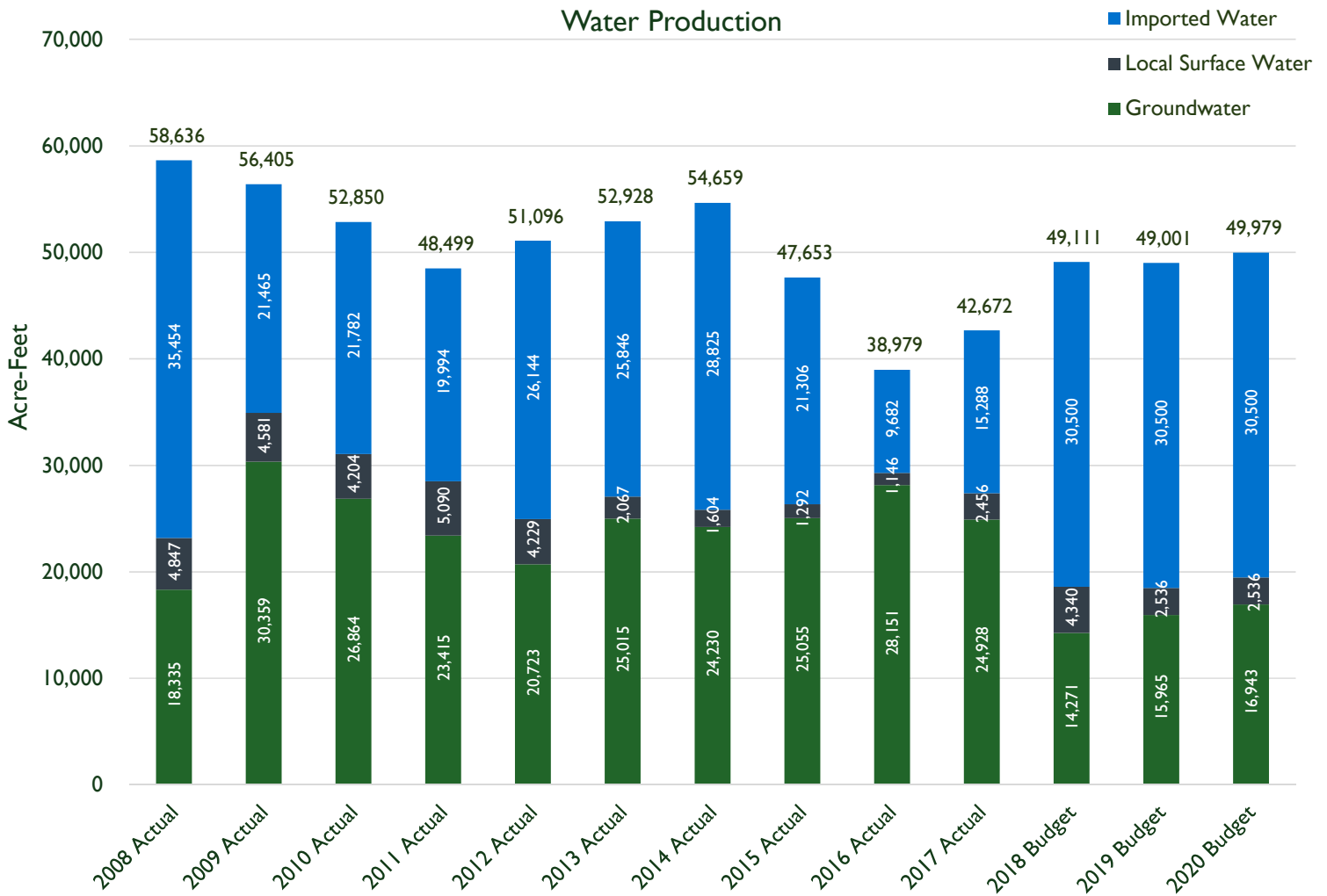
The chart below indicates the allocation of costs within the Water Fund’s operating expenses:

Water Fund Operating Expenses



The Water Fund is budgeting modest increases of 2% and 5% for FY 2019 & 2020 in total operating expenses, respectively. The majority of this increase is for water supply, which is due to anticipated increases in the cost of imported water. The District purchases imported water from MWD through IEUA and staff are budgeting a rate increase of 5% and 4% for FY 2019 & 2020, respectively, per acre foot. Wages and benefits costs are anticipated to increase based on a 3% budgeted cost of living adjustment (COLA) considering 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. Additionally, the cost of CalPERS retirement is dramatically increasing as the normal cost contribution rate rises to 8.924% in FY 2019 and 9.500% in FY 2020, up from 8.554% in FY 2018. Additionally, the CalPERS unfunded liability lump sum payment increases to \$1.4 million in FY 2019 and \$1.6 million in FY 2020, up from \$1.3 million in FY 2018. The District is not increasing the overall headcount between FY 2018 and FY 2020 but is reducing the number of full-time positions by one and increasing the number of part-time positions by two, which are less costly. Utility expenses are also anticipated to increase based on staff estimates of a 3% increase in electricity rates each year. All other operating costs are determined by division management and are based on historical results.

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, as mentioned on the previous page in regards to the water supply expense category. The District’s water supply is made up of three sources: imported water, groundwater, and local surface water. Imported water is the most costly source as this is purchased from MWD through IEUA. The District has not budgeted any significant changes to the production mix in FY 2019 and 2020. Production estimates are based on a 5% and 3% conservation estimate for FY 2019 and 2020, respectively, and are tied to budgeted consumption/operating revenues.

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:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Revenues						
Sewer Services	\$ 4,999,687	\$ 4,676,266	\$ 4,790,442	2%	\$ 4,801,761	0%
Sewer Treatment Charges	14,450,499	14,836,263	16,104,289	9%	16,466,878	2%
Total Operating Revenues	19,450,186	19,512,529	20,894,731	7%	21,268,639	2%
Operating Expenses						
Wages & Director's Fees	1,634,732	1,963,467	2,060,888	5%	2,143,448	4%
Benefits	1,034,687	1,110,341	1,228,483	11%	1,326,135	8%
Outside Labor	2,340	40,500	36,750	(9%)	36,750	0%
Professional Development	57,720	71,906	80,086	11%	80,518	1%
Professional Services	79,179	75,959	87,903	16%	79,103	(10%)
Advertisements	-	1,500	760	(49%)	-	
Personnel Costs	26,526	28,013	28,221	0%	28,326	0%
Insurance	133,137	137,825	129,807	(6%)	134,470	4%
Collections	(29,432)	16,000	16,000	0%	16,000	0%
Utilities	58,335	68,600	67,570	(2%)	67,810	0%
Materials & Supplies	168,170	196,002	185,048	(6%)	181,674	(2%)
Outside Services	14,737,701	15,151,785	16,418,601	8%	16,787,240	2%
Safety	20,304	10,000	9,150	(9%)	9,150	0%
Miscellaneous	58,706	77,180	80,225	4%	79,290	(1%)
Other - Capital Equipment	50,632	54,925	50,750	(8%)	50,875	0%
Total Operating Expenses	18,032,737	19,004,003	20,480,242	8%	21,020,789	3%
Net Operating Revenue	\$ 1,417,449	\$ 508,526	\$ 414,489	(18%)	\$ 247,850	(40%)

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 a percentage of 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.

A new cost of service study is to be conducted during FY 2019 and will affect rates effective July 1, 2019 for FY 2020. In order to budget for FY 2020, staff kept the District rate the same, but increased the IEUA pass through rate based on IEUA's board approved rates.

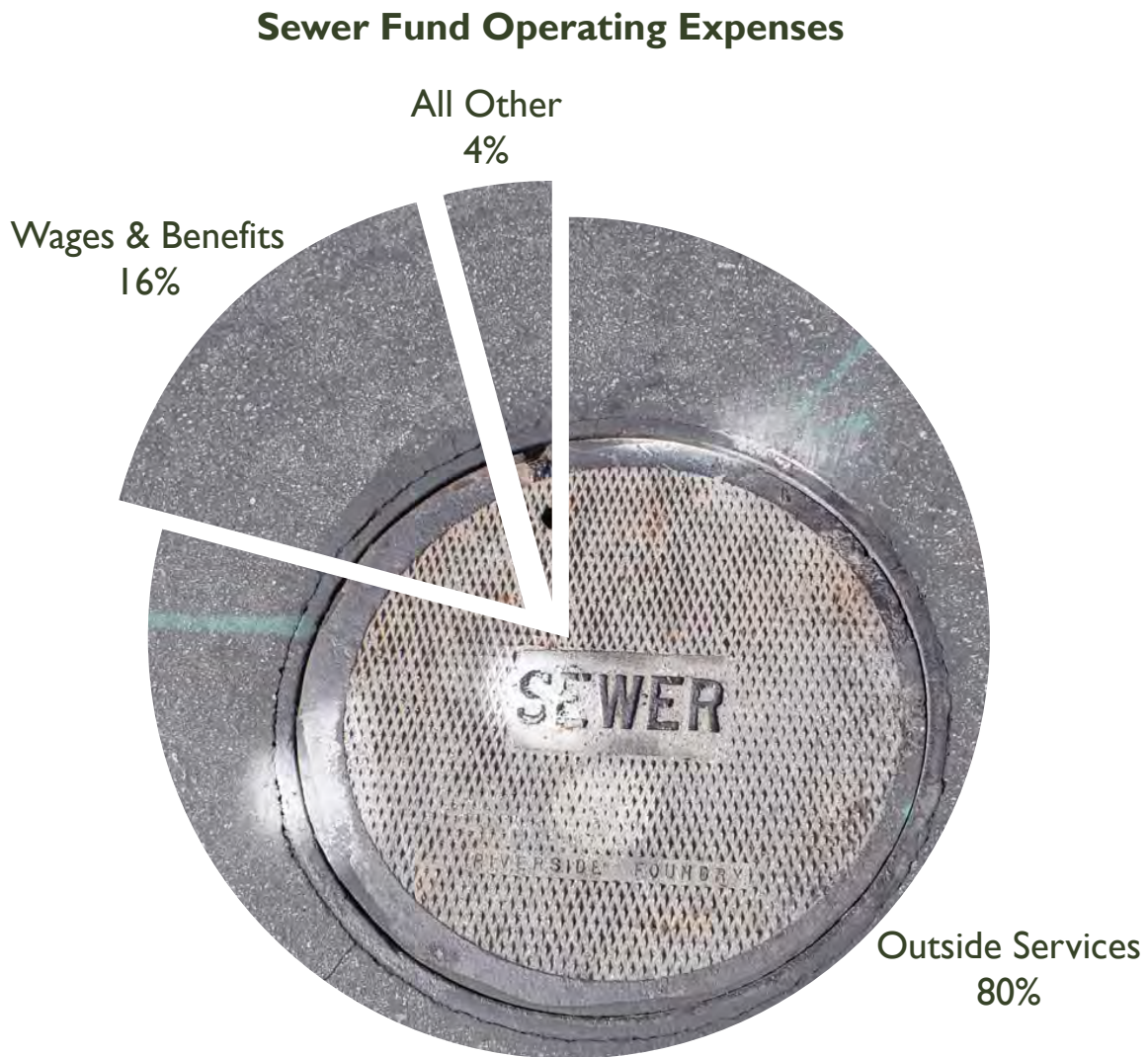
Sewer Charges (Bimonthly)	Effective 10/1/2015	Effective 7/1/2016	Effective 7/1/2017	Effective 7/1/2018	Budgeted 7/1/2019
Local CVWD	\$ 11.46	\$ 11.46	\$ 11.46	\$ 11.46	\$ 11.46
IEUA Treatment Pass-Thru	31.78	34.28	36.78	39.18	40.00
Total	\$ 43.24	\$ 45.74	\$ 48.24	\$ 50.64	\$ 51.46

CONSUMPTION

When determining the revenues to budget for the Sewer Fund, historical EDUs from the prior year are utilized. 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 \$125 thousand or 3% in FY 2020 when compared to FY 2018. Sewer treatment charges increased a total of 11% when comparing FY 2018 to FY 2020 which is entirely attributed to the pass-through charges imposed by IEUA. IEUA staff are budgeting charges increasing from \$36.78 in FY 2018 to \$40.00 in FY 2020, which is an increase of 9%.

SEWER FUND EXPENSES – OPERATING

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



The Sewer Fund expenses are increasing a total of 11% when comparing FY 2020 to FY 2018, which is related to the IEUA treatment charge increase, as mentioned on the previous page. The majority of sewer costs are for the treatment of wastewater by IEUA, which is 80% of the fund's expenses. The District pays IEUA a flat rate per EDU to treat wastewater.

Other notable increases are related to wages and benefits which follow the same assumptions as the Water Fund (3.0% COLA, 4% merit, change in positions, increase cost of CalPERS). 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 has the District's smallest customer base and fund.

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

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Revenues						
Recycled Water Sales	\$ 723,640	\$ 920,446	\$ 992,538	8%	\$ 1,067,165	8%
Meter Charges	128,443	141,299	151,633	7%	162,435	7%
Total Operating Revenues	852,083	1,061,745	1,144,171	8%	1,229,600	7%
Operating Expenses						
Wages & Director's Fees	159,080	189,159	146,464	(23%)	154,567	6%
Benefits	122,548	116,165	95,445	(18%)	103,986	9%
Professional Development	1,009	4,558	4,630	2%	4,630	0%
Professional Services	369	305	6,560	2,051%	570	(91%)
Advertisements	-	-	80	100%	-	-
Collections	250	-	-	100%	-	100%
Utilities	937	1,300	1,300	0%	1,300	0%
Materials & Supplies	6,590	21,900	22,250	2%	21,900	(2%)
Outside Services	4,724	6,736	9,002	34%	8,702	(3%)
Safety	194	700	700	0%	700	0%
Water Supply	402,396	577,987	619,141	7%	661,450	7%
Miscellaneous	7,007	8,420	8,500	1%	8,450	(1%)
Total Operating Expenses	705,104	927,230	914,072	(1%)	966,255	6%
Net Operating Revenue	\$ 146,979	\$ 134,515	\$ 230,099	71%	\$ 263,345	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.

A new cost of service study is to be conducted during FY 2019 and will affect rates effective July 1, 2019 for FY 2020. In order to budget for FY 2020, staff estimated an increase based on historical rate trends.

Recycled Water Rate per hcf	Effective 7/1/2015	Effective 7/1/2016	Effective 7/1/2017	Effective 7/1/2018	Budgeted 7/1/2019
Domestic / Landscape	\$ 1.58	\$ 1.63	\$ 1.68	\$ 1.73	\$ 1.78
Construction Water	\$ 3.16	\$ 3.26	\$ 3.36	\$ 3.46	\$ 3.56

Bi-monthly Meter Charge	Meter Code	Effective 7/1/2015	Effective 7/1/2016	Effective 7/1/2017	Effective 7/1/2018	Budgeted 7/1/2019
1"	D	\$ 49.75	\$ 52.24	\$ 54.85	\$ 57.59	\$ 60.47
1-1/2"	E	99.20	104.16	109.37	114.84	120.58
2"	F	158.78	166.72	175.06	183.81	193.00
3"	G	297.91	312.80	328.44	344.86	362.10
4"	H	496.62	521.45	547.52	574.90	603.65
6"	I	992.93	1,045.58	1,094.71	1,149.44	1,206.91
8"	J	1,588.76	1,668.19	1,751.60	1,839.18	1,931.14
10"	K	2,383.28	2,502.44	2,627.57	2,758.94	2,896.88

CONSUMPTION

Another factor that greatly affects the calculation of the Recycled Water Fund's revenues is the quantity of water sold. In FY 2016 the drought caused customers to greatly conserve, even though recycled water wasn't under the same conservation requirements as potable water. FY 2017 was a very wet year and the majority of recycled water is used for landscape irrigation, and as a result dramatically reduced consumption during the wet winter months. FY 2018 was budgeted to experience a rebound in recycled water sales and is on track to be near budget for the year. To determine consumption for FY 2019 and FY 2020 the District took the average consumption per customer since FY 2011 and factored in a 5% increase in customer count based on historical customer increases.

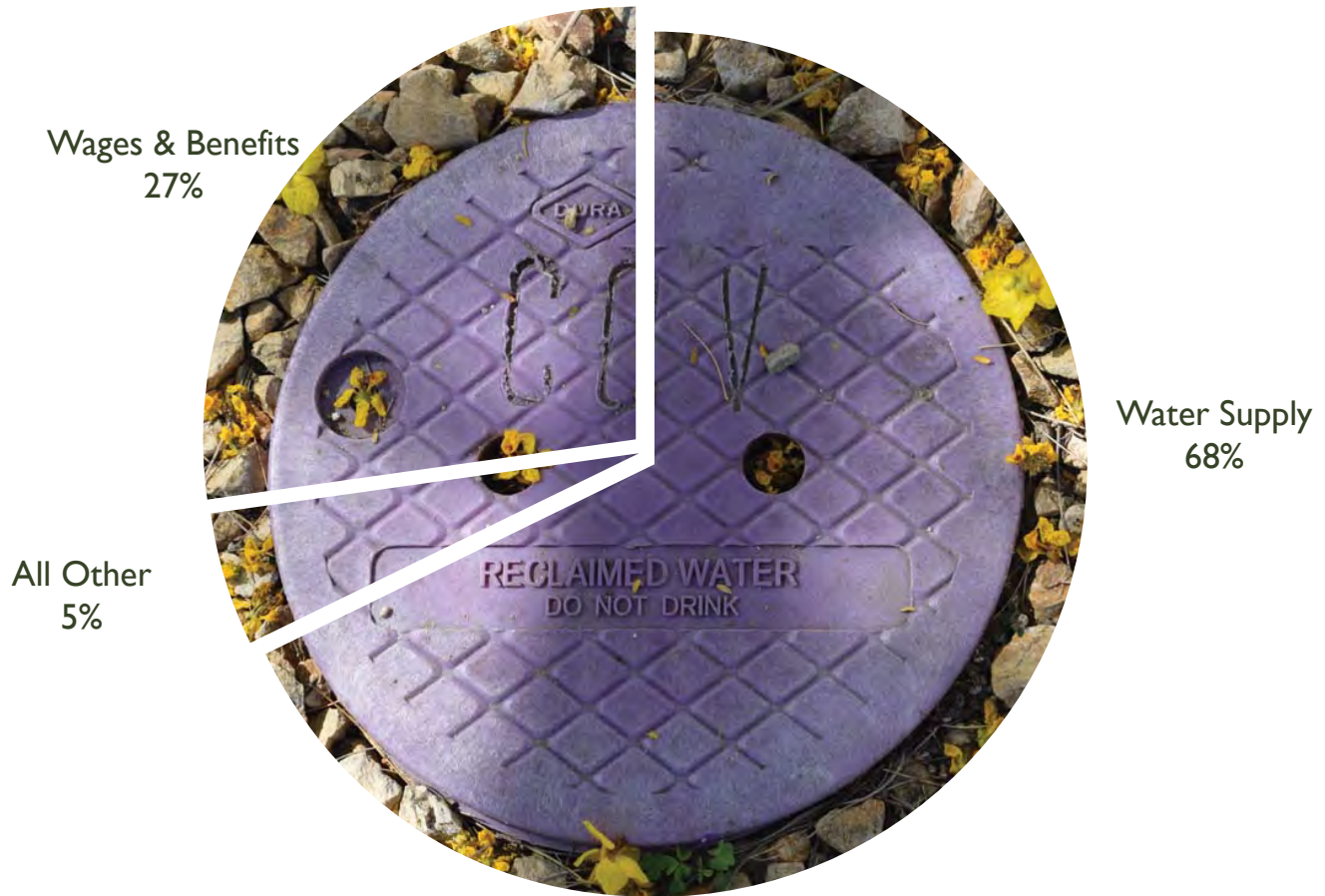
The following table shows the consumption trend of recycled water:



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 only experiencing a 4% increase between FY 2020 and FY 2018 which is mostly related to the cost of purchasing treated recycled water from IEUA. The cost of purchasing recycled water accounts for 68% of expenses. The District pays IEUA a flat rate per acre foot for recycled water. IEUA is increasing their recycled water cost from \$470/AF in FY 2018 to \$490/AF in FY 2020, which is an increase of 4%.

Other notable increases are related to wages and benefits which follow the same assumptions as the Water Fund (3.0% COLA, 4% merit, change in positions, increase cost of CalPERS). The decrease in wages and benefits in FY 2019 is attributed to the reclassification of an employee's allocation from fully funded by the recycled water fund to being allocated to all three funds (water, sewer, and recycled water). 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 budget process, along with the corresponding funding levels. The strategic goals are outlined below with some of the key FY 2019 – FY 2020 work plan items:

- Financial Planning and Oversight – Advanced funding of pension liabilities, four-year cost of service rate studies for each of the three funds, and cyclical review of financial policies
- Service to our Customers – Continue to expand the Water Watch Program and upgrade the customer service web portal
- Information Technology – Upgrade the District-wide integrated software to enhance the utility, financial, and human resources functions.
- 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 and water supply in the Cucamonga Basin.

FIVE-YEAR FUND FORECAST

The District has forecast three additional fiscal years beyond the biennial budget using a variety of techniques. The most prevalent being the use of the master plan documents. The Water Master Plan was completed in March 2017. This plan outlines the water infrastructure needs until the District reaches build-out. The District completed a long-term financial master plan during FY 2018. The District also uses a long-term wage and benefit model as well as detailed cost of service studies. Also, analyses of long-term obligations have been completed in order 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 additional debt obligations in the five-year time period shown. All CIP shown in the forecast will be funded on a Pay-Go basis.

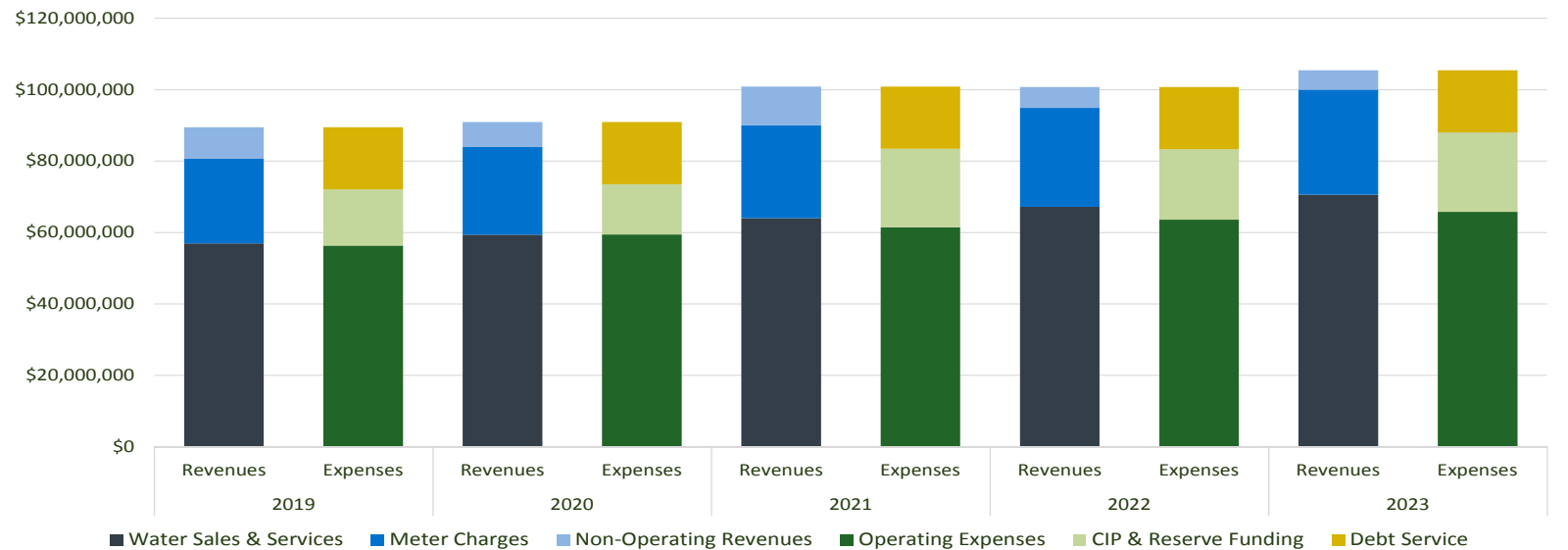
The following tables and bar charts show the two budget years plus three additional projected years for each of the three major funds, and the assumptions used to determine the amounts in the projection years FY 2021 through 2023.

	Projected Increased	Reasoning
Water Fund		
Operating Revenues	5%	Based on historic District rate increases. Also including an average customer growth rate of approximately 0.3% based on historical growth. The District is near build-out.
Operating Expenses		
Source of Supply	5%	This category includes the District's cost of imported water, which has historically increased at this rate. Staff are projecting customer consumption continues to grow at current rates of about 2%. The District's production mix of water sources also remains the same. Plans can be modified in the event of another drought.
All Other Operating Expenses	2%	Based on historic increases and other factors, such as inflation.
Non-Operating Revenues		
Development Fees	Specifically identified	Amounts are specifically identified by engineering staff based on anticipated future development projects within the District.
Outside CIP Funding	Specifically identified	Staff have projected outside funding from 2018 revenue bonds and budgeted grant funding in FY 2019.
Other Income	2%	Based on District history and the LAIF interest rate.
Non-Operating Expenses		
Capital Improvement Projects	Specifically identified	Engineering determined amounts during the 5 year capital budget process in conjunction with the Water & Sewer Master Plans.
Annual Debt Service	Specifically identified	Amounts are derived from the District's current debt amortization schedules and the District has no plans to issue new debt in the next 5 years.
Sewer Fund		
Operating Revenues		
Sewer Services	< 1%	Sewer Services are the District's fee for sewer services. Staff are projecting no rate increases and less than only 0.3% customer growth based on historic results. The District is near build-out.
Sewer Treatment Charges	4%	Sewer Treatment Charges account for the District collecting IEUA's fees from our customers, which is then passed through to IEUA. Staff are anticipating a 4% IEUA rate increase in FY 2021 - 2023.
Operating Expenses		
Collection & Transmission	4%	This category is the cost of passing through IEUA's sewer treatment charges. The rate increase is the same as the Sewer Treatment Charges revenue.
All Other Operating Expenses	2%	Based on historic increases and other factors, such as inflation.
Non-Operating Revenues		
Development Fees	Specifically identified	Amounts are specifically identified by engineering staff based on anticipated future development projects within the District.
Other Income	2%	Based on District history and the LAIF interest rate.

	Projected Increased	Reasoning
Non-Operating Expenses		
Capital Improvement Projects	Specifically identified	Engineering determined amounts during the 5 year capital budget process in conjunction with the Water & Sewer Master Plans.
Recycled Water Fund		
Operating Revenues		
Recycled Water Sales	3%	Based on historic District rate increases. No assumed customer count increase in FY 2021- 2023.
Meter Charges	5%	Based on historic District rate increases. No assumed customer count increase in FY 2021- 2023.
Operating Expenses		
Source of Supply	2.5%	This category includes the District's cost of recycled water, which has historically increased at this rate. Staff are projecting customer consumption holds steady.
All Other Operating Expenses	2%	Based on historic increases and other factors, such as inflation.
Non-Operating Revenues		
Development Fees	Specifically identified	Amounts are an average of historical results.
Outside CIP Funding	Specifically identified	Staff have budgeted grant funding in FY 2019 and 2020.
Non-Operating Expenses		
Capital Improvement Projects	Specifically identified	Engineering determined amounts during the 5 year capital budget process in conjunction with the Water & Sewer Master Plans.
Annual Debt Service	Specifically identified	Amounts are derived from the District's current debt amortization schedules and the District has no plans to issue debt in the next 5 years.

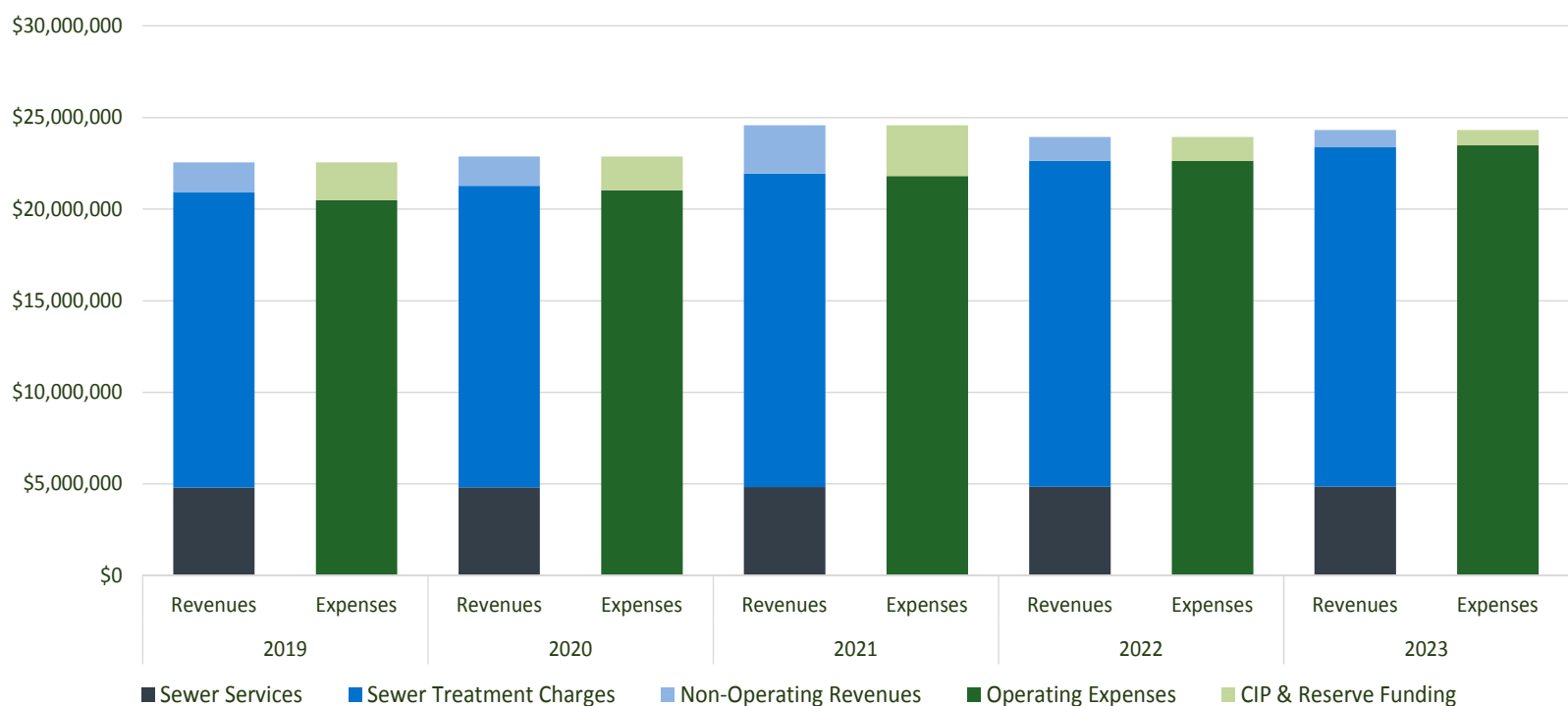
WATER FUND

	2019 Budget	2020 Budget	2021 Projected	2022 Projected	2023 Projected
Operating Revenues					
Water Sales & Services	\$ 56,943,935	\$ 59,385,741	\$ 63,982,384	\$ 67,181,503	\$ 70,540,580
Meter Charges	23,653,536	24,491,883	26,047,116	27,696,648	29,446,021
Total Operating Revenues	80,597,471	83,877,624	90,029,500	94,878,151	99,986,601
Operating Expenses					
Source of Supply	26,854,516	28,560,017	29,988,018	31,487,419	33,061,790
Pumping Operations	5,636,047	5,992,528	6,112,379	6,234,626	6,359,319
Water Treatment	5,796,288	6,061,018	6,182,238	6,305,883	6,432,001
Transmission & Distribution	3,903,657	4,098,026	4,179,987	4,263,586	4,348,858
Customer Accounts, General & Administrative	14,148,585	14,685,251	14,978,956	15,278,535	15,584,106
Total Operating Expenses	56,339,093	59,396,840	61,441,577	63,570,049	65,786,073
Net Operating Revenue	24,258,378	24,480,784	28,587,923	31,308,102	34,200,528
Non-Operating Revenues					
Development Fees	4,102,451	4,209,951	7,964,102	2,932,875	2,455,800
Outside CIP Funding	2,000,000	-	-	-	-
Other Income	2,755,969	2,794,808	2,850,704	2,907,718	2,965,873
Total Non-Operating Revenues	8,858,420	7,004,759	10,814,806	5,840,593	5,421,673
Non-Operating Expenses					
Capital Improvement Projects	11,886,500	9,324,000	9,342,500	9,328,000	9,843,000
Annual Debt Service	17,412,964	17,417,914	17,411,644	17,442,225	17,420,420
Total Non-Operating Expenses	29,299,464	26,741,914	26,754,144	26,770,225	27,263,420
Change in Net Position	3,817,334	4,743,629	12,648,585	10,378,470	12,358,781
Net Position - Beginning	236,321,446	240,138,780	244,882,409	257,530,994	267,909,464
Net Position - Ending	\$ 240,138,780	\$ 244,882,409	\$ 257,530,994	\$ 267,909,464	\$ 280,268,244



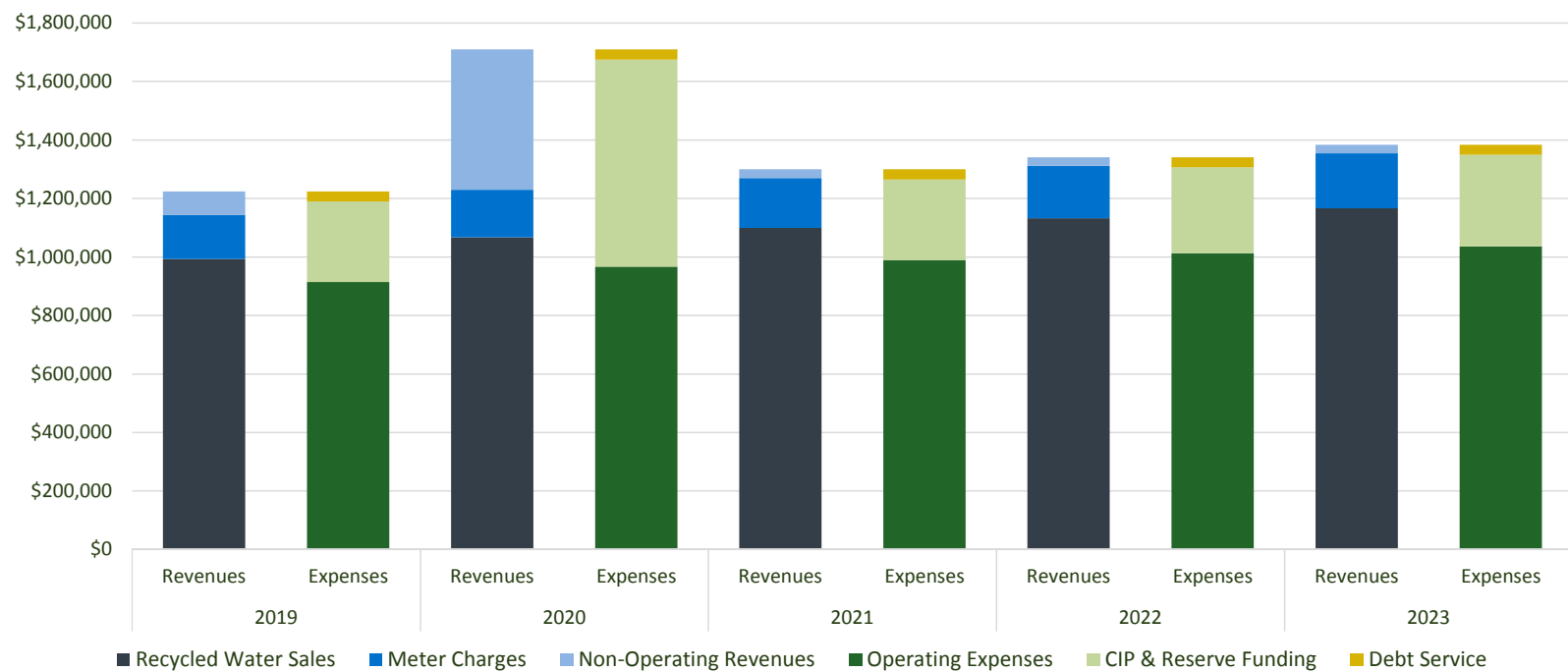
SEWER FUND

	2019 Budget	2020 Budget	2021 Projected	2022 Projected	2023 Projected
Operating Revenues					
Sewer Services	\$ 4,790,442	\$ 4,801,761	\$ 4,816,166	\$ 4,830,614	\$ 4,845,106
Sewer Treatment Charges	16,104,289	16,466,878	17,125,553	17,810,575	18,522,998
Total Operating Revenues	20,894,731	21,268,639	21,941,719	22,641,189	23,368,104
Operating Expenses					
Transmission & Distribution	66,782	70,703	72,117	73,559	75,030
Customer Accounts, General & Administrative	2,605,839	2,692,122	2,745,964	2,800,883	2,856,901
Collection & Transmission	17,807,621	18,257,964	18,988,283	19,747,814	20,537,727
Total Operating Expenses	20,480,242	21,020,789	21,806,364	22,622,256	23,469,658
Net Operating Revenue	414,489	247,850	135,355	18,933	(101,554)
Non-Operating Revenues					
Development Fees	1,209,000	1,130,000	2,160,000	810,000	450,000
Other Income	442,700	464,800	474,096	483,578	493,250
Total Non-Operating Revenues	1,651,700	1,594,800	2,634,096	1,293,578	943,250
Non-Operating Expenses					
Capital Improvement Projects	3,453,500	2,748,000	4,726,000	2,981,000	1,141,000
Total Non-Operating Expenses	3,453,500	2,748,000	4,726,000	2,981,000	1,141,000
Change in Net Position	(1,387,311)	(905,350)	(1,956,549)	(1,668,489)	(299,304)
Net Position - Beginning	75,939,798	74,552,487	73,647,137	71,690,588	70,022,099
Net Position - Ending	\$ 74,552,487	\$ 73,647,137	\$ 71,690,588	\$ 70,022,099	\$ 69,722,795



RECYCLED WATER FUND

	2019 Budget	2020 Budget	2021 Projected	2022 Projected	2023 Projected
Operating Revenues					
Recycled Water Sales	\$ 992,538	\$ 1,067,165	\$ 1,099,180	\$ 1,132,155	\$ 1,166,120
Meter Charges	151,633	162,435	170,557	179,085	188,039
Total Operating Revenues	1,144,171	1,229,600	1,269,737	1,311,240	1,354,159
Operating Expenses					
Source of Supply	619,141	661,450	677,986	694,936	712,309
Transmission & Distribution	10,000	10,000	10,200	10,404	10,612
Customer Accounts, General & Administrative	284,931	294,805	300,701	306,715	312,849
Total Operating Expenses	914,072	966,255	988,887	1,012,055	1,035,771
Net Operating Revenue	230,099	263,345	280,849	299,185	318,388
Non-Operating Revenues					
Development Fees	29,592	29,592	29,592	29,592	29,592
Outside CIP Funding	50,000	450,000	-	-	-
Total Non-Operating Revenues	79,592	479,592	29,592	29,592	29,592
Non-Operating Expenses					
Capital Improvement Projects	200,000	600,000	150,000	150,000	150,000
Annual Debt Service	34,486	34,507	34,793	34,793	34,793
Total Non-Operating Expenses	234,486	634,507	184,793	184,793	184,793
Change in Net Position	75,205	108,430	125,648	143,984	163,187
Net Position - Beginning	3,787,621	3,862,826	3,971,256	4,096,904	4,240,888
Net Position - Ending	\$ 3,862,826	\$ 3,971,256	\$ 4,096,904	\$ 4,240,888	\$ 4,404,075





CAPITAL & DEBT



Capital & Debt

CAPITAL EXPENSES

CAPITAL ASSETS

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

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

- Pay-Go – this source means that assets will be

purchased with resources provided by the current year Operating Activities of the District

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

STRATEGIC PLANNING

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

CIP GOALS

RELIABLE WATER SUPPLY

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

OPERATING PERFORMANCE

- We have developed a Water Supply Plan and are implementing it in coordination with our Board of Directors.
- We have enhanced our Technical Support capabilities through GIS and CAD to provide accurate maps, capture as-built drawings, and provide facility information to all departments of the District.
- Consistent communication and project planning

with the District's Operations Department has lead to improved utility coordination meetings with the various cities and utility agencies in our service area.

- Projects have been constructed that will enhance the District's distribution and collection systems in an effort to meet the needs of our customers and prepare for future growth.
- We continue developing new operating procedures to reduce maintenance costs and ensure dependable service to our customers.

CIP PRIORITIZATION

The CIP planning process includes preliminary scoping, cost estimating, prioritization and financial analyses. The proposed Capital Improvement Project Budget includes priority projects which conform with District's adopted master plans.

The master plans prioritize projects based on urgency to mitigate existing deficiencies, increase water supply and distribution reliability.



Project Title	Estimated Carry Over 2018 Budget	Budget Request 2019	Budget Request 2020	Budget Request 2021	Budget Request 2022	Budget Request 2023	Project Total
Water Fund Capital Projects							
Source of Supply							
Cucamonga Basin Management Plan	250,000	100,000	100,000				450,000
Canyon Mitigation	146,000						146,000
Cucamonga Basin 6 Desilting Project	60,000						60,000
Chino Basin Water Banking	135,000	150,000	150,000				435,000
2020 Urban Water Management Plan				100,000			100,000
2020 Water Supply Master Plan		80,000					80,000
Communications Master Plan Update			5,000				5,000
Subtotal Source of Supply	591,000	330,000	255,000	100,000	-	-	1,276,000
Field Equipment							
Fixed Network Project/Meter Exchange	250,000						250,000
Pressure Recording Devices for Distribution System			20,000				20,000
Trench Shoring Equipment For Water and Sewer Repairs		15,000					15,000
Upgrade/Replace GPS Unit		7,500					7,500
Subtotal Field Equipment	250,000	22,500	20,000	-	-	-	292,500
Office Equipment							
WTP Video Surveillance System Replacement	250,000						250,000
Boardroom Technology Upgrade		48,000					48,000
CVWD App Development			11,250				11,250
CVWD Website Redesign				60,000			60,000
Desktop, Laptop, and Tablet Computer Replacements		48,000	48,000	48,000	48,000	48,000	240,000
Educational Activity Displays in the CVWD Lobby		10,000					10,000
Engineering GIS Color Plotter Replacement				10,000			10,000
Enterprise Resource and Planning Software Upgrade		487,500	487,500	75,000			1,050,000
GeoViewer Online & Mobile for Mobile Devices		17,500					17,500
Microsoft Software Assurance (Year 3 of 3-Year agreement)		51,000					51,000
Network Equipment Replacement		36,000	36,000	36,000			108,000
Network Server Replacements		60,000	48,000	36,000			144,000
Subtotal Office Equipment	250,000	758,000	630,750	265,000	48,000	48,000	1,999,750
Treatment							
LWMWTP UV Hydraulic Control	950,000						950,000
Reservoir 3A Nitrate Wellhead Treatment Plant	4,300,000	2,000,000					6,300,000
LWMWTP Bulk Chemical Storage Tank Replacement	450,000	350,000					800,000

Project Title	Estimated Carry Over 2018 Budget	Budget Request 2019	Budget Request 2020	Budget Request 2021	Budget Request 2022	Budget Request 2023	Project Total
LWMWTP Sleeve Valve Replacement	230,000						230,000
LWMWTP Air Scour Blower Replacement & Rebuild		35,000	25,000				60,000
LWMWTP Basin Drain Valve Replacement				82,500			82,500
LWMWTP Total Organic Carbon Analyzer		25,000					25,000
Subtotal Treatment	5,930,000	2,410,000	25,000	82,500	-	-	8,447,500
Pumps & Equipment							
New Well #48 Chino Basin	540,000	250,000					790,000
New Cucamonga Basin Well	100,000	2,100,000	800,000				3,000,000
Booster Meter Improvements		120,000	70,000				
4C Automatic Transfer Switch Upgrade			20,000				20,000
General Booster Rehabilitation		100,000	100,000	150,000	150,000	150,000	650,000
General Production Site Improvement				100,000	100,000	100,000	300,000
General Well Rehabilitation		250,000	250,000	300,000	300,000	300,000	1,400,000
New Chino Basin Well				100,000	2,000,000	800,000	2,900,000
Pressure Regulating Valve Vault Lids		50,000	50,000				100,000
Well 24 Emergency Standby Generator and PSI Design		150,000	100,000				250,000
Well Production Meter Improvements		50,000	50,000				100,000
Subtotal Pumps & Equipment	640,000	3,070,000	1,440,000	650,000	2,550,000	1,350,000	9,700,000
Reservoirs							
Construct New Reservoir 3A	1,900,000	1,500,000	300,000				3,700,000
Construct New Reservoir 5B-2			100,000	4,650,000			4,750,000
Construct New Reservoir 8B-3				100,000	1,000,000		1,100,000
Reservoir 1 Replacement Project		100,000	3,500,000				3,600,000
Reservoir 2C Land Subsidence Review		115,000					115,000
Reservoir Mixing Systems (3 per year)		200,000	200,000				400,000
Seismic & Vulnerability Assessment		200,000					200,000
Site Security Improvements				50,000	100,000	100,000	250,000
Tank Rehabilitation		300,000	300,000	300,000	300,000	300,000	1,500,000
Subtotal Reservoirs	1,900,000	2,415,000	4,400,000	5,100,000	1,400,000	400,000	15,615,000
Telemetry							
Booster Sequencing	234,000						234,000
Control System Architecture Analysis and Design	172,000						172,000
Install Infrastructure Communication Towers		100,000	250,000				350,000
Subtotal Telemetry	406,000	100,000	250,000	-	-	-	756,000
Building Improvement							
LWMWTP Wilson Ave Frontage Roadway Improvements	800,000						800,000
San Bernardino Lot Improvements	50,000	150,000	150,000				350,000
Admin Building HVAC Replacement	160,000						160,000
Frontier Project Terrazzo Repair	65,000						65,000

Project Title	Estimated Carry Over 2018 Budget	Budget Request 2019	Budget Request 2020	Budget Request 2021	Budget Request 2022	Budget Request 2023	Project Total
Campus Concrete Improvements			26,250				26,250
Campus Landscape Improvements		30,000					30,000
Campus Site Improvements FY2021				45,000	45,000	45,000	135,000
Flooring Replacement in Admin & Operation's Lunch Rooms		5,000					5,000
LWMWTP Operations Building Membrane Roof Replacement		65,000					65,000
Replanting/Updates at Learning Center Garden		5,000	14,000				19,000
Subtotal Building Improvement	1,075,000	255,000	190,250	45,000	45,000	45,000	1,655,250
Vehicle							
2-Ton 4x2 Crew Truck with 12-Foot Bed To Replace Unit 245	130,000						130,000
1/2 Ton Pickup 4x2 To Replace Unit 297			35,000				35,000
1/2 Ton Pickup 4x2 To Replace Unit 309		35,000					35,000
1/2 Ton Pickup To Replace Unit 299			38,000				38,000
3/4 Ton Pickup 4x2 To Replace Unit 316		38,000					38,000
3/4 Ton Pickup Utility Bed 2wd To Replace Unit 283			40,000				40,000
3/4 Ton Pickup Utility Bed 2wd To Replace Unit 300			40,000				40,000
4 Door SUV 2wd To Replace Unit 288		43,000					43,000
Hydro Excavator To Replace Unit 254		425,000					425,000
Passenger Car To Replace Unit 305		20,000					20,000
Passenger Car To Replace Unit 306		20,000					20,000
Vehicle Replacements FY2021				335,000	250,000	340,000	925,000
Subtotal Vehicle	130,000	581,000	153,000	335,000	250,000	340,000	1,789,000
Water Mains							
Construct Waterline in Foothill Blvd from I5 Fwy to Etiwanda Ave		850,000					850,000
Construct Waterline on Haven from the 210 Fwy to Banyan St.	250,000	75,000					325,000
Construct Waterline in Ramona Avenue to Fir Drive	350,000						350,000
New Water Main on 8th St. crossing the Cucamonga Channel	275,000						275,000
Construct Transmission Main from Res 5 to 5B		50,000	550,000				600,000
Construct Waterline Buena Vista from Camino Norte to Alta Cuesta					50,000	1,200,000	1,250,000
Construct Waterline in Archibald Ave from Devon to Arrow			30,000	750,000			780,000
Construct Waterline in Arrow Route from Hermosa Ave to Haven Ave		10,000	10,000	1,250,000			1,270,000

Project Title	Estimated Carry Over 2018 Budget	Budget Request 2019	Budget Request 2020	Budget Request 2021	Budget Request 2022	Budget Request 2023	Project Total
Construct Waterline in Baker Avenue from 8th St to Princeton St					30,000	1,200,000	1,230,000
Construct Waterline in Base Line from Linden Ln to Alta Cuesta					30,000	200,000	230,000
Construct Waterline in Base Line Rd from Haven Ave to Spruce Ave				30,000	30,000	860,000	920,000
Construct Waterline in Candlewood St from Archibald to Ramona					1,300,000		1,300,000
Construct Waterline in Catalpa Street West of East Avenue				35,000	980,000		1,015,000
Construct Waterline in Foothill Blvd and Hellman Ave					480,000		480,000
Construct Waterline in Garnet St from Roberds to LaVine					50,000	1,200,000	1,250,000
Construct Waterline in Hampshire St from Archibald to Helms					50,000	800,000	850,000
Construct Waterline on Pecan Ave from Victoria St. to Carnesi Dr					35,000	1,230,000	1,265,000
Construct Waterline on Vineyard Ave from Yale St. to 5th St.						100,000	100,000
New Waterline in Cleveland Ave from Acacia St to 6th St		30,000	770,000				800,000
New Waterline in Victoria St from Cable Creek Ct to 15 Fwy						220,000	220,000
New Waterline on Arrow Route		80,000					80,000
Relocate Transmission Main from Res 4B to 5B				50,000	1,350,000		1,400,000
Relocate Waterline at 10531 Monte Vista		250,000					250,000
Service Replacement Program		500,000	500,000	500,000	500,000	500,000	2,500,000
Various Valve and Main Improvements		100,000	100,000	150,000	150,000	150,000	650,000
Subtotal Water Mains	875,000	1,945,000	1,960,000	2,765,000	5,035,000	7,660,000	20,240,000
Total Water Fund Capital Projects	12,047,000	11,886,500	9,324,000	9,342,500	9,328,000	9,843,000	61,771,000
Sewer Fund Capital Projects							
Source of Supply							
Communications Master Plan Update			5,000				5,000
Subtotal Source of Supply	-	-	5,000	-	-	-	5,000
Field Equipment							
Trench Shoring Equipment For Water and Sewer Repairs		15,000					15,000
Upgrade/Replace GPS Unit		7,500					7,500
Subtotal Field Equipment	-	22,500	-	-	-	-	22,500
Office Equipment							
Boardroom Technology Upgrade		16,000					16,000

Project Title	Estimated Carry Over 2018 Budget	Budget Request 2019	Budget Request 2020	Budget Request 2021	Budget Request 2022	Budget Request 2023	Project Total
CVWD App Development			3,750				3,750
CVWD Website Redesign				15,000			15,000
Desktop, Laptop, and Tablet Computer Replacements		16,000	16,000	16,000	16,000	16,000	80,000
Engineering GIS Color Plotter Replacement				10,000			10,000
Enterprise Resource and Planning Software Upgrade		162,500	162,500	25,000			350,000
GeoViewer Online & Mobile for Mobile Devices		17,500					17,500
Microsoft Software Assurance (Year 3 of 3-Year agreement)		17,000					17,000
Network Equipment Replacement		12,000	12,000	12,000			36,000
Network Server Replacements		20,000	16,000	12,000			48,000
Subtotal Office Equipment	-	261,000	210,250	90,000	16,000	16,000	593,250
Building Improvement							
San Bernardino Lot Improvements	50,000	150,000	150,000				350,000
Admin Building HVAC Replacement	70,000						70,000
Frontier Project Terrazzo Repair	65,000						65,000
Campus Concrete Improvements			8,750				8,750
Campus Landscape Improvements		10,000					10,000
Campus Site Improvements FY2021				15,000	15,000	15,000	45,000
Flooring Replacement in Admin & Operation's Lunch Rooms		5,000					5,000
Replanting/Updates at Learning Center Garden		5,000	14,000				19,000
Subtotal Building Improvement	185,000	170,000	172,750	15,000	15,000	15,000	572,750
Vehicle							
Passenger Car To Replace Unit 305		20,000					20,000
Passenger Car To Replace Unit 306		20,000					20,000
Sewer Jetter/Vacuum Truck To Replace Unit 271		450,000					450,000
Vehicle Replacements FY2021				40,000		60,000	100,000
Subtotal Vehicle	-	490,000	-	40,000	-	60,000	590,000
Sewer Improvement							
Construct Sewer Line on Hellman Ave. and 4th St.	2,250,000						2,250,000
Construct Sewer in Hermosa and 4th Street	1,080,000						1,080,000
Construct Sewer Line on Rochester North of 6th St.	30,000	1,200,000					1,230,000
Construct Sewer Line on Archibald Ave from Main St to Acacia St			30,000	781,000			811,000
Construct Sewer Line in Arrow Rte from Oakwood to Milliken		30,000	570,000				600,000

Project Title	Estimated Carry Over 2018 Budget	Budget Request 2019	Budget Request 2020	Budget Request 2021	Budget Request 2022	Budget Request 2023	Project Total
Construct Sewer Line in Church St from Archibald to Paradise		325,000					325,000
Construct Sewer Line in Haven Ave from Foothill to Jersey			25,000	2,800,000			2,825,000
Construct Sewer Line in Utica Ave from Humbolt to Jersey		550,000					550,000
Construct Sewer Line in Vineyard Ave from 9th to Foothill				50,000	1,400,000	900,000	2,350,000
Construct Sewer Line on 4th Street and Santa Anita Ave.		100,000					100,000
Construct Sewer Line on 8th St. and I-15 Fwy		25,000	1,050,000				1,075,000
Construct Sewer Line on Milliken Ave. and 4th St.		30,000	435,000				465,000
Replace existing Siphon at 8th St and Vineyard Ave			50,000	50,000	1,400,000		1,500,000
Replace existing Siphon at Sapphire Ave and Banyan St		50,000	50,000	750,000			850,000
Sewer Monitoring		50,000					50,000
Various Sewer Relining and Manhole Rehabilitation		150,000	150,000	150,000	150,000	150,000	750,000
Subtotal Sewer Improvement	3,360,000	2,510,000	2,360,000	4,581,000	2,950,000	1,050,000	16,811,000
Total Sewer Fund Capital Projects	3,545,000	3,453,500	2,748,000	4,726,000	2,981,000	1,141,000	18,594,500
Recycled Water Fund Capital Projects							
Recycled							
Recycled Water Master Plan	150,000						150,000
Construct Various Recycled Water Valves at Various Locations		50,000	50,000	50,000	50,000	50,000	250,000
New Recycled Water Pipeline Village of Heritage		50,000	450,000				500,000
Recycled Water Retrofits		100,000	100,000	100,000	100,000	100,000	500,000
Subtotal Recycled	150,000	200,000	600,000	150,000	150,000	150,000	1,400,000
Total Recycled Water Fund Capital Projects	150,000	200,000	600,000	150,000	150,000	150,000	1,400,000
Total Capital Projects	15,742,000	15,540,000	12,672,000	14,218,500	12,459,000	11,134,000	81,765,500

IMPACT OF CAPITAL INVESTMENTS ON OPERATING BUDGET

The District takes into consideration the impacts that capital improvement projects have on the operating budget. 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 improves 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. Projects are also identified for outside funding to be as a cost savings for the District. All CIP projects were reviewed and it was determined that none of these projects would result in a need for additional personnel.

The following table illustrates the impact on operating expenses and also any identified outside funding for the budget years.

Project Title	FY 19 & 20 Total Operating Impact	FY 19 & 20 Outside Funding Amount	Outside Funding Source
Water Fund Capital Projects			
Source of Supply			
Communications Master Plan Update	\$ 5,000	\$	
Subtotal Source of Supply	5,000	-	
Field Equipment			
Upgrade/Replace GPS Unit	1,500		
Subtotal Field Equipment	1,500	-	
Office Equipment			
WTP Video Surveillance System Replacement	2,000		
Boardroom Technology Upgrade	5,000		
CVWD App Development	3,000		
CVWD Website Redesign	8,000		
Enterprise Resource and Planning Software Upgrade	80,000		
GeoViewer Online & Mobile for Mobile Devices	30,000		
Subtotal Office Equipment	128,000	-	
Treatment			
LWMWTP UV Hydraulic Control			
Reservoir 3A Nitrate Wellhead Treatment Plant	220,000	2,000,000	Proposition I Grant
Subtotal Treatment	220,000	2,000,000	
Pumps & Equipment			
New Well #48 Chino Basin	51,000		
Subtotal Pumps & Equipment	51,000	-	
Total Water Fund Capital Projects	405,500	2,000,000	

Project Title	FY 19 & 20 Total Operating Impact	FY 19 & 20 Outside Funding Amount	Outside Funding Source
Sewer Fund Capital Projects			
Sewer Improvement			
Construct Sewer Line on Hellman Ave. and 4th St.	(27,000)		
Construct Sewer in Hermosa and 4th Street	(27,000)		
Construct Sewer Line on Rochester North of 6th St.	(27,000)		
Replace existing Siphon at 8th St and Vineyard Ave	(27,000)		
Replace existing Siphon at Sapphire Ave and Banyan St	(27,000)		
Subtotal Sewer Improvement	(135,000)	-	
Total Sewer Fund Capital Projects	(135,000)	-	
Recycled Water Fund Capital Projects			
Recycled			
New Recycled Water Pipeline Village of Heritage		500,000	Grant
Subtotal Recycled	-	500,000	
Total Recycled Water Fund Capital Projects	-	500,000	
Total Capital Projects	\$ 270,500	\$ 2,500,000	

SIGNIFICANT CAPITAL PROJECTS

The largest projects for the budget period were identified and are highlighted in a detailed profile. Those projects are listed below.

Project Title	Total Project Cost FY 18 - 20
Reservoir 3A Nitrate Wellhead Treatment Plant	\$6,300,000
Construct New Reservoir 3A	3,700,000
Reservoir 1 Replacement Project	3,600,000
New Cucamonga Basin Well	3,000,000
Construct Sewerline in Hellman Ave and 4th St	2,250,000
Construct Sewerline in Rochester north of 6th St	1,330,000
Enterprise Resource and Planning Software Upgrade	1,300,000
Construct Sewerline in 8th St and I-15 Fwy	1,150,000
Construct Sewer in Hermosa and 4th St	1,080,000

RESERVOIR 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.

This multi-year project will design and construct a nitrate treatment plant for Well Field 3A using the progressive design-build delivery method. Wellhead treatment is required in Cucamonga Basin in order to fully utilize this source of supply.

The project is being delivered by CDM Constructors. With the design (phase 1) completed in FY 2018, the construction (phase 2) will begin in FY 2019. The contract with CDM also includes another capital project, the Construction of New Reservoir 3A. This project will improve water quality and add much needed reliability at a key water supply source.

Total Project Cost:	\$6,300,000
FY 2018 Carryover:	\$4,300,000
FY 2019 Cost:	\$2,000,000
FY 2020 Cost:	\$0

Anticipated Start & End:

Design will be complete and construction will begin in summer of 2018. Estimated project completion by summer of 2019.

Impact to Operational Budget:

Once complete, potential savings of \$1,500,000

Consisting of:

- Increase maintenance, electricity, and chemical expenses estimated at \$200,000
- Water supply cost savings versus the cost of MWD imported water estimated at \$1,700,000

Outside Funding: The project has been approved for a \$2,000,000 Prop I Grant from the California State Water Board.



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 service life. The project will also increase storage in the zone by constructing storage with a greater volume than the previous reservoir.

The project is being delivered by CDM Constructors as a multi-year project entering its construction phase in FY 2019. CDM is delivering this project under the same contract as the Reservoir 3A Nitrate Wellhead Treatment Plant.

This project will improve water supply reliability and increase storage within the system.

Total Project Cost:	\$3,700,000
FY 2018 Carryover:	\$1,900,000
FY 2019 Cost:	\$1,500,000
FY 2020 Cost:	\$300,000

Anticipated Start & End: Construction will begin in summer of 2018. The project should be completed by summer of 2019.

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



RESERVOIR I REPLACEMENT PROJECT

Purpose: The existing concrete Reservoir I is near the end of its service life (built in 1957) and will require replacement. This project will construct a new 2 million gallon reservoir at the Reservoir I location. The new reservoir is the first of two proposed reservoirs that would add capacity and redundancy at this location.

Total Project Cost:	\$3,600,000
FY 2018 Carryover:	\$0
FY 2019 Cost:	\$100,000
FY 2020 Cost:	\$3,500,000

Anticipated Start & End: Design will start in July 2018 and be completed by December 2018. Construction will start in March 2019 and be completed by December 2019.

Impact to Operational Budget: There is no impact to the operating budget.



NEW CUCAMONGA BASIN WELL

Purpose: The District's existing Well 26 was built in 1986 and has exceeded its useful service life. The well's historic production rate is 1,430 gallons per minute and it is currently in limited service due to failing screens. This multi-year project will improve water supply reliability and much needed production capacity in the Cucamonga Basin. Phase 1 of the work, which is ongoing, is developing CEQA for the project and bid documents for drilling. Phase 2, which is scheduled for FY 2019, will drill and develop the well. Finally, Phase 3 will design and equip the well. The well is expected to be online in FY 2020.

Total Project Cost:	\$3,000,000
FY 2018 Carryover:	\$100,000
FY 2019 Cost:	\$2,100,000
FY 2020 Cost:	\$800,000

Anticipated Start & End: Drilling and developing the Well will start in August 2018 and be completed by January 2019. Pipeline and well equipping will start in February 2019 and be completed by June 2020.

Impact to Operational Budget: There is no impact to the operating budget.



CONSTRUCT SEWERLINE IN HELLMAN AVENUE AND 4TH STREET

Purpose: Siphons require extensive maintenance and have added risk of overflow. The District has identified several siphons that can be reasonably replaced with a gravity system. These siphon replacements will provide greater reliability and lower maintenance costs. The sewer siphon on Hellman Avenue and 4th Street was built in 1970 to cross the Cucamonga Channel.

This project will construct approximately 1,290 linear feet of 24 inch vitrified clay pipe and 890 linear feet of 12 inch vitrified clay pipe gravity sewer main to eliminate the existing siphon. A portion of new 12 inch vitrified clay pipe will cross beneath the Cucamonga Channel. The project was designed in FY 2016; however, because the project is crossing under a channel there is a lengthy permitting process with the San Bernardino County Flood Control District and the Army Corps of Engineers that has delayed the project. The project will carry over into FY 2019.

Total Project Cost:	\$2,250,000
FY 2018 Carryover:	\$2,250,000
FY 2019 Cost:	\$0
FY 2020 Cost:	\$0

Anticipated Start & End: Start July 2018 and be completed by June 2019

Impact to Operational Budget: \$11,000 for personnel and \$16,000 for equipment maintenance will be saved.



CONSTRUCT SEWERLINE IN ROCHESTER NORTH OF 6TH STREET

Purpose: Siphons require extensive maintenance and have added risk of overflow. The District has identified several siphons that can be reasonably replaced with a gravity system. These siphon replacements will provide greater reliability and lower maintenance costs. The sewer siphon on Rochester north of 6th Street was built in 1970 to cross an MWD transmission line.

This project will construct approximately 1,390 linear feet of 15 vitrified clay pipe gravity sewer main and six (6) manholes to eliminate the existing siphon.

Total Project Cost:	\$1,230,000
FY 2018 Carryover:	\$30,000
FY 2019 Cost:	\$1,200,000
FY 2020 Cost:	\$0

Anticipated Start & End: Start July 2018 and be completed by June 2019

Impact to Operational Budget: \$11,000 for personnel and \$16,000 for equipment maintenance will be saved.



ENTERPRISE RESOURCE AND PLANNING SOFTWARE UPGRADE

Purpose: The Superior (formerly SunGard Public Sector) Enterprise Resource Planning (ERP) application software running on the IBM AS400 server is outdated and lacks many user-friendly options. Staff has developed a plan to implement a more up-to-date Microsoft Windows based integrated enterprise software to replace the Superior ERP system and also retire the IBM AS400 server before it reaches the end of its useful life.

This project will provide funding to replace the existing Superior ERP software; this is phase one of the project which will span for multiple years. The Information Technology Division is planning to complete this software upgrade in two and a half years.

Total Project Cost:	\$1,400,000
FY 2018 Carryover:	\$0
FY 2019 Cost:	\$650,000
FY 2020 Cost:	\$650,000
FY 2021 Cost:	\$100,000

Anticipated Start & End: Start July 2018 and be completed by December 2020.

Impact to Operational Budget: Upon the completion of the ERP software upgrade project, the costs of the new ERP software annual maintenance are expected to be lower than the cost of the Superior maintenance contract. In addition, the IBM AS400 server will no longer be needed, therefore the District will save \$16,000 annually on the cost of the maintenance contract.



CONSTRUCT SEWERLINE IN 8TH STREET AND I-15 FREEWAY

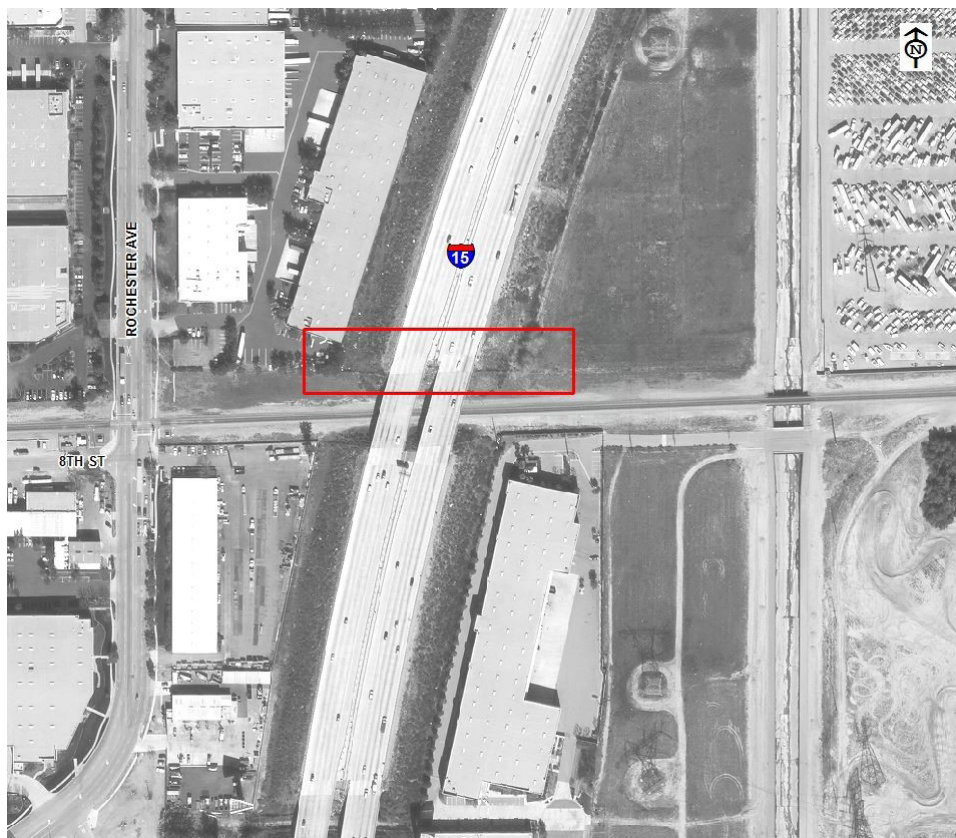
Purpose: The existing 21 inch sewer line located on 8th Street crossing the I-15 Freeway is reinforced mortar pipe built in 1971 (47 years old) and has reached the end of its service life. This project was identified in the 2017 Sewer Master Plan.

The project includes the design and construction of a new freeway crossing, construction of approximately 500 feet of new sewer main, modifying two (2) manholes, construction of two (2) new manholes, and a casing. This project will be designed and permitted in FY 2019 and constructed in FY 2020.

Total Project Cost:	\$1,075,000
FY 2018 Carryover:	\$0
FY 2019 Cost:	\$25,000
FY 2020 Cost:	\$1,050,000

Anticipated Start & End: Start in July 2019 and be completed by December 2019.

Impact to Operational Budget: There is no impact to the operating budget.



CONSTRUCT SEWERLINE IN HERMOSA AVENUE AND 4TH STREET

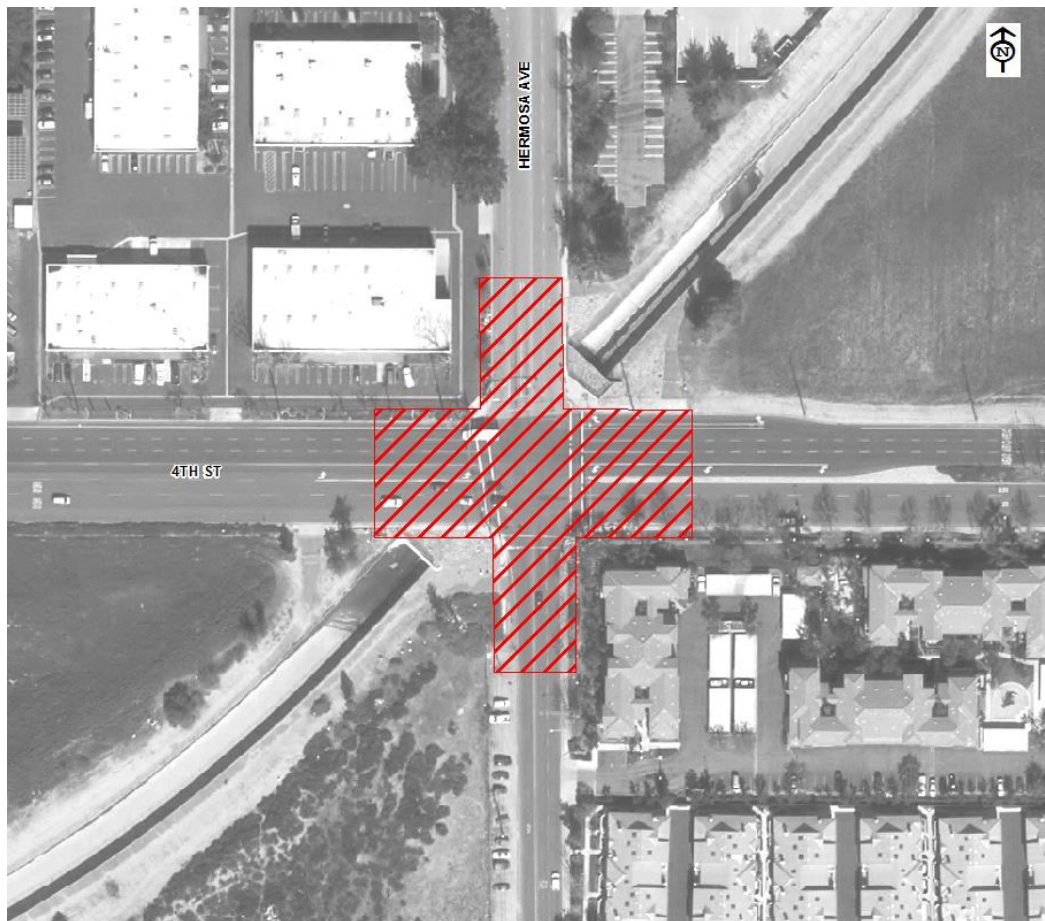
Purpose: Siphons require extensive maintenance and has added risk of overflow. The District has identified several siphons that can be reasonably replaced with a gravity system. These siphon replacements will provide greater reliability and lower maintenance costs. The existing sewer siphon on Hermosa Avenue and 4th Street were built in 1980 to cross the Deer Creek Channel.

This project will construct a gravity sewer line across the channel to eliminate the existing siphon. This project will also replace a segment of reinforced plastic mortar sewer pipe on Hermosa Avenue built in 1971. The design was completed in the last fiscal year and is currently in the process of permitting through the San Bernardino County Flood Control District and the Army Corps of Engineers.

Total Project Cost:	\$1,080,000
FY 2018 Carryover:	\$1,080,000
FY 2019 Cost:	\$0
FY 2020 Cost:	\$0

Anticipated Start & End: Start June 2019 and be completed by December 2019.

Impact to Operational Budget: \$11,000 for personnel and \$16,000 for equipment maintenance will be saved.



DEBT

The District has established a debt management policy and the District has no plans to issue any new debt in FY 2019 or 2020, but issued the 2018 Series A and 2018 Series B (taxable) bonds on May 3, 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.

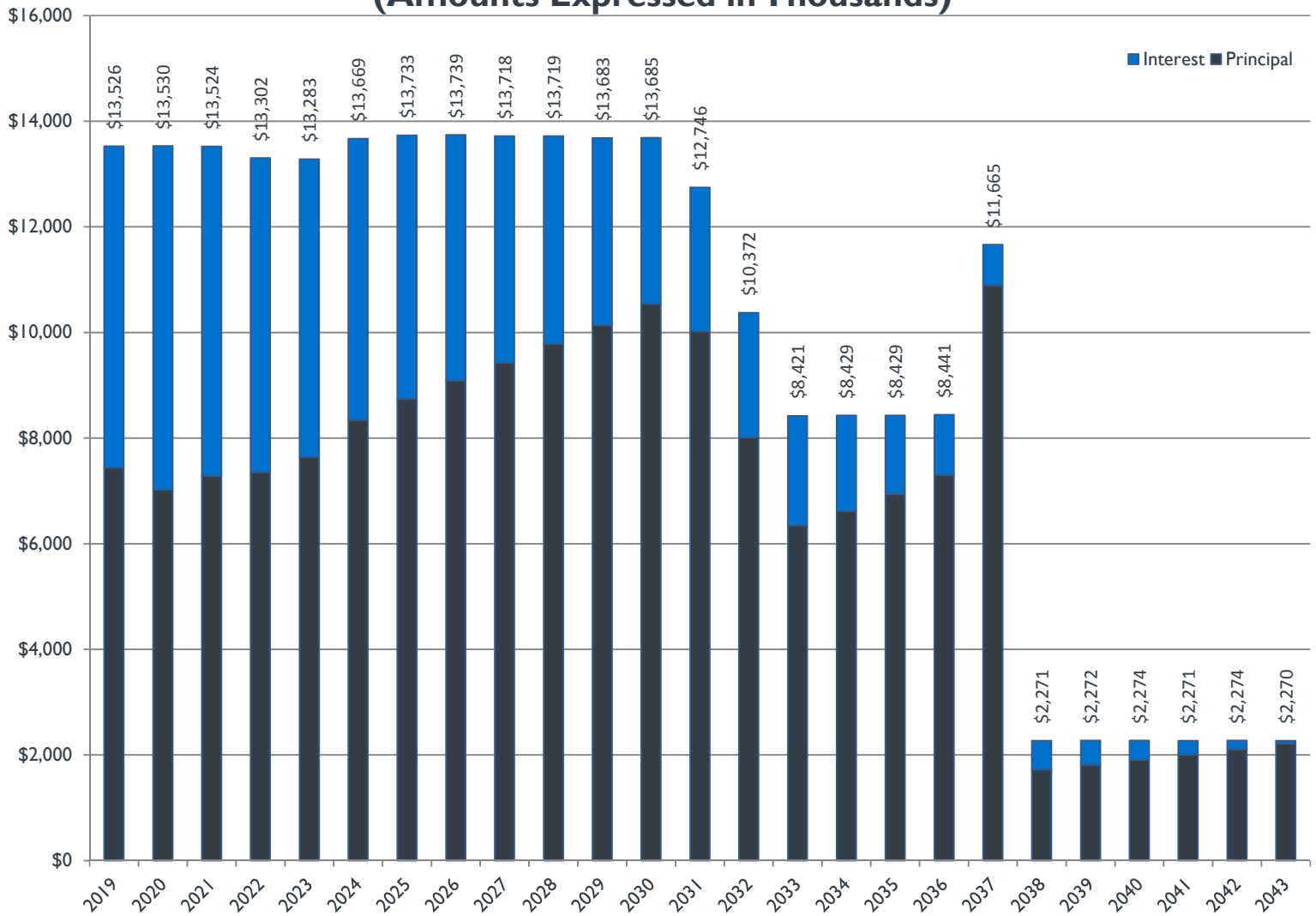
The table below summarizes the long-term bonds of the District's Water Fund:

Year of Issuance	DEBT Ranking	Use of Proceeds	Principle Balance as of June 30, 2018
2009	Senior	Certificates of Participation that provided funds for the acquisition and construction of various capital improvements.	\$ 5,745,000
2009	Senior	Interest-free Clean Renewable Energy Bonds that provided funds for the acquisition of a solar energy recovery system.	146,428
2011	Senior	Certificates of Participation that refunded bonds that originally provided funds for the acquisition and construction of various capital improvements.	27,420,000
2012	Subordinate	Revenue Bonds that provided funds for the acquisition and construction of various capital improvements.	34,200,000
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.	10,230,000
2016	Subordinate	Revenue Bonds that refunded bonds that originally provided funds for the acquisition and construction of various capital improvements.	19,545,000
2018A	Subordinate	Revenue Bonds that provided funds for the acquisition and construction of various capital improvements.	9,710,000
2018B	Subordinate	Revenue Bonds that advance refunded the bonds that originally provided funds for the acquisition of water rights.	63,745,000
TOTAL BOND DEBT			\$ 170,741,428

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

Year(s)	Principal	Interest	Total
2019	\$ 7,444,286	\$ 6,082,154	\$ 13,526,440
2020	7,024,286	6,505,646	13,529,932
2021	7,289,286	6,234,706	13,523,992
2022	7,354,286	5,947,520	13,301,806
2023	7,639,284	5,644,054	13,283,338
2024-2028	45,390,000	23,188,057	68,578,057
2029-2033	45,065,000	13,842,321	58,907,321
2034-2038	33,480,000	5,754,106	39,234,106
2039-2043	10,055,000	1,306,875	11,361,875
Total	\$ 170,741,428	\$ 74,505,439	\$ 245,246,867

(Amounts Expressed in Thousands)



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 coverage and the subordinate obligations require it to exceed 1.25 times coverage (net revenues/debt service).

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

In addition to bonds, the District has two capital leases taken out in 2010, and 2015 for the purchase of equipment related to the District's fixed network retrofit and meter exchange program. Total principal and interest due in FY 2019 and 2020 is \$1,104,567 and the total outstanding balance as of June 30, 2018 is \$7,570,459.

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 2019 is \$34,486 and FY 2020 is \$34,507 and the total outstanding balance as of June 30, 2018 is \$415,513.



DEPARTMENT INFORMATION

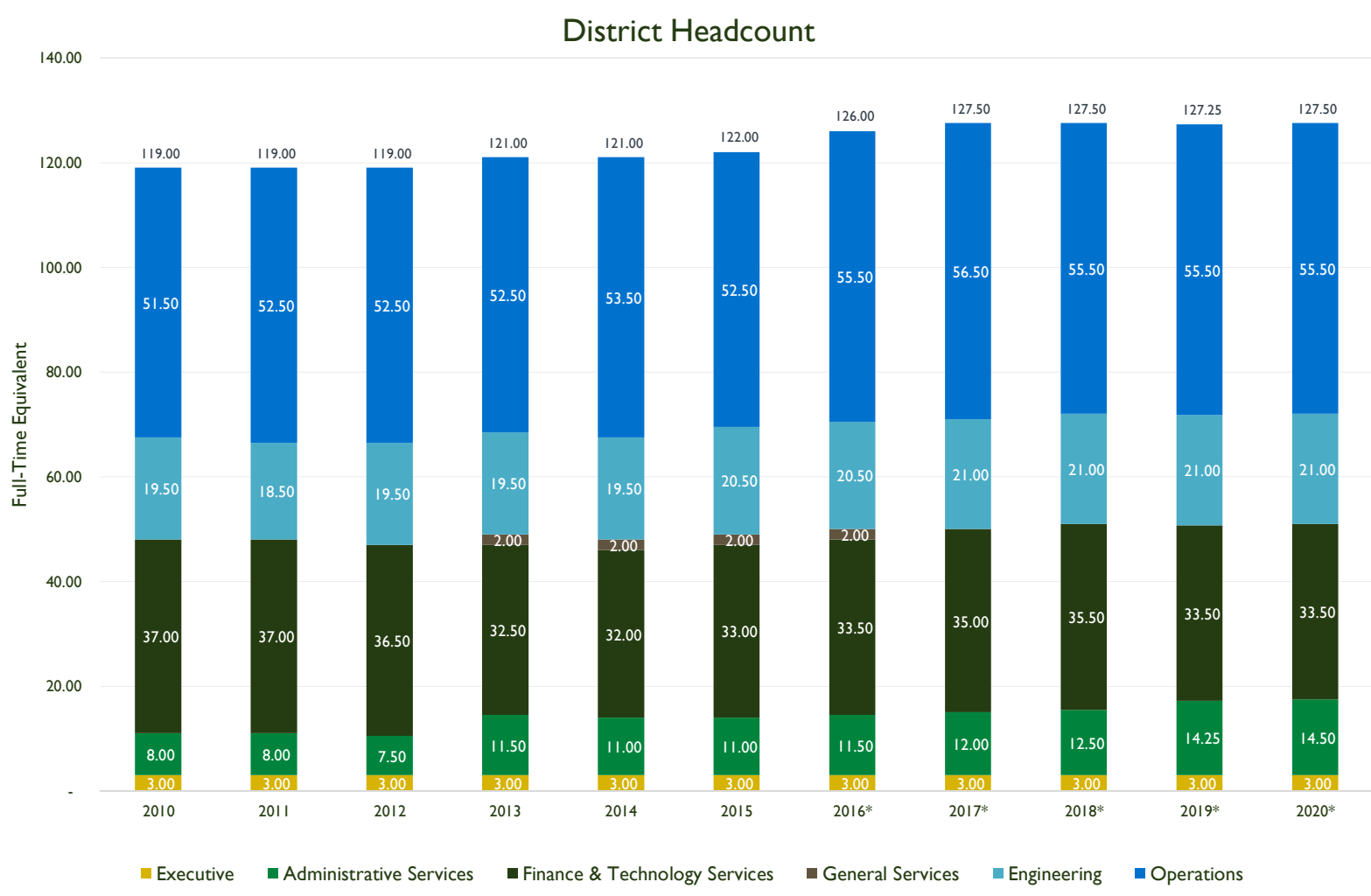


Department Information

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 changes in personnel:

Department	2010	2011	2012	2013	2014	2015	2016*	2017*	2018*	2019*	2020*	Change FY 18 & 19	Change FY 19 & 20
Executive	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	-	-
Administrative Services	8.00	8.00	7.50	11.50	11.00	11.00	11.50	12.00	12.50	14.25	14.50	1.75	0.25
Finance & Technology Services	37.00	37.00	36.50	32.50	32.00	33.00	33.50	35.00	35.50	33.50	33.50	(2.00)	-
General Services	-	-	-	2.00	2.00	2.00	2.00	-	-	-	-	-	-
Engineering	19.50	18.50	19.50	19.50	19.50	20.50	20.50	21.00	21.00	21.00	21.00	-	-
Operations	51.50	52.50	52.50	52.50	53.50	52.50	55.50	56.50	55.50	55.50	55.50	-	-
District Total	119.00	119.00	119.00	121.00	121.00	122.00	126.00	127.50	127.50	127.25	127.50	(0.25)	0.25

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

Changes in FY 2019:

Administrative Services: Increase of 1.75

Finance & Technology Services: Decrease of 2.00

Two positions, the Assistant General Manager and Administrative Assistant II, were moved from the Finance & Technology Services department into Administrative Services department. One position, the Assistant General Manager in the Legislative & Government Affairs division, was eliminated. The Communication and Outreach division is requesting an intern to start July 1, 2018, and the Human Resource division is request an intern to start January 1, 2019, which total to an increase of 0.75.

Changes in FY 2020:

Administrative Services: Increase of 0.25

The Human Resource division's requested intern who was a partial year hire in FY 2019 would be for the entire FY 2020 attributing to an increase of 0.25.

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:

- Description of Services Provided – a short overview and explanation of the services provided by the division
- Staffing – full-time and part-time positions budgeted for the division
- 2018 Accomplishments – Notable achievements accomplished in FY 2018
- 2019 & 2020 Goals & Objectives – The planned tasks of the division that support the overall District goals as outlined in the Goals & Objectives section.
- Performance Measures – Specific quantitative measures of work performed by the division that help the District assess the effectiveness and efficiency of the division.
- 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

The budget is organized into the following summary divisions:

- Board of Directors
- Office of the General Manager
- Office of the Assistant General Manager
- Human Resources & Risk Management
- Legislative & Governmental Affairs
- Communications & Outreach
- Financial & Technology Administration
- Accounting & Purchasing
- Customer Service
- Information Technology
- General Services Administration
- Engineering
- Operations Administration
- Water Treatment
- Production & Telemetry
- Facilities
- Vehicles
- Water Distribution
- Collection & Transmission



EXECUTIVE DEPARTMENT

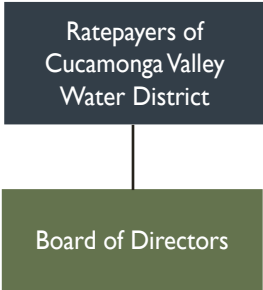


Board of Directors

DESCRIPTION OF SERVICES PROVIDED:

The Board of Directors provide direction and leadership for the District. The division 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.

STAFFING:



2018 ACCOMPLISHMENTS:

1. CSDA District of Distinction Re-Accreditation for 2017/2018
2. Completion of ABI825 Training
3. Maintained/obtained leadership roles on the following Boards:
 - A. Association of California Water Agencies
 - B. Association of San Bernardino County Special Districts
 - C. Local Agency Formation Commission for San Bernardino
 - D. Rancho Cucamonga Chamber of Commerce
 - E. Region 9 for the Association of California Water Agencies

2019 & 2020 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.

PERFORMANCE MEASURES:

1. Continue commitment to CVWD’s Foundational Principles, transparency, and adopted Board norms
2. Maintain active leadership roles in the regional and statewide organizations in which the Board currently serves
3. Consistently evaluate opportunities for additional regional and statewide leadership

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages & Director’s Fees	\$ 137,821	\$ 150,000	\$ 150,000	0%	\$ 150,000	0%
Benefits	100,616	107,872	78,822	(27%)	82,981	5%
Professional Development	47,859	79,370	91,770	16%	93,770	2%
Professional Services	32,774	50,000	50,000	0%	50,000	0%
Advertisements	-	600	600	0%	600	0%
Election Expense	-	150,000	-	(100%)	150,000	100%
Utilities	3,104	2,400	2,400	0%	2,400	0%
Materials & Supplies	1,308	1,750	1,750	0%	1,750	0%
Safety	610	850	850	0%	850	0%
Miscellaneous	1,504	4,000	4,000	0%	4,000	0%
Total Operating Expenses	\$ 325,596	\$ 546,842	\$ 380,192	(30%)	\$ 536,351	41%

SIGNIFICANT CHANGES:

There are no significant changes to report. Election costs vary based on the timing of elections.



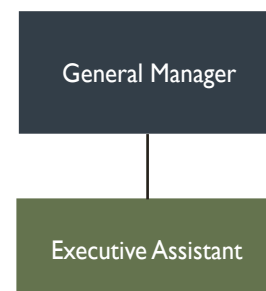
Office of the General Manager

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.

STAFFING:

Position	FY 2017	FY 2018	FY 2019	FY 2020
General Manager / CEO	1.00	1.00	1.00	1.00
Executive Assistant	2.00	2.00	2.00	2.00
Total	3.00	3.00	3.00	3.00



2018 ACCOMPLISHMENTS:

- Enhanced and improved employee engagement and understanding of the District's history and facilities through guided hikes and canyon tours.
- Developed a Water Bank Planning JPA Agreement with 3 other agencies.
- Engaged with stakeholders in the Chino Basin to facilitate settlement of disputes regarding the reset of safe yield in an effort to avoid costly litigation.
- Enlisted a facilitator to work with IEUA and member agencies on the update of the regional sewer contract.
- Developed a 5 year agreement with Fontana Water Company to sell a portion of the District's safe yield and/or stored water in the Chino Basin to allow for complete utilization of CVWD's MWD Tier 1 allocation of imported water with no cost increases associated with Tier 2.
- Facilitated and completed negotiation of a final easement from the USFS for facilities owned by the Fontana Union Water Company and normal operating activities.

2019 & 2020 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 of employees with development opportunities that promote our culture and values.
5. Provide a Customer First model of service to our ratepayers and stakeholders.

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 497,949	\$ 519,877	\$ 535,862	3%	\$ 555,106	4%
Benefits	368,800	346,708	391,982	13%	417,400	6%
Professional Development	36,261	51,905	51,360	(1%)	47,570	(7%)
Professional Services	201,573	321,590	321,590	0%	346,590	8%
Personnel Costs	2,568	3,700	2,700	(27%)	2,700	0%
Utilities	4,488	4,440	3,100	(30%)	3,100	0%
Materials & Supplies	605	1,600	950	(41%)	950	0%
Outside Services	-	-	1,000	100%	250	(75%)
Safety	330	400	400	0%	400	0%
Miscellaneous	4,506	4,500	4,500	0%	4,600	2%
Other - Capital Equipment	891	-	100	100%	100	0%
Total Operating Expenses	\$ 1,117,971	\$ 1,254,720	\$ 1,313,544	5%	\$ 1,378,766	5%

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



Office of the Assistant General Manager

DESCRIPTION OF SERVICES PROVIDED:

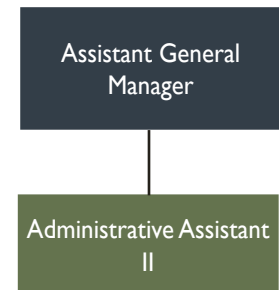
The Office of the Assistant General Manager provides leadership and coordination for the activities of the Administration and the Financial & Technology Services Departments. The two departments were combined under the leadership of one of the Assistant General Managers during the spring 2018 reorganization plan. The Administration Department oversees the organization’s human capital initiatives, administers the risk management and safety programs, monitors state and federal legislation, and develops strategic communications with customers, stakeholders, and regional partners promoting the District’s vision, mission and values.

The Finance and Technology Department oversees the investment activities, debt administration, rate-setting and the overall financial and budgetary oversight of the District. In addition the Department also provides external service to our over 50,000 customers, internally supports the extensive information technology systems, and administers the decentralized purchasing system for the District.

The Assistant General Manager also provides support to the General Manager/CEO and the Board of Directors. This division provides administrative support to department members.

STAFFING:

Position	FY 2017	FY 2018	FY 2019	FY 2020
Assistant General Manager	-	-	1.00	1.00
Administrative Assistant II	-	-	1.00	1.00
Total	-	-	2.00	2.00



2018 ACCOMPLISHMENTS:

- Obtained grant funding to complete the feasibility study considering budget-based water rates. The Board ultimately decided to continue with the existing tiered water rate structure on September 20, 2017.
- Researched and quantified the benefits of changing from an annual budget to a biennial budget cycle, which was approved by the Board of Directors on October 24, 2017
- Updated the Board’s Travel Policy 2.1 and the Employee’s Travel & Conference Guidelines 4.8.
- Coordinated the organizational goal-setting and action plan development which was presented to the Board of Directors on January 30, 2018

- Issued Water Revenue Bonds, Series B (\$63,745,000) which refinanced the 2011 Water Refunding Bonds and issued new money under Series A (\$9,710,000).
- Worked with Human Resources staff to add Roth 457(b) and Participant Loan Program
- Started the coordination of the transition from an at-large to a by-division election system in response to a challenge under the California Voter's Right Act (CVRA).

2019 & 2020 GOALS & OBJECTIVES:

1. Water 1B – May 2019
 - Engage in public process for rate studies, including Proposition 218 required noticing and Public Hearing process (Water, Sewer and Recycled Water); incorporate the Value of Water II outreach campaign.
2. Water 1E – Ongoing
 - Continue the collaboration between the Administrative Services and Financial & Technology Services Departments; streamline communication and efficiency of department activities
3. Water 2A – December 2018
 - Update the District's Reserve and Financial Benchmark Policy 1.3 to include direction on the prioritization of excess reserves, if applicable. This new section of the policy will provide options on the early repayment of debt.
4. Water 3A - Ongoing
 - Expand Board and General Manager/CEO support role through attendance at stakeholder and advocacy meetings and events
5. Service 1B - June 2019
 - Explore the concept of a Customer First Model and possible new customer service standards.
6. People 2 – October 2018
 - Develop a goal and action plan tracking system to encourage accountability and effectiveness.
7. Complete the required process to transition to a by-division election system, including the final approval of the division maps and the election sequencing by July 2018.

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ -	\$ -	\$ 294,237	100%	\$ 305,512	4%
Benefits	-	-	167,483	100%	184,830	10%
Professional Development	-	-	15,540	100%	16,060	3%
Professional Services	-	-	9,780	100%	6,780	(31%)
Advertisements	-	-	40	100%	-	(100%)
Personnel Costs	-	-	1,900	100%	1,900	0%
Utilities	-	-	1,940	100%	1,140	(41%)
Materials & Supplies	-	-	1,120	100%	1,120	0%
Outside Services	-	-	400	100%	400	0%
Safety	-	-	300	100%	300	0%
Miscellaneous	-	-	500	100%	500	0%
Other - Capital Equipment	-	-	660	100%	660	0%
Total Operating Expenses	\$ -	\$ -	\$ 493,900	100%	\$ 519,202	5%

SIGNIFICANT CHANGES:

This division is new for FY 2019 & 2020 and was created as part of the reorganization in spring 2018. The Assistant General Manager and the Administrative Assistant II moved from the Financial & Technology Services Administration division to this division. Between FY 2019 and 2020 wages and benefits have increased due to the COLA and the increased cost of retirement obligations.



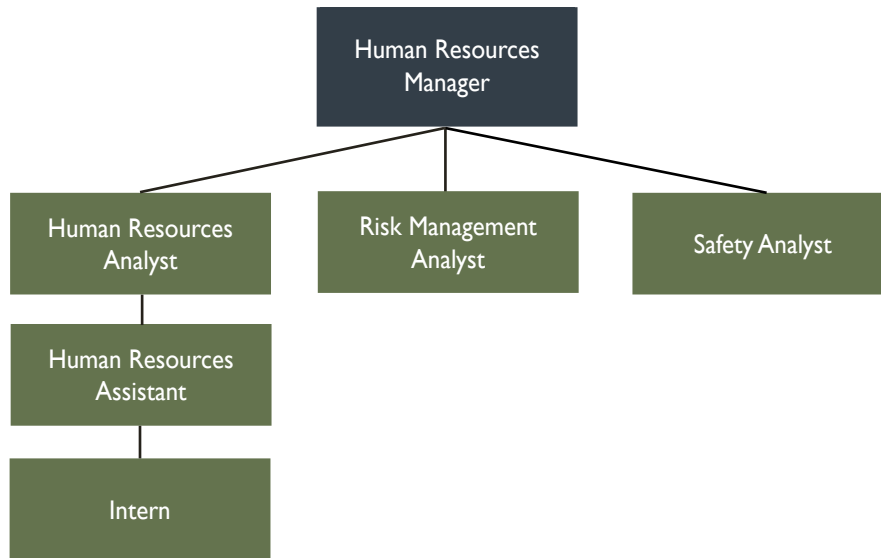
Human Resources & Risk Management

DESCRIPTION OF SERVICES PROVIDED:

Human Resources (HR) is responsible for ensuring that the District initiates and facilitates strategies for building a workforce which supports and enhances the 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.

Risk Management 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.

STAFFING:



Position	FY 2017	FY 2018	FY 2019	FY 2020
Human Resources Manager	1.00	1.00	1.00	1.00
Human Resources Analyst	1.00	1.00	1.00	1.00
Human Resources Assistant	-	-	1.00	1.00
Risk Management Analyst	1.00	1.00	1.00	1.00
Safety Analyst	1.00	1.00	1.00	1.00
Administrative Assistant II	1.00	1.00	-	-
Intern	-	-	0.25	0.50
Total	5.00	5.00	5.25	5.50

2018 ACCOMPLISHMENTS:

- Launched the “Connection” which is an on-line 3rd party, web-based reporting system & rebranded the Speak-Out Box encouraging employee feedback.
- Reevaluated Wellness Program Contract – renewed and updated contract with the District’s wellness program professional for the provision of vital support services for employees.
- Conducted Employee Engagement Survey – received positive feedback and shared results with Board and employees.
- Introduced a paperless open enrollment system by creating a micro-site for employees to view and evaluate their selection of benefits saving valuable staff and District resources.
- Re-branded and improved new employee integration and on-boarding experience establishing a year-long program of check-ins and interaction with the HR staff. Includes ergonomic assessment, orientation survival kits, and employee welcome kit.
- Leadership Development – continued our commitment to develop a highly effective team of managers and supervisors through a skill specific training program. In addition to internal offerings, professional subject matter experts were engaged by leveraging regional relationships creating opportunities to inform staff from other water agencies and the City of Rancho Cucamonga on important leadership behaviors and management skills.
- Management team development – Implemented the “Work of Leaders” program internally with great success and results, focusing on the ins and outs of how Vision, Alignment and Execution changes the way we lead, enhances and improve Culture.
- Continued investment in the District’s employee cross-training and internship program preparing our next generation of employees and leaders.
- Updated and improved the District’s Personnel Manual by creating separate documents for employee policies and administrative policies.
- A number of administrative and employee policies were updated including those addressing the following: tuition loan program, administrative leave, retirement service award/recognition, pension benefits, smoking & tobacco product use, employee insurance benefits, stand-by program, annual holidays, compensation and pay regulations and employee and board travel policies.
- Consistent with the District’s commitment to a healthy and safe work environment, implemented a workplace stretching program designed to prevent workplace injuries.
- Provided training and implemented a number of campus security measures which included: active shooter training, establishment of an office space numbering system and safe rooms with emergency equipment and door blocks and updated the District’s on-site surveillance system.
- Achieved 100% employee certification for First Aid and CPR/AED
- Added Consumer Driven Health Plan as a health care benefit option.
- Adopted an updated Conflict of Interest Code.
- Received ACWA/JPIA wellness grant which is used for Health and Wellness Fair, as well as Longevity screening subsidies.
- Participated in 5 college and career fairs at high schools within the District’s service area.
- Received two HR LaBounty Safety Awards from ACWA/JPIA for the District’s ergonomic and workplace stretching programs.

2019 & 2020 GOALS & OBJECTIVES:

1. Service IA - February 2018, 2019, and 2020
 - Continue leadership training of staff and coordinate with the working group tasked to provide training subjects.
2. People IA - Ongoing
 - Continue employee development programs, including the Employee Cross Training Program (ECT) and Leadership programs. Encourage collaboration at all levels.
3. People IB - December 2018
 - Reduce recruitment cycle time by 5% from approval request to sending offer of employment.
4. People IC - August 2018
 - Provide wellness programs and other employee events that promote a healthy workplace.
5. People ID - October 2018
 - Develop a series of compliance training programs for FMLA, ADA, anti-harassment, non-discrimination and interviewing/hiring practices.
6. People ID - October 2018
 - Develop an HR compliance program including policy review, guidance
7. Service IA - September 2018
 - Implement a comprehensive Active Threat Mitigation Program including policy development, facility threat assessments, management seminars and staff training.
8. People 3 - December 2018
 - Audit and implement the final recommendations of the ACWA/JPIA Commitment to Excellence Program of best management practices.

PERFORMANCE MEASURES:

Performance Measurement	FY 2017		FY 2018		FY 2018	FY 2019	FY 2020
	Target	Actual	Target	Estimate	Forecast	Forecast	
Average number of days to hire staff, from recruitment posting to the candidate's effective date of hire (start date)	70	72	65	65	65	60	
Number of compensation and classification studies conducted	30	24	25	20	25	20	
Percentage of annual performance evaluations completed	95%	89%	95%	90%	90%	95%	
Number of work days lost per worker's compensation claim	-	5	-	-	-	-	
Number of ergonomic assessments completed	10	23	12	10	10	10	
Percentage of employees who completed first-aid/CPR training	96%	90%	95%	100%	100%	100%	
Percentage of employees utilizing Target Solutions online modules	95%	90%	95%	98%	100%	100%	
Percentage of security camera monitored campus coverage	60%	88%	90%	95%	100%	100%	
Number of key emergency operations center staff who completed CSTI emergency preparedness trainings	100%	80%	90%	90%	100%	100%	

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 466,224	\$ 487,633	\$ 534,083	10%	\$ 566,384	6%
Benefits	303,646	302,151	378,194	25%	409,257	8%
Professional Development	36,648	51,860	48,970	(6%)	49,120	0%
Professional Services	19,628	13,100	49,500	278%	19,500	(61%)
Advertisements	-	-	3,000	100%	600	(80%)
Personnel Costs	96,445	174,650	163,040	(7%)	163,740	0%
Insurance	470,438	466,420	431,022	(8%)	446,569	4%
Utilities	67,221	76,455	70,400	(8%)	70,525	0%
Materials & Supplies	23,799	19,450	19,600	1%	20,250	3%
Outside Services	54,974	51,250	60,500	18%	57,700	(5%)
Safety	2,168	3,400	2,500	(26%)	2,700	8%
Miscellaneous	1,057	1,200	1,200	0%	1,200	0%
Other - Capital Equipment	6,259	6,000	7,220	20%	7,230	0%
Total Operating Expenses	\$ 1,548,507	\$ 1,653,569	\$ 1,769,229	7%	\$ 1,814,775	3%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. The increase in professional services in FY 2019 is to allow the District to update the hazard mitigation plan.



Legislative & Governmental Affairs

DESCRIPTION OF SERVICES PROVIDED:

The Legislative and Government Affairs Division 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 our ratepayers. The Legislative and Government Affairs Division develops relationships with key stakeholders throughout the year through a number of methods and tools. The Division also communicates our investments into infrastructure including capital project information to key stakeholders while at the same time promoting the District’s vision, mission and values.

STAFFING:

Position	FY 2017	FY 2018	FY 2019	FY 2020
Assistant General Manager	1.00	1.00	-	-
Principal Management Analyst	1.00	1.00	1.00	1.00
Total	2.00	2.00	1.00	1.00

Principal Management Analyst

2018 ACCOMPLISHMENTS:

- Conducted annual State Legislative Board Briefing in Sacramento with the West Coast Advisors, the District’s State advocacy firm.
- Provided continued support of Director Tiegs in her role as ACWA President, through conference calls and follow-up meetings on ACWA business.
- Cucamonga Canyon Management Plan – Continued efforts with a coalition of agencies to develop a public access plan to the Cucamonga Canyon.
- Through diligent legislative outreach efforts, received the ACWA Region 9 Outreach Award.
- Hosted tours throughout the year of District facilities for a number of key stakeholders including elected officials and decision makers.
- Participated in LAFCO Water Service Review Stakeholder panel and completed service review requirements.
- Represented the District on various committees and at numerous meetings and hearings advocating on the District’s behalf for critical policy and regulatory issues.

2019 & 2020 GOALS & OBJECTIVES:

1. Water 1B - Ongoing
 - Advocate against additional fees/taxes placed on our customer’s water bills by outside entities.
2. Water 1C - Ongoing
 - Advocate policies and regulations that protect or expand existing water rights.
3. Water 1C - Ongoing
 - Communicate infrastructure investments and Value of Water to stakeholders via newsletters, briefings, meetings and receptions.
4. Water 3A - Ongoing
 - Provide tools such as briefing books, talking points, and updates to Board Members and employees to help them stay informed of important issues.
5. Water 3C - Ongoing
 - Continue to build relationships with policy makers, legislators, regulators, and other key stakeholders through meetings, newsletters, briefings, tours, and receptions.
6. Service 1B - Ongoing
 - Communicate legislative and regulatory issues both internally and externally.
7. People 3 - Ongoing
 - Incorporate District’s Foundational Principles into presentations and interactions with key stakeholders.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
Contact made with legislators	Ongoing	65	75	75	70	70
Legislative letters sent	Ongoing	40	45	45	40	40
Bills tracked	Ongoing	35	30	30	30	30
Stakeholder tours provided	Ongoing	8	8	8	6	8

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 329,000	\$ 342,229	\$ 122,738	(64%)	\$ 131,249	7%
Benefits	200,864	199,333	93,205	(53%)	104,644	12%
Professional Development	19,716	32,350	25,960	(20%)	25,960	0%
Professional Services	64,392	75,000	46,000	(39%)	46,000	0%
Advertisements	999	2,000	500	(75%)	500	0%
Personnel Costs	430	600	500	(17%)	500	0%
Utilities	2,259	3,000	1,500	(50%)	1,500	0%
Materials & Supplies	27	1,900	1,100	(42%)	1,100	0%
Safety	101	300	300	0%	300	0%
Miscellaneous	1,059	1,000	500	(50%)	500	0%
Total Operating Expenses	\$ 618,847	\$ 657,712	\$ 292,303	(56%)	\$ 312,253	7%

SIGNIFICANT CHANGES:

Wages and benefits have decreased due to the elimination of an Assistant General Manager position.

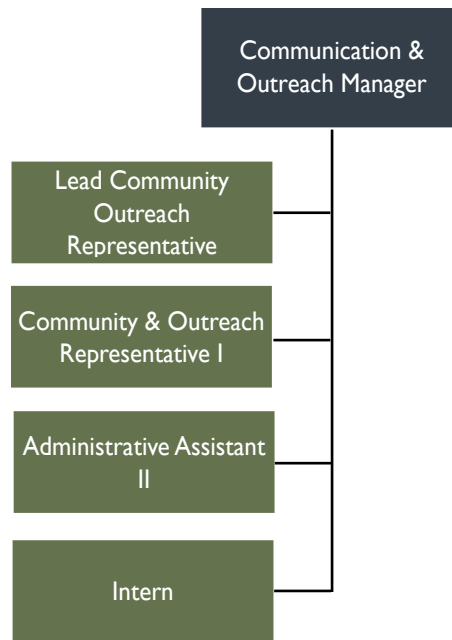


Communications & Outreach

DESCRIPTION OF SERVICES PROVIDED:

Communications & Outreach oversee the strategic communications, community outreach, water conservation outreach, special events, school education programs, and media relations for 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 the customer newsletter the Pipeline, website management, social media outreach, community workshops and tours, community marketing, videos and commercials, and signage on vehicles and billboards. Each of these elements plays a critical role in promoting the District’s strategic vision, mission, and values.

STAFFING:



Position	FY 2017	FY 2018	FY 2019	FY 2020
Communication & Outreach Manager	1.00	1.00	1.00	1.00
Lead Community Outreach Representative	1.00	1.00	1.00	1.00
Community Outreach Representative I	1.50	2.00	2.00	2.00
Administrative Assistant II	1.00	1.00	1.00	1.00
Community Outreach Intern	0.50	0.50	1.00	1.00
Total	5.00	5.50	6.00	6.00

2018 ACCOMPLISHMENTS:

- Completed seven surveys using the FlashVote survey tool. Survey topics included branding, customer communication & information, events & resources, water supply and smart meters.
- Received three Awards of Distinction from the California Association of Public Information Officials for internal and external communications and outreach programs.
- Completed the implementation of the District's first ever Branding Guidelines, including updating all internal and external communication pieces to ensure appropriate logo and tagline, updated logos on all vehicles in the field, and trained staff on brand management.
- Completed the "Your Future, Our Responsibility Campaign", which educated customers on the efforts CVWD takes to ensure high-quality water, reliable service, and long-term planning of our water supplies and system.
- Developed a new monthly Communications and Outreach Report that is shared with the Board monthly. This report provides a summary of current, future and ongoing activities.
- Continued partnerships with the Inland Empire Resource Conservation District, the City of Rancho Cucamonga, and Arrowhead to educate over 1,800 students at the Environmental Learning Center, an increase of nearly 30% over the previous year.
- Represented the District at the 2017 WaterSmart Innovations Conference as a speaker on the topic of the CVWD Parkway Turf Replacement Rebate Program.
- Represented the District at the 2018 California Association of Public Information Officials Conference making two presentations; one on the topic of Two-Way Communication (FlashVote) and Branding Implementation (Branding Guidelines).
- Completed the third year of the CVWD Parkway Turf Replacement Rebate Program, with approximately 50 program participants.
- Hosted the Water Savvy Garden Tour in April 2018 for 130 attendees who visited 15 residential sites throughout the community.

2019 & 2020 GOALS & OBJECTIVES:

1. Water 1B - 2019
 - Coordinate the public outreach for the upcoming water, recycled water and wastewater rate studies.
2. Water 1C - Ongoing
 - Encourage water use efficiency thru the website, social media, and general marketing. Use of example stories, testimonials and how-to's.
3. Water 1C - Ongoing
 - Promote regional residential and commercial rebates.
4. Water 1C - May 2020 and 2022
 - Conduct the Water Savvy Garden Tour and Water Savvy Landscape Contest.
5. Water 1E - Fall 2018
 - Commence an employee job shadowing program between the Communications division and the Customer Service division.
6. Water 2C - Fall 2018
 - Launch new outreach campaign focused on the Value of Water, Part 2 related to the cost of the infrastructure and providing a high quality water supply.
7. Service 1B - Ongoing
 - Use FlashVote to conduct monthly customer surveys in order to enhance two-way customer communication.
8. Service 1B - Ongoing
 - Continue to use social media, including Facebook, Twitter, YouTube and NextDoor, to enhance two-way communication with customers. Add Instagram into the District's social media portfolio in order to

enhance our presence on social media.

9. Service IB - Ongoing

- Fully utilize SharePoint (internal employee website) to further engage employees.

10. Service IB - Ongoing

- Continue to implement the District’s branding guidelines and consider new internal and external branding opportunities.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
Increased participation in the District’s Parkway Turf Removal Rebate Program.	100 rebates	75	100	45	75	75
Increased participation in education programs by teachers and students.	2,500 participants	1,750	2,500	2,000	2,200	2,500
Improved social media presence throughout multiple channels, including increased followers and improved engagement.	Ongoing	737 Facebook followers	1,200 Facebook followers	825 Facebook followers; increased engagement on NextDoor	1,000 Facebook followers; Regular engagement on NextDoor	1,200 Facebook followers; Regular engagement on NextDoor
Customer engagement through FlashVote surveys.	250 survey participants	55 participants	250 participants	1,159 enrolled; 411 participants	1,500 enrolled; 500 participants	2,000 enrolled; 1,000 participants
Increased engagement on a refreshed District website.	Redesign to be completed by September 1, 2017- engagement to increase 25%.	120,000 site visits Website redesign not completed	150,000 site visits	75,000 site visits	100,000 site visits	125,000 site visits
Community Engagement: Increased presence at non-traditional community events, including community group meetings, Chamber of Commerce events, apartment community and HOA meetings	10 events/ presentations	Not applicable	Not applicable	10 events/ presentations	15 events/ presentations	20 events/ presentations

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 396,167	\$ 453,360	\$ 488,191	8%	\$ 508,009	4%
Benefits	213,392	214,267	243,284	14%	262,482	8%
Professional Development	20,578	22,195	22,691	2%	23,440	3%
Professional Services	813	12,000	22,000	83%	12,000	(45%)
Advertisements	20,733	39,025	30,025	(23%)	23,225	(23%)
Personnel Costs	197	200	200	0%	200	0%
Utilities	3,571	3,480	3,000	(14%)	3,000	0%
Materials & Supplies	45,019	33,150	29,600	(11%)	29,800	1%
Outside Services	87,529	124,700	76,050	(39%)	77,950	2%
Safety	107	-	1,000	100%	1,000	0%
Miscellaneous	20,510	49,000	32,000	(35%)	27,000	(16%)
Other - Capital Equipment	-	-	2,000	100%	2,000	0%
Total Operating Expenses	\$ 808,616	\$ 951,377	\$ 950,041	(0%)	\$ 970,106	2%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. Additionally, the division is adding an intern position for both FY 2019 & FY 2020. Most other costs are decreasing as the department is shifting the larger event tours to every other year instead of annually. Another cost saving measure is the ability to design and print materials in-house as opposed to using an outside vendor.



FINANCIAL & TECHNOLOGY SERVICES DEPARTMENT

Financial & Technology Services Administration

DESCRIPTION OF SERVICES PROVIDED:

Financial & Technology Services Administration division coordinates the activities for the department. The Director of Financial and Technology Services 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.

STAFFING:

Position	FY 2017	FY 2018	FY 2019	FY 2020
Assistant General Manager/Chief Financial Officer	1.00	1.00	-	-
Administrative Assistant II	1.00	1.00	-	-
Director of Finance & Technology Services	-	-	1.00	1.00
Total	2.00	2.00	1.00	1.00

Director of Finance & Technology Services

2018 ACCOMPLISHMENTS:

- Completed a long-range financial plan and model.
- Refinanced 2011 Water Refunding Bonds in a transaction that generated over 5% savings in Net Present Value.
- Received a credit rating of AA+ on the Senior Lien and AA on the new debt issuance from Standard & Poor's
- Conducted a competitive proposal process for investment advisors resulting in a favorable contract extension.

2019 & 2020 GOALS & OBJECTIVES:

1. Water IB – December 2018
 - Complete rate studies in each of the major funds: Water, Sewer, and Recycled Water.
2. Service 4A – August 2018
 - Assist in selection of the ERP vendor and in the implementation of the Finance module.
3. Service 4A – December 2018
 - Support the use and leveraging of the recently completed automated meter reading system.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
Delivery of rate study by consultant and presentation to the Board of Directors.	12/11/2018	Not applicable	Not applicable	Not applicable	Board Action	Not applicable
Delivery and acceptance of updated financial model based on new rates. Presentation to Finance Committee and Board of Directors.	06/30/2019	Not applicable	Not applicable	Not applicable	Board Receive and File	Not applicable
Support IT Department in selection of ERP vendor and contract completion.	08/31/2018	Not applicable	Not applicable	Not applicable	Board Action	Not applicable
Support IT, Finance, and Customer Service Depts in implementation of the ERP software modules.	06/30/2019	Not applicable	Not applicable	Not applicable	Finance and HR Modules	Utility Module
Review progress of action plans with team managers.	Ongoing	Not applicable	Ongoing	Ongoing	Ongoing	Ongoing

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 277,520	\$ 282,917	\$ 178,190	(37%)	\$ 190,745	7%
Benefits	153,371	145,288	122,411	(16%)	136,785	12%
Outside Labor	-	10,000	-	(100%)	-	100%
Professional Development	8,837	5,810	11,302	95%	11,422	1%
Professional Services	157,830	107,780	168,980	57%	90,980	(46%)
Advertisements	-	4,000	4,000	0%	-	(100%)
Personnel Costs	643	1,200	400	(67%)	400	0%
Utilities	1,334	1,500	1,300	(13%)	500	(62%)
Materials & Supplies	469	1,400	1,120	(20%)	1,120	0%
Outside Services	-	500	400	(20%)	400	0%
Safety	187	300	300	0%	300	0%
Miscellaneous	273	250	500	100%	500	0%
Other - Capital Equipment	-	1,425	640	(55%)	640	0%
Total Operating Expenses	\$ 600,464	\$ 562,370	\$ 489,543	(13%)	\$ 433,792	(11%)

SIGNIFICANT CHANGES:

The role of the Division of Finance and Technology Services Administration remains unchanged however, wages and benefits have decreased because of staffing changes. The Division will now be under the Director of Financial and Technology Services. This new executive position was created in a reorganization that occurred in the Spring of 2018. The Assistant General Manager / Chief Financial Officer position and the Administrative Assistant position have been moved to the Administrative Services Department to oversee additional divisions.

Professional services costs have increased in fiscal year 2019 due to consulting services for the water rate study and the associated legal fees which are necessary every four years. The professional services costs are then decreased by the same amount in fiscal year 2020.

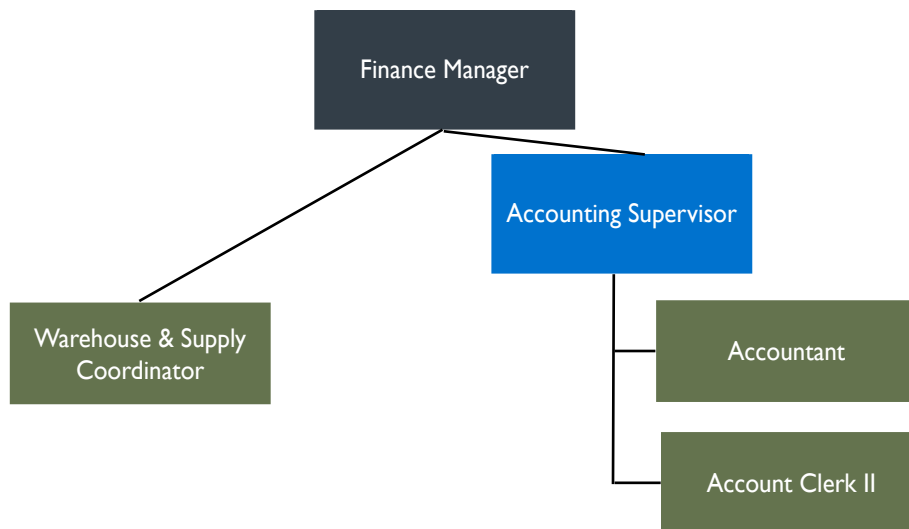
Accounting & Purchasing

DESCRIPTION OF SERVICES PROVIDED:

Accounting 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.

Purchasing and warehouse 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.

STAFFING:



Position	FY 2017	FY 2018	FY 2019	FY 2020
Finance Manager	1.00	1.00	1.00	1.00
Accounting Supervisor	1.00	1.00	1.00	1.00
Senior Accountant	-	1.00	-	-
Accountant	1.00	1.00	1.00	1.00
Account Clerk II	4.00	4.00	4.00	4.00
Finance Intern	0.50	-	-	-
Warehouse & Supply Coordinator	1.00	1.00	1.00	1.00
Total	8.50	9.00	8.00	8.00

2018 ACCOMPLISHMENTS:

- Completed development of Long-Range Financial Plan and Financial Model.
- Completed Budget-Based Water Rate Feasibility Study.
- Assisted with Rating Agency surveillance report
- Updated and reviewed financial policies: Purchasing Policy, Operating Portfolio Investment Policy, PARS Investment Policy, Debt Management Policy, Credits Policy, Employee Travel Policy and Board Member Travel Policy.

2019 & 2020 GOALS & OBJECTIVES:

1. Water 1B - May 2019
 - Prepare rate studies for water, recycled water and wastewater services, resulting in new rates for the next four Fiscal Years from 2020 to 2023.
2. Water 2A - June 2019
 - Update 2-Year Budget document at the one year mid-point.
3. Service 1A - July 2018
 - Develop a PARS funding strategy based on actuarial reports.
4. Service 1B - Ongoing
 - Maximize the usage of paperless ACH payments via an outreach effort with vendors.
5. Service 1B - December 2018
 - Create a CAFR that meets/exceeds GFOA requirements.
6. Water 2D - July 2018
 - Support emergency preparedness efforts with a warehouse inventory stocking strategy.
7. Water 2D - July 2018
 - Maintain a master vendor contact listing for emergency preparedness efforts.
8. Service 1A - Ongoing
 - Efficiently utilize warehouse space by maximizing inventory turnover.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
GFOA Budget Award	Ongoing					
CSMFO Budget Award	Ongoing					
GFOA CAFR Award	Ongoing					
SOP documents current & complete	Ongoing	111	120	149	155	160
Investment Income	Ongoing	\$1,215,055	\$1,312,000	\$1,338,000	\$1,809,900	\$1,830,200
Cash & Cash Equivalent Holdings	Ongoing	\$31,435,655	\$20 Million	\$15.5 Million	\$19 Million	\$24 Million
Actuarial Studies Completed	Ongoing	0	2	3	0	3
EFT % of Payments	Ongoing	14.7%	20.0%	16.1%	16.5%	17.0%
EFT % of Payment \$ Amounts	Ongoing	56.6%	60.0%	63.7%	65.0%	70.0%
Staff hours of Professional Training - Accounting	Ongoing	168	180	179	180	180
CPA's on Staff	Ongoing	4	4	4	4	4
Service Contracts Reviewed		-			-	
Policies Updated		3			3	3
Meetings for Emergency Planning						
Utilization of Purchase Orders	300	280	300	288	300	300
Utilization of Blanket Orders	60	50	60	66	70	70
P-Card Program Purchases	\$ 1 Million	\$ 962,049	\$ 900,000	\$ 930,000	\$ 1 Million	\$ 1 Million
P-Card & Other Rebates	\$ 15,000	\$ 14,598	\$ 15,000	\$ 14,745	\$ 15,000	\$ 15,000
Hours of Professional Training - Purchasing	80	76	78	81	80	80
Inventory Turnover Ratio	.70	.78	.80	.58	.75	.75

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 700,346	\$ 748,645	\$ 658,707	(12%)	\$ 651,192	(1%)
Benefits	393,503	355,073	300,529	(15%)	301,848	0%
Outside Labor	-	25,000	-	(100%)	-	0%
Professional Development	13,990	17,215	24,465	42%	24,565	0%
Professional Services	66,016	80,831	83,930	4%	100,090	19%
Advertisements	100	300	300	0%	300	0%
Personnel Costs	19	200	300	50%	300	0%
Collections	52,554	82,000	82,000	0%	82,000	0%
Utilities	1,735	1,320	1,500	14%	1,400	(7%)
Materials & Supplies	3,189	7,100	7,900	11%	8,100	3%
Outside Services	32,737	32,800	35,600	9%	35,600	0%
Safety	1,577	1,600	2,000	25%	2,000	0%
Miscellaneous	304,443	392,000	400,000	2%	395,000	(1%)
Total Operating Expenses	\$ 1,570,209	\$ 1,744,084	\$ 1,597,231	(8%)	\$ 1,602,395	0%

SIGNIFICANT CHANGES:

The Accounting Division added an accountant to the staff in 2018 but expects there to be a vacancy in the Senior Accountant position in 2019 that will remain unfilled due to the reorganization in spring of 2018. This reduction in staffing levels will reduce the wages and benefits cost in 2019 by approximately \$126,000. Wages and benefits are projected to be reduced further in 2020 due to a retirement. Temporary labor will be eliminated in 2019 resulting in savings of \$25,000. Outside Services costs are expected to rise in 2020 due to consulting fees that will be associated with the ERP software conversion project.

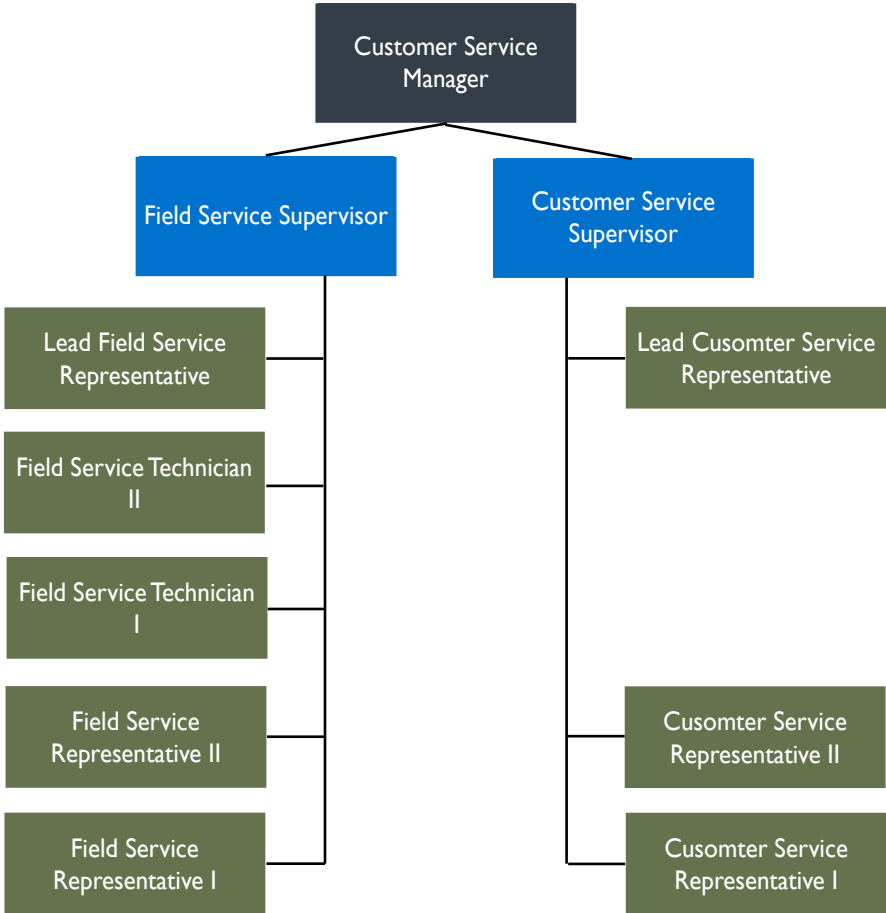


Customer Service

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 Fixed Network (FN) meter 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. We also assist our customers with the programming of their sprinkler timers to further assist in water efficiency. These services help us to be proactive and provide Service Beyond Expectation.

STAFFING:



Position	FY 2017	FY 2018	FY 2019	FY 2020
Customer Service Manager	1.00	1.00	1.00	1.00
Customer Service Supervisor	1.00	1.00	1.00	1.00
Lead Customer Service Representative	1.00	1.00	1.00	1.00
Customer Service Representative II	5.00	4.00	2.00	2.00
Customer Service Representative I	1.50	2.50	4.50	4.50
Field Service Supervisor	1.00	1.00	1.00	1.00
Lead Field Service Technician	-	-	1.00	1.00
Field Service Technician II	1.00	1.00	1.00	1.00
Field Service Technician I	-	3.00	2.00	2.00
Field Service Representative II	6.00	5.00	3.00	3.00
Field Service Representative I	2.00	-	2.00	2.00
Total	19.50	19.50	19.50	19.50

2018 ACCOMPLISHMENTS:

- Fixed Network and Meter Exchange Project – all meters and endpoints have been installed.
- Developed new utility statement design & selected new utility bill print provider.
- Completed upgrade to District’s over-the-phone IVR system with phone number look-up capability.
- Implemented cash counting procedures at the counter
- Implemented Customer Service welcome letter
- Trained Field Service staff on reprogramming sprinkler timers and leak detection

2019 & 2020 GOALS & OBJECTIVES:

1. Water ID - Ongoing
 - Continue to utilize District’s leak detection equipment to assist customers in locating leaks.
2. Water ID - May 2019
 - Develop residential “large user” outreach program and offer water audits.
3. Water ID - December 2018
 - Utilize the Fixed Network System and related customer interface technology to assist customers with water use efficiency.
4. Water IE - January 2019
 - Commence an employee cross training program with other divisions/departments.
5. Service IB - October 2018
 - Implement the automated payment extension module for the IVR phone system.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
Call monitoring and consistent coaching through one-on-one meetings with staff.	On going	96 meetings & 300 calls screened per year	96 meetings & 300 calls screened per year	96 meetings & 300 calls screened per year	96 meetings & 300 calls screened per year	96 meetings & 300 calls screened per year
Work with Engineering and I.T. to ensure completion of the FN infrastructure and Customer Service Portal.	January 2020	95% Complete	Project Completion	95% Complete	95% Complete	Project Complete
Continue identifying leaks in conjunction with the WWP.	On Going	750 leaks saving of 100 AF (32.5 million gallons)	1,150 leaks saving 149 AF (48 million gallons)	1,150 leaks saving 149 AF (48 million gallons)	1,341 Leaks savings 174 AF(56 Million gallons)	1,532 Leaks savings 199 AF(64 Million gallons)
Verify that newly trained staff can process utility billing independently. Continue to check in with staff's progress.	On Going	Three out of the four participating	Four out of the four participating	Fully trained	Project Complete	Project Complete
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	Five of the eight staff have taken classes	All staff will attend classes, a total of eight	All staff will attend classes, a total of eight	All staff will attend classes, a total of eight	All staff will attend classes, a total of eight
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.	March 19, 2018	Complete	Go live by January 31st 2018	Project Complete	Project Complete	Project Complete

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 1,256,645	\$ 1,328,975	\$ 1,312,190	(1%)	\$ 1,371,700	5%
Benefits	755,651	692,807	614,614	(11%)	665,530	8%
Outside Labor	98,869	75,000	63,750	(15%)	63,750	0%
Professional Development	10,658	13,700	18,700	36%	16,700	(11%)
Professional Services	1,901	2,500	2,500	0%	2,500	0%
Personnel Costs	608	800	800	0%	800	0%
Utilities	25,565	27,320	14,900	(45%)	14,900	0%
Materials & Supplies	243,732	238,223	251,125	5%	251,650	0%
Outside Services	23,265	27,620	28,150	2%	28,150	0%
Safety	11,662	9,700	12,300	27%	12,300	0%
Miscellaneous	201	200	200	0%	200	0%
Other - Capital Equipment	7,222	11,500	16,000	39%	12,000	(25%)
Total Operating Expenses	\$ 2,435,979	\$ 2,428,345	\$ 2,335,229	(4%)	\$ 2,440,180	4%

SIGNIFICANT CHANGES:

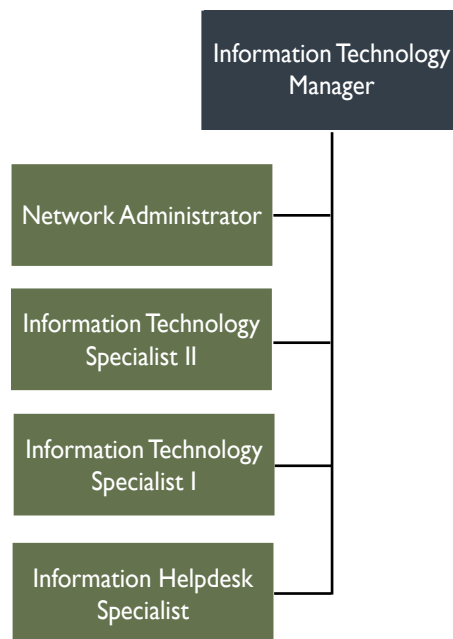
Wages have increased due to the COLA, but benefits have decreased due to employees retiring and being replaced by new employees who are at a lower benefit tier for CalPERS. All other costs remain comparable.

Information Technology

DESCRIPTION OF SERVICES PROVIDED:

Information Technology (IT) 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 2017, the IT Help Desk received approximately 191 tickets per month.

STAFFING:



Position	FY 2017	FY 2018	FY 2019	FY 2020
Information Technology Manager	1.00	1.00	1.00	1.00
Network Administrator	1.00	1.00	1.00	1.00
Information Technology Specialist II	1.00	1.00	1.00	1.00
Information Technology Specialist I	1.00	1.00	1.00	1.00
Information Helpdesk Specialist	1.00	1.00	1.00	1.00
Total	5.00	5.00	5.00	5.00

2018 ACCOMPLISHMENTS:

- Enterprise Resource and Planning Software upgrade research - IT completed 20 workshops and released RFP in November, 2017. We also completed two, 3-day vendor software demonstrations in March 2018. We will select an ERP software vendor by the end of FY2018.
- District's telephone system upgrade – IT replaced the outdated Nortel Telephone System with a new Avaya Voice on IP (VOIP) system and also replaced all telephone sets with the touch screen VOIP desk phones.
- Frontier Project Technology Gallery AV Equipment Upgrade - IT upgraded the audio-video hardware and software in Technology Gallery, including a new laser projector, a Supernova 135” HD screen, four 60” TV displays, and a new AV control software with mobile App click-share.
- Fixed Network Project - FDM interface has been completed and now we are working on System Analytics with ITRON and Superior. Customer Service will be able to provide up-to-date water consumption data to our customers over the phone or through web interface.
- Billing Statement Redesign – IT worked with Customer Service and Communication Outreach to redesign the utility billing statement. The new statement is easier to read for enhanced customer service. This project was completed in March 2018.
- Intranet Redesign - Launched the District's new Intranet site via Microsoft SharePoint.
- Email Server upgrade – Microsoft Exchange 2016 server upgrade has been completed. This upgrade not only resolved mailbox sync issues for iOS mobile device users but also allowed IT to roll out Microsoft Office 2016 for all users.
- Boardroom TVWall Upgrade - This upgrade project eliminated the existing Boardroom projector and screen. IT worked with vendor's team to install a 3x3 high resolution video wall with a small bezel of 11mm total and an overall screen size of 138”. The new video wall is modern, high resolution, and much brighter compared to the out-dated projection system.

2019 & 2020 GOALS & OBJECTIVES:

1. Water 1D - December 2018
 - Utilize the Fixed Network System and related customer interface technology to assist customers with water use efficiency. I.T. will continue to work on System Analytics upgrade and Water Smart program with ITRON and Superior.
2. Water 2D - March 2018 and 2019
 - Select new ERP software and budget for Phase 1 upgrade and implementation. Phase 1 upgrade will be the Finance Module upgrade and data conversion (from AS400 database to Microsoft SQL database). Phase 2 will upgrade the HR and Utility modules. IT is planning to complete this project in two and a half years.
3. Service 1A - Ongoing
 - Provide ongoing technical services and training to employees. IT Help Desk is expected to receive more. The FY2017 actual total requests were 2,369 and the estimate for FY2018 is 2,450. We are expecting to receive 2,500 Help Desk requests in FY2019 and 2,600 requests in FY2020.
4. Service 1B - Ongoing
 - IT has regularly upgraded technologies including: ERP software, VOIP telephone system, A/V equipment, SharePoint, Office 2016, and mobile devices.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
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	2,369	2,500	2,450	2,500	2,600
Data center total data size	Ongoing	38TB	40TB	39TB	42TB	45TB
Total internet bandwidth	Ongoing	130MB	150MB	150MB	500MB	1GB
ERP Enterprise Software Research and Upgrade	Complete phase I ERP upgrade in FY 2019	Workshops have been completed	Release RFP, select ERP vendor, and budget for Phase one	RFP has been released, software demos are completed. Requesting CIP budget	Phase I upgrade – Finance Module upgrade and data conversion	Phase 2 upgrade – HR Module and Utility CIS Module upgrade
Microsoft SharePoint Intranet upgrade & roll out Microsoft Office 2016	New Intranet & ongoing software upgrade	New Intranet & complete Microsoft Assurance renewal CIP	Continue to add new Intranet features & roll out Microsoft Office 2016	MS Exchange 2016 server upgrade is completed. Roll out Microsoft Office 2016 by the end of 2018	New ERP software will be integrated with Microsoft SharePoint	Planning to integrate more District services with Microsoft SharePoint
VOIP telephone system, Frontier Project audio visual equipment upgrade, and Dell Blade System upgrades	Ongoing	CIP budget has been approved	Implementation	Telephone system upgrade project has been completed	Frontier Project audio visual equipment upgrade is in progress	Ongoing technology upgrades
Network Security Vulnerability Assessment	Safe and secure network environment	CIP budget has been approved	Implementation	Formal quotes and SOW	Implementation	Not Applicable

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 478,238	\$ 503,470	\$ 535,584	6%	\$ 551,606	3%
Benefits	264,561	229,226	244,958	7%	264,033	8%
Professional Development	33,214	42,200	44,100	5%	44,600	1%
Personnel Costs	111	200	200	0%	200	0%
Utilities	73,948	83,420	105,820	27%	106,020	0%
Materials & Supplies	95,302	97,150	110,600	14%	104,450	(6%)
Outside Services	840,726	784,640	809,130	3%	830,280	3%
Safety	417	780	800	3%	800	0%
Miscellaneous	140	400	400	0%	400	0%
Other - Capital Equipment	340	800	800	0%	800	0%
Total Operating Expenses	\$ 1,786,997	\$ 1,742,286	\$ 1,852,392	6%	\$ 1,903,189	3%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. The utilities cost category increased as the cost of the fixed network data plan was transferred from Customer Service to Information Technology. Outside services cost increased due to demands for increased bandwidth to support online services and other software needs.



GENERAL SERVICES DEPARTMENT



General Services Administration

DESCRIPTION OF SERVICES PROVIDED:

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

STAFFING/ACCOMPLISHMENTS/GOALS/PERFORMANCE MEASURES:

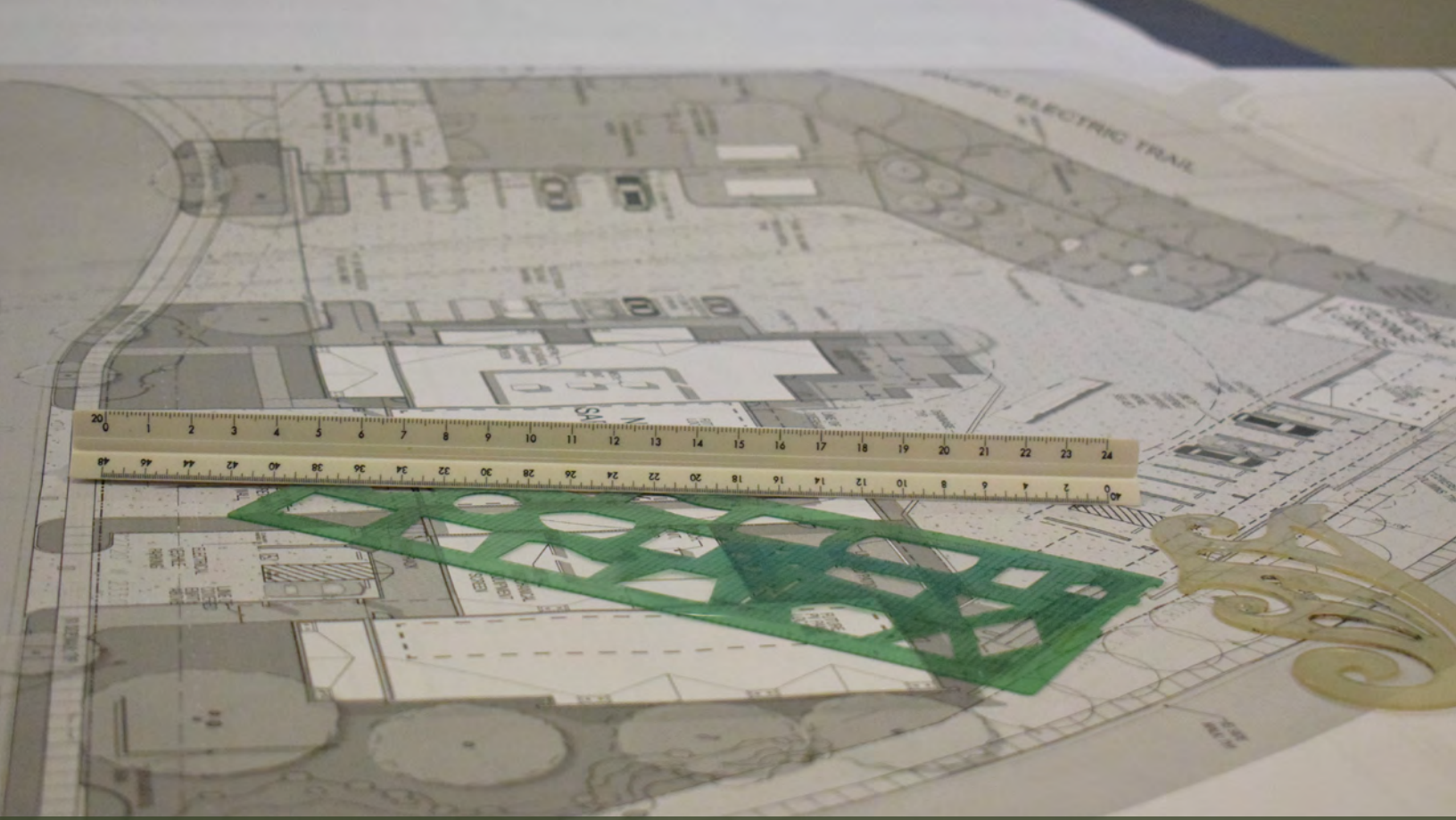
This department does not have any staffing allocated to it and only accounts for District-wide expenses; therefore, these items have not been listed.

OPERATING EXPENSES:

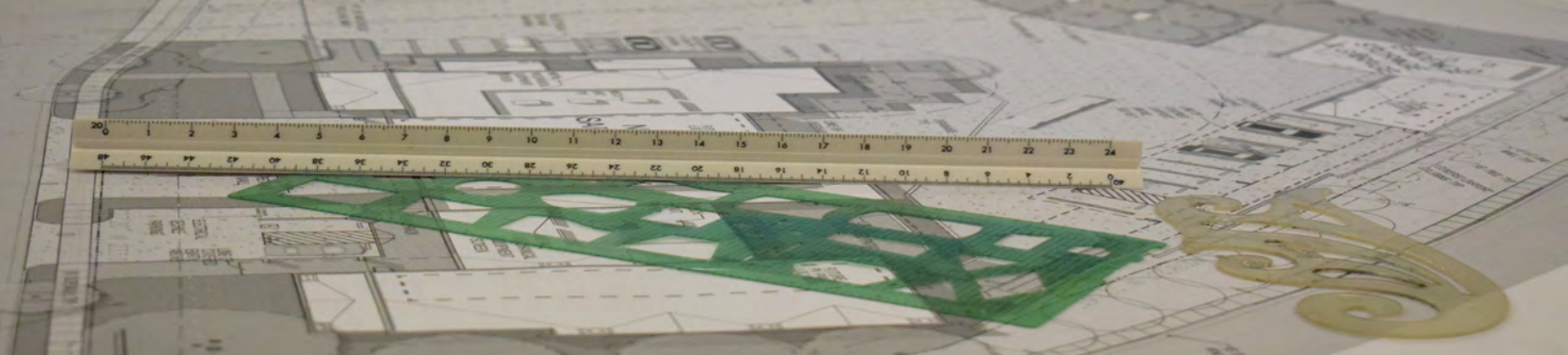
	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Professional Development	\$ 52,755	\$ 49,076	\$ 53,701	9%	\$ 55,876	4%
Professional Services	35,818	35,000	35,000	0%	35,000	0%
Personnel Costs	39,291	1,500	1,500	0%	1,500	0%
Utilities	212,046	234,900	209,540	(11%)	215,370	3%
Materials & Supplies	31,472	73,152	74,535	2%	40,070	(46%)
Outside Services	1,081	26,000	32,000	23%	2,000	(94%)
Miscellaneous	(9,348)	4,615	5,085	10%	5,185	2%
Other - Capital Equipment	-	4,000	3,000	(25%)	3,500	17%
Total Operating Expenses	\$ 363,115	\$ 428,243	\$ 414,361	(3%)	\$ 358,501	(13%)

SIGNIFICANT CHANGES:

Materials & Supplies and Outside Services are both higher in 2019 to pay for the Proposition 218 notice printing and mailing costs, but then removed in 2020. The cost of utilities have been reduced by changing providers of telephone services.



ENGINEERING DEPARTMENT



Engineering

DESCRIPTION OF SERVICES PROVIDED:

ENGINEERING ADMINISTRATION

This division coordinates the tasks and activities for the department and its staff. An Assistant General Manager (AGM) and the Director of Engineering Services oversee the management of capital improvement projects, water resource management, the District's Master Plans for water, sewer, recycled water, and water supplies, and all engineering and planning work. The AGM and Director actively participate in regional water and wastewater planning committees. The AGM also oversees the Operations Department and therefore allocates his efforts evenly between the Engineering and the Operations Departments, respectively.

WATER RESOURCES AND PLANNING

This division falls primarily under the purview of the AGM and Director of Engineering Services with the general support of department staff. The division 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.

DESIGN AND CONSTRUCTION

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.

GEOGRAPHIC INFORMATION SYSTEMS

This division is responsible for coordination and participation 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 helpful reporting tool and has asset management capabilities.

DEVELOPMENT

This division 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.

INSPECTION

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

CROSS CONNECTION

This division ensures compliance by commercial and industrial customers of 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.

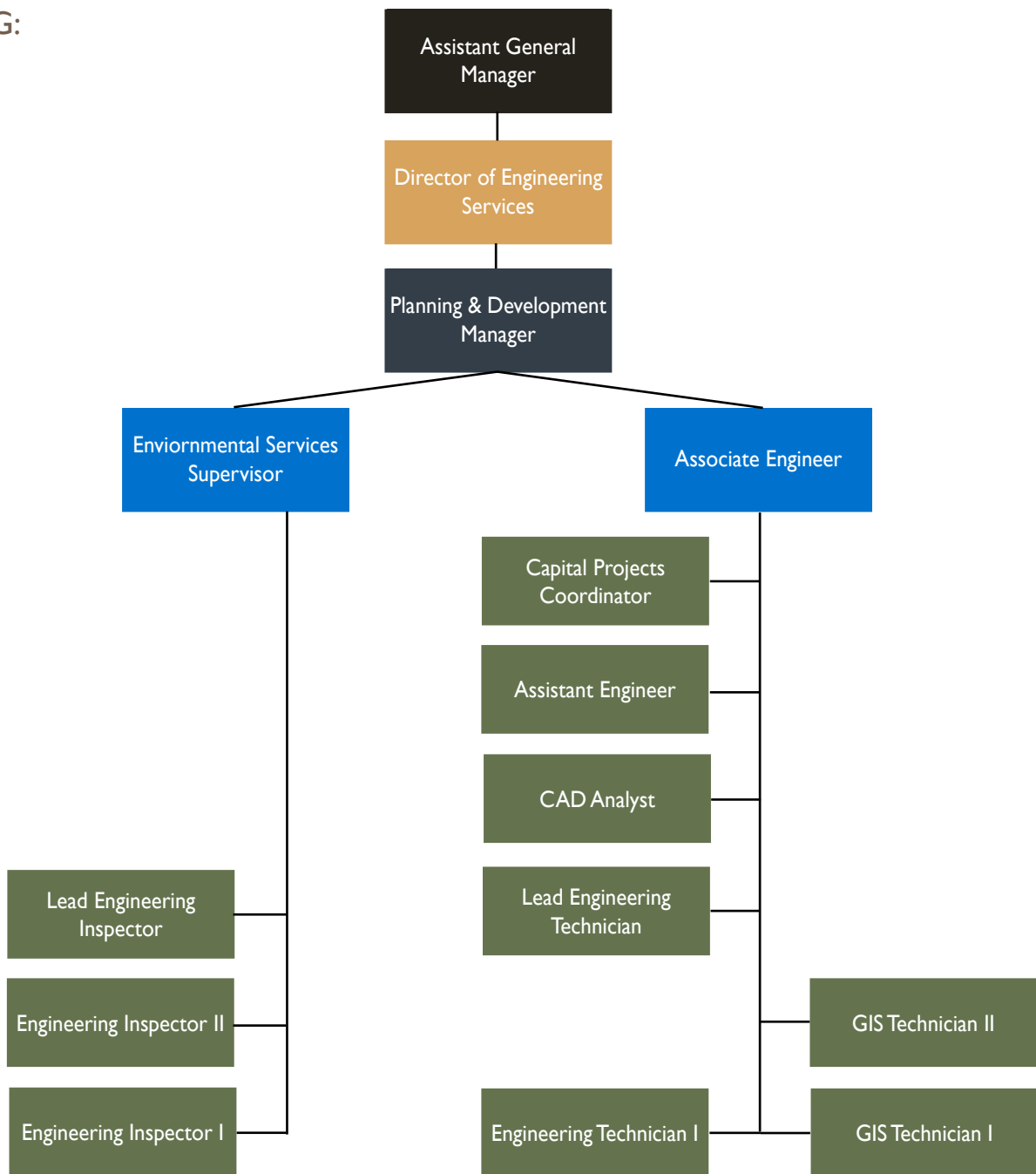
RECYCLED WATER

This division is responsible for converting customers from domestic water use to recycled water use when requested. The division also proactively seeks customers that would benefit from conversion to recycle water and assists in finding grants to help with the expenses of conversion. The division also implements a routine annual inspection of all recycled water services to ensure that no cross connections exist between the recycled water and domestic water systems. The division ensures compliance with Titles 17 and 22 of the State of California and the District's own municipal code that govern all aspects of Recycled Water, including the preparation of engineering reports that are submitted to the California Division of Drinking Water for all direct use services.

INDUSTRIAL WASTE

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.

STAFFING:



Position	FY 2017	FY 2018	FY 2019	FY 2020
Assistant General Manager	0.50	0.50	0.50	0.50
Administrative Assistant II	1.00	1.00	1.00	1.00
Director of Engineering Services	-	-	1.00	1.00
GIS Technician II	1.00	1.00	1.00	1.00
GIS Technician I	-	1.00	1.00	1.00
GIS Analyst	1.00	-	-	-
Planning & Development Manager	1.00	1.00	1.00	1.00
Design & Construction Manager	1.00	1.00	-	-
Capital Projects Coordinator	1.00	1.00	1.00	1.00
Associate Engineer	2.00	2.00	3.00	3.00
Assistant Engineer	2.00	2.00	1.00	1.00
CAD Analyst	1.00	1.00	1.00	1.00
Lead Engineering Technician	2.00	2.00	2.00	2.00
Engineering Technician I	1.00	1.00	1.00	1.00
Engineering Intern	0.50	0.50	0.50	0.50
Recycled Water Coordinator	1.00	1.00	-	-
Environmental Services Supervisor	-	-	1.00	1.00
Lead Engineering Inspector	1.00	1.00	1.00	1.00
Engineering Inspector II	3.00	3.00	3.00	3.00
Engineering Inspector I	-	-	1.00	1.00
Cross-Connection Coordinator	1.00	1.00	-	-
Total	21.00	21.00	21.00	21.00

2018 ACCOMPLISHMENTS:

- Completed construction of Well 48 in the Chino Groundwater Basin.
- Completed procurement and design of the Well Field 3A Nitrate Treatment Plant and Reservoir 3A Replacement.
- Submitted application for California Proposition 1 grant funding towards the nitrate treatment at Well Field 3A. State accepted the application and offered \$2 million in matching funds towards project.
- Completed chlorine building replacement project at Reservoir 3.
- Completed the oversight of the construction of three 60-foot towers at production sites for the radio transmission of facility telemetry.
- Completed reservoir mixing system conduits for power and chemical at various reservoirs.
- Updated the District's service area boundary to conform to LAFCO boundaries.

2019 & 2020 GOALS & OBJECTIVES:

1. Water IA - July 2018
 - Complete the transmission main for and equipping of Well 48 (Chino Basin).
2. Water IA - July 2019
 - Expand opportunities to increase direct use of recycled water. Convert 105 AFY of Village of Heritage irrigation (Fontana) to recycled water.
3. Water IA - December 2019
 - Deliver a groundwater treatment project at Well Field 3A to address nitrate contamination.

4. Water 1E - December 2019
 - Collaboration among various departments to deliver the Reservoir 3A Nitrate Treatment & Reservoir project.
5. Water 2A - December 2018
 - Develop the Recycled Water and Sewer System Management Plans.
6. Water 2D - December 2018
 - Water/Sewer Maintenance teams to collaborate with GIS to identify whether to upgrade/replace existing computerized maintenance management software.
7. Service 1B - Ongoing
 - Collaborate with developers to assist and expedite their projects.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
Record drawings scanned and drafted	Annually	250	250	250	250	250
Maintain, update and print water and sewer atlas pages	Annually	W Atlas-275 S Atlas-251	W Atlas-275 S Atlas-251	W Atlas-275 S Atlas-251	W Atlas-275 S Atlas-251	W Atlas-275 S Atlas-251
Design and construct water distribution pipeline in linear feet	Continual	6,512	6,800	6,800	6000	6000
Design and construct gravity sewer main to replace existing siphons	Continual	-	2	-	1	1
Design and construct wellhead treatment plant and reservoir at 3A (multi-year project)	December 2019	-	Award contract	-	0.5	0.5
Water Capacity Fee Collected	\$2,000,000	\$,615,229	\$2,307,875	\$1,321,761	\$4,102,451	\$4,209,951
Sewer Capacity Fee Collected	\$200,000	\$588,486	\$875,000	\$372,934	\$1,209,000	\$1,130,000
Tenant Improvements Plan Checked	80	122	100	100	100	100
Construction daily reports	500	500	500	500	500	500
Food Service Establishment Permits Issued	125	122	125	125	125	125
Food Service Establishment Inspections	650	606	650	600	650	650
Industrial User Sampling	36	36	36	36	36	36
Inspection of New Services	25	20	25	35	45	55
Monitoring of annual backflow testing	5,490	5,475	5,490	5,500	5,510	5,520
Testing and repair of District backflow devices	100	100	100	100	100	100

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 810,358	\$ 2,108,395	\$ 2,078,851	(1%)	\$ 2,183,189	5%
Benefits	523,142	1,084,461	1,217,835	12%	1,326,060	9%
Outside Labor	10,400	-	-	100%	-	100%
Professional Development	37,927	68,800	71,720	4%	72,620	1%
Professional Services	129,048	51,680	61,680	19%	55,280	(10%)
Personnel Costs	749	1,600	1,600	0%	1,600	0%
Utilities	12,542	19,610	20,310	4%	17,010	(16%)
Materials & Supplies	39,166	52,750	52,850	0%	52,750	(0%)
Outside Services	2,028	32,500	33,000	2%	32,500	(2%)
Safety	5,109	8,050	7,150	(11%)	7,150	0%
Miscellaneous	6,887	6,600	6,600	0%	6,600	0%
Other - Capital Equipment	560	6,050	6,050	0%	6,050	0%
Total Operating Expenses	\$ 1,577,916	\$ 3,440,496	\$ 3,557,646	3%	\$ 3,760,809	6%

SIGNIFICANT CHANGES:

Wages and benefits decrease in FY 2019 due to employee retirements in FY 2018, but increased due to the COLA and the increased cost of retirement obligations in FY 2020. FY 2017 actuals for Wages and benefits are much lower than FY 2018 - 2020 budget as the actuals remove capitalized labor as an expense for the CAFR presentation. All other costs are comparable.



OPERATIONS

OPERATIONS DEPARTMENT

OPERATIONS

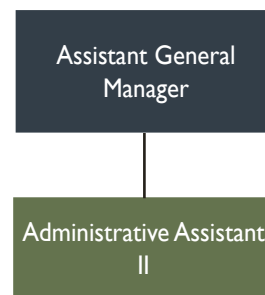
Operations Administration

DESCRIPTION OF SERVICES PROVIDED:

This division provides leadership and coordination for the activities of the Operations department. The department is under leadership of the Assistant General Manager who oversees the management of Collection and Transmission, Facilities Maintenance, Vehicle Maintenance, Production and Telemetry, Water Distribution, and Water Treatment. The AGM actively participates in regional water and wastewater planning committees. The AGM allocates his efforts evenly between the Operations Department and the Engineering Department.

STAFFING:

Position	FY 2017	FY 2018	FY 2019	FY 2020
Assistant General Manager	0.50	0.50	0.50	0.50
Administrative Assistant II	1.00	1.00	1.00	1.00
Total	1.50	1.50	1.50	1.50



2018 ACCOMPLISHMENTS:

- Coordinated the organizational goal-setting and action plan development which was presented to the Board of Directors on January 30, 2018
- Completed and submitted the following annual reports to the State of California:
 - A. State of California Division of Drinking Water
 - B. Notice of Groundwater Extraction
 - C. San Bernardino County Fire Department Hazardous Materials Divisions
- Submitted applications for Private Water Source Operator Licenses:
 - D. Buckthorn Springs
 - E. Tunnel A

2019 & 2020 GOALS & OBJECTIVES:

1. Water IE – Ongoing
 - Continue the collaboration between the Engineering and Operations Departments; streamline communication and efficiency of department activities
2. Water 3 A - Ongoing
 - Expand Board and General Manager/CEO support role through attendance at stakeholder and advocacy meetings and events
3. People 2 - October 2018
 - Develop a goal and action plan tracking system to strengthen accountability and effectiveness

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 173,126	\$ 178,034	\$ 185,367	4%	\$ 191,016	3%
Benefits	101,478	102,970	126,254	23%	136,136	8%
Professional Development	131	1,700	1,750	3%	1,800	3%
Professional Services	11,200	7,000	7,000	0%	7,000	0%
Materials & Supplies	796	1,700	1,750	3%	1,775	1%
Safety	164	150	200	33%	175	(13%)
Miscellaneous	1,611	6,000	6,000	0%	6,000	0%
Total Operating Expenses	\$ 288,506	\$ 297,554	\$ 328,321	10%	\$ 343,902	5%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations.

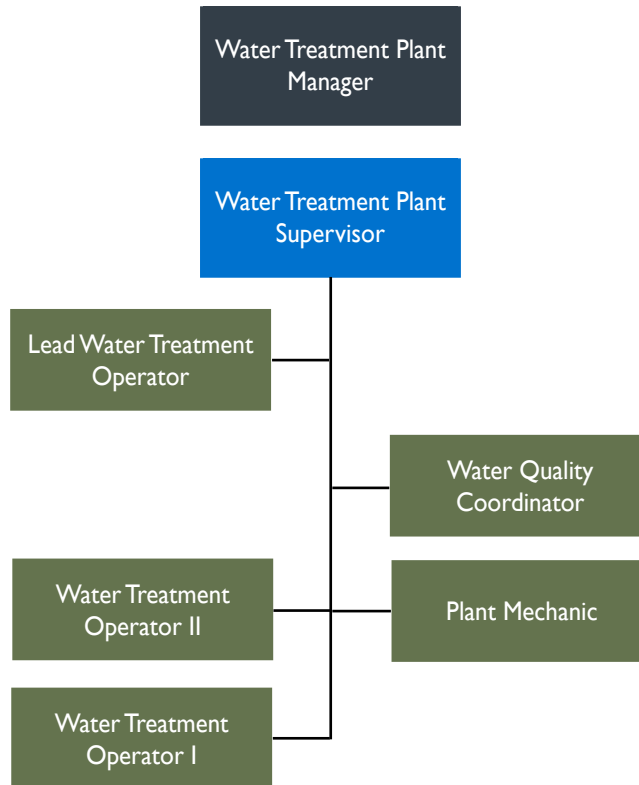


Water Treatment

DESCRIPTION OF SERVICES PROVIDED:

Water Treatment 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.

STAFFING:



Position	FY 2017	FY 2018	FY 2019	FY 2020
Water Treatment Plant Manager	1.00	1.00	1.00	1.00
Water Quality Coordinator	1.00	1.00	1.00	1.00
Water Treatment Plant Supervisor	1.00	1.00	1.00	1.00
Lead Water Treatment Operator	2.00	3.00	3.00	3.00
Water Treatment Operator II	6.00	6.00	6.00	6.00
Water Treatment Operator I	3.00	2.00	2.00	2.00
Plant Mechanic	1.00	1.00	1.00	1.00
Total	15.00	15.00	15.00	15.00

2018 ACCOMPLISHMENTS:

- Completed State Water Board Division of Drinking Water District-wide Sanitary Survey.
- Planned, procured, implemented and optimized the Granular Activated Carbon operations at the Lloyd W. Michael WTP.

2019 & 2020 GOALS & OBJECTIVES:

1. Water IA - Ongoing
 - Implement water exchange agreements to maximize District water resource assets.
2. Water IE - Ongoing
 - Treatment and water operations staff communicate to adjust operations based on real-time system demands, limitations and production goals.
3. Water IE - September 2019
 - Collaborate on Reservoir 3A Nitrate Treatment & Reservoir project.
4. Water 2B - Ongoing
 - Ensure compliance with current regulations and implement measures necessary to maximize local water resources.
5. Water 2D - December 2018
 - Implement asset management software for water treatment facilities and equipment. Collaborate with Treatment team to design, install and commission.
6. Service 2B - August 2018
 - Maintain efficient water treatment plants using a computerized maintenance management system.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
Water quality - Percentage of days/year goal is met	Ongoing	100%	100%	100%	100%	100%
Compliance with federal and state regulations - Percentage of days/year goal is met	Ongoing	100%	100%	100%	100%	100%
Total acre feet of local surface water produced	Ongoing	2,448 AF	4,200 AF	2,500 AF	2,500 AF	2,500 AF
Total acre feet of imported surface water produced	Ongoing	15,197 AF	28,000 AF	30,500	30,500	30,500

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 1,391,522	\$ 1,472,496	\$ 1,448,950	(2%)	\$ 1,540,750	6%
Benefits	841,756	773,187	778,788	1%	846,338	9%
Professional Development	10,599	13,050	16,270	25%	15,850	(3%)
Advertisements	156	-	-	100%	-	100%
Utilities	263,493	258,550	281,370	9%	289,370	3%
Materials & Supplies	687,944	2,736,650	2,743,950	0%	2,774,050	1%
Outside Services	309,373	466,270	456,960	(2%)	524,440	15%
Safety	25,276	24,400	14,800	(39%)	15,100	2%
Miscellaneous	2,615	5,200	4,530	(13%)	4,530	0%
Other - Capital Equipment	37,209	21,100	21,100	0%	21,200	0%
Total Operating Expenses	\$ 3,569,943	\$ 5,770,903	\$ 5,766,718	(0%)	\$ 6,031,628	5%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. Water resources management and water quality are core to the Treatment Division's most fundamental goals and objectives. The District will continue to utilize its allocation of imported surface water while maximizing its local water resources. This strategy increases direct costs associated with water treatment, particularly treatment chemical and Granular Activated Carbon expenses. These increased expenses are partially offset by revenues generated from water resource agreements. The other area to note is water quality analyses and monitoring. Compliance with new and existing federal and state regulations continues to require additional, enhanced monitoring and analytical methods which results in higher costs for contract laboratory expenses.



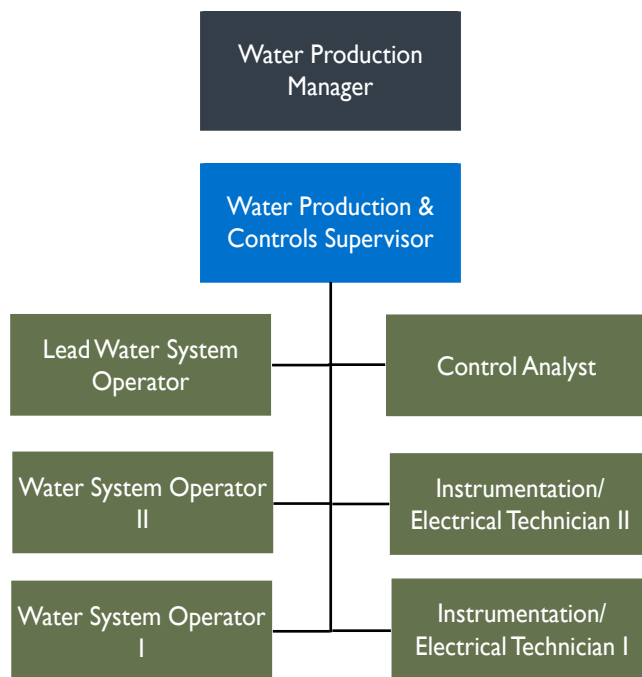
Production & Telemetry

DESCRIPTION OF SERVICES PROVIDED:

Production’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.

Telemetry’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 voltage 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.

STAFFING:



Position	FY 2017	FY 2018	FY 2019	FY 2020
Water Production Manager	1.00	1.00	1.00	1.00
Water Production & Controls Supervisor	1.00	1.00	1.00	1.00
Lead Water System Operator	1.00	1.00	1.00	1.00
Water System Operator II	3.00	3.00	2.00	2.00
Water System Operator I	-	-	1.00	1.00
Controls Analyst	1.00	1.00	1.00	1.00
Instrumentation/Electrical Technician II	2.00	2.00	1.00	1.00
Instrumentation/Electrical Technician I	-	-	1.00	1.00
Total	9.00	9.00	9.00	9.00

2018 ACCOMPLISHMENTS:

- Increased the efficiency of water production and delivery by utilizing power monitoring equipment resulting in a decrease in overall power costs per acre foot of water by approximately 55 dollars an acre foot.

2019 & 2020 GOALS & OBJECTIVES:

1. Water 1A - Ongoing
 - Develop annual resource management strategy for production targets for groundwater, imported water and energy use.
2. Water 1D - 2020
 - Transition landscape at production facilities to demonstrate efficient water use practices.
3. Water 1E - Ongoing
 - Treatment and water operations staff communicate to adjust operations based on real-time system demands, limitations and production goals.
4. Water 2A - Ongoing
 - Assess and develop asset management programs for reservoirs, pressure regulating valves, electrical, controls and instrumentation.
5. Water 2D - December 2018
 - Implement asset management software for production and telemetry equipment. Collaborate with Treatment team to design, install and commission.
6. Water 2D - 2020
 - Implement an energy resource management software (currently working with UCR).
7. Water 3C - Ongoing
 - Continue to maintain a productive working relationship and open communications with the District's assigned Water Resource Control Board Engineer.
8. Service 1B - Ongoing
 - Provide technical training in the areas of: Cla-Val operations, industrial networking, programmable logic controllers, electrical safety, water treatment and water distribution.
9. Service 1B - Ongoing
 - Explore partnership with Chaffey College Industrial Electrical Technology (Intech).
10. Service 2 - Ongoing
 - Continue the implementation of preventative maintenance programs in order to improve mechanical reliability for wells, reservoirs, booster stations, and pressure regulating valves.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
Installation of both power and water production meters on each pump	Ongoing	41 Power Meters, 10 Flow Meters	10 Booster Flow Meters	10 Booster Flow Meters	41 Booster Flow Meters	100%
20 Well Flow Meters	14 Booster Flow meters	100%	100%	100%	100%	100%
9 Well Flow Meters	Ongoing	2,448 AF	4,200 AF	2,500 AF	2,500 AF	2,500 AF
Total annual cost spent on disinfection systems	Ongoing	\$130,400	\$122,000	\$120,000	\$120,000	\$120,000
Decrease the number of motor replacements	Ongoing	0	1	1	1	1
Maintain overall cost per AF - Wells	Ongoing	\$115	\$115	\$124	\$135	\$145
Maintain overall cost per AF - Boosters	Ongoing	\$47	\$47	\$50	\$55	\$60
Increase certification/ education minimum T2, D2, and Electrical Certification Grade 2, and electrical certification	Ongoing	5	3	6	8	8

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 834,409	\$ 911,031	\$ 871,316	(4%)	\$ 915,041	5%
Benefits	509,993	467,638	476,927	2%	517,630	9%
Outside Labor	14,352	-	-	100%	-	100%
Professional Development	14,402	23,810	21,540	(10%)	24,540	14%
Professional Services	27,697	26,000	26,000	0%	26,000	0%
Utilities	5,076,038	4,339,861	4,589,328	6%	4,894,897	7%
Materials & Supplies	337,472	353,090	358,330	1%	362,044	1%
Outside Services	195,662	235,320	282,006	20%	289,226	3%
Safety	9,075	11,600	19,700	70%	20,100	2%
Miscellaneous	43,649	29,400	38,000	29%	38,000	0%
Other - Capital Equipment	10,698	16,000	16,000	0%	16,000	0%
Total Operating Expenses	\$ 7,073,447	\$ 6,413,750	\$ 6,699,147	4%	\$ 7,103,478	6%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. Utilities cost have increased due to the increased cost of electricity. Outside Services are anticipated to increase to allow staff to contract with a vendor to assist with the control system network development and maintenance.

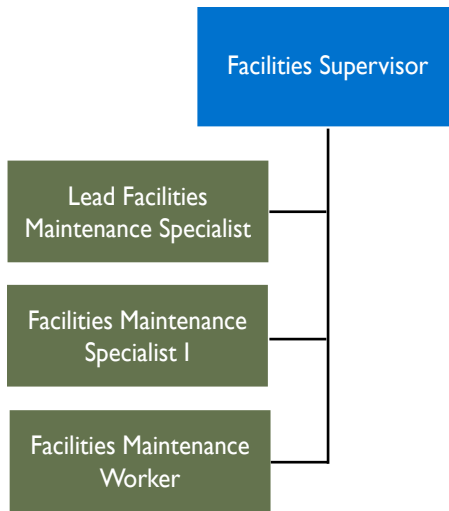


Facilities

DESCRIPTION OF SERVICES PROVIDED:

Facilities’ 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, including the District’s bi-monthly Board of Director’s and committee meetings.

STAFFING:



Position	FY 2017	FY 2018	FY 2019	FY 2020
Facilities Supervisor	1.00	1.00	1.00	1.00
Lead Facilities Maintenance Specialist	1.00	1.00	1.00	1.00
Facilities Maintenance Specialist II	1.00	1.00	-	-
Facilities Maintenance Specialist I	-	-	1.00	1.00
Facilities Maintenance Worker	2.00	1.00	1.00	1.00
Total	5.00	4.00	4.00	4.00

2018 ACCOMPLISHMENTS:

- Emergency Generator maintenance program: repairs to building automatic transfer switch
- Emergency 3-day repair to Administration building HVAC unit.
- Utilized three contractors to perform landscape services for Facility, Production and Treatment sites.
- Exterior painting of Admin, Ops and Fleet buildings
- Created a new file archive room in the warehouse for documents

2019 & 2020 GOALS & OBJECTIVES:

I. Service 2 - Ongoing

- Perform daily maintenance and repair to District buildings and HVAC mechanical controls. Continue to provide preventative, corrective and emergency maintenance.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
HVAC preventative maintenance in number of buildings	32	32	32	32	32	32
General and thorough inspection of all campus buildings (exterior and interior) once a month and generate work orders to address deficiencies.	12	10	12	20	24	24
Setup chairs and tables for Board of Directors meetings, trainings, and other events (number of events shown)	240	200	240	215	235	240

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 296,255	\$ 285,146	\$ 274,805	(4%)	\$ 285,386	4%
Benefits	193,823	176,298	201,595	14%	219,182	9%
Professional Development	260	2,650	2,650	0%	2,650	0%
Utilities	27,791	29,900	29,000	(3%)	29,800	3%
Materials & Supplies	107,415	87,150	87,150	0%	90,350	4%
Outside Services	188,845	258,710	258,710	0%	263,010	2%
Safety	7,215	6,000	6,000	0%	6,000	0%
Miscellaneous	-	2,000	2,000	0%	2,000	0%
Other - Capital Equipment	807	1,000	1,000	0%	1,000	0%
Total Operating Expenses	\$ 822,411	\$ 848,854	\$ 862,910	2%	\$ 899,378	4%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations.



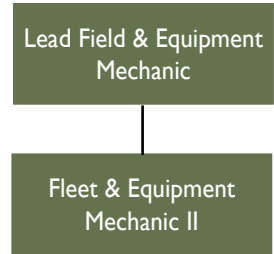
Vehicles

DESCRIPTION OF SERVICES PROVIDED:

Vehicle's responsibilities include the maintenance and repair of the District's vehicles and heavy equipment.

STAFFING:

Position	FY 2017	FY 2018	FY 2019	FY 2020
Lead Fleet & Equipment Mechanic	1.00	1.00	1.00	1.00
Fleet & Equipment Mechanic II	1.00	1.00	1.00	1.00
Total	2.00	2.00	2.00	2.00



2018 ACCOMPLISHMENTS:

- Regularly inspected vehicles to identify and correct problems which would have prevented service interruptions
- Scheduled preventative maintenance work maximizing fleet operations.

2019 & 2020 GOALS & OBJECTIVES:

- I. Service - Ongoing
 - Perform an average of 350 scheduled preventative maintenance inspections on District's 100+ vehicles/equipment in order to minimize service interruptions or equipment failure.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
Scheduled preventative maintenance work orders for fleet and equipment	350	320	350	300	350	350
Repair (unscheduled) work orders for vehicles	300	300	300	280	250	250

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 167,114	\$ 168,253	\$ 172,110	2%	\$ 177,251	3%
Benefits	107,837	104,959	127,309	21%	137,194	8%
Professional Development	4,486	2,400	2,400	0%	2,400	0%
Utilities	2,658	3,000	3,000	0%	3,000	0%
Materials & Supplies	298,132	346,750	346,750	0%	350,700	1%
Outside Services	87,147	128,000	128,000	0%	133,650	4%
Safety	3,060	2,400	2,400	0%	2,400	0%
Miscellaneous	1,294	-	-	100%	-	100%
Other - Capital Equipment	22,691	5,750	5,750	0%	5,750	0%
Total Operating Expenses	\$ 694,419	\$ 761,512	\$ 787,719	3%	\$ 812,345	3%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations.

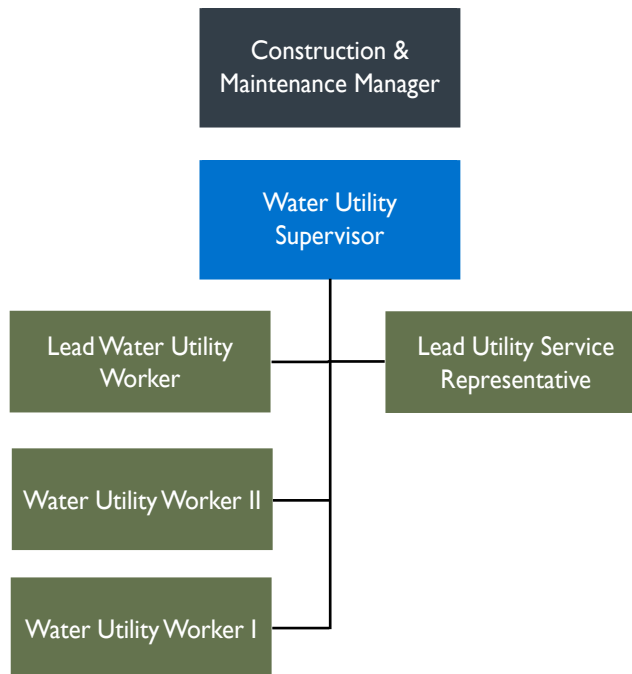


Water Distribution

DESCRIPTION OF SERVICES PROVIDED:

Water Distribution’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.

STAFFING:



Position	FY 2017	FY 2018	FY 2019	FY 2020
Construction & Maintenance Manager	0.75	0.75	0.75	0.75
Water Utility Supervisor	1.00	1.00	1.00	1.00
Lead Utility Service Representative	0.50	0.50	0.50	0.50
Lead Water Utility Worker	4.00	4.00	4.00	4.00
Water Utility Worker II	3.00	5.00	5.00	5.00
Water Utility Worker I	6.00	4.00	4.00	4.00
Total	15.25	15.25	15.25	15.25

2018 ACCOMPLISHMENTS:

- Exercised 6,594 valves, replaced 425 water services, and 582 flushed dead end mains.

2019 & 2020 GOALS & OBJECTIVES:

1. Service 2 - Ongoing
 - Maintain and operate water distribution system. This includes exercising 7,000 valves and the replacement of 500 aged water service lines per year.
2. Water 2D - December 2018
 - Water/Sewer Maintenance teams to collaborate with GIS to identify whether to upgrade/replace existing computerized maintenance management software.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
Valve exercising program	7,000	5,838	7,000	6,200	7,000	7,000
1-inch service replacement program	500	450	500	430	500	500
Dead end/blow-off valve flushing	1,500	1,100	1,500	1,000	1,500	1,500

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 1,160,264	\$ 1,279,716	\$ 1,288,139	1%	\$ 1,349,604	5%
Benefits	631,451	594,753	667,788	12%	725,482	9%
Outside Labor	23,862	33,000	33,000	0%	33,000	0%
Professional Development	16,063	15,600	20,600	32%	20,600	0%
Utilities	10,189	14,600	14,500	(1%)	14,500	0%
Materials & Supplies	330,482	320,350	340,350	6%	350,350	3%
Outside Services	326,977	370,000	345,000	(7%)	350,000	1%
Safety	44,403	25,000	25,000	0%	25,000	0%
Miscellaneous	9,258	6,920	6,920	0%	6,920	0%
Other - Capital Equipment	18,335	25,000	25,000	0%	25,000	0%
Total Operating Expenses	\$ 2,571,284	\$ 2,684,939	\$ 2,766,297	3%	\$ 2,900,456	5%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations.

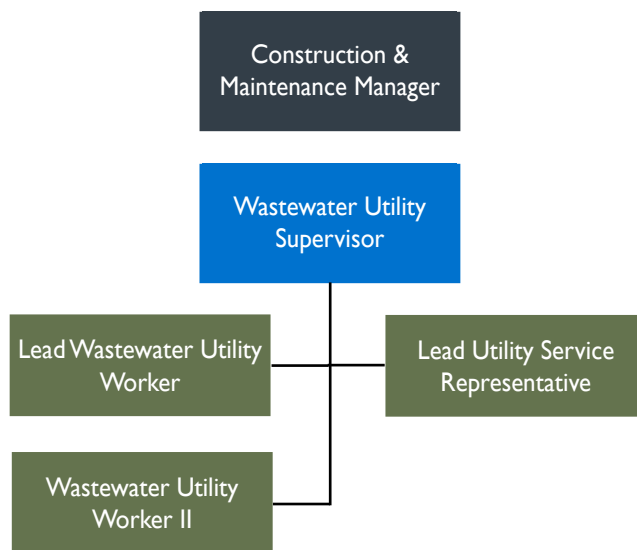


Collection & Transmission

DESCRIPTION OF SERVICES PROVIDED:

Collection & Transmission’s responsibilities include the maintenance and repair of the District’s sewer collection system infrastructure which includes sewer mains, sewer laterals, lift stations, and inverted siphons. This division implements the preventative maintenance programs to monitor wastewater 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 hour emergency response to sewer emergency calls.

STAFFING:



Position	FY 2017	FY 2018	FY 2019	FY 2020
Construction & Maintenance Manager	0.25	0.25	0.25	0.25
Wastewater Utility Supervisor	1.00	1.00	1.00	1.00
Lead Utility Service Representative	0.50	0.50	0.50	0.50
Lead Wastewater Utility Worker	3.00	3.00	3.00	3.00
Wastewater Utility Worker II	1.00	1.00	4.00	4.00
Wastewater Utility Worker I	3.00	3.00	-	-
Total	8.75	8.75	8.75	8.75

2018 ACCOMPLISHMENTS:

- Completed the cleaning of the entire sewer system, video inspection of 55 miles of sewer line, and inspection of over 7,700 manholes.
- Received the CWEA Collection System of the Year Award for the Santa Ana River Basin and for the State of California.

2019 & 2020 GOALS & OBJECTIVES:

1. Service 2 - Ongoing
 - Maintain and clean sewer mains with the goal of protecting the environment and public health. This includes the cleaning of 430 miles of sewer lines and inspection of 7,500 manholes each year.
2. Water 2D - December 2018
 - Water/Sewer Maintenance teams to collaborate with GIS to identify whether to upgrade/replace existing computerized maintenance management software.

PERFORMANCE MEASURES:

Performance Measurement	Target	FY 2017 Actual	FY 2018 Target	FY 2018 Estimate	FY 2019 Forecast	FY 2020 Forecast
Total miles of sewer line cleaned	420	335	420	430	430	430
Total miles of sewer line reviewed with closed-circuit television	75	50	75	60	75	75
Number of sanitary sewer overflows	0	1	0	0	0	0

OPERATING EXPENSES:

	2017 Actual	2018 Budget	2019 Budget	% Change (FY19 - FY18)	2020 Budget	% Change (FY20 - FY19)
Operating Expenses						
Wages	\$ 696,859	\$ 726,764	\$ 784,156	8%	\$ 816,205	4%
Benefits	453,730	431,077	478,107	11%	516,853	8%
Outside Labor	-	33,000	33,000	0%	33,000	0%
Professional Development	9,188	8,300	8,300	0%	8,300	0%
Collections	4,250	-	-	100%	-	100%
Utilities	8,109	11,400	11,100	(3%)	11,100	0%
Materials & Supplies	39,689	51,400	46,400	(10%)	49,400	6%
Outside Services	14,545,904	14,896,763	16,174,789	9%	16,538,878	2%
Safety	18,731	8,000	8,000	0%	8,000	0%
Miscellaneous	-	2,500	2,500	0%	2,500	0%
Other - Capital Equipment	35,535	51,675	46,675	(10%)	46,675	0%
Total Operating Expenses	\$ 15,811,995	\$ 16,220,879	\$ 17,593,027	8%	\$ 18,030,911	2%

SIGNIFICANT CHANGES:

Wages and benefits have increased due to the COLA and the increased cost of retirement obligations. Outside Services cost have increased, which is related to the IEUA treatment charge rate increase as discussed in the Sewer Fund section.



GLOSSARY

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.

ACWA – Association of California Water Agencies

ADA – Americans with Disabilities Act

Adoption – Formal action by the Board of Directors

AED – Automated External Defibrillator

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.

App – application software

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

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

AutoCAD – Automated Computer Aided-Design and Drafting

AV – Audiovisual

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

CEQA – California Environmental Quality Act

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

Cla-Val – Automatic control valves

CMMS – Computerized Maintenance Management System

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

COLA – Cost of Living Adjustment

COP – See Certificates of Participation

CPA – Certified Public Accountant

CPR – Cardio-Pulmonary Resuscitation

CSDA – California Special Districts Association

CSMFO – California Society of Municipal Finance Officers

CSTI – California Specialized Training Institute

CVRA – California Voter’s Right Act

CVWD – Cucamonga Valley Water District

CWEA – California Water Environment Association

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.

ECT – Employee Cross Training Program

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 (ERP) – 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.

FDM – Field Deployment Manager

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

FMLA – Family and Medical Leave Act

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

GM/CEO – General Manager/Chief Executive Officer

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

HR – Human Resources

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

JPA – Joint Powers Authority

JPIA – Joint Powers Insurance Authority

LAFCO – Local Agency Formation Commission

LAIF – Local Agency Investment Fund

LWMWTP (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.

PSI – Pounds per square inch

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.

SOW – Statement of Work

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

UCR – University of California Riverside

USFS – United States Forest Service

UV – Ultra Violet

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

WTP – Water Treatment Plant

WWP – Water Watch Program



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