



Yucaipa Valley Water District

12770 Second Street, Yucaipa, California 92399

Comprehensive Drinking Water, Sewer and Recycled Water Rate Analysis

December 3, 2019

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Executive Summary

The purpose of this Comprehensive Drinking Water, Sewer, and Recycled Water Rate Analysis (“Comprehensive Rate Study”) is to develop a financial plan and cost-based rates sufficient to meet the Yucaipa Valley Water District’s (“District”) operation and maintenance needs and the required capital improvement needs (“Asset Management Program”) for the District. This study evaluated the adequacy of the existing drinking water, sewer, and recycled water rates and provides the framework for structural changes and rate adjustments.

Key Objectives of the Study

The Board of Directors identified a number of key objectives in developing this Comprehensive Rate Study. These key objectives were as follows:

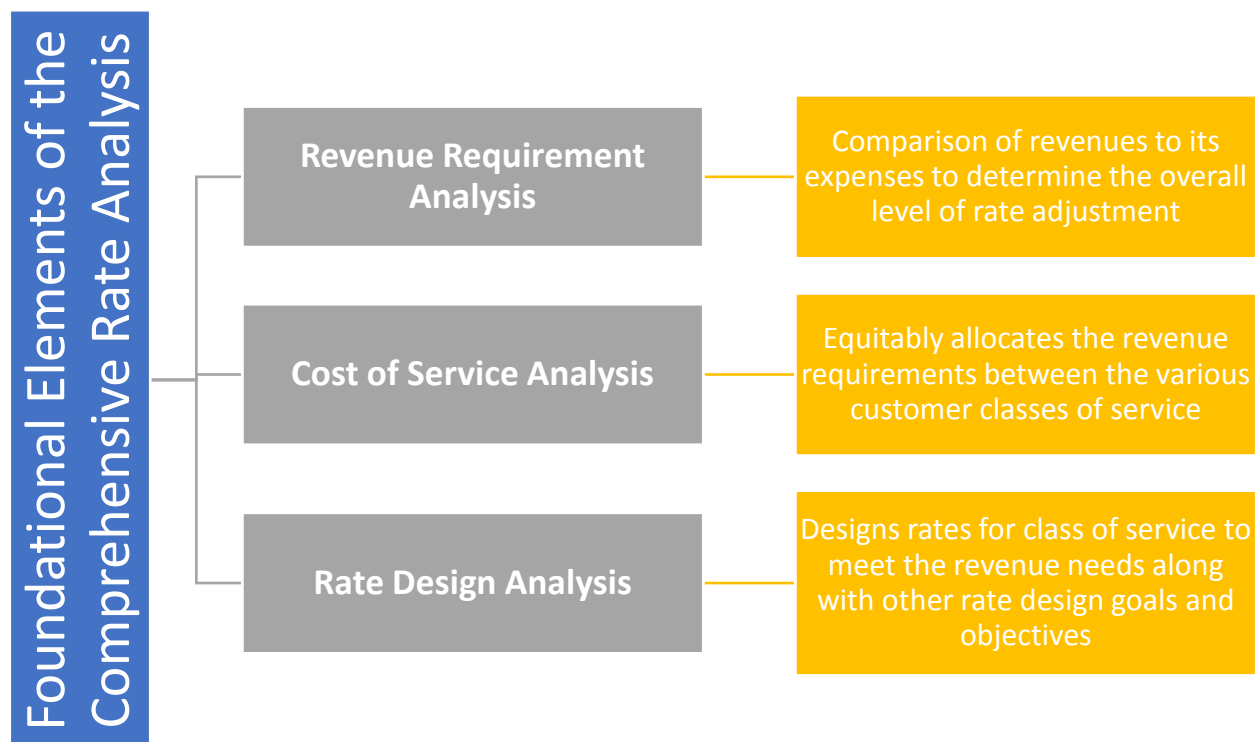
- Develop the Comprehensive Rate Study in a manner that is consistent with the principles and methodologies established by the American Water Works Association (AWWA) M1 Manual, Principles of Water Rates, Fees and Charges.
- Analyze the District’s revenue requirements to provide prudent and adequate funding levels for operations and maintenance (“O&M”) and the Asset Management Program.
- Develop a cost allocation methodology that equitably allocates the cost of providing drinking water, sewer, and recycled water services to the District’s customers.
- Review the District’s current rate design and structure to develop a rate design that is contemporary, cost-based, and defensible that meets the specific rate design objectives of the District.
- Develop the proposed rates, fees, and charges to meet legal and statutory requirements.

Overview of the Rate Study Process

User rates must be set at a level where a utility’s operating and capital expenses are met with the revenues received from customers. This is an important point, as failure to achieve this objective may lead to insufficient funds to maintain routine operations and overall system integrity.

To evaluate the adequacy of the existing rates, a Comprehensive Rate Study is performed that consists of three fundamental yet interrelated analyses:

- revenue requirement analysis;
- cost of service analysis; and
- rate design analysis.



Revenue Requirement Analysis

A revenue requirement analysis is the first step in the preparation of the Comprehensive Rate Study and is used to determine the adequacy of the overall rates. From this analysis, a determination can be made as to the level of adjustments needed to provide adequate and prudent funding for both operating and capital needs.

In the case of the District, a key issue is the funding of capital infrastructure replacement at a sustainable level. The District developed an Asset Management Program that is used to monitor, repair, and replace infrastructure, however sufficient revenues are not available to meet the needs of this program. Given that, a key issue and focus of the revenue requirement analysis was how to best transition the District to fully fund the Asset Management Program without becoming overly dependent on long-term borrowing.

In developing revenue requirements, the District's most recent operating budget was used as the initial starting point. The analysis also considered prudent financial planning criteria based upon the financial and rate setting policies of the District.

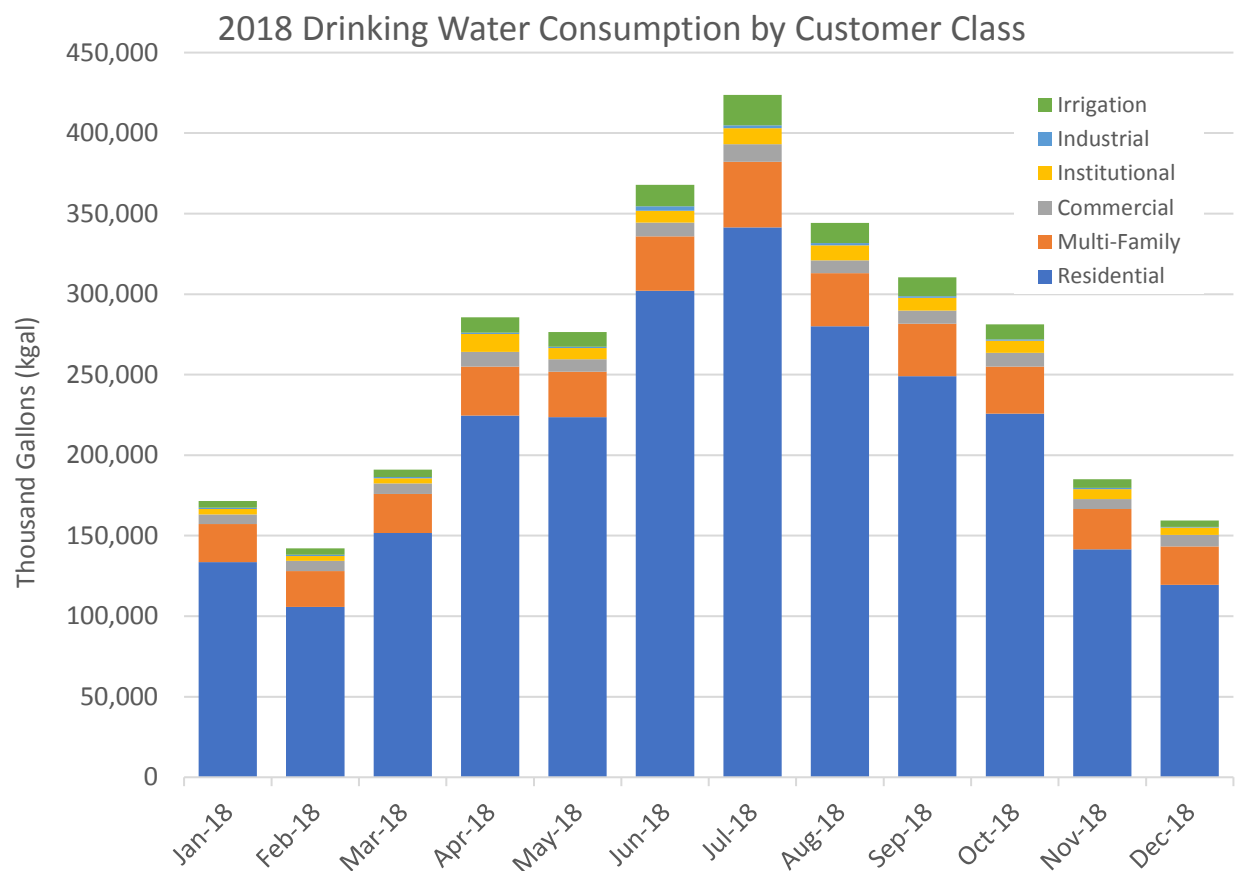
The revenue requirements developed by the District were based on a 50-year projected time period to Fiscal Year 2070. However the proposed revenue requirements developed herein are based on the next five years to comply with the requirements of Proposition 218.

Cost of Service Analysis

A cost of service analysis is concerned with the equitable allocation of the revenue requirements between the various customer classes of service (e.g., residential, commercial, institutional, etc.). There are two primary objectives in conducting a cost of service analysis:

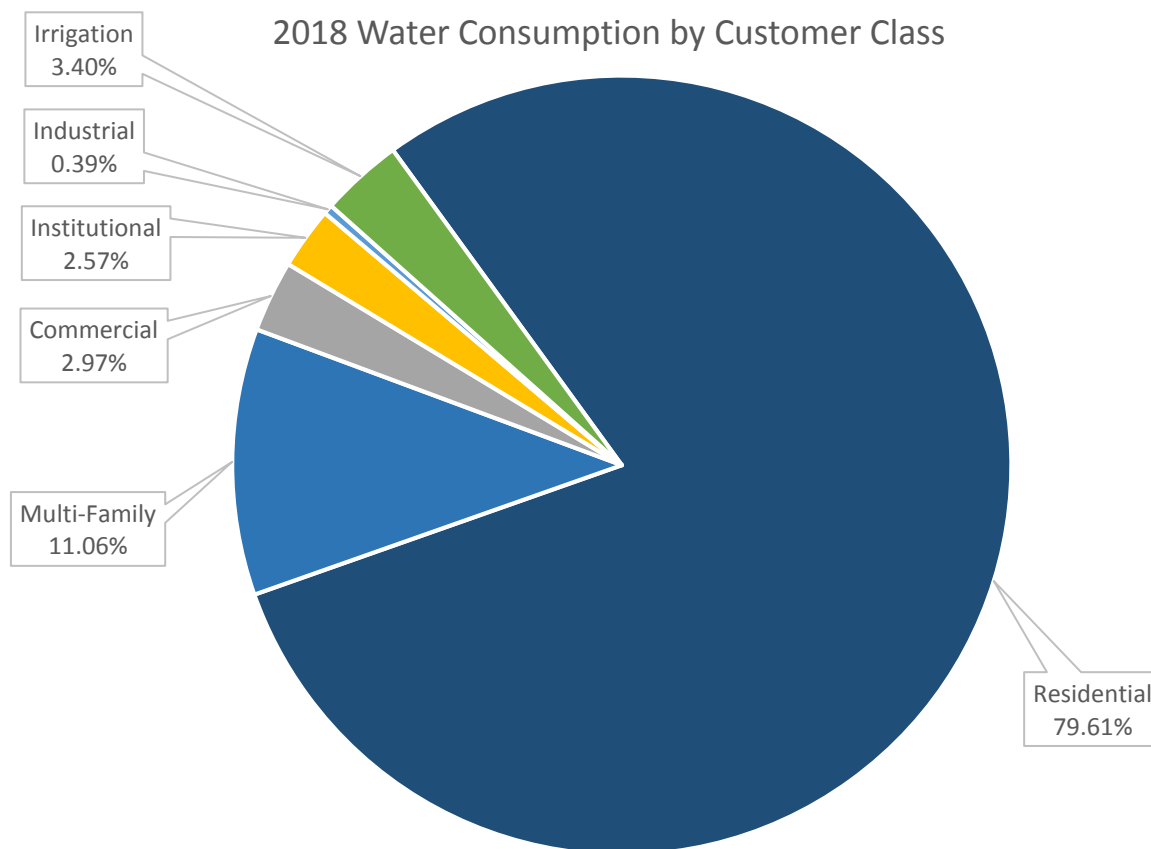
- Equitably allocate the revenue requirements among each customer class of service; and
- Derive average unit costs for subsequent rate designs.

The objectives of the cost of service analysis are different from determining a revenue requirement. As noted in the previous section, the revenue requirement analysis determines the District's overall financial needs, while the cost of service study determines the fair and equitable manner to collect the revenue requirement.



The cost of service analysis demonstrated that there is uniformity across the District's customer classes which is primarily due to the large majority of residential (single family and multi-family) customers. The operation of the drinking water and recycled water systems are base-loaded with supplemental water, and water sources are located at different elevations which negates the use of elevation charges and supports the use of a single-tiered rate structure.

For the sewer enterprise, there is a justifiable distinction based on the quality of influent sewer that allows for a rate-based distinction between residential, commercial, industrial, and institutional customers.



California's Proposition 218 requires rates to be set such that revenues do not exceed the funds required to provide the service, and the fee or charge imposed on any ratepayer must not exceed the proportional cost of the service attributable to that ratepayer. Given that legal requirement and the associated analysis for the cost of service, it is the conclusion that the Comprehensive Rate Study meets the legal requirements of Proposition 218.

Rate Design Analysis

As indicated in the revenue requirement analysis, the priority for the District was to adjust and transition the overall level of the rates to meet the District's financial and capital improvement requirements (i.e. funding of the asset management plan). Therefore, the results of the revenue requirement analysis were the primary basis for establishing the proposed overall level of rate adjustments.

On May 31, 2018, Governor Brown signed two bills which build on the ongoing efforts to "make water conservation a California way of life." Senate Bill No. 606 (Hertzberg) and Assembly Bill No. 1668 (Friedman) place a large emphasis on water use efficiency mandates that will be the responsibility of urban water providers like the Yucaipa Valley Water District. This Comprehensive Rate Study implements the statutory requirements of SB 606 and AB 1668 which requires urban retail water agencies to calculate its own water conservation objective, based on the water needed in its service area for efficient indoor residential water use, outdoor residential water use, commercial, industrial and institutional (CII) irrigation with dedicated meters, and

reasonable amounts of system water loss. Water agencies must meet their water use objective and those that don't may be subject to enforcement by the State Water Resources Control Board ("State Water Board"). The indoor water use standard will be 55 gallons per person per day (gallons per capita daily, or GPCD) by January 2025; after that the standard will become more stringent over time, decreasing to 50 GPCD in January 2030. For the water use objective, the indoor use is aggregated across population in an urban water supplier's service area, not each household.

Proposition 218 and the Rate Setting Process

Proposition 218 is also known as the Right to Vote on Taxes Act. Proposition 218 places both procedural and substantive limitations on property-related fees or charges, including certain utility rates. Procedurally, this requires the District to adopt utility rates through a public hearing process to give customers the opportunity to formally protest. Under Proposition 218, utility rates must be set so that revenues do not exceed the funds required to provide the service, and the fee or charge imposed on any ratepayer must not exceed the proportional cost of the service attributable to that ratepayer. This Comprehensive Rate Study has been developed to meet the legal and technical requirements of Proposition 218.

Summary of the Comprehensive Rate Study

The results of this Comprehensive Rate Study indicated that rates are deficient for the immediate five year time period allowed under Proposition 218. The implementation of proposed rate adjustments should generate the additional revenue needed to meet the District's operating and capital needs, along with the District's financial and rate setting policies. The water (drinking and recycled) and sewer rates, as proposed herein, are cost-based and were developed using generally accepted rate making methods and principles. As currently projected, the proposed rates should enable the District to operate in a financially sound and prudent manner.

This rate analysis is comprehensive due to the fact that it incorporates the implementation of numerous financial, environmental, regulatory, and long-term policies into one document that can be used as a tool to communicate with the public. Specifically, this document includes numerous policy discussions that are presented in such a manner that allows the public to understand the broad concepts and how each issue is intertwined with other issues in the general operation of the District. It is not the intent of this document to secure or promote full funding for all policies discussed. Rather, the intent is to show that the District is a complex and multifaceted business with the responsibility of protecting and enhancing the infrastructure that is required to promote the local and regional economy and overall quality of life of our customers. Throughout this document, the following policies will be addressed:

- Protection of the groundwater basins with respect to quality and quantity of available water resources;
- Development of a regional recycled water system with the capability to integrate additional water supplies that enhance the drought tolerance of the entire community;
- Implementation of reasonable depreciation planning consistent with the requirement of the Asset Management Program consistent with GASB 34;

- Implementation of methods for increasing the reliability and redundancy of local water resources;
- Achievement of full compliance with the Regional Water Quality Control Board and State Water Resources Control Board basin plan objectives and maximum benefit analyses;
- Ability to implement a wireless grid for interactive facility control and customer meter reading;
- Establishment of methods to improve communications to inform and educate customers about important issues;
- Implementation of alternative customer utility bill payment methods;
- Implementation of rate stabilizing alternatives;
- Construction of regional recycled water storage (subsurface) and injection/recharge facilities designed to minimize the future cost impacts associated with environmental regulations;
- The establishment of benchmarking tools to continuously evaluate the financial health of the organization.

In summary, the goal of this Comprehensive Rate Study is to provide a fair and reasonable financial plan that invests in the community we serve. Located in the upper portion of the Santa Ana Watershed between the San Andres and San Jacinto fault lines, we are constantly reminded that the region we serve is both beautiful and unique. The challenges we face are not the same, or in some cases even remotely similar, to our neighboring agencies. Therefore, it is incumbent upon the leadership of the Board of Directors, management, and employees to remain committed to professionally manage the precious water, sewer and recycled water resources of the Yucaipa Valley in a reliable, efficient, cost-effective, and sustainable manner in order to provide the finest service to our customers.

1.0 Introduction

The Yucaipa Valley Water District is made up of a proactive and diverse group of elected officials and employees dedicated to providing reliable water and sewer service in an efficient, cost effective manner that provides a high level of customer satisfaction. On May 1, 2002, the Board of Directors adopted the following mission statement to clearly reflect the vision and principles that guide the dedicated elected officials and employees of the District.

Yucaipa Valley Water District is committed to professionally managing the precious drinking water, sewer and recycled water resources of the Yucaipa Valley in a reliable, efficient and cost-effective manner in order to provide the finest service to our customers, both present and future.

We are entrusted to serve the public for the benefit of the community.

We believe in responsive, innovative and aggressive service goals, and take pride in getting the job done right the first time.

We encourage a work environment that fosters professionalism, creativity, teamwork, and personal accountability.

We treat our customers and one another with fairness, dignity, respect and compassion and exhibit the utmost integrity in all we do.

We believe in enhancing the environment by following a general philosophy of eliminating waste and maximizing recycling and reuse of our limited natural resources.

We are committed to using the following operating principles as a guide to accomplish our mission:

- We are proactive in our approach to issues.
- We are committed to integrity and consistently high ethical standards in all our business dealings.
- We use the strategic planning process to focus our efforts and minimize foreseeable crisis management.
- We make informed, rational and objective decisions.
- We aggressively pursue technological solutions to improve operational efficiency and effectiveness.
- We are inclusive in our decision making and delegate responsibility whenever possible to constantly build future leaders within the organization.
- We design our services around customer wants and needs to the degree possible within our financial and regulatory constraints.
- We cultivate a widespread commitment to these common goals.

We believe our success depends on every employee knowing and sharing these values and principles

This Comprehensive Water, Sewer and Recycled Water Rate Analysis has been prepared with the District's mission statement in mind to link the financial health of the District with our commitment to professionally manage the precious drinking water, sewer and recycled water resources of the Yucaipa Valley in a reliable, efficient and cost effective manner in order to provide the finest service to our customers, both present and future.

To meet the mission of the District, the Board of Directors and staff members continue to proactively focus on water quality issues, water supply issues, infrastructure deficiencies, maintenance of existing systems and compliance with increasingly stringent regulatory requirements.

1.1 Overview of the Yucaipa Valley Water District

The Yucaipa Valley Water District was formed as part of reorganization, pursuant to the Reorganization Act of 1965, being Division I of Title 6 of the Government Code of the State of California. This reorganization consisted of the formation of the District, dissolution of the Calimesa Water District and formation of Improvement District No. 1 of the District as successor-in-interest, and dissolution of Improvement District "A" of the San Bernardino Valley Municipal Water District and the formation of Improvement District "A" of the District as successor-in-interest. On September 14, 1971, the Secretary of State of the State of California certified and declared formation of the Yucaipa Valley County Water District. The District operates under the County Water District Law, being Division 12 of the State of California Water Code (the "Act"). Although the immediate function of the District was to provide water service, the District has assumed responsibility for providing recycled water and sewer service in Yucaipa Valley.

The District is located about 70 miles east of Los Angeles and 20 miles southeast of San Bernardino in the foothills of the San Bernardino Mountains and has a population of approximately 53,000. The District is situated in both San Bernardino County and Riverside County.

1.1.1 Land Use Within the District

The altitude of the District rises from about 2,000 feet above sea level at the western end of the valley to about 5,000 feet at the eastern end, with an average elevation of roughly 2,650 feet. The topography of the area is characterized by rolling hills separated by deeply entrenched stream beds, namely, the Yucaipa and Wilson Creeks. The District includes the incorporated cities of Yucaipa and Calimesa which are in San Bernardino and Riverside Counties respectively.

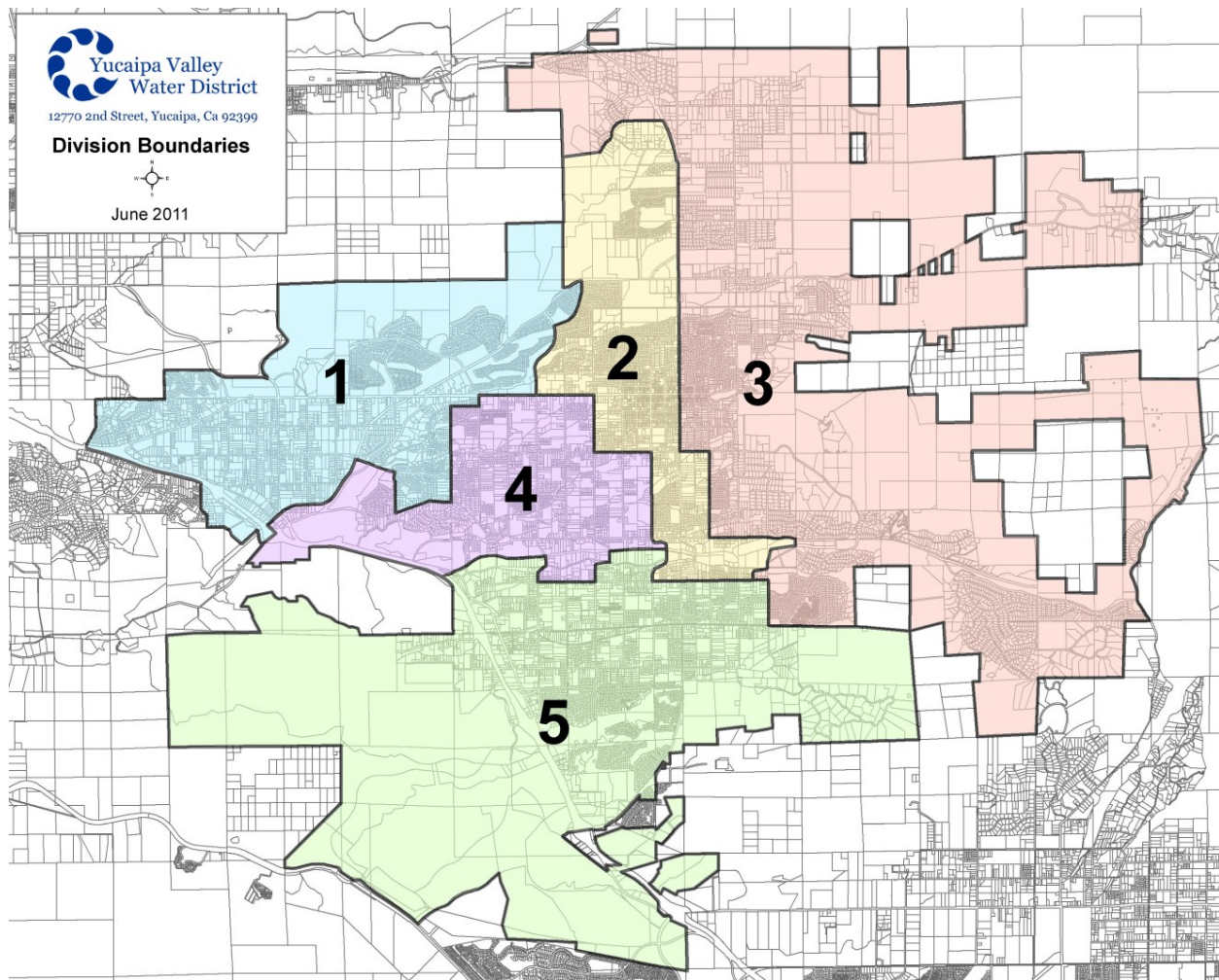
The District expects the undeveloped land within its boundaries will continue to be developed consistent with the general plans as adopted by the City of Yucaipa and the City of Calimesa. The projected ultimate population of the District will be approximately 94,800 in 2090, which reflects build-out of the City of Calimesa and the City of Yucaipa. While 49.8% of the land within the boundaries of the District is currently undeveloped, less than 1% of District water sales are to agricultural water users.

1.1.2 Governance and Management

The District is governed by a 5-member board of directors (the "Board"), the members of which are elected from five separate divisions of the District to staggered 4-year terms. The current Board members, the expiration dates of their terms and their occupations are set forth below.

Yucaipa Valley Water District
Drinking Water, Sewer, and Recycled Water Rate Analysis

| Member of the Board of Directors | Division | Initial Date of Service | Expiration of Term | Occupation |
|----------------------------------|----------|-------------------------|--------------------|-------------------------------------|
| Chris Mann, Director | One | 12/2/2016 | 2020 | Public Relations Firm President |
| Bruce Granlund, Vice President | Two | 12/23/1998 | 2022 | Retired Senior D.A. Investigator |
| Jay Bogh, President | Three | 09/07/2005 | 2022 | Building Firm Manager |
| Lonni Granlund, Director | Four | 12/05/2008 | 2020 | Property Manager/Real Estate Broker |
| Joyce McIntire, Director | Five | 12/07/2018 | 2022 | Retired School District Employee |

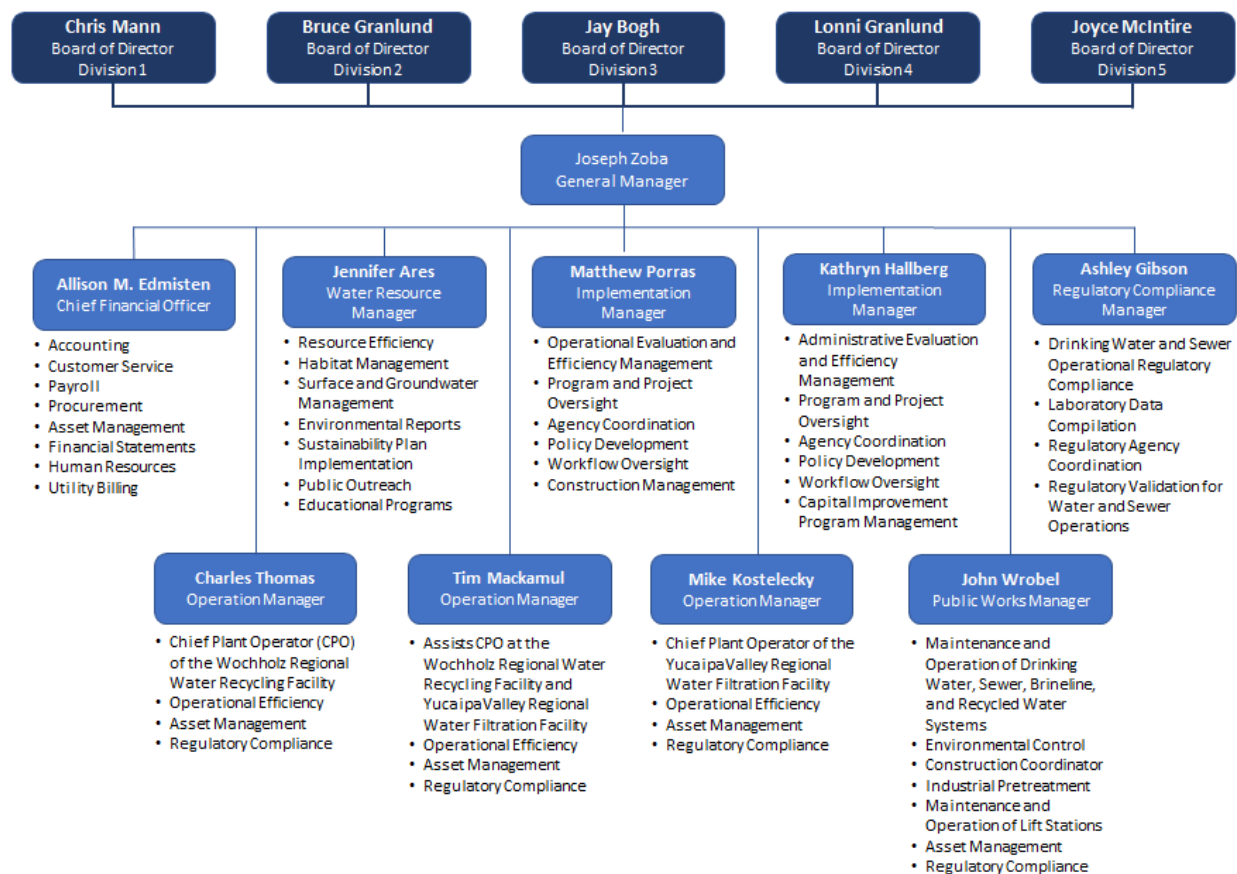


The following individuals have served as President of the Board since the District was created in 1971.

| Yucaipa Valley Water District Presidents of the Board of Directors | |
|---|-----------------|
| October 1971 to November 1973 | Harold Lockwood |
| December 1973 to November 1975 | Hank Wochholz |
| December 1975 to October 1977 | Geno Gasponi |
| November 1977 to November 1979 | Eve Kraft |
| December 1979 to December 1983 | Pete Squires |
| January 1984 to December 1987 | Fred Childs |
| January 1988 to November 1989 | George Sardeson |

| | |
|--------------------------------|----------------|
| November 1989 to December 1991 | Hank Wochholz |
| January 1992 to November 1993 | David Lesser |
| December 1993 to December 1995 | Conrad Nelson |
| December 1995 to December 1998 | Steve Copelan |
| January 1999 to November 2002 | Conrad Nelson |
| December 2002 to December 2006 | Bruce Granlund |
| December 2006 to December 2008 | Tom Shalhoub |
| December 2008 to December 2012 | Jay Bogh |
| January 2013 to December 2014 | Bruce Granlund |
| December 2014 to December 2016 | Lonni Granlund |
| December 2016 to January 2019 | Jay Bogh |
| January 2019 to Present | Chris Mann |

Day-to-day management of the District is delegated to the General Manager who works closely with an executive team that oversee the District's primary services and functions.



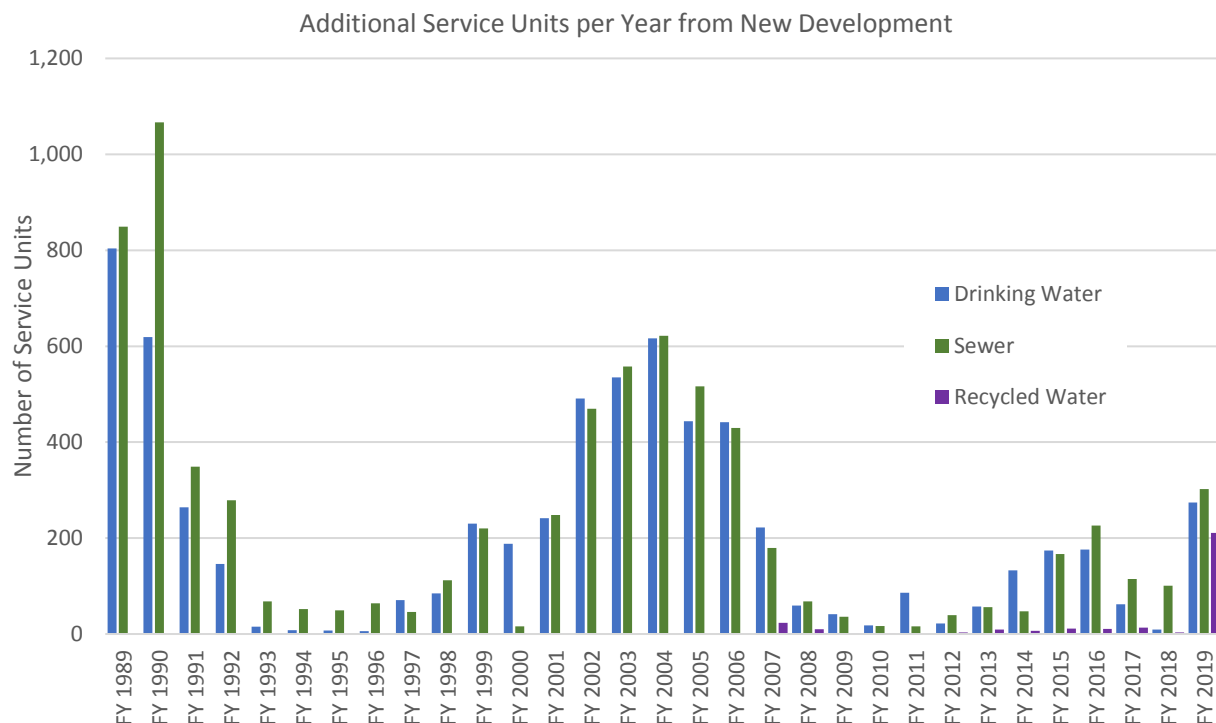
1.1.3 Number of Service Connections

As of June 30, 2019, the District provided service to 13,794 drinking water connections (19,243 water service units), 14,104 sewer connections (22,774 sewer service units) and 111 recycled water connections (460 recycled service units). The following table illustrates the various customer classification for each enterprise.

| Customer Type | Drinking Water Enterprise | | Sewer Enterprise | | Recycled Water Enterprise | |
|--------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|-------------------------------|
| | Number of Service Connections | Water Service Units (WSUs) | Number of Service Connections | Sewer Service Units (SSUs) | Number of Service Connections | Recycled Service Units (RSUs) |
| Single Family | 11,876 | 12,602 | 10,358 | 10,315 | -- | -- |
| Multiple Units | 467 | 5,331 | 454 | 5,311 | -- | -- |
| Commercial | 225 | 626 | 216 | 1,011 | -- | -- |
| Institutional | 78 | 370 | 57 | 295 | -- | -- |
| Industrial | 6 | 17 | 3 | 3 | -- | -- |
| Irrigation | 111 | 297 | 7 | 18 | -- | -- |
| Fire Detectors | 1,013 | -- | -- | -- | -- | -- |
| Construction Water | 18 | -- | -- | -- | 7 | -- |
| Recycled Water | -- | -- | -- | -- | 104 | 460 |
| Sewer Only | -- | -- | 3,009 | 5,822 | -- | -- |
| Total | 13,794 | 19,243 | 14,104 | 22,774 | 111 | 460 |

1.1.4 Development Overview

The District charges each new unit a facility capacity charge for drinking water, sewer, and recycled water service. This charge is used to offset the capital cost of the drinking water, sewer and recycled water facilities needed to provide service to new customers regardless of their classification - residential, schools, parks, or businesses. The facility capacity charge is calculated based on a residential unit; therefore it is common to see in this report references to service units, which takes all users and equates their demand on the infrastructure as a common dwelling unit equivalency.

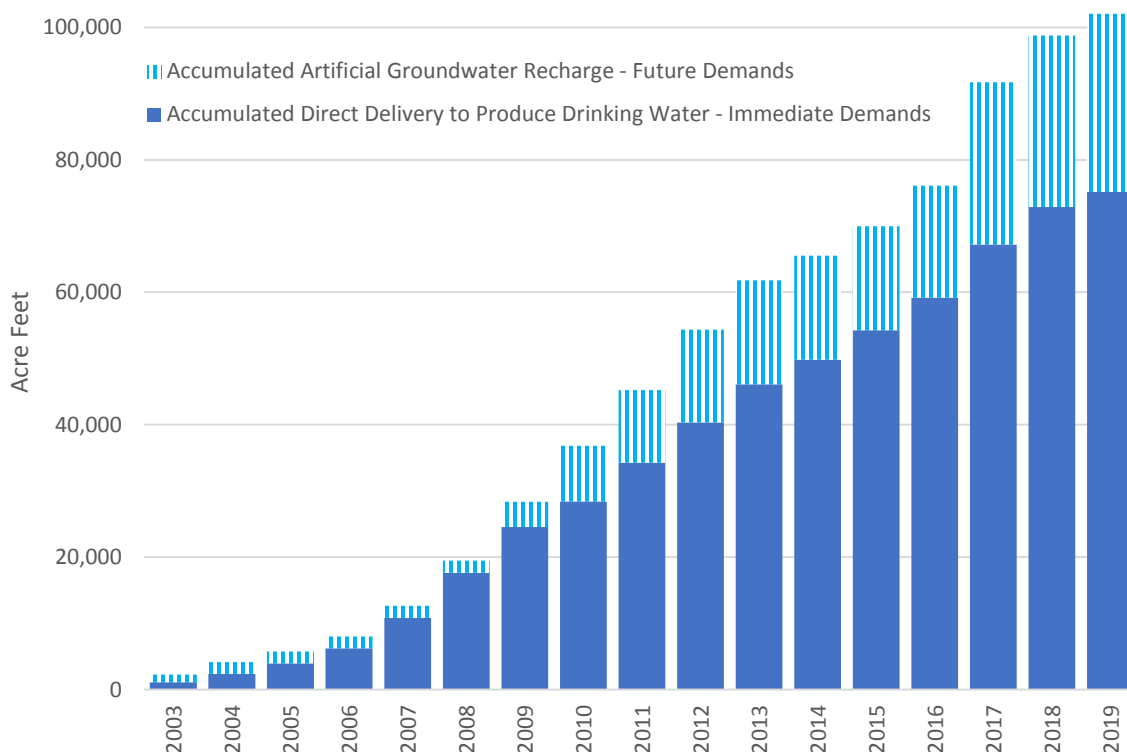


1.1.5 Supplemental Water Purchases

Following the completion of the East Branch Extension of the State Water Project, the Yucaipa Valley Water District was able to purchase imported water from the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency.

Over the past sixteen years, the District purchased 102,074 acre feet of imported water. Approximately 75% of the imported water has been used to produce drinking water at the Yucaipa Valley Regional Water Filtration Facility. The drinking water produced has reduced the amount of groundwater produced from the local groundwater basins as in-lieu recharge. The remaining 25% of imported water has been delivered to recharge basins to augment the local groundwater supplies for future use by the community.

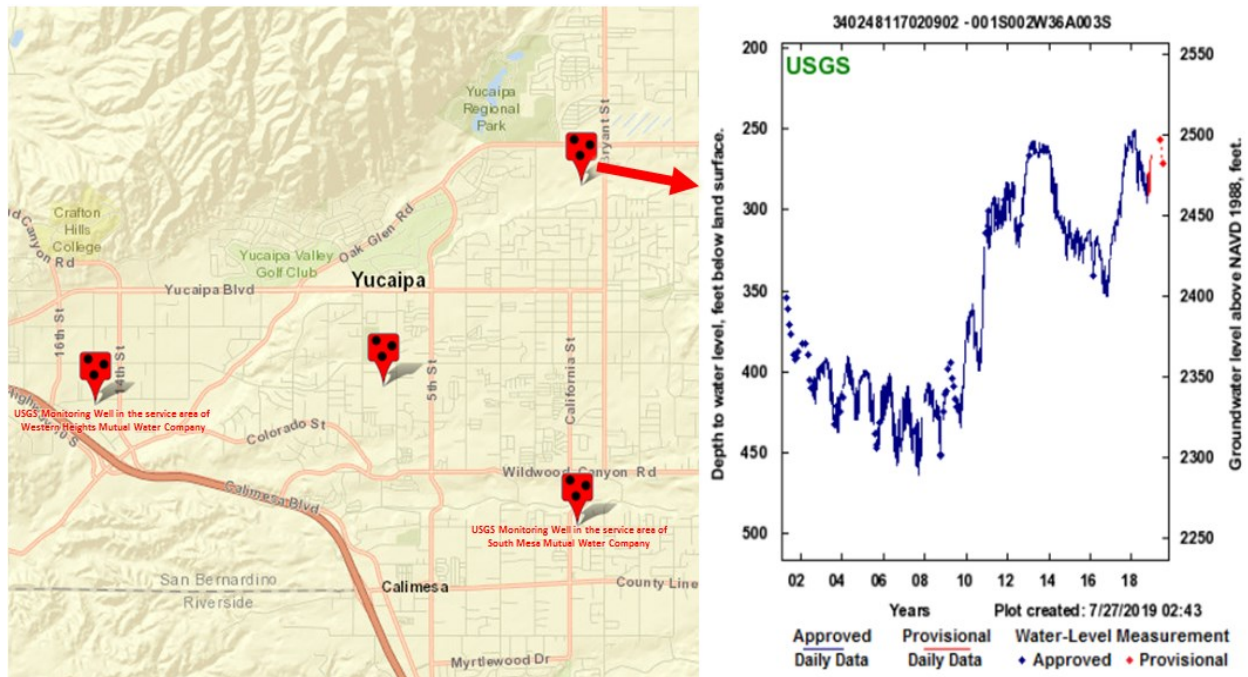
Use of Imported Water Resources



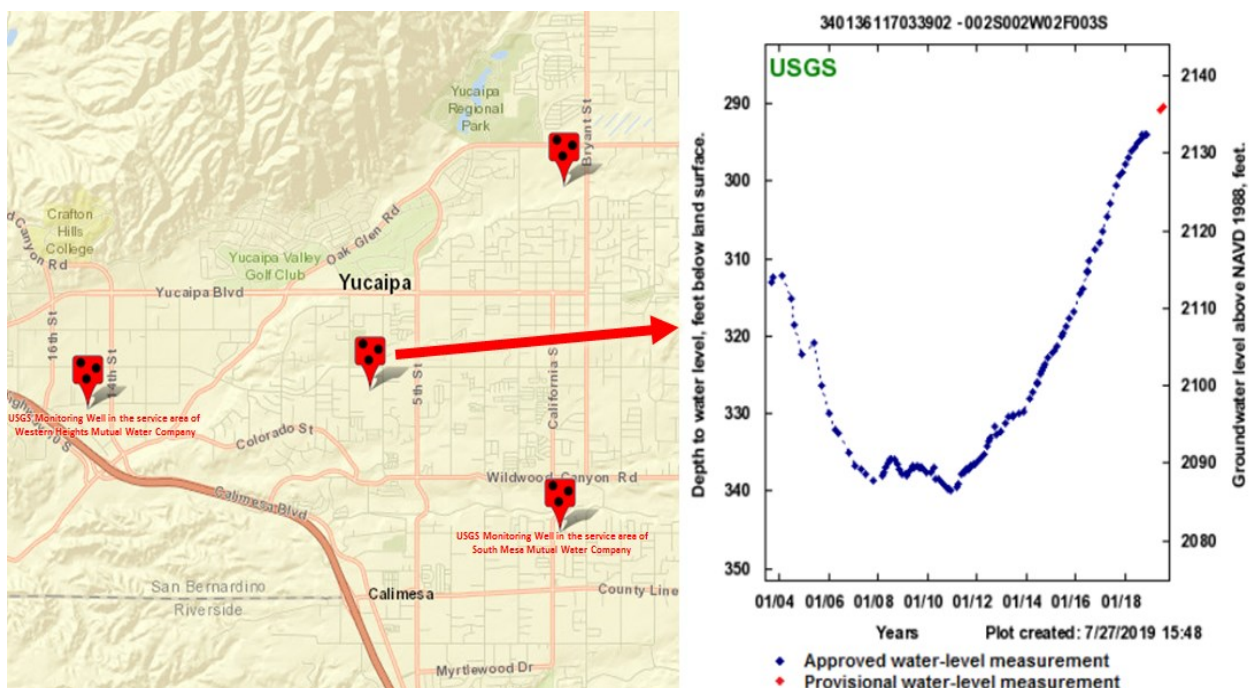
1.1.6 Groundwater Conditions and Resource Management

The United States Geological Survey (“USGS”) has created several programs to support the monitoring and tracking of groundwater levels throughout the nation. Locally, the USGS has coordinated their efforts with the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency to monitor groundwater levels in the region. Data from this effort is consolidated and provided online as part of the USGS Groundwater Watch (<https://groundwaterwatch.usgs.gov/>) and the National Water Information System - Web Interface (<https://waterdata.usgs.gov/nwis>) .

Through the proactive management of our water resources, the Yucaipa Valley Water District has been able to implement a variety of programs that have significantly increased the quantity of drinking water in our local groundwater basins. In the primary groundwater basin used by the District, groundwater elevations have increased about 200 feet over the past ten years.



In another local basin used by the District, the amount of groundwater stored in the basin has increased about 50 feet.



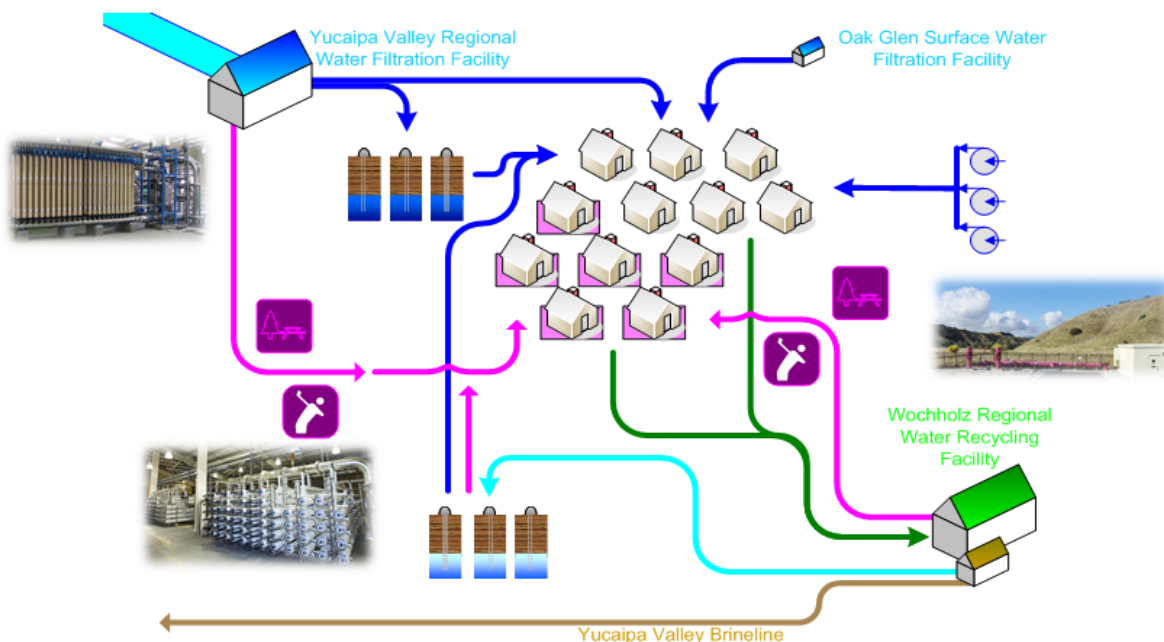
The Yucaipa Valley Water District is working closely with other partners to achieve similar success stories in the adjudicated Beaumont Basin (<http://www.beaumontbasinwatermaster.org/>) and groundwater basins governed by the Sustainable Groundwater Management Act, namely the Yucaipa Groundwater Basin (<https://yucaipasgma.org/>) and the San Timoteo Groundwater Basin (<http://www.santimoteosgma.org/>).

1.1.7 A Strategic Plan for a Sustainable Future

On August 20, 2008, the Board of Directors adopted [A Strategic Plan for a Sustainable Future - The Integration and Preservation of Resources](#). The development of this document was based upon policy direction by the Board of Directors and suggestions by staff members, public participants, and other interested stakeholders.

The purpose of creating a strategic plan for a sustainable future was to establish the policies and guidelines necessary to protect and preserve the natural resources entrusted to the District for our customers. It is our business to maximize the use of our limited natural resources for the long-term economic growth and expansion of the local economy. In the arid southwest, the basic fuel to create and maintain a local economy is water.

Water Resource Management Schematic for the Yucaipa Valley Water District



The Strategic Plan has been relied upon for the past decade to improve the social, economic, and environmental sustainability of our community. Actions have included the purchase of valuable watershed properties, protection of local water supplies, management of environmental corridors, recharge of groundwater supplies, and the extensive use of our local resources.

The specific steps taken by the District to protect and conserve our water resources have been based on the concepts that: (1) resources are not limitless and therefore need to be conserved, nurtured and renewed; and (2) resources that are used to generate short-term gains result in an inefficient and inequitable consumption of resources that are not beneficial for a long-term strategy. Both of these concepts help to guide the District to make decisions that are conservative, careful, and conscious of the role we currently play in a long-term strategy to protect the community.

1.2 Common Questions and Answers

This Comprehensive Drinking Water, Sewer, and Recycled Water Rate Analysis has been prepared to evaluate the overall rate structure and components for the services provided by the District. Specifically, the services of drinking water, sewer disposal and treatment, and recycled water were reviewed for all users in the residential, commercial, institutional and industrial sectors.

Funding for drinking water, sewer and recycled water service is recovered from those who use the service - that is, a "user pay" basis. Use is measured by water meters (both drinking water and recycled water) installed on the water supply to homes and businesses and on a fixed basis for those customers connected to the sanitary sewer.

The following questions and answers have been prepared to help explain how the future rates will need to address system growth, regulatory changes, and full cost accounting principles applied to the District and commonly used for governmental agencies even though the District is managed and operated more like a private business.

Why change the existing rate structure?

The District maintains a very cost effective rate structure designed with our customers in mind. Unfortunately, the District has recently encountered a series of issues that require the District to complete a comprehensive analysis of our current rate structure. Some of the issues pressuring the District's existing rate structure include:

- Statewide Issues – This Comprehensive Rate Study is unique in that it projects a declining drinking water use with an increasing population over the next thirty years. This rate scenario is designed to achieve compliance with Senate Bill No. 606 (Hertzberg) and Assembly Bill No. 1668 (Friedman) which mandates water efficiency standards in California. The new legislative mandates will create new efficiency standards for indoor use, outdoor use, and water lost to leaks, as well as any appropriate variances for unique local conditions. Beginning in November 2023, each urban retail water agency will calculate its own water use objective, based on the water needed in its service area for efficient indoor residential water use, outdoor residential water use, commercial, industrial and institutional (CII) irrigation with dedicated meters. The statewide goal is to achieve an indoor water use standard of 55 gallons per person per day (gallons per capita daily, or GPCD); decreasing to 50 GPCD by January 2030.
- Regional Issues – In 2004, the State Water Resources Control Board approved the Basin Plan for the Santa Ana Region of the Water Quality Control Board. This regulation required the District to maintain groundwater quality similar to the quality that existed in the late 1960's and early 1970's. This regulation required the District to implement

nitrogen and TDS reduction strategies on water supplies and sewer discharges. Additionally, the District constructed molecular salinity removal facilities (reverse osmosis) at the Wochholz Regional Water Recycling Facility. In the next decade, the District will expand the reverse osmosis system and construct facilities to recharge our local groundwater basins with exceptionally pure, drought-proof water supplies.

- **Local Issues** – The District continues to experience accelerated costs associated with the operation and maintenance of the drinking water, sewer and recycled water systems. Specifically, the District is now faced with infrastructure that is nearing the end of its useful life and needs to be replaced. The replacement of existing infrastructure is critical for the delivery of high-quality water supplies, reduced impacts from emergencies such as fires and earthquakes, and an overall improved efficiency of the systems.

As a result of legislative action, stringent regulatory requirements, and the need for infrastructure improvements, the District has determined that it is necessary to adjust the drinking water, sewer and recycled water rates.

Why are the Yucaipa Valley Water District's water rates different from other municipalities?

Water and sewer rates are a function of costs and how those costs are recovered. There are specific characteristics unique to each municipality's operations and differing regulatory requirements based on geographical location and service population. Yucaipa Valley District currently draws water from local groundwater wells, imports water from northern California, and receives surface water from the local mountains. The District continues to balance our diversified water resource portfolio and expand the use of recycled water while reducing the importation of water from northern California. This resource mix has been planned for over five decades and is now coming to fruition resulting in the highest quality water resources available in a cost effective and reliable manner.

Additionally, the District operates a drinking water and recycled water system over a very unique topographical area. Consider for a moment that the District office on Second Street is approximately 70 miles inland from the Pacific Ocean and at an elevation of 2,000 feet above sea level. If you compress this 70 mile distance into a five mile distance keeping the 2,000 feet in elevation change the same, this would represent the working conditions of our water supply system. It takes a great deal of energy to move water up in elevation, and likewise, it takes a great capital investment to collect surface water from the upper elevations of the District (when available) and treat, then transport this local water supply to the area of water demand. Overall, the District operates a truly unique water delivery system that is more complex than most other water providers in the region.



Why are the Yucaipa Valley Water District's sewer rates different from other municipalities?

The Yucaipa Valley Water District delivers recycled water in the Yucaipa, San Timoteo, and Beaumont Management Zones as defined by the Basin Plan adopted in October 2004 by the State Water Resources Control Board and the maximum benefit analysis approved by the Regional Water Quality Control Board in April 2005. Located at the top of the Santa Ana Watershed, these management zones, or groundwater basins, are highly desired with superior groundwater quality that must remain pristine pursuant to the Porter-Cologne Act. This means our sewer treatment requirements are more stringent than most, if not all other municipalities in southern California.



While some communities achieve an economy of scale by having fewer, larger sewer treatment plants, the District maintains a smaller, sub-regional facility that is more expensive to operate with the level of treatment required. There are many other variables included in the District's sewer costs, but the examples above highlight some unique aspects of the District's operations.



What factors does the District consider when setting water, sewer and recycled water rates?

Since the District strives to operate more like a business than a government bureaucracy, cost recovery is a key consideration in our rate review. Other factors in the proposed rate structure include revenue stability, conservation, equity, economic development, financial sufficiency, and cost recovery. As the focus or importance of these factors change, the rate structure will likely be changed as well.

When would the new rate structure take effect?

The proposed rate structure requires a public hearing and approval by the Board of Directors. To ease the impact on property owners, tenants, and businesses and allow customers time to plan for rate adjustments, the structure includes adjustments over a long period of time, starting on February 1, 2020.

How would the current and proposed rate structure compare for residential customers?

There are two components to the proposed drinking water and sewer rate structure.

Fixed Charges - A monthly fixed charge has been established to cover the fixed costs regardless of the amount of water consumed or sewer discharged. These fixed costs in the drinking water division represent a small percentage of the overall District's water revenues, currently 24%. The sewer monthly charge is a fixed fee since the operation of the biological, mechanical and filtering systems of the sewer treatment plant must continue to operate 24 hours per day 7 days per week regardless of whether a customer is home, at work or on vacation.

Consumption Based Charges - A consumption based charge on drinking water and recycled water service has been adopted to charge customers proportionally to the amount of water they use. This consumption charge is used to assist in conservation and fairly allocate the cost of water based on consumption with infrastructure requirements.

Will the District reevaluate the costs included in this proposal?

The District staff will be reviewing the information in this document at least twice per year. The first review begins in late winter/early spring and concludes with the adoption of the District's budget in June. The second review occurs with the completion of the financial audit report prepared during the summer with Board review and adoption in September.

How can I become more involved in the activities of the District?

As a consumer, resident, or business owner, the best way to become involved in the activities of the District is to subscribe to our regular meeting agendas. This can be done through our website at www.yvwd.dst.ca.us. Regular workshops and board meetings are public meetings and scheduled late in the day and evenings to encourage public participation. Also, local government is one of the most effective forms of government since your elected officials and the majority of District employees are also your neighbors. Please feel free to provide us with your questions, comments, or concerns.

2.0 Economic Assessment

An important component in the economic evaluation of a utility service provider is to begin by understanding and evaluating the overall financial health of the District. This section briefly reviews and evaluates the historical and future economic assessment for providing service to the community.

2.1 The Economic Nature of Utility Operations

Public utility operations, such as the District's drinking water, sewer and recycled water operations, provide a service to the community which is essential to public health, protection of the environment, and the local economy. Public utility operations differ from most other types of business entities in that they are highly capital intensive in capital construction, capital operation / maintenance, and capital replacement. This means that a large amount of capital investment is required to operate a utility compared to most other businesses.

The large amount of capital required to fund a utility, combined with operating labor and other costs of operation which do not vary with consumption of water consumed, means that a majority of the costs incurred by a utility (typically 70 to 85 percent) are fixed. Fixed costs are incurred whether or not customers consume water or dispose of sewer and are associated with providing the availability of service at the point of consumer use. A smaller proportion of a utility system's cost is variable and changes with the volume of water consumed or quantity of sewer treated (i.e. the cost of chemicals, power for treatment and pumping, etc.). Due to the large amount of capital required to build and operate a drinking water, sewer and recycled water utility, most public utilities are monopolies in their service areas.

Financing is often required to construct facilities; those providing the capital should receive a fair return on invested funds. Public policy has been established to provide a fair return on invested funds to customers of a public utility through relatively low water, sewer and recycled water rates. These lower rates generally result from the fact that: 1) public utilities do not pay federal income taxes; 2) public utilities receive lower interest rates on financing through tax-exempt bonds; and 3) public utilities do not have to pay dividends to stockholders. Operating funds of a public utility in excess of operating expenses and debt service on financing can be re-invested in the infrastructure. This reduces the need to finance additional capital and, thus, allows utility rates to be set at a lower level.



2.2 Basis of Accounting in Utility Operations

Significant differences exist between the cash and accrual basis of accounting in utility operations. Many public utilities prefer to set rates on the basis of cash requirements. This helps to keep rates at lower levels in the short term. The cash basis includes only cash expenditures of a utility and does not include an allowance for depreciation expense.

Depreciation, however, is a significant means of developing cash reserves for future pay-as-you-go capital investment and replacement. Publicly owned utilities generally use the accrual basis of accounting for financial reporting. This method includes depreciation as an operating expense and identifies an appropriate rate of return which the utility can earn on its investment in the system assets. Under the accrual basis, depreciation expense (a non-cash item) is included as an operating expense.

The District's Audited Financial Statement is conducted on an accrual basis in accordance with the Generally Accepted Accounting Principles (GAAP) and standards promulgated by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB). However, because the District prepares its budgets and long-range capital planning on a cash basis, a cash basis is utilized for this study.

2.3 Fiscal Year 2017-18 Audited Financial Statements

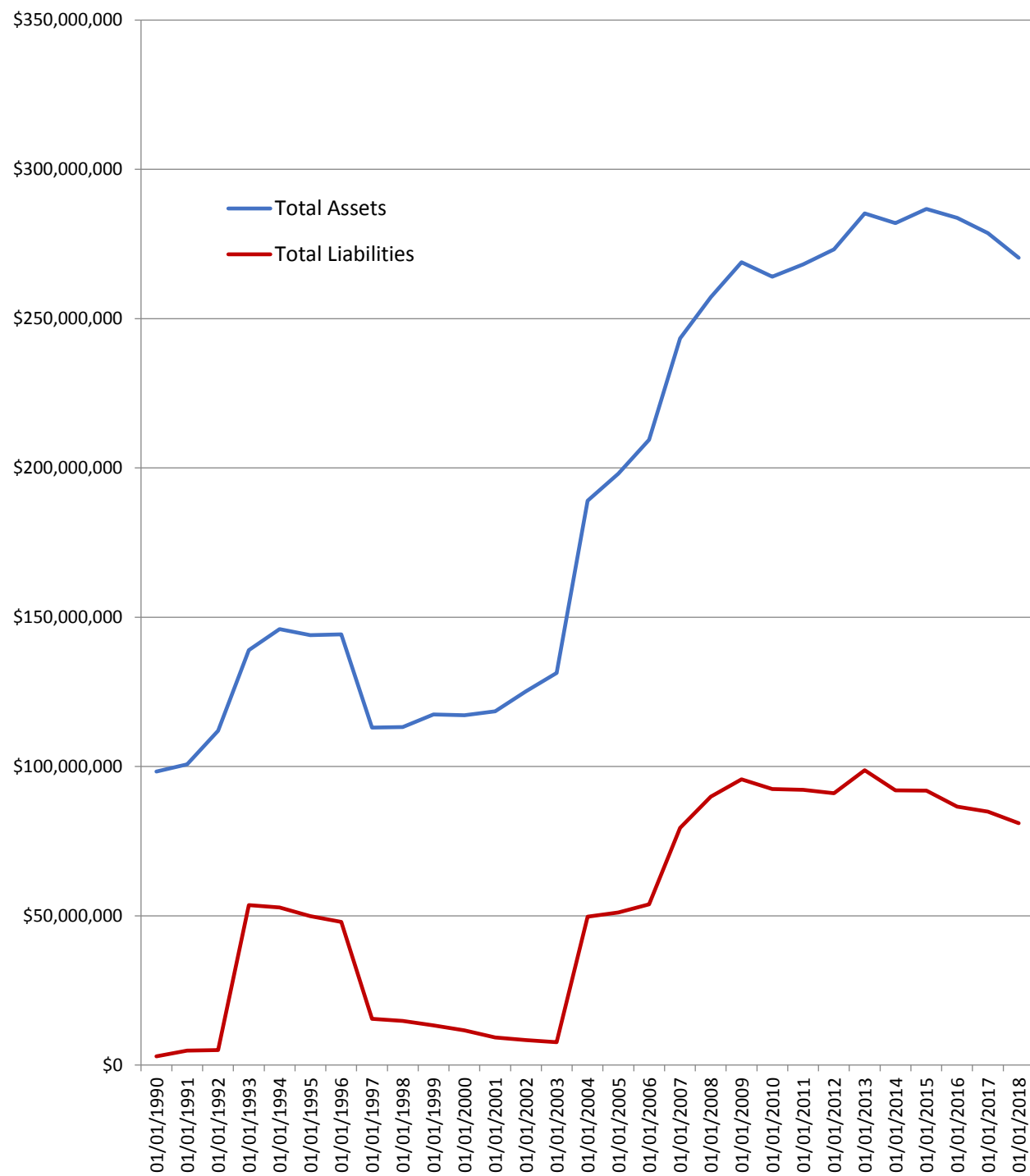
The Yucaipa Valley Water District relied upon the Audited Financial Statements for Fiscal Year 2017-18 during the development of this Comprehensive Rate Study. The Audited Financial Statements for Fiscal Year 2018-19 were received by the Board of Directors on November 19, 2019 and are attached as Appendix J to this document.

Historical income and expense data for the District have been compiled from completed Audited Financial Statements, excluding Fiscal Year 2018-19 information.

A couple of brief notes may help to explain this financial summary to customers not familiar with the District's operating statement.

- Depreciation Expense - The following financial statement is provided with depreciation listed as an operating expense, both funded and unfunded portions. Most utilities when they examine this type of information do not always list depreciation as an expense since it is a non-cash expense. However, it is important to convey the fact that not all of the appropriate depreciation is listed. This will result in higher costs in the future when the District will need to replace aged assets without appropriate funds set aside. A summary of the District's recent financial performance is provided in the following table.
- Capital Contributions - Capital contributions are appropriately listed in the District's audited financial statements as a non-operating revenue. For this analysis, the capital contributions are not included as part of net income.

Total District Assets vs. Total Liabilities - All Enterprise Funds



| FISCAL YEAR 2017-2018 | | | | |
|--|--------------------|-------------------|--------------------|--------------------|
| Sources and Uses of Funds | Drinking Water | Sewer | Recycled Water | Total |
| Net Position, Beginning of Year | \$ 79,057,106 | \$ 88,988,444 | \$ 25,805,049 | \$ 191,222,320 |
| Operating Revenue: | | | | |
| Charges for Current Services | 9,922,660 | 11,522,679 | 530,374 | 21,975,713 |
| Interfund Services Provided | 189,000 | -- | -- | 189,000 |
| Other Revenue | -- | 1,800 | -- | 1,800 |
| Total Operating Revenues | 10,111,660 | 11,524,479 | 530,374 | 22,166,513 |
| Operating Expense: | | | | |
| Salaries and Employee Benefits | 4,488,038 | 2,910,573 | 731,583 | 8,130,194 |
| Electrical Power | 1,483,846 | 1,005,828 | 104,909 | 2,594,583 |
| Water Purchases | 1,372,267 | -- | -- | 1,372,267 |
| Administrative Services | 547,698 | 516,553 | 42,151 | 1,106,402 |
| Operating Supplies | 252,520 | 753,879 | 8,855 | 1,015,254 |
| Maintenance and Repairs | 2,013,942 | 1,114,614 | 73,381 | 3,201,937 |
| Crystal Creek Water Treatment | 978,912 | -- | -- | 978,912 |
| Brineline Charges | -- | 377,995 | -- | 377,995 |
| Depreciation | 3,318,457 | 4,104,399 | 794,665 | 8,217,521 |
| Insurance | 95,653 | 94,461 | 20,991 | 211,105 |
| Professional Fees | 508,779 | 556,471 | 103,472 | 1,168,722 |
| Other | 49,500 | 336,728 | 31,898 | 418,126 |
| Total Operating Expenses | 15,109,612 | 11,771,501 | 1,911,905 | 28,793,018 |
| Operating Income (Loss) | (4,997,952) | (247,022) | (1,381,531) | (6,626,505) |
| Non-Operating Revenue (Expense): | | | | |
| Interest Income | 91,780 | 85,394 | 18,977 | 196,151 |
| Property Taxes | 2,907,660 | 236,500 | 132,500 | 3,276,660 |
| Other Income | 64,322 | 1,643 | -- | 65,965 |
| Interest Expense | (1,044,348) | (977,041) | -- | (2,021,389) |
| Total Non-Operating Revenue (Expense) | 2,019,414 | (653,504) | 151,477 | 1,517,387 |
| Net Income (Loss) | (2,978,538) | (900,526) | (1,230,054) | (5,109,118) |
| Capital Contributions | 350,259 | 841,462 | 88,127 | 1,279,848 |
| Change in Net Position | (2,628,279) | (59,064) | (1,141,927) | (3,829,270) |
| Net Assets – June 30, 2018 | 76,428,827 | 88,988,444 | 25,805,049 | 191,222,320 |

In addition to a significant reduction in drinking water sales over the past several years, the negative net operating income is also due to non-routine operating expenses and underfunding depreciation in all three enterprise funds. By increasing the funding for infrastructure reserve and replacement, the District will be able to increase available cash during the fiscal year and provide a funding stream for the replacement of infrastructure.

2.4 Evaluation of Current Financial Condition

The financial condition of the District can be evaluated by applying several of the economic parameters. Among these methods is the percentage of net-to-total operating revenues,

capitalization ratio, rate of return, and the funding/depreciation policy. Each of these parameters provides valuable information when assessing the District's financial adequacy.

2.4.1 Net Operating Revenue Analysis

Net operating revenues represent the amount of funds remaining after day-to-day operating expenses are subtracted from operating revenues. Net revenues provide for debt service payments and revenue-paid capital expenditures. Since a positive cash flow is required for debt payments, net operating revenues should always be positive, and should be 20 to 40 percent of total operating revenues. This range depends largely on the level of net non-operating revenues and expenses, such as interest earnings, debt service, and in-lieu taxes. If net operating revenues are negative, revenues collected are not providing for ongoing operating costs and are not contributing to payment of utility capital costs.

As indicated previously, while the District is appropriately covering the daily operating expenses, the District is not generating a sufficient level of operating revenues to fully fund depreciation.

2.4.2 Capitalization Ratio Analysis

The capitalization ratio is a measure of the amount of the utility plant in service which is owned and has been paid for by the ratepayers and the amount of the utility assets which has been financed. The capitalization ratio for a utility system relates the amount of debt outstanding relative to the present depreciated cost of the utility assets, and equals one minus the debt ratio, where the debt ratio is the total debt divided by the total value of the fixed assets. Under normal financial conditions, utility operations are considered financially sound if the capitalization ratio is at least 30 percent.

$$\text{Capitalization_Ratio} = 1 - \text{Debt_Ratio} \qquad \text{Debt_Ratio} = \frac{\text{Total_Outstanding_Debt}}{\text{Depreciated_Fixed_Assets}}$$

If net operating revenues are positive by an appropriate amount, a utility will have funds to pay for new capital projects and the capitalization ratio for the utility will remain at the same level or increase. If net operating revenues are less than sufficient to maintain the utility's capitalization ratio, the ratio will decline. A declining capitalization ratio indicates revenues are not providing for the same proportion of paid capital expenditures (equity) as had occurred in the past and that the debt ratio is increasing.

2.4.3 Rate of Return Analysis

Utilities that finance all capital requirements should have a computed rate of return which is equal to the interest cost on its debt. Normally, utilities which use financing to a large extent own 10 to 40 percent of the utility's assets. The rate of return for these utilities typically ranges from 5 to 8 percent. When 40 to 70 percent of the assets are owned, a rate of return allowance of 8 to 11 percent is generally common, if the utility desires to maintain a capitalization ratio in this range. For utilities which are 70 to 100 percent owned, rates of return ranging from 12 to 16 percent are required if the utility desires to continue to pay for all or most of additional capital expenditures from revenues.

From the proceeding, it is concluded that with greater ownership in the utility, a higher rate of return on investment is required to maintain or improve the equity position of the utility and to

maintain or improve its bond rating. Rate levels should be set so that the rate of return allowance is positive and adequate debt service coverage is provided.

The District's rate of return is indicated by the ratio of net operating revenues (total operating revenues minus total operating expenses) to the District's rate base (property, plants and equipment asset value). The District's property, plants and equipment totals \$120,315,329. A summary is provided below for each division for the purposes of calculating the rate of return.

| Rate of Return | Water Division | Sewer Division | Recycled Water Division |
|--|----------------|----------------|-------------------------|
| Property, Plants and Equipment | \$112,627,078 | \$131,595,444 | \$26,127,548 |
| Net Operating Revenue With Full Depreciation | (4,997,952) | (247,022) | (1,381,531) |
| Rate of Return | (4.44%) | (0.18%) | (5.29%) |
| Net Operating Revenue Without Depreciation | (1,679,495) | 3,857,377 | (586,866) |
| Rate of Return | (1.49%) | 2.93% | (2.25%) |

2.4.4 Depreciation Analysis

Depreciation is a source of internal cash, used for financing normal system replacements or increasing ratepayer's equity in a utility system. Depreciation expense is, in utility financial statements, an estimate of the annual cost of using an asset. Wear and tear, corrosion, action of the elements on a utility asset, and obsolescence are reasons why depreciation expense is recorded as a cost of utility operation. Depreciation is included as an operating expense to represent the cash outlay needed on a day-to-day basis to maintain the asset.

Cash generated by the recognition of depreciation allows the District to pay for and preserve its original investment. In other words, it pays for capital projects involving system renewals and replacements and funds the retirement of bond debt service. Cash retained should be used in such a manner as to minimize or reduce future capital costs.

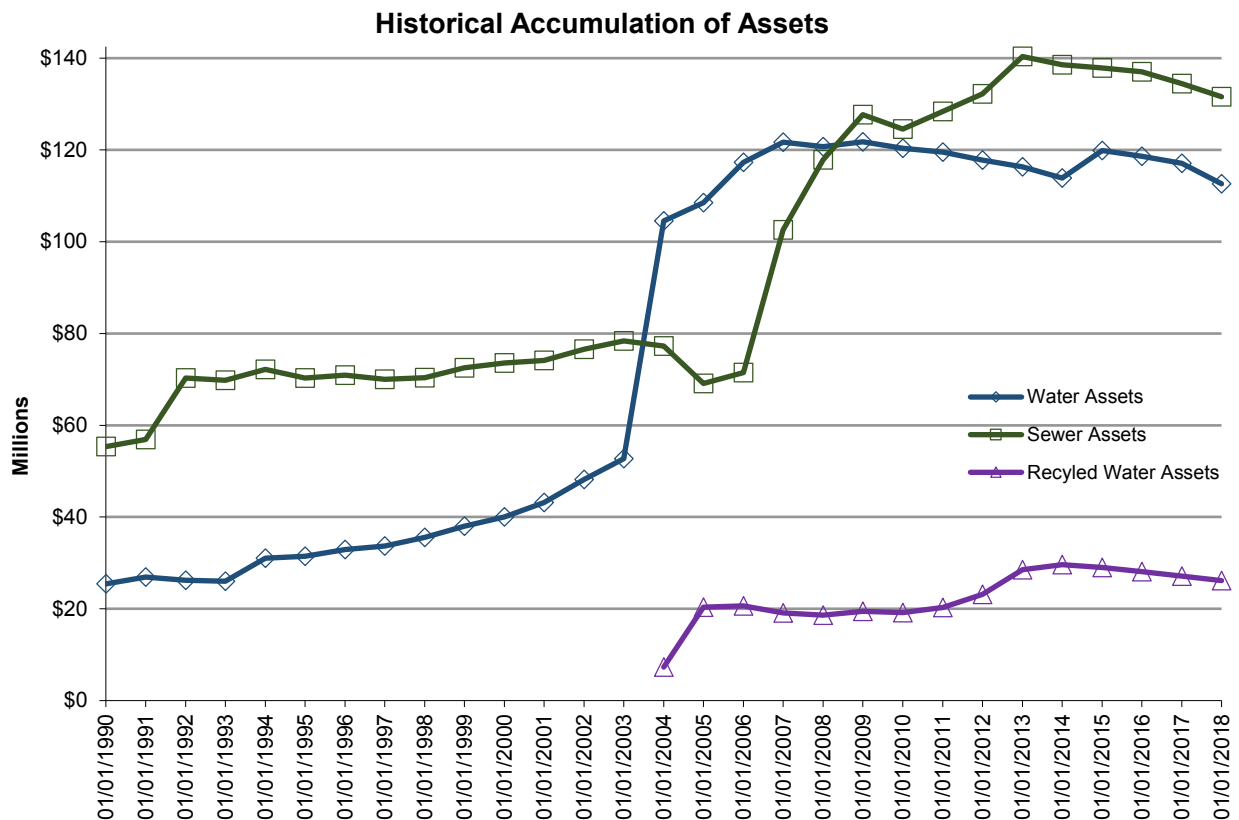
An example of depreciation funded projects includes the following examples:

- A. Water Service Line Replacement Program - Consider the 14,000 water service lines currently maintained by the District with a 40 year service line life would require replacement of 350 service lines per year. At a replacement cost of \$1,000 per service line, this program requires an annual budget of \$350,000.
- B. Water Meter Replacement Program - Consider 14,000 water meters with a 15 year life expectancy would require replacement of 900 water meters per year. At a replacement cost of \$325 per water meter, this program requires an annual budget of \$303,333.

These examples of asset replacement are required as part of the GASB 34 Asset Management requirements to ensure the District adequately maintains the extensive assets under our control.

2.4.5 Comparison of Capital Assets

Another useful financial measurement tool is a comparison of capital assets. As shown below, the capital assets of the District have increase steadily over the past fifteen years. Since 1989, the total capital assets have increased and now exceed \$120 million.



The amount of capital assets is a useful tool to quickly understand the complexity, responsibilities and obligations of an agency. The table below is provided to understand how the District compares to other local water and sewer providers.

| Agency | Fiscal Year | Total Assets |
|---|-------------|-----------------|
| San Bernardino Valley Water Conservation District | 2019 | \$19,050,000 |
| Big Bear Area Regional Wastewater Agency | 2019 | \$21,598,435 |
| Beaumont Cherry Valley Water District | 2018 | \$62,512,946 |
| West Valley Water District | 2018 | \$162,845,397 |
| Santa Ana Watershed Project Authority | 2018 | \$177,074,117 |
| Palmdale Water District | 2018 | \$188,730,535 |
| East Valley Water District | 2019 | \$216,882,673 |
| Yucaipa Valley Water District | 2018 | \$270,350,070 |
| Padre Dam Municipal Water District | 2018 | \$377,000,258 |
| Cucamonga County Water District | 2018 | \$557,877,980 |
| Western Municipal Water District | 2018 | \$603,078,343 |
| Jurupa Community Services District | 2017 | \$630,211,886 |
| San Bernardino Valley Municipal Water District | 2018 | \$827,194,952 |
| Eastern Municipal Water District | 2018 | \$2,894,727,900 |

3.0 Drinking Water Enterprise

In order to properly assess the District's future revenue requirements, one must first evaluate and understand trends within four specific areas. These areas are: 1) current customer base and projected changes; 2) evaluation of water demands, 3) significant changes in operating expenses including water filtration and sewer treatment costs, and 4) capital expenditures and debt service obligations. The following is a brief discussion on the impact of these factors on the District's revenue requirements.

3.1 Current and Projected Customer Base

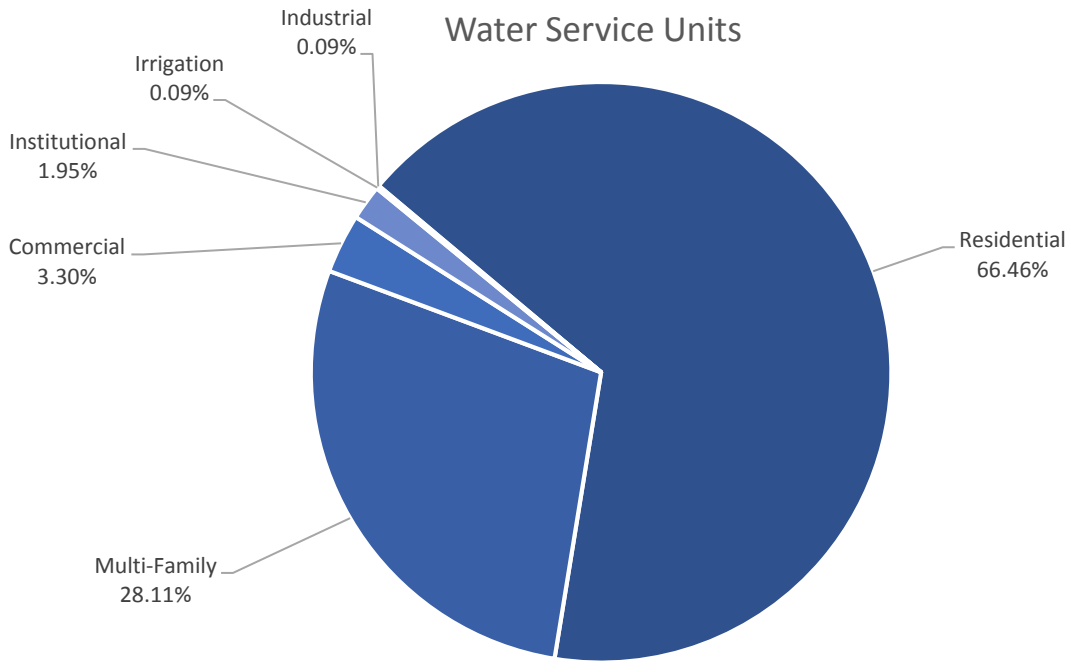
A fundamental element for developing service projections is the quantification of customer demand characteristics and the revenues derived from the current schedule of utility charges. This information provides the foundation for integrating projected changes in demands and customer unit rate adjustments.

As of June 30, 2019, the District's customer base consisted of the following:

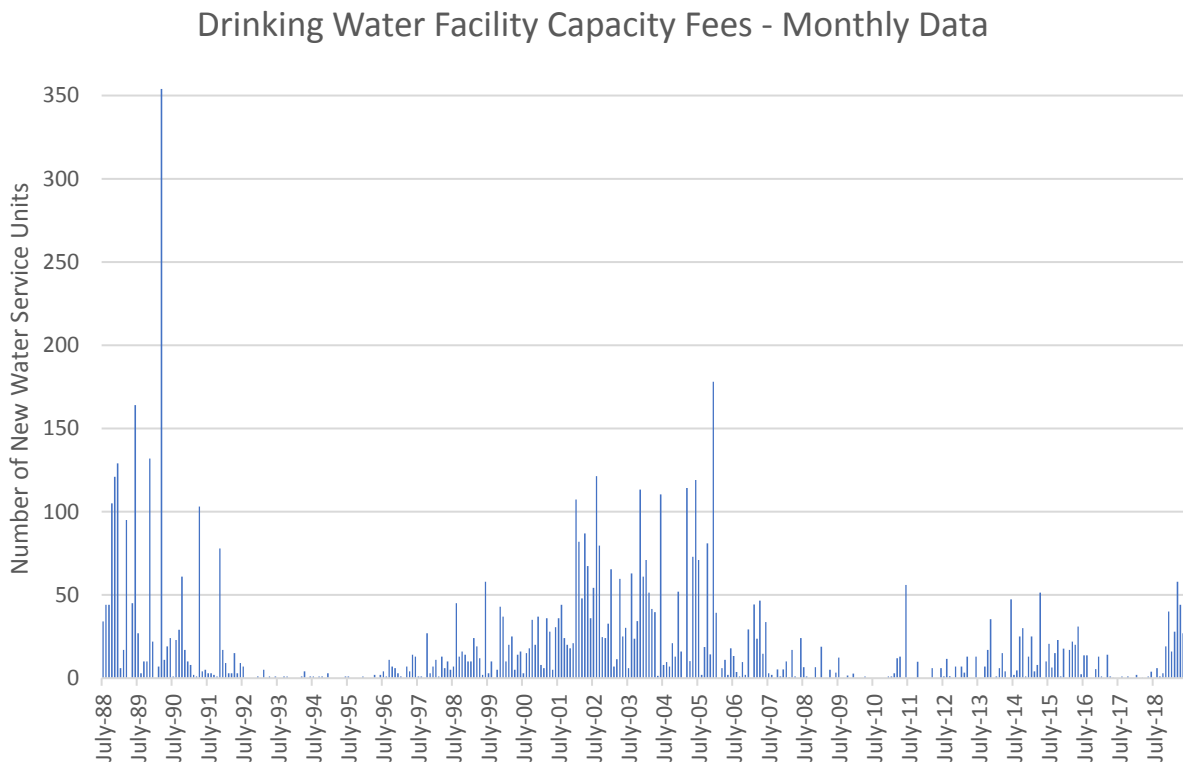
- Drinking water service was provided through 13,794 water service connections; and
- Drinking water was provided to 19,243 Water Service Units.

The table below illustrates a detailed breakdown of service connections by the type of customer. The difference between the number of service connections and the number of Water Service Units represents multiple units on a property and larger capacity water meters that are typically used for commercial, industrial and institutional customers. The Comprehensive Rate Study focuses on Water Service Units for allocation of Drinking Water Enterprise fixed costs.

| Customer Type | Drinking Water Enterprise | |
|--------------------|-------------------------------|----------------------------|
| | Number of Service Connections | Water Service Units (WSUs) |
| Single Family | 11,876 | 12,602 |
| Multiple Units | 467 | 5,331 |
| Commercial | 225 | 626 |
| Institutional | 78 | 370 |
| Industrial | 6 | 17 |
| Irrigation | 111 | 297 |
| Fire Detectors | 1,013 | -- |
| Construction Water | 18 | -- |
| Recycled Water | -- | -- |
| Sewer Only | -- | -- |
| Total | 13,794 | 19,243 |



The chart below illustrates the number of Water Service Units (WSUs) added to the District's drinking water system on a monthly basis over the past thirty years. During these three decades, the Yucaipa Valley Water District averaged 211 new drinking water services per year.

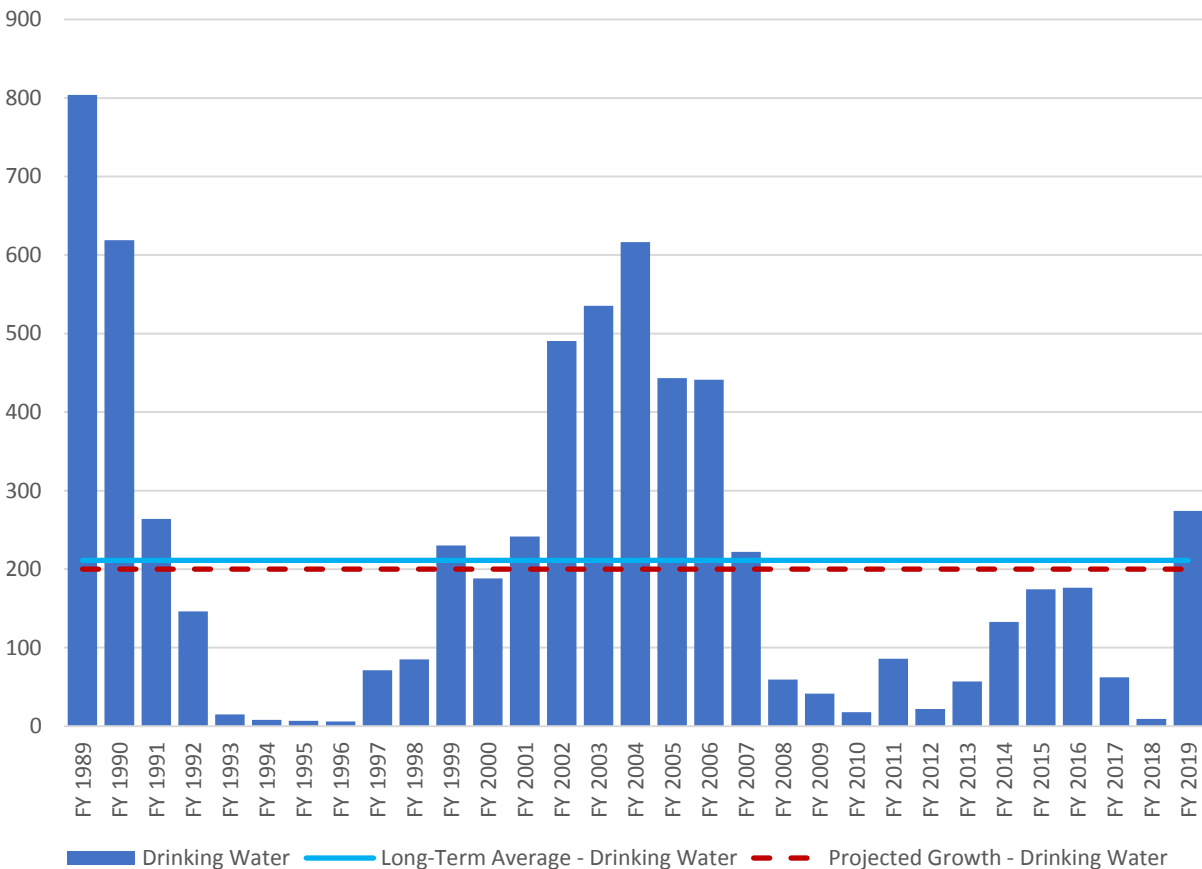


For the purposes of this Comprehensive Rate Study, the District recognizes that several large developments have started construction and will add thousands of Water Service Units in the near future. These fully entitled development projects will likely skew the relatively slow growth that has occurred over the past decade. Specifically, Summerwind Ranch, Mesa Verde Estates, JP Ranch, and the Oak Valley commercial center all have the ability to change the District's customer base, primarily within the City of Calimesa.

To reasonably project the future growth rate of the Yucaipa Valley Water District, an estimated growth rate of 200 Water Service Units per year will be added to the drinking water system. This projection is based on 50 homes per year will be constructed in the City of Yucaipa and 150 homes per year will be constructed in the City of Calimesa.

This projection represents a 5% annual decrease from the long-term average of 211 Water Service Units per year with an overall increase of about 1% per year. Over the 50 year projection of this rate study, this growth rate will add 10,000 more Water Service Units to the drinking water system. While this growth rate is more than recently experienced by the District, the projected rate of 200 additional drinking water services per year for the next 50 years will not exceed the projected buildout of either the City of Yucaipa or the City of Calimesa. Therefore, this may be a fairly conservative estimated growth rate when one looks back at this comprehensive rate study in the future.

Drinking Water Facility Capacity Charges - Annual Data



The projected customer growth rate affects the District's revenue requirements in two ways. First, it increases the customer base, which increases the property tax revenue, fixed charge revenue, and variable charge revenue. Secondly, it increases operating costs associated with the delivery and provision of drinking water services.

3.2 Drinking Water Enterprise Revenue Requirements

The Yucaipa Valley Water District analyzed the revenue requirements of drinking water service customers to test the financial health of the enterprise. The revenue requirement analysis uses FY 2019 as the baseline and extends the forecast period 50 years until FY 2070. With an extended forecast, the District can plan for debt repayment and schedule future capital improvements. However, most tables and graphs in the Study will typically focus on a ten year period of FY 2020 to FY 2030.

Based on the findings of this Comprehensive Rate Study, the rate changes recommended for the Drinking Water Enterprise will consist of changes to the framework of the existing rate structure plus new revenue categories that will fund operational and capital needs and meet debt service obligations. The proposed findings support the Water Enterprises' ability to continue meeting its level of service objectives.

3.2.1 Evaluation of Drinking Water Demands

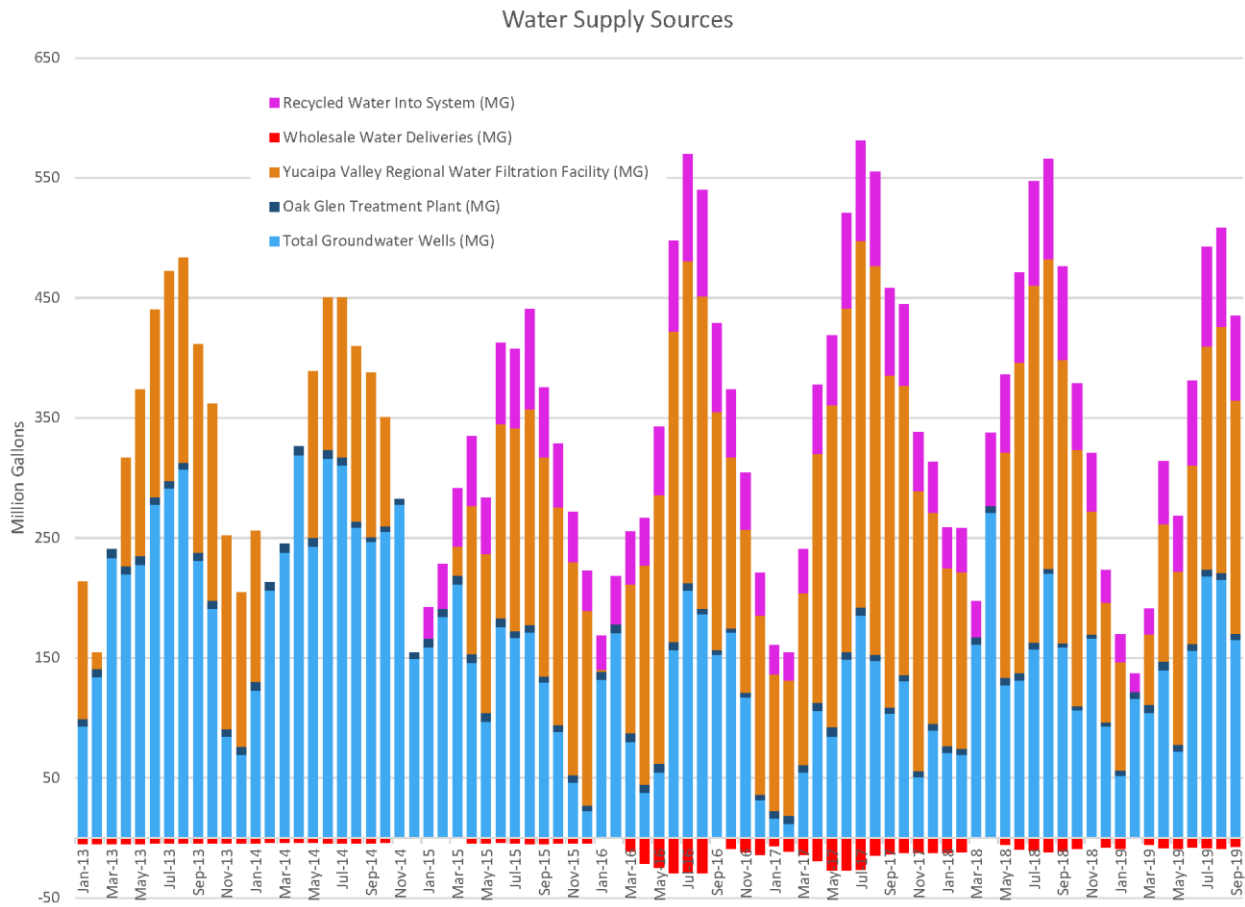
The Yucaipa Valley Water District maintains a highly diversified water resource portfolio that consists of groundwater, imported water, local surface water, and recycled water. The use of these resources varies each month depending on the regional and statewide climatic conditions and policies/goals set by the Board of Directors.

The two most significant policy decisions by the Yucaipa Valley Water District Board of Directors has been to maximize the use of recycled water and refill the local groundwater basins to enhance the availability of local resources for future use.

The Yucaipa Valley Water District implemented a recycled water system in 2002 to reduce the amount of groundwater used by the community for irrigation purposes. This recycled water system was connected to the Wochholz Regional Water Recycling Facility in 2015 and now the recycled water system receives source water from both the Yucaipa Valley Regional Water Filtration Facility and the Wochholz Regional Water Recycling Facility.

The following graph illustrates the monthly water demands and the various water supply sources used by the District to meet the drinking water and irrigation demands.

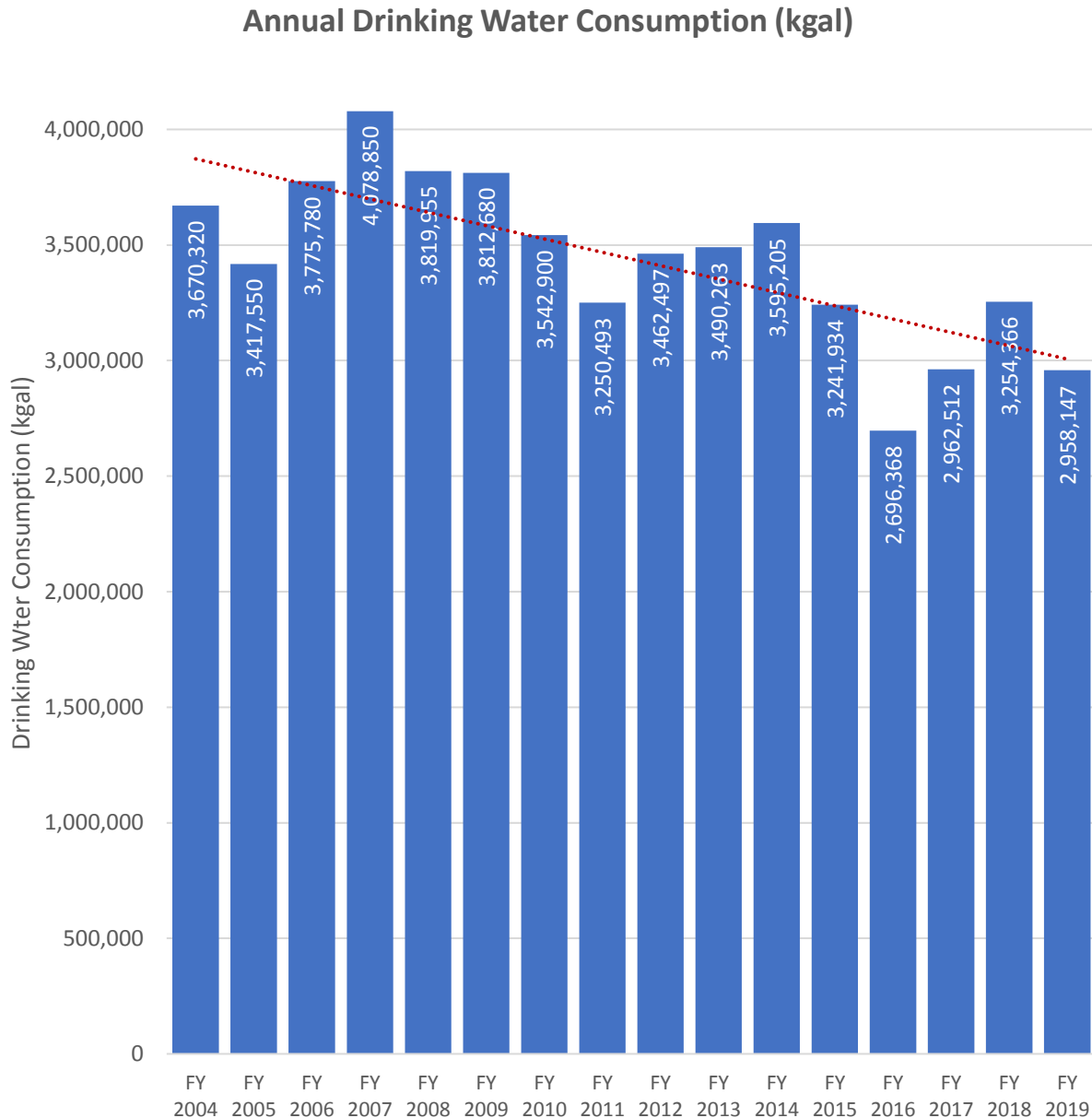
Yucaipa Valley Water District Drinking Water, Sewer, and Recycled Water Rate Analysis



As a direct result of the management of our water resources, the Yucaipa Valley Water District has been able to significantly improve the groundwater conditions within our service area. While the District monitors groundwater conditions at our active and inactive well sites, the District relies upon the groundwater monitoring wells operated and maintained by the United States Geological Survey (USGS) to publicly share groundwater conditions with the community.

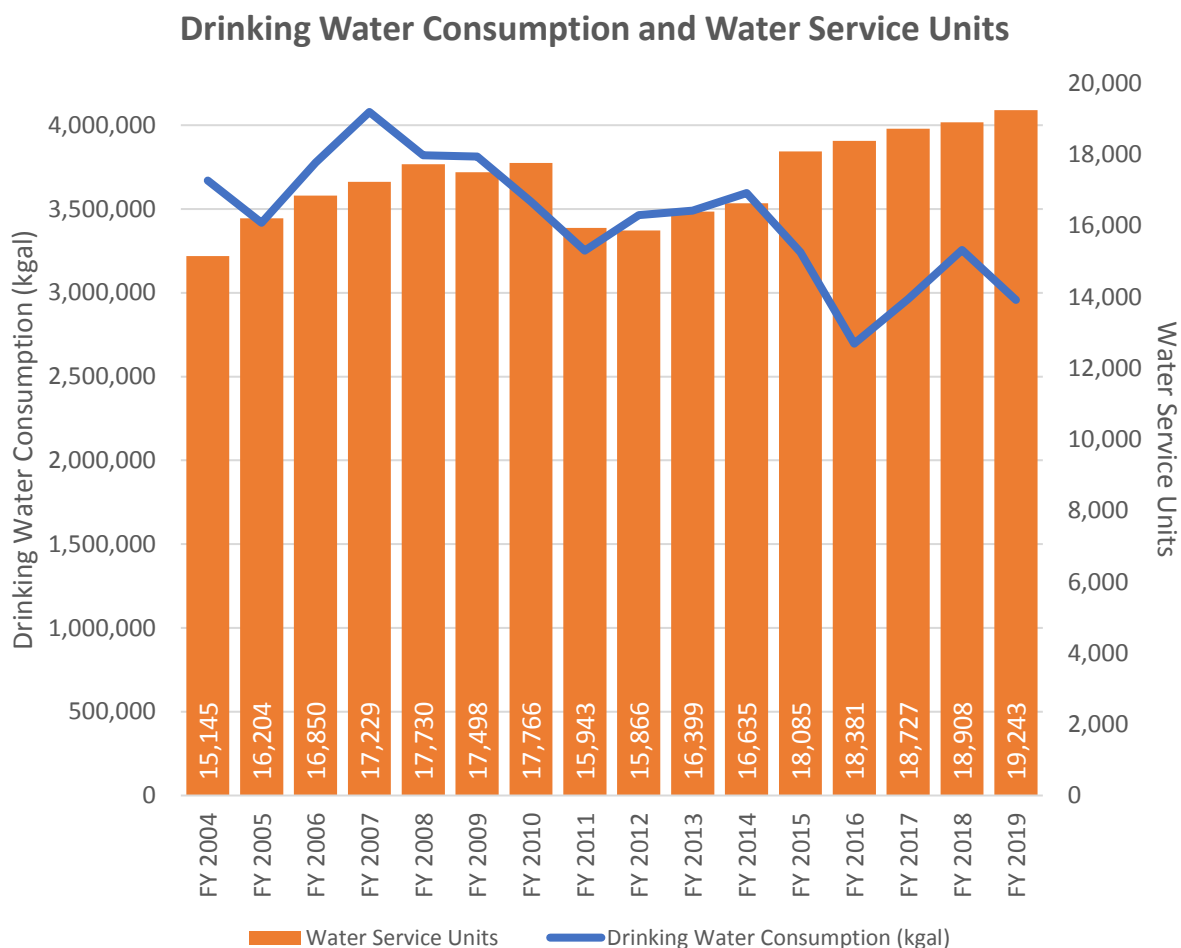


The Yucaipa Valley Water District has been experiencing a decline in drinking water consumption over the past decade. In FY 2007 the District delivered 4,078,850 kgal of drinking water (12,517 acre feet) compared to 2,958,147 kgal of drinking water (9,078 acre feet) in FY 2019. This represents a decrease of 27.5% over the past thirteen years.



The decrease in drinking water consumption is largely related to: (1) the implementation of recycled water service as discussed in Section 5 of this report; (2) drought and water conservation practices by customers; (3) improved water efficiency of new homes; and (4) variations in climatic conditions.

While water demand decreased 27.5% over the past thirteen years, the number of Water Service Units increased 10.8% from 17,229 WSUs in FY 2007 to 19,243 WSUs in FY 2019.



On May 31, 2018, Governor Brown signed two bills which build on the ongoing efforts to “make water conservation a California way of life.” Senate Bill No. 606 (Hertzberg) and Assembly Bill No. 1668 (Friedman) place a large emphasis on water use efficiency mandates that will be the responsibility of urban water providers like the Yucaipa Valley Water District. This comprehensive rate study implements the anticipated statutory requirements of SB 606 and AB 1668.

The new Legislative framework will create new efficiency standards for indoor use, outdoor use, and water lost to leaks, as well as any appropriate variances for unique local conditions. Beginning in November 2023, each urban retail water agency will calculate its own objective, based on the water



needed in its service area for efficient indoor residential water use, outdoor residential water use, commercial, industrial and institutional (CII) irrigation with dedicated meters, and reasonable amounts of system water loss, along with consideration of other unique local uses (i.e., variances) and “bonus incentive,” or credit, for using recycled water based on the standards adopted by the State Water Resources Control Board.

Urban water agencies must meet their water use objective. Those that don't may be subject to enforcement by the State Water Resources Control Board (“State Water Board”). Starting in 2023, the State Water Board may issue informational orders to urban water suppliers that do not meet their water use objective and may issue conservation orders beginning in 2025.

The indoor water use standard will be 55 gallons per person per day (gallons per capita daily, or GPCD) until January 2025; the standard will become stronger over time, decreasing to 50 GPCD in January 2030. For the water use objective, the indoor use is aggregated across population in an urban water supplier's service area, not each household.



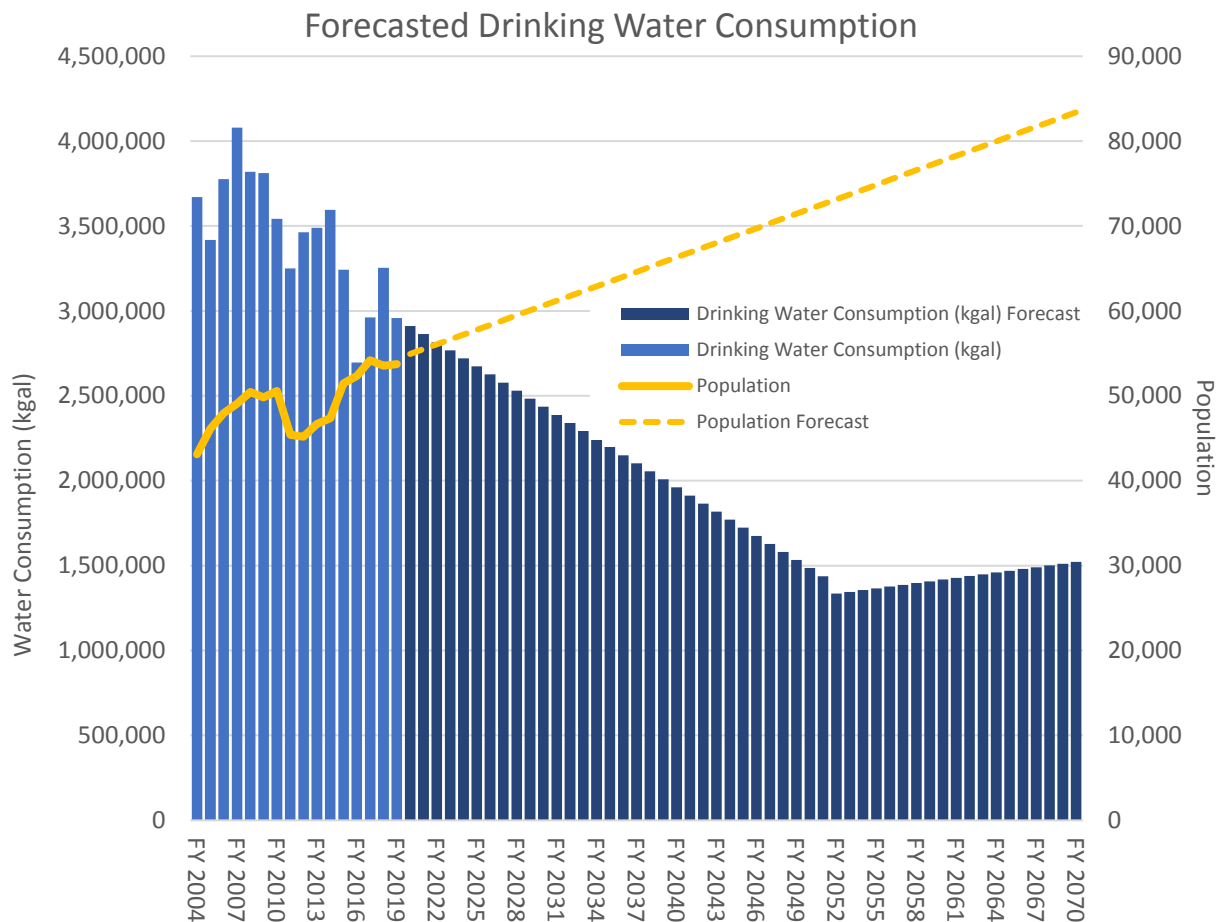
The outdoor water use standard will be based on land cover, climate, and other factors determined by the Department of Water Resources and the State Water Resources Control Board. The State Water Resources Control Board will adopt the outdoor standard by June 2022.

In addition, the Department of Water Resources and the State Water Resources Control Board will work collaboratively to define performance measures for Commercial, Institutional, and Industrial (CII) water use by October 2021. The State Water Board will adopt the CII performance measures by June 2022.

To enhance drought planning and preparedness, urban water agencies also will be required to update urban water management plans that specify reliability of water supply, define the agency's strategy for meeting its water needs, including conducting annual “stress tests” of supply versus demand to ensure water service continuity assuming the five worst or driest years in the supplier's historical record.

Based on (1) the growth projections identified above; (2) the actual reduction in water consumption over the past decade; and (3) the new water efficiency requirements set forth by the State of California, the District will be projecting an annual decrease in drinking water use of 47,500 kgal per year until 2052. At this point, the District should achieve the goal of 50 gallons per capita daily (GPCD).

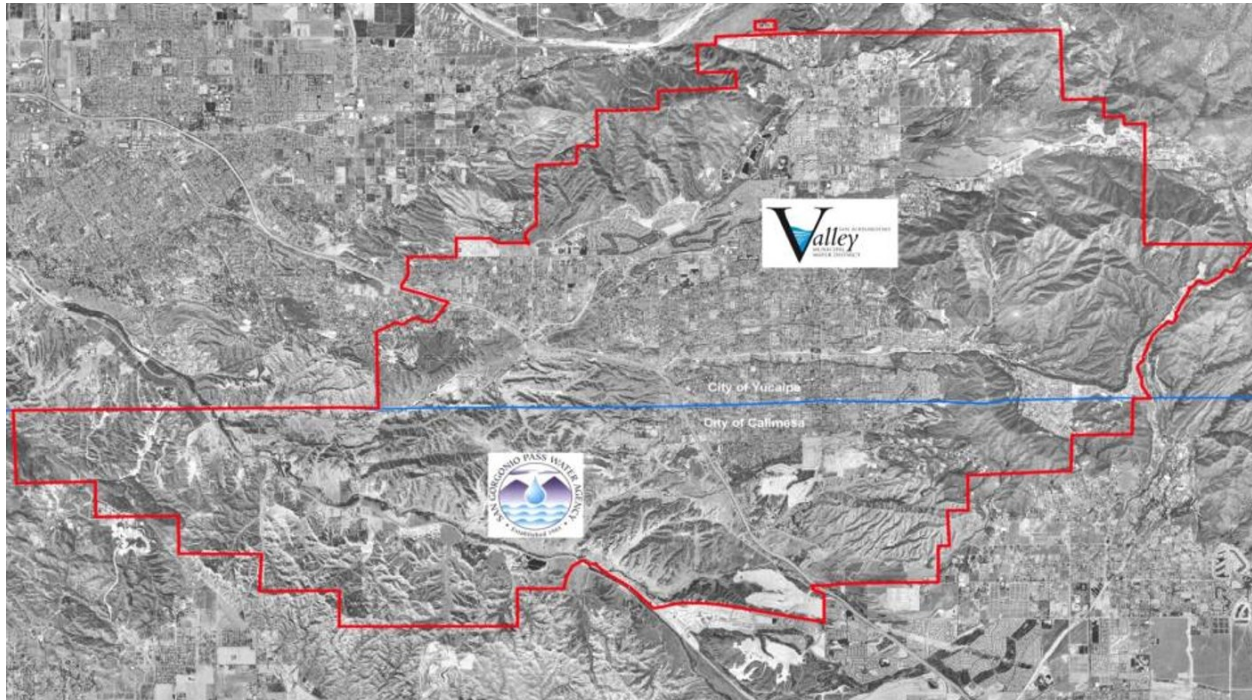
As shown below, future water consumption will increase at a rate of 50 gallons per capita daily when new homes are added to the drinking water system.



3.2.2 Evaluation of Supplemental Water Demands

The Yucaipa Valley Water District receives imported water from the San Bernardino Valley Municipal Water District (SBVMWD) and the San Gorgonio Pass Water Agency (SGPWA). The San Bernardino Valley Municipal Water District provides imported water to the portion of the Yucaipa Valley Water District in San Bernardino County while the San Gorgonio Pass Water Agency provides imported water to the Riverside County portion.

| | San Bernardino Valley Municipal Water District | San Gorgonio Pass Water Agency |
|-----------------------------|--|--------------------------------|
| Service Area Size | 353 square miles | 222 square miles |
| Table "A" Water Entitlement | 102,600 acre feet | 17,300 acre feet |
| Imported Water Rate | \$125.80 / acre foot | \$399 / acre foot |
| Tax Rates for FY 2019-20 | \$0.1425 | \$0.1825 |
| Number of Board Members | Five (5) | Seven (7) |
| Operating Budget FY 2019-20 | \$58,372,000 | \$9,551,000 |



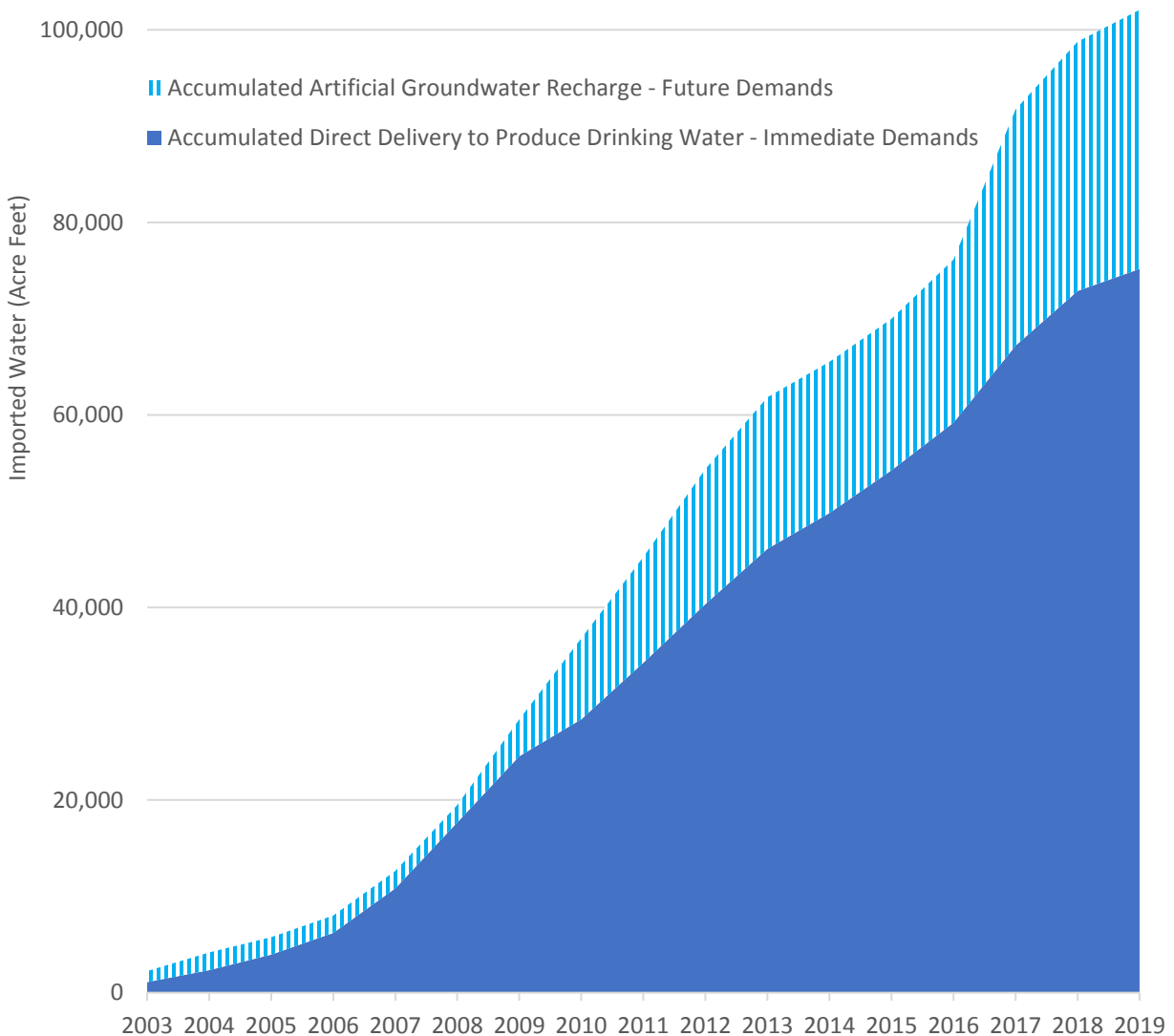
Imported water from the SBVMWD and SGPWA is delivered to the Yucaipa Valley Regional Water Filtration Facility for treatment to drinking water. The Yucaipa Valley Regional Water Filtration Facility is a technologically advanced drinking water facility that uses microfiltration and nanofiltration membranes to produce exceptionally pure drinking water for the customers of the Yucaipa Valley Water District. The amount of imported water purchased from each State Water Contractor is directly correlated to the amount of drinking water consumed within the service area of each agency. Currently, about 90% of the District's drinking water demand is located in the service area of the San Bernardino Valley Municipal Water District and 10% in the service area of the San Geronimo Pass Water Agency.



In addition to direct delivery of imported water to the Yucaipa Valley Regional Water Filtration Facility, the Yucaipa Valley Water District also receives imported water from the San Bernardino Valley Municipal Water District for surface water recharge at the Wilson Creek Spreading Basins. Future plans include the construction of injection wells in the City of Calimesa. Ultimately, the District plans to reduce our reliance on the use of imported water with highly purified recycled water to implement indirect potable reuse throughout the District's service area.



Accumulated Imported Water Deliveries



3.2.3 Revenue Requirements Overview

The revenue requirement analysis compares the forecasted revenues of the District to its forecasted operating and capital costs to determine the adequacy of the existing rates to recover the cost of providing service. Should any deficits be identified, additional funding through rates are reviewed and recommended based on strategic goals and available funding.

To fully analyze the revenue requirements, the District utilized the adopted FY 2020 budget expenses as the base year of operation and maintenance costs. Future expenses were forecasted for a 50 year period. Additional information was evaluated that consisted of a detailed review of costs, operational expenses, capital needs, and reserve requirements. The revenue requirements analysis determines the annual revenue necessary to be recovered through water rates and charges in order to meet the expected financial obligations of the Drinking Water Enterprise.

Two tests are utilized to determine whether the annual revenues are sufficient: cash flow test and debt coverage test. Should both tests “fail,” the test with the larger deficiency is determined to be the primary driver. Based on the results of the baseline revenue requirement analysis and the declining drinking water sales, both the debt coverage requirement and the cash flow analyses drive the need for additional revenue.

3.2.3.1 Cash Flow Test

The cash flow sufficiency test evaluates whether revenues exceed expenses for a net positive cash flow at the end of each fiscal year. When they do not, this test is not passed, and additional rate revenue is recommended. The cash flow test identifies the amount of annual revenues that must be generated in order to meet annual expenditure obligations. These obligations include O&M expenses, debt service payments, policy-driven minimum reserves, and rate-funded capital expenses. These expenses, less offsetting revenues from other sources, are compared to total annual projected retail rate revenues. Deficits are then used to estimate the need for rate revenue increases. The analysis also considers existing reserves and financial policies to help mitigate or smooth the need for rate adjustments in the short-term.

Excess reserve amounts will be considered for contingencies and rate stabilization. As such, the District has the ability to use unrestricted reserves, if available, to satisfy the annual cash flow test in order to minimize rate spikes.

3.2.3.2 Debt Coverage Test

The debt service coverage test measures the ability to meet both legal and policy-driven revenue obligations. The Yucaipa Valley Water District uses bond indebtedness to fairly share the cost of certain capital improvements with future customers.

Debt service coverage is dictated by specific bond covenants and establishes an amount that a borrower must raise in revenue in excess of operations and debt-related expenses.

The Rate Covenant for the Water System Refunding Revenue Bonds - Series 2015A requires the Net Water System Revenues to equal 110% of the Debt Service payable in each Fiscal Year and does not include any amount transferred from the Rate Stabilization

Fund to the Water System Revenue Fund in excess of 10% of Debt Service. This Rate Covenant provides that the District may make adjustments from time to time of the rates, fees, and charges as deemed necessary, but shall not reduce the rates in effect unless the District reasonably expects the Net Water System Revenues for the reduced rates to be sufficient to meet the foregoing requirements.

Coverage requirements to ensure payment and security of the bond issuance requires annual revenues to meet a minimum of 1.10x (times) the annual debt service.

$$\text{Debt Coverage Test} = \frac{(\text{Annual Revenues} - \text{Operating Expenses})}{\text{Annual Debt Service}}$$

3.2.3.3 Bond Coverage Guidelines

To ensure that the Yucaipa Valley Water District retains financial flexibility for contingencies, the Board of Directors has adopted and implemented Bond Coverage Guidelines that target higher metrics than the minimum debt service coverage requirements.

On February 18, 2015, the Board of Directors of the Yucaipa Valley Water District approved a policy related to debt management for the Drinking Water Enterprise. The Board of Directors set the following financial benchmark goals:

- A. 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.
- B. Credit Rating: The District's credit rating has a direct impact on the access to financial markets and the cost of incurring debt. It is the District's goal to obtain and maintain the following credit ratings: AA (Standard & Poors), Aa1 (Moody's) and/or AA (Fitch).
- C. 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 300 and 400 days.
- D. 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 1.6 times the annual debt service payments excluding development facility capacity charges and 2.0 times the annual debt service payments for gross revenues and unappropriated fund balance to cover all operations and maintenance including debt service.

This rate study provides for the implementation of the Board approved bond coverage guidelines.

3.2.4 Existing Water Rate Structure and Assumptions

The current water rates, adopted as Resolution No. 18-2011 includes the following components:

- Monthly water service charges are determined by meter size; and
- Drinking water commodity charges based on volumetric consumption.

These rates were adopted on August 17, 2011 and reflect the current water service and commodity drinking water charges.

3.2.4.1 Current Drinking Water Service Charge

The monthly drinking water service charge is applied to the greater of (1) meter size or (2) number of Equivalent Dwelling Units / Water Service Units receiving service from the water meter. This charge shall be applicable to both drinking water and recycled water users.

| Meter Size | Current Water Service Charge |
|----------------------------|------------------------------|
| Service Charge per EDU | \$14.00 |
| Water Meter Based Charge: | |
| ¾" Water Meter - 1.00 EDU | \$14.00 |
| 1" Water Meter - 1.67 EDU | \$23.38 |
| 1½" Water Meter - 3.33 EDU | \$46.62 |
| 2" Water Meter - 5.33 EDU | \$74.62 |
| 3" Water Meter - 10.00 EDU | \$140.00 |
| 4" Water Meter - 16.67 EDU | \$233.38 |
| 6" Water Meter - 33.33 EDU | \$466.62 |
| 8" Water Meter - 53.33 EDU | \$746.62 |

Multiple Residential Dwellings of more than 30 dwelling units on the same parcel constructed prior to May 1, 2005 shall be calculated based on the methodology provided above multiplied by the Multiple Residential Water Service Charge Factor of 0.80 to calculate the Multiple Residential Water Service Charge.

3.2.4.2 Current Drinking Water Commodity Charge

The water commodity charge rate is the charge per one thousand gallons (kgal) for all water registered by the customer's water meter in a monthly billing cycle and is herein established as follows:

| Potable Water Consumption (kgal) | Commodity Rate (\$/kgal) |
|----------------------------------|--------------------------|
| 1 – 15 Billing Units | \$1.429 |
| 16 – 60 Billing Units | \$1.919 |
| 61 – 100 Billing Units | \$2.099 |
| 101 and greater Billing Units | \$2.429 |

Multiple Residential Dwellings of more than 30 dwelling units on the same parcel constructed prior to May 1, 2005 shall be calculated based on the methodology provided above, but the Commodity Charge is multiplied by the Multiple Residential Water Commodity Charge Factor of 0.80 to calculate the Multiple Residential Water Commodity Charge.

3.2.4.3 Current Supplemental Water Commodity Charge

The imported water commodity charge is applied to all drinking water consumption recorded at each individual water meter including, but not limited to, all residential, commercial, industrial, institutional, irrigation, and construction users. Since imported water rates are set at the sole discretion of the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency, the Imported Water Commodity Charge is adjusted following any change by either of those two Agencies.

The following calculation is used to adjust the Imported Water Commodity Charge when imported water rates are changed by either the San Bernardino Valley Municipal Water District or the San Gorgonio Pass Water Agency.

$$\text{Imported Water Commodity Charge} = (0.7) \times \left(\frac{\text{Imported}}{\text{Water Rate}} \right) \times (0.00307)$$

Definitions:

- *Imported Water Commodity Charge* (expressed in units of \$/kgal) represents the calculated charge implemented by the Yucaipa Valley Water District and applied to customer utility bills within the respective service area of the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency.
- *Imported Water Rate* (expressed in units of \$/acre-foot) represents the rate charged by the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency for water delivered to the Yucaipa Valley Regional Water Filtration Facility.

3.2.4.4 Capital Improvement Program – Drinking Water

A Capital Improvement Program (CIP) was prepared as part of the Fiscal Year 2020 Budget adopted on June 18, 2019. Some Projects associated with the Capital Improvement Program are constructed with Facility Capacity Charges paid by new development while other projects are paid by existing customers as part of the rate structure.

A copy of the current Capital Improvement Program for the Drinking Water, Sewer, and Recycled Enterprise is included as Appendix C.

3.2.4.5 Drinking Water Enterprise Revenue Assumptions

The total drinking water revenue generated each year from the customer rates should be approximately equal to the total water operation expenditures planned for that year. The revenue requirements include long-term financial objectives such as capital improvement and refurbishment/replacement projects in addition to regular operations and maintenance. With these basic principles, the required revenue can be projected and then rates can be designed to meet the revenues needed.

Based on prior year information, the following forecast factors were used to develop the Drinking Water Enterprise Revenue Forecast through 2070.

| Drinking Water Enterprise Revenue Forecast | | Forecast Factor |
|--|--|-----------------|
| 02-40010 | Sales - Drinking Water | See Below |
| | Sales - Excess Consumption | See Below |
| 02-40011 | Sales - Construction Water | Static |
| 02-40012/13 | Sales - Supplemental Water | 3.0% |
| 02-40014 | Sales - Discount (Multi Unit) Variable | 0.0% |
| 02-40015 | Sales - Wholesale Water | 3.0% |
| 02-40016 | Sales - Establish Service Fee | 2.0% |
| 02-41000 | Sales - Service Demand Charges | See Below |
| 02-41001 | Sales - Fire Service Standby Fees | 2.0% |
| 02-41003 | Sales - Construction Demand Charge | 2.0% |
| 02-41005 | Sales - Discount (Multi Units) Fixed | (5.0%) |
| 02-41010 | Unauthorized Use of Water Charge | Static |
| 02-41110 | Meter/Lateral Installation | Static |
| 02-41112 | Fire Flow Test Fees | Static |
| 02-41113 | Disconnect & Reconnect Fees | 3.0% |
| 02-41121 | Delinquent Payment Charges | 3.0% |
| 02-41124 | Bad Debt Write-Off & Recovery | 2.0% |
| 02-42122 | Revenue - Other Operating | 2.0% |
| 02-42123 | Administration and Management | 2.0% |
| 02-43010 | Interest Earned | 2.0% |
| 02-431xx | Property Taxes | See Below |
| 02-43140 | Taxes - Other | 3.0% |
| 02-49110 | Rental Income | 2.0% |
| 02-49150 | Miscellaneous Non-Operating | 2.0% |

Based on prior year information, the following forecast factors were used to develop the Drinking Water Enterprise Expense Forecast through 2070.

| Drinking Water Enterprise Expense Forecast | | Forecast Factor |
|--|-------------------------------|-----------------|
| Water Production Department | | |
| 02-5-01-50010 | Labor - Water Resources | 3.0% |
| 02-5-01-50013 | Benefits-FICA | 7.7% |
| 02-5-01-50014 | Benefits-Life Insurance | \$480 + 1% |
| 02-5-01-50016 | Benefits-Health & Dental | \$19,692 + 2% |
| 02-5-01-50017 | Benefits-Disability Insurance | 0.9% |
| 02-5-01-50019 | Benefits-Workers Compensation | 2.7% |
| 02-5-01-50022 | Benefits-PERS Employer | 15.0% |
| 02-5-01-50023 | Benefits-Uniforms | \$500 + 1% |
| 02-5-01-50024 | Benefits-Vacation & Sick Pay | 0.35% |
| 02-5-01-50025 | Benefits-Boots & Incentives | \$650 + 0.5% |
| 02-5-01-51003 | R&M - Structures | 2.0% |

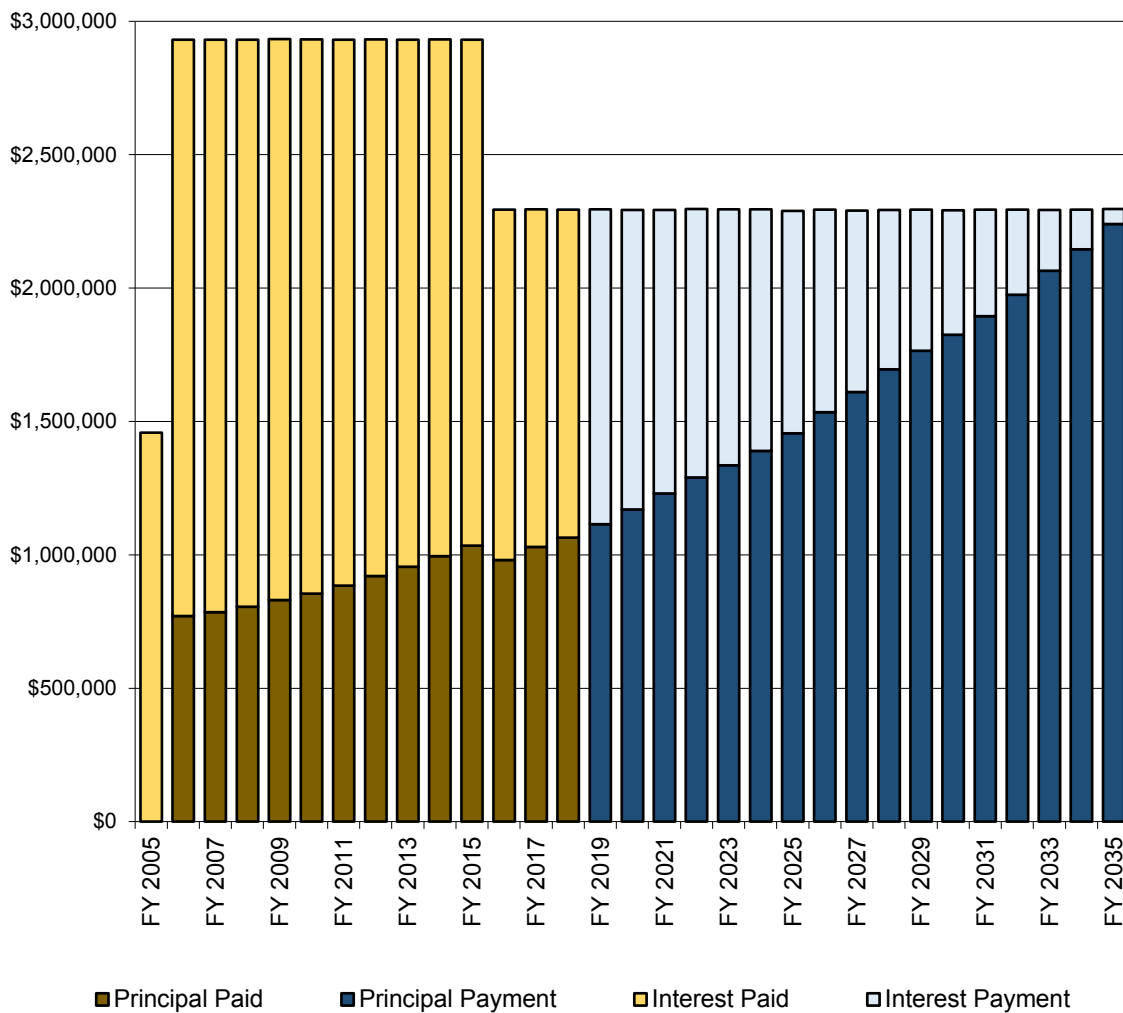
| Drinking Water Enterprise Expense Forecast | | Forecast Factor |
|--|-------------------------------|-----------------|
| 02-5-01-51011 | R&M - Valves | 2.0% |
| 02-5-01-51115 | Laboratory Supplies | 2.0% |
| 02-5-01-51140 | General Supplies & Expenses | 2.0% |
| 02-5-01-51210 | Utilities - Power Purchases | 4.0% |
| 02-5-01-51211 | Utilities - Electricity | 2.0% |
| 02-5-01-51316 | Supplemental Source of Supply | 1.0% |
| 02-5-01-54019 | Licenses & Permits | 2.0% |
| 02-5-01-54110 | Laboratory Services | 2.0% |
| 02-5-01-57040 | YVRWFF-Crystal Creek Exp | 2.0% |
| Public Works Department | | |
| 02-5-03-50010 | Labor - Public Works | 3.0% |
| 02-5-03-50013 | Benefits-FICA | 7.7% |
| 02-5-03-50014 | Benefits-Life Insurance | \$480 + 1% |
| 02-5-03-50016 | Benefits-Health & Dental | \$19,692 + 2% |
| 02-5-03-50017 | Benefits-Disability Insurance | 0.9% |
| 02-5-03-50019 | Benefits-Workers Compensation | 2.7% |
| 02-5-03-50022 | Benefits-PERS Employer | 15.0% |
| 02-5-03-50023 | Benefits-Uniforms | \$500 + 1% |
| 02-5-03-50024 | Benefits-Vacation & Sick Pay | 0.35% |
| 02-5-03-50025 | Benefits-Boots & Incentives | \$650 + 0.5% |
| 02-5-03-51001 | R&M - Vehicles & Equipment | 2.0% |
| 02-5-03-51011 | R&M - Valves | 2.0% |
| 02-5-03-51020 | R&M - Pipelines | 2.0% |
| 02-5-03-51021 | R&M - Service Lines | 2.0% |
| 02-5-03-51022 | R&M - Fire Hydrants | 2.0% |
| 02-5-03-51029 | R&M - Backflow | 2.0% |
| 02-5-03-51030 | R&M - Meters | 2.0% |
| 02-5-03-51031 | Fire Flow Testing | 2.0% |
| 02-5-03-51140 | General Supplies & Expenses | 2.0% |
| Administration Department | | |
| 02-5-06-50010 | Labor | 3.0% |
| 02-5-06-50012 | Director Fees | 5.0% |
| 02-5-06-50013 | Benefits-FICA | 7.7% |
| 02-5-06-50014 | Benefits-Life Insurance | \$480 + 1% |
| 02-5-06-50016 | Benefits-Health & Def Comp | \$19,692 + 2% |
| 02-5-06-50017 | Benefits-Disability Insurance | 0.9% |
| 02-5-06-50019 | Benefits-Workers Compensation | 2.7% |
| 02-5-06-50022 | Benefits-PERS Employer | 15.0% |
| 02-5-06-50023 | Benefits-Uniforms | \$500 + 1% |
| 02-5-06-50024 | Benefits-Vacation & Sick Pay | 0.35% |
| 02-5-06-50025 | Benefits-Boots | \$650 + 0.5% |
| 02-5-06-51003 | R&M - Structures | 2.0% |
| 02-5-06-51120 | Safety Equipment & Supplies | 2.0% |

| Drinking Water Enterprise Expense Forecast | | Forecast Factor |
|---|--|--------------------|
| 02-5-06-51125 | Petroleum Products | 2.0% |
| 02-5-06-51130 | Office Supplies & Expenses | 2.0% |
| 02-5-06-51140 | General Supplies & Expenses | 2.0% |
| 02-5-06-51211 | Utilities - Electricity | 2.0% |
| 02-5-06-51213 | Utilities - Natural Gas | 2.0% |
| 02-5-06-54002 | Dues & Subscriptions | 2.0% |
| 02-5-06-54005 | Computer Expenses | 2.0% |
| 02-5-06-54010 | Postage | 2.0% |
| 02-5-06-54011 | Printing & Publications | 2.0% |
| 02-5-06-54012 | Education & Training | 2.0% |
| 02-5-06-54013 | Utility Billing Expenses | 2.0% |
| 02-5-06-54014 | Public Relations | 2.0% |
| 02-5-06-54016 | Travel Related Expenses | 2.0% |
| 02-5-06-54017 | Certifications & Renewals | 2.0% |
| 02-5-06-54020 | Meeting Related Expenses | 2.0% |
| 02-5-06-54022 | Utilities - YVWD Services | 2.0% |
| 02-5-06-54024 | Waste Disposal | 2.0% |
| 02-5-06-54025 | Telephone & Internet | 2.0% |
| 02-5-06-54099 | Conservation & Rebates | 2.0% |
| 02-5-06-54104 | Contractual Services | 2.0% |
| 02-5-06-54107 | Legal | 2.0% |
| 02-5-06-54108 | Audit & Accounting | 2.0% |
| 02-5-06-54109 | Professional Fees | 2.0% |
| 02-5-06-55500 | Depreciation - use budget-prior years | 2.0% |
| <i>fund transfer</i> | <i>Infrastructure replacement fund</i> | 2.0% |
| 02-5-06-56001 | Insurance | 2.0% |
| 02-5-06-57030 | Regulatory Compliance | 2.0% |
| 02-5-06-57090 | Election Related Expenses | 2.0% |
| 02-506-57095 | Yucaipa SGMA | 2.0% |
| 02-5-06-57096 | Beaumont Basin Watermaster | 2.0% |
| 02-5-06-57097 | San Timoteo SGMA | 2.0% |
| 02-5-06-57098 | Bunker Hill GSC | 2.0% |
| Long-Term Debt | | |
| 02-5-40-57201 | Series 2004A Principal | |
| 02-5-40-57402 | Interest - Bond Repayment | |

3.2.4.6 Long-Term Debt – Drinking Water Enterprise

The Yucaipa Valley Water District Financing Corporation was established on May, 24, 2004 as a nonprofit public benefit corporation organized for the purpose of acquiring, constructing, rehabilitating, financing and refinancing of, or providing for the sale or leasing of, facilities, land and equipment for the use, benefit and enjoyment of the public served by public agencies in the State of California and any other purpose incidental thereto. In June 2004, the Yucaipa Valley Water District Financing Corporation issued \$45,730,000 in revenue bonds for the construction of water related facilities related to the Yucaipa Valley Regional Water Filtration Facility. In early 2015, the outstanding debt was refinanced, resulting in lower principal and interest payment for the remaining term of the financing.

The following schedule provides the principal and interest payments through the full term of the financing.



3.2.5 Drinking Water Rate Design

The Yucaipa Valley Water District has developed drinking water rates that are sound and adhere to the industry best practices. In addition to achieving cost recovery, the rate analysis has been developed to continue to promote the efficient use of water resources.

In California, water rates must adhere to the cost of service requirements imposed by Proposition 218 of the State Constitution. Proposition 218 requires that property-related fees and charges, including water rates, do not exceed the proportional cost of providing the service.

Rate Structure Objectives

Provide revenue stability

Meet debt service obligations

Comply with legal and regulatory requirements

Be concise and understandable

Encourage the efficient use of resources

Maintain affordability

Follow cost of service principles

In determining the appropriate rate level and structure, the District analyzed various rate design alternatives and reviewed the corresponding implications. There is no single structure that meets all objectives equally, nor are all objectives valued the same by the District or its customers. The objectives were discussed, evaluated, and adjusted throughout the rate study process.

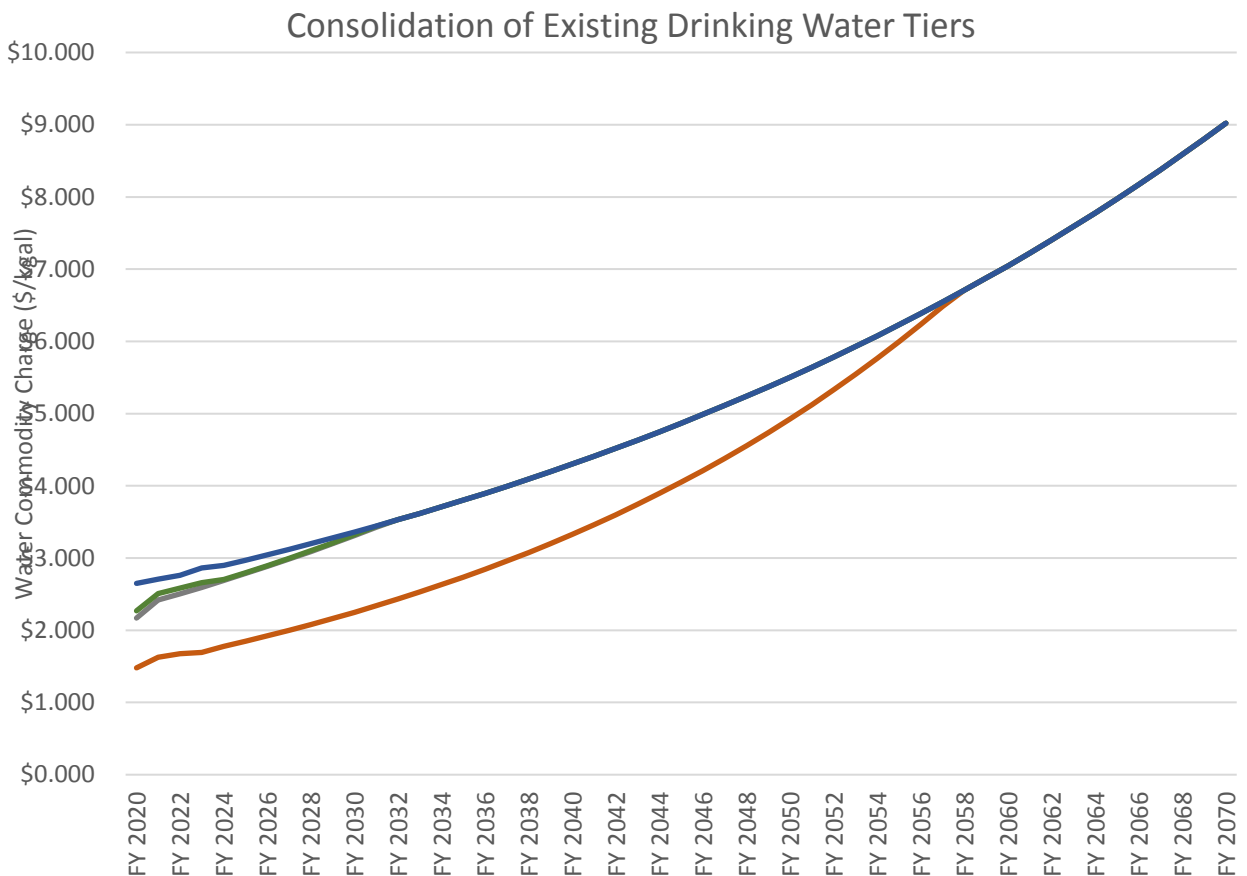
It is recommended that the current rate structure be adopted to conform to the latest guidelines and court interpretations on Proposition 218 and its implementation, as well as, the water conservation goals set forth by Senate Bill No. 606 (Hertzberg) and Assembly Bill No. 1668 (Friedman) and signed by Governor Brown on May 31, 2018. It is therefore recommended that changes to the rate structure occur based on the following rationale:

- **Increase the monthly fixed rate service charge to provide greater revenue stability during droughts.** It is estimated that only 18 percent (18%) of the water division expenses are variable. Variable costs include utilities, water purchases, and chemicals. Costs that are mostly independent of water usage include personnel cost, general and administrative cost, meter reading and billing, renewal and replacement cost, laboratory costs. In order to maintain an incentive for water conservation, there should be a reasonable balance between cost recovered under the monthly service charge and commodity charges and therefore not all fixed costs will be recovered in the service charge.
- **Make the monthly fixed rate service charge proportional to meter size and flow capability.** The amount of the fixed rate will be based on meter size and application of standard AWWA equivalent meter factors based on the flow that can be delivered through a standard $\frac{3}{4}$ -inch residential meter. For example, a 2-inch meter can deliver 5.33 times as much water as a standard $\frac{3}{4}$ -inch meter. Therefore, a customer with a 2-inch meter will be charged a monthly service charge that is 5.33 times that of the base charge for a $\frac{3}{4}$ -inch meter. Additionally, residential customers are now required to install a 1-inch water meter to support fire sprinklers inside the homes. These larger meters have the ability to deliver more water and they are more expensive to repair/replace when compared to a $\frac{3}{4}$ -inch water meter.

- **Establish an excess drinking water commodity charge for water usage that exceeds the amount of capacity purchased for the property.** Each parcel that receives drinking water service first secures capacity in the drinking water filtration facility, storage reservoirs, conveyance pipelines, booster facilities, and groundwater wells. This system is used to provide reliable and high-quality service to customers. When the amount of drinking water used in a month exceeds the quantity of purchased capacity in the system, there is an inequity that arises for the lack of funding for the variable cost of operation, repair cost, replacement cost, capacity cost, and other related charges. This inequity is resolved with the creation of the Excess Drinking Water Commodity Charge.
- **Residential, commercial, industrial, and institutional customers will pay the same service charge and commodity rates.**
- **Develop a rate structure that incorporates the California Statutes Making Conservation a California Way of Life.** Assembly Bill No. 1668 and Senate Bill No. 606 build on ongoing efforts to make water conservation a way of life in California and create a new foundation for long-term improvements in water conservation and drought planning. These Statutes establish guidelines for efficient water use and a framework for the implementation and oversight of the new standards, which must be in place by 2022. The legislation contains provisions that include:
 - Establishing water use objectives and long-term standards for efficient water use that apply to urban retail water suppliers; comprised of indoor residential water use, outdoor residential water use, commercial, industrial, and institutional (CII) irrigation with dedicated meters, water loss, and other unique local uses.
 - Providing incentives for water suppliers to recycle water.

| Compliance and Enforcement Actions | | |
|--|------------------------------|-------------------------------|
| Description | Deadline | California Water Code Section |
| Provide progressive enforcement: May issue informational orders | On or after November 1, 2023 | 10609.26(a)(1) SB |
| Provide progressive enforcement: May issue written notices | On or after November 1, 2024 | 10609.26(b) SB |
| Provide progressive enforcement: May issue conservation orders | On or after November 1, 2025 | 10609.26(c)(1) SB |
| Provide progressive enforcement: May impose civil liability (fine) for a violation of regulation | After November 1, 2027 | 1846.5(b)(2) AB |
| AB = Assembly Bill 1668; CWC = California Water Code; DWR = California Department of Water Resources Water Code; State Water Board = State Water Resources Control Board; SB = Senate Bill 606. | | |

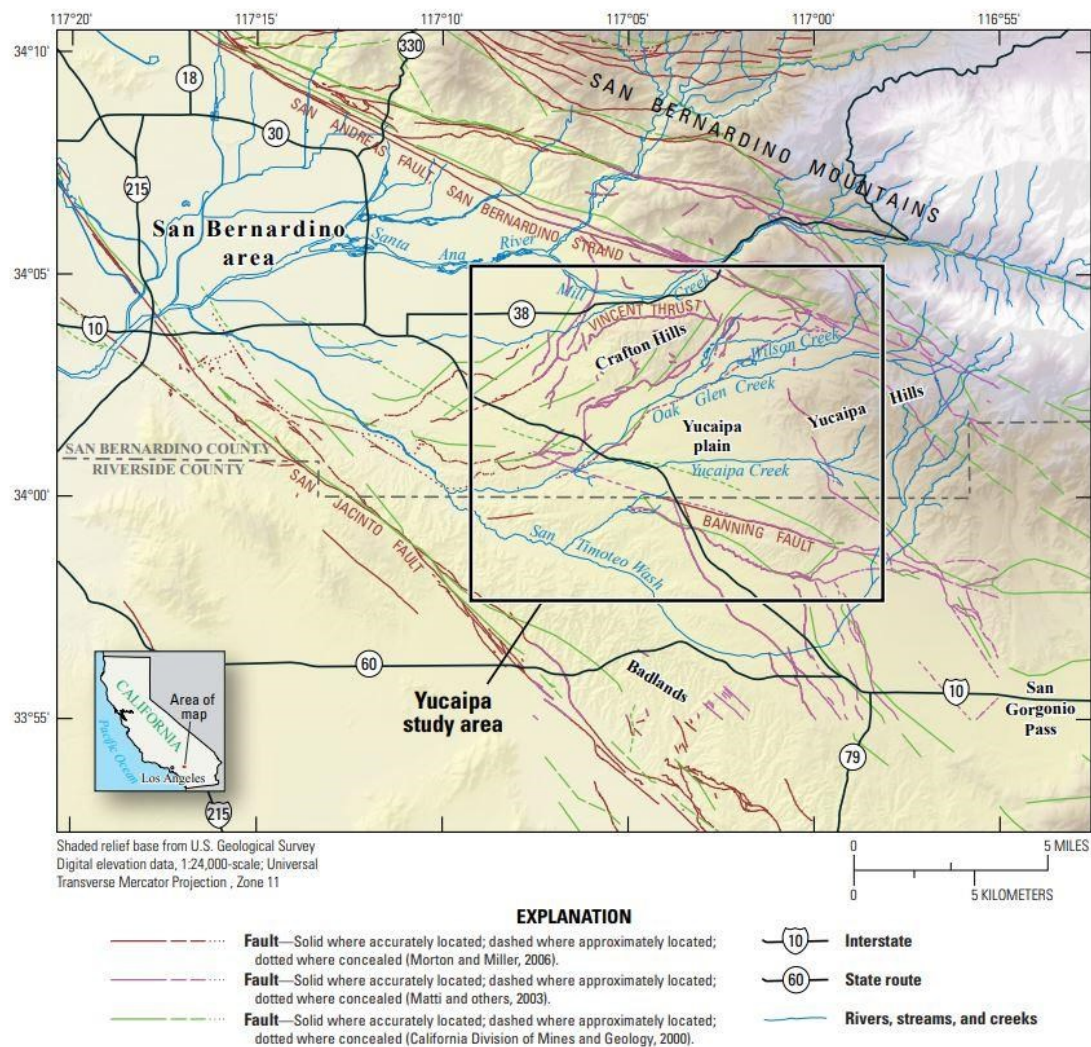
- Requiring urban water suppliers to set annual water budgets and prepare for future droughts.
- **Consolidate the existing four-tier water commodity rate structure into a single tier rate structure.** The Yucaipa Valley Water District baseloads supplemental water at the Yucaipa Valley Regional Water Filtration Facility to facilitate in-lieu groundwater recharge which protects the entire community from outages of the State Water Project. Since all customers rely upon the same drinking water supply sources from the first drop used, tiers do not equitably represent the melded incremental costs of service and will be phased out of future rate schedules by consolidating the existing four-tier system to a single tier.



- **Increase reserve funding for debt service coverage and infrastructure replacement.** The Yucaipa Valley Water District relies on a drinking water system that consists of eighteen water pressure zones that are interconnected and receive water from groundwater, imported water, and surface water. As this system continues to age, significant outages are likely to occur unless the District proactively establishes a funding program to replace pipelines, boosters, wells, and storage reservoirs. The funding for infrastructure replacement will be used to accomplish three goals: (1) provide sufficient revenues for existing debt service coverage; (2) improve the daily cash available for emergencies; and (3) fund a pay-go system for future drinking water system infrastructure replacement. This funding will maintain a stable and sustainable method to make sure each customer equitably contributes to the use of the drinking water system.

The Yucaipa Valley Water District's Asset Management Program provides the foundation for this use of this funding. The District's Asset Management Program has been designed to:

- Improve the efficiency and effectiveness of the District;
- Justify infrastructure needs and decisions;
- Meet service expectations and regulatory requirements;
- Improve emergency response;
- Plan and pay for future repairs and replacements;
- Make informed decisions for the maintenance, repair, rehabilitation, and replacement of assets;
- Make the best use of limited resources;
- Prolong asset life;
- Plan for capital improvement projects; and
- Reduce vulnerability to hazards and become more resilient.



Source: <https://www.usgs.gov/media/images/yucaipa-area-california>

- Federal Infrastructure Sustainability Policy.** The Yucaipa Valley Water District has received Federal funding for infrastructure in the Recycled Water and Sewer Enterprises and is planning to pursue funding for the Drinking Water Enterprise for potential groundwater remediation projects. Federal Water Pollution Control Act, section 603(d)(1)(E), requires a recipient of a loan for a project that involves the repair, replacement, or expansion of a publicly owned treatment works to develop and implement a fiscal sustainability plan or certify that it has developed and implemented such a plan. The Financial Sustainability Plan is intended to be treated as “living documents” that are regularly reviewed, revised, expanded, and implemented as an integral part of the operation and management of the system. This provision in the Comprehensive Rate Study forms an integral part of the District’s Financial Sustainability Plan.

3.2.6 Drinking Water Rate Model Results

The proposed drinking water rates have been developed and tested using a financial model based on estimated revenues and expenses developed from a proposed rate schedule that uses the foundational principles provided herein. The objective of the financial model is to test rates to determine if they will provide sufficient revenue to meet all expenses and provide an adequate reserve for unforeseen conditions. The financial model considers reduced water use pursuant to Senate Bill 606 and Assembly Bill 1668 which direct water agencies to limit customers’ indoor water use to an average of 55 gallons per person each day. The goal is reduced to 52.5 gallons by 2025 and 50 gallons by 2030. Outdoor water-use goals will also be established by the State of California and imposed as additional requirements on water agencies.

The proposed drinking water rates begin on February 1, 2020. By Resolution, the Board of Directors will have the option of skipping a rate increase or adjusting the rates to any level at or below the adopted rate(s) until the next scheduled rate adjustment occurs. The future year’s rate will be based on the financial performance of the drinking water system enterprise.

3.2.6.1 Drinking Water Service Charge

The Drinking Water Service Charge represents the fixed charge associated with the Drinking Water Enterprise and is associated with the number of Water Service Units secured from the District.

| Proposed Drinking Water Service Charge | | Forecasted Drinking Water Service Charge | |
|--|---------|--|---------|
| Current Rate | \$14.00 | Projected 7/1/2026 | \$19.00 |
| Effective 2/1/2020 | \$15.00 | Projected 7/1/2027 | \$19.50 |
| Effective 1/1/2021 | \$16.00 | Projected 7/1/2028 | \$20.00 |
| Effective 7/1/2021 | \$16.50 | Projected 7/1/2029 | \$20.50 |
| Effective 7/1/2022 | \$17.00 | Projected 7/1/2030 | \$21.00 |
| Effective 7/1/2023 | \$17.50 | Projected 7/1/2031 | \$21.50 |
| Effective 7/1/2024 | \$18.00 | Projected 7/1/2032 | \$22.00 |
| Effective 1/1/2025 | \$18.50 | Projected 7/1/2033 | \$22.50 |

The monthly Drinking Water Service Charge is applied to the greater of (1) meter size or (2) number of Water Service Units served. The minimum monthly charge for Water Service Units is 1.00 even if less than 1.00 of Water Service Units are purchased through the Facility Capacity Charges.

Yucaipa Valley Water District
Drinking Water, Sewer, and Recycled Water Rate Analysis

| Water Service Charge | Current Rate | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 |
|----------------------------|--------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per EDU | \$14.00 | \$15.00 | \$16.00 | \$16.50 | \$17.00 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$14.00 | \$15.00 | \$16.00 | \$16.50 | \$17.00 |
| 1" Water Meter - 1.67 EDU | \$23.38 | \$25.05 | \$26.72 | \$27.56 | \$28.39 |
| 1½" Water Meter - 3.33 EDU | \$46.62 | \$49.95 | \$53.28 | \$54.95 | \$56.61 |
| 2" Water Meter - 5.33 EDU | \$74.62 | \$79.95 | \$85.28 | \$87.95 | \$90.61 |
| 3" Water Meter - 10.00 EDU | \$140.00 | \$150.00 | \$160.00 | \$165.00 | \$170.00 |
| 4" Water Meter - 16.67 EDU | \$233.38 | \$250.05 | \$266.72 | \$275.06 | \$283.39 |
| 6" Water Meter - 33.33 EDU | \$466.62 | \$499.95 | \$533.28 | \$549.95 | \$566.61 |
| 8" Water Meter - 53.33 EDU | \$746.62 | \$799.95 | \$853.28 | \$879.95 | \$906.61 |

As discussed above, this Comprehensive Rate Study includes a 50-year projection that forecasts the water revenues and expenses to fiscal year 2070. Based on these projections, the District is able to forecast the revenue needs for future years as provided below. The charges identified as "projected" will be reviewed and adopted in a future rate resolution.

| Water Service Charge | Effective 7/1/2023 | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per EDU | \$17.50 | \$18.00 | \$18.50 | \$19.00 | \$19.50 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$17.50 | \$18.00 | \$18.50 | \$19.00 | \$19.50 |
| 1" Water Meter - 1.67 EDU | \$29.23 | \$30.06 | \$30.90 | \$31.73 | \$32.57 |
| 1½" Water Meter - 3.33 EDU | \$58.28 | \$59.94 | \$61.61 | \$63.27 | \$64.94 |
| 2" Water Meter - 5.33 EDU | \$93.28 | \$95.94 | \$98.61 | \$101.27 | \$103.94 |
| 3" Water Meter - 10.00 EDU | \$175.00 | \$180.00 | \$185.00 | \$190.00 | \$195.00 |
| 4" Water Meter - 16.67 EDU | \$291.73 | \$300.06 | \$308.40 | \$316.73 | \$325.07 |
| 6" Water Meter - 33.33 EDU | \$583.28 | \$599.94 | \$616.61 | \$633.27 | \$649.94 |
| 8" Water Meter - 53.33 EDU | \$933.28 | \$959.94 | \$986.61 | \$1,013.27 | \$1,039.94 |

| Water Service Charge | Projected 7/1/2028 | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per EDU | \$20.00 | \$20.50 | \$21.00 | \$21.50 | \$22.00 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$20.00 | \$20.50 | \$21.00 | \$21.50 | \$22.00 |
| 1" Water Meter - 1.67 EDU | \$33.40 | \$34.24 | \$35.07 | \$35.91 | \$36.74 |
| 1½" Water Meter - 3.33 EDU | \$66.60 | \$68.27 | \$69.93 | \$71.60 | \$73.26 |
| 2" Water Meter - 5.33 EDU | \$106.60 | \$109.27 | \$111.93 | \$114.60 | \$117.26 |
| 3" Water Meter - 10.00 EDU | \$200.00 | \$205.00 | \$210.00 | \$215.00 | \$220.00 |
| 4" Water Meter - 16.67 EDU | \$333.40 | \$341.74 | \$350.07 | \$358.41 | \$366.74 |
| 6" Water Meter - 33.33 EDU | \$666.60 | \$683.27 | \$699.93 | \$716.60 | \$733.26 |
| 8" Water Meter - 53.33 EDU | \$1,066.60 | \$1,093.27 | \$1,119.93 | \$1,146.60 | \$1,173.26 |

Multiple Residential Dwellings of more than 30 dwelling units on the same parcel constructed prior to May 1, 2005 shall be charged pursuant to the rates above, multiplied by the Multiple

Residential Water Service Charge Factor below to determine the Multiple Residential Water Service Charge.

| Multiple Residential Water Charge Factor | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 2/1/2020 | Effective 1/1/2021 | Effective 1/1/2022 | Effective 1/1/2023 | Effective 1/1/2024 | Effective 1/1/2025 |
| 0.80 | 0.81 | 0.82 | 0.83 | 0.84 | 0.85 |

| Multiple Residential Water Charge Factor | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 1/1/2026 | Effective 1/1/2027 | Effective 1/1/2028 | Effective 1/1/2029 | Effective 1/1/2030 | Effective 1/1/2031 |
| 0.86 | 0.87 | 0.88 | 0.89 | 0.90 | 0.91 |

| Multiple Residential Water Charge Factor | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 1/1/2032 | Effective 1/1/2033 | Effective 1/1/2034 | Effective 1/1/2035 | Effective 1/1/2036 | Effective 7/1/2037 |
| 0.92 | 0.93 | 0.94 | 0.95 | 0.96 | 0.97 |

| Multiple Residential Water Charge Factor | | | | | |
|--|--------------------|---|--|--|--|
| Effective 1/1/2038 | Effective 1/1/2039 | Multiple Residential Water Charge Factor is Eliminated Effective 1/1/2040 | | | |
| 0.98 | 0.99 | 1.00 | | | |

3.2.6.2 Drinking Water Commodity Charge

The Drinking Water Commodity Charge represents the variable charges associated with the Drinking Water Enterprise. This commodity cost applies to each billing unit, or fraction thereof.

| Drinking Water Commodity Charge (kgal) | Current Rate (\$/kgal) | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 |
|--|------------------------|--------------------|--------------------|--------------------|--------------------|
| 1 – 15 Billing Units | \$1.429 | \$1.479 | \$1.579 | \$1.626 | \$1.675 |
| 16 – 60 Billing Units | \$1.919 | \$2.069 | \$2.131 | \$2.419 | \$2.504 |
| 61 – 100 Billing Units | \$2.099 | \$2.269 | \$2.435 | \$2.508 | \$2.583 |
| 101 and greater Billing Units | \$2.429 | \$2.629 | \$2.668 | \$2.708 | \$2.759 |

| Drinking Water Commodity Charge (kgal) | Effective 7/1/2023 | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1 – 15 Billing Units | \$1.691 | \$1.777 | \$1.848 | \$1.922 | \$1.999 |
| 16 – 60 Billing Units | \$2.591 | \$2.692 | \$2.786 | \$2.884 | \$2.985 |
| 61 – 100 Billing Units | \$2.661 | \$2.703 | \$2.798 | \$2.896 | \$2.997 |
| 101 and greater Billing Units | \$2.861 | \$2.897 | \$2.969 | \$3.120 | \$3.120 |

| Drinking Water Commodity Charge (kgal) | Projected 7/1/2028 | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1 – 15 Billing Units | \$2.079 | \$2.162 | \$2.248 | \$2.338 | \$2.432 |
| 16 – 60 Billing Units | \$3.089 | \$3.197 | \$3.309 | \$3.425 | \$3.530 |
| 61 – 100 Billing Units | \$3.102 | \$3.210 | \$3.323 | \$3.439 | \$3.530 |
| 101 and greater Billing Units | \$3.198 | \$3.278 | \$3.360 | \$3.444 | \$3.530 |

Multiple Residential Dwellings of more than 30 dwelling units on the same parcel constructed prior to May 1, 2005 shall be charged pursuant to the rates above, multiplied by the Multiple Residential Water Service Charge Factor below to determine the Multiple Residential Water Service Charge.

| Multiple Residential Water Charge Factor | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Effective 2/1/2020 | Effective 1/1/2021 | Effective 1/1/2022 | Effective 1/1/2023 | Effective 1/1/2024 | Effective 1/1/2025 |
| 0.80 | 0.81 | 0.82 | 0.83 | 0.84 | 0.85 |

| Multiple Residential Water Charge Factor | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Effective 1/1/2026 | Effective 1/1/2027 | Effective 1/1/2028 | Effective 1/1/2029 | Effective 1/1/2030 | Effective 1/1/2031 |
| 0.86 | 0.87 | 0.88 | 0.89 | 0.90 | 0.91 |

| Multiple Residential Water Charge Factor | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Effective 1/1/2032 | Effective 1/1/2033 | Effective 1/1/2034 | Effective 1/1/2035 | Effective 1/1/2036 | Effective 7/1/2037 |
| 0.92 | 0.93 | 0.94 | 0.95 | 0.96 | 0.97 |

| Multiple Residential Water Charge Factor | | | | | |
|--|-----------------------|--|--|--|--|
| Effective 1/1/2038 | Effective 1/1/2039 | Multiple Residential Water Charge Factor is Eliminated Effective 1/1/2040 | | | |
| 0.98 | 0.99 | 1.00 | | | |

3.2.6.3 Excess Drinking Water Commodity Charge

The number of Water Service Units on a property is directly related to the capacity purchased in the Yucaipa Valley Water District's drinking water system at the time the new service is originally established. Prior to the issuance of a building permit a property owner will secure capacity in the drinking water system through the payment of Facility Capacity Charges. Pursuant to the District design guidelines, one Water Service Unit provides capacity in the drinking water system for 700 gallons per day, or 21,000 gallons per month (21 kgal). However, with the implementation of dual-plumbed homes, some properties will be able to purchase a fraction of one Water Service Unit for indoor use and a fraction of a Recycled Service Unit for outdoor use.

For all non-residential users, the number of Water Service Units (WSU) will be determined by dividing the total number of fixture units by 35.

The minimum number of drinking water service units (WSU) will be equal to one for all non-dual plumbed accounts.

Monthly drinking water consumption that exceeds the Water Service Units (WSU) creates additional demand and costs for the operation, repair, maintenance, and replacement of drinking water filtration facilities, pipelines, reservoirs, boosters, and groundwater wells. The proportional operational, maintenance, and capital costs for the excessive drinking water demand has been calculated based on the need for additional operation and maintenance of the drinking water infrastructure.

The Excess Drinking Water Commodity Charge applies to the next Drinking Water Commodity unit (kgal) beyond the Water Service Unit allowance based on the formula below:

$$\text{If Drinking Water Commodity (kgal)} > \left[\left(\frac{\text{Water}}{\text{Service Units}} \right) \times (0.7 \text{ kgal}) \times (30 \text{ days}) \right],$$

then the following rate structure applies

Therefore, the Excess Drinking Water Commodity Charge would apply to a property with one (1) Water Service Unit (WSU) if more than 21 kgal of drinking water is used during a billing period. For a property with greater than one Water Service Unit (WSU), the Excess Drinking Water Commodity Charge will be calculated based on the proportionality of 1 WSU = 21 kgal of drinking water.

The Excess Drinking Water Commodity Charge is applied to a fractional unit of drinking water consumption to 1/1,000 of a kgal (i.e. gallons) where applicable.

The rate schedule for Excess Drinking Water Commodity Charge only applies to the commodity usage in excess of the Water Service Unit (WSU) allowance except for construction water where the Excess Drinking Water Commodity Charge applies to each commodity unit, or fraction thereof.

| Excess Drinking Water Commodity Charge (kgal) | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 | Effective 7/1/2023 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Billing Units in Excess of Water Service Unit Allocation | \$0.240 | \$0.249 | \$0.263 | \$0.278 | \$0.303 |
|---|---------|---------|---------|---------|---------|

| Excess Drinking Water Commodity Charge (kgal) | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 | Projected 7/1/2028 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Billing Units in Excess of Water Service Unit Allocation | \$0.326 | \$0.352 | \$0.359 | \$0.366 | \$0.374 |
|---|---------|---------|---------|---------|---------|

| Excess Drinking Water Commodity Charge (kgal) | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 | Projected 7/1/2033 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Billing Units in Excess of Water Service Unit Allocation | \$0.381 | \$0.389 | \$0.396 | \$0.404 | \$0.412 |
|---|---------|---------|---------|---------|---------|

3.2.6.4 Infrastructure Replacement and Debt Service Coverage

In order to fund the replacement of infrastructure that supports the drinking water system, it is critical to manage and plan for the anticipated replacement of assets. As infrastructure continues to age, significant outages are likely to occur. The funding for infrastructure replacement will be used to accomplish four specific goals: (1) provide sufficient revenues for debt service coverage; (2) improve the daily cash available for emergencies and unforeseen events; (3) fund a pay-go system for drinking water system infrastructure replacement; and (4) fund a Financial Sustainability Plan pursuant to the Federal Water Pollution Control Act. This funding will maintain a stable and sustainable method to make sure each customer equitably contributes to the use of the drinking water system.

Additionally, the Yucaipa Valley Water District has received Federal funding for infrastructure in the Recycled Water and Sewer Enterprises and is planning to pursue funding for the Drinking Water Enterprise for potential groundwater remediation projects. Pursuant to the Federal Water Pollution Control Act, section 603(d)(1)(E) requires a recipient of a loan for a project that involves the repair, replacement, or expansion of a publicly owned treatment works to develop and implement a fiscal sustainability plan or certify that it has developed and implemented such a plan. The Financial Sustainability Plan is intended to be treated as “living documents” that are regularly reviewed, revised, expanded, and implemented as an integral part of the operation and management of the system. This provision in the Comprehensive Rate Study forms an integral part of the Yucaipa Valley Water District Financial Sustainability Plan.

The Infrastructure Replacement Commodity Charge applies to each billing unit, or fraction thereof.

| Infrastructure Replacement Commodity Charge (kgal) | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 | Effective 7/1/2023 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

| | | | | | |
|--------------------------|---------|---------|---------|---------|---------|
| Each billing unit (kgal) | \$0.151 | \$0.397 | \$0.497 | \$0.621 | \$0.766 |
|--------------------------|---------|---------|---------|---------|---------|

| Excess Drinking Water Commodity Charge (kgal) | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 | Projected 7/1/2028 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Billing Units in Excess of Water Service Unit Allocation | \$0.776 | \$0.980 | \$0.989 | \$1.017 | \$1.035 |
|---|---------|---------|---------|---------|---------|

| Excess Drinking Water Commodity Charge (kgal) | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 | Projected 7/1/2033 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Billing Units in Excess of Water Service Unit Allocation | \$1.055 | \$1.074 | \$1.094 | \$1.114 | \$1.135 |
|---|---------|---------|---------|---------|---------|

3.2.6.5 Supplemental Water Supply Commodity Charge

The Supplemental Water Commodity Charge applies to all drinking water consumption and is used to acquire, secure, operate, maintain, and obtain a variety of supplemental water sources to augment local water resources. This funding source may be used for drinking water or recycled water capital or operational costs that result in a reduction or replacement of imported water from the State Water Project.

The Supplemental Water Commodity Charge shall be applied to all Yucaipa Valley Water District drinking water consumption recorded at all individual drinking water meters including, but not limited to, residential, multi-family, commercial, industrial, institutional, and construction users.

This commodity charge is based on a pass-through cost of imported water rates set by the San Bernardino Valley Municipal Water District and the San Geronio Pass Water Agency. While it is essential for the Supplemental Water Commodity Charge to be adjusted automatically following any change by either State Water Contractor, the Yucaipa Valley Water District may take action by separate resolution to reduce this commodity charge if a less expensive supplemental water source, capital cost contribution, or operational cost is determined to be available as supplemental water, created, secured, established, or obtained by the Yucaipa Valley Water District.

All available existing and future funds generated from the Supplemental Water Commodity Charge may be used to acquire, construct, secure, operate, maintain, and obtain, either temporarily or permanently, supplemental water to augment local water resources.

The calculation definitions and methodology are applicable to the Imported Water Rates charged by the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency as follows:

Supplemental Water Commodity Charge

$$= [\text{Calculation Factor}] \times [\text{SBVMWD or SGPWA Imported Water Rate}] \times [0.00307]$$

Definitions:

- *Supplemental Water Supply Commodity Charge* (expressed in units of \$/kgal) represents the supplemental water supply charge implemented by the Yucaipa Valley Water District and applied to customer utility bills based on total drinking water consumption each billing cycle.
 - The Supplemental Water Supply Commodity Charge is independently calculated and applied within the respective service area of the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency.
- *Calculation Factor* represents the proportion of water resources that originate from local groundwater and surface water resources as compared to supplemental water sources. A Calculation Factor of 0.70 signifies that 70% of the total drinking water demands will be augmented with supplemental water resources. As provided in the table below, the Calculation Factor for supplemental water will increase over time to provide funding necessary to secure alternative supplemental water resources.

| Supplemental Water Supply Commodity Charge | Current Factor | Effective 1/1/2023 | Effective 7/1/2025 | Effective 7/1/2027 | Effective 7/1/2029 |
|--|----------------|--------------------|--------------------|--------------------|--------------------|
| Calculation Factor | 0.700 | 0.730 | 0.750 | 0.775 | 0.800 |

- *SBVMWD or SGPWA Imported Water Rate* (expressed in units of \$/acre-foot) represents the water rate charged by the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency for water delivered to the Yucaipa Valley Water District, or for other acquisition, construction, capital, operational, maintenance, or other related costs for creating, storing, producing, and serving supplemental water supplies.

3.2.6.6 *Fire Service Demand Charge*

The Fire Service Demand Charge shall be charged to any account that has a direct or indirect water service connection that supports a fire suppression system. The following Fire Service Demand Charge is based on the diameter inch of the main fire line detector check valve installed to the premises as provided below:

| Fire Service Demand Charge | Current Charge | Effective 1/1/2022 | Effective 7/1/2024 | Effective 7/1/2026 | Effective 7/1/2028 |
|---|----------------|--------------------|--------------------|--------------------|--------------------|
| Monthly charge per diameter inch of main fire line detector check valve or meter, whichever is larger | \$2.555 | \$2.683 | \$2.817 | \$2.958 | \$3.106 |

Water usage through the bypass meter is billed at two times the highest drinking water tiered rate.

Residential homes with fire sprinklers are required to install a minimum one inch (1") water meter for fire flow capacity but are only charged one Water Service Unit (WSU) for facility capacity charges. These customers will be charged a Water Service Charge for a 1" drinking water meter and receive one (1) Water Service Unit, or less if dual-plumbed, for calculating the Excess Recycled Water Commodity Charge.

3.2.7 Recommendations for the Drinking Water Enterprise

It is recommended that the Yucaipa Valley Water District adjust drinking water division rates as provided in this Comprehensive Rate Study. If adopted following Proposition 218 procedures, the total monthly water bill for a typical single family residential using 12 kgal with a ¾ inch meter will be \$34.56 based on the effective date of February 1, 2020. A monthly water bill under current rates would be \$32.96. With the implementation of rate adjustments on January 1, 2021, the 12 kgal with a ¾ inch meter will be \$39.71.

It is further recommended that the Board of Directors review the financial performance of the drinking water enterprise fund each year and, at their discretion, adjust rates as needed to meet increased expenses. The rates may not exceed those presented herein for each fiscal year. The Board may recapture rate increases in a subsequent year if the increase was not accounted for in the prior year.

Since the total charges vary depending on the amount of drinking water consumed, the following table has been prepared to illustrate how the proposed drinking water rates effective on February 1, 2020 will change the existing rate structure.

| Sample Drinking Water Rate Calculations for a ¾ Inch Water Meter (Effective February 1, 2020) | | | | |
|--|----------------|----------------|----------------|----------------|
| Water Consumption (kgal) | 10 | 15 | 25 | 35 |
| <i>Existing Total Drinking Water Charge</i> | <i>\$29.80</i> | <i>\$37.70</i> | <i>\$59.36</i> | <i>\$82.46</i> |
| Proposed Service Charge | \$15.00 | \$15.00 | \$15.00 | \$15.00 |
| Proposed Commodity Charge | \$14.79 | \$22.19 | \$42.88 | \$63.57 |
| Proposed Excess Commodity Charge | \$ 0.00 | \$ 0.00 | \$ 0.96 | \$ 3.36 |
| Proposed Infrastructure Replacement Charge | \$ 1.51 | \$ 2.27 | \$ 3.78 | \$ 5.29 |
| Proposed Total Drinking Water Charge | \$31.30 | \$39.46 | \$62.62 | \$87.22 |

Other miscellaneous drinking water fees, not subject to Proposition 218 majority protest proceedings, should be reviewed and adjusted annually based on a cost of service study.

The proposed rate increase is a property related fee and thus must be implemented in accordance with the requirements of Proposition 218. The general implementation plan is as follows:

- District Board of Directors (and legal counsel) reviews and accepts the report and recommendations.
- The Board sets a date for a public protest hearing not less than 45 days after notices to customers have been mailed.
- Mail customer notices with the proposed rate increase and time and date of the public protest hearing as well as any other required notice information as specified in Government Code Section 53753.
- Hold public majority protest hearing.
- Determine if there is majority protest, and if not, adopt revised rate structure. Rates will go into effect beginning February 2020.
- Review revenue versus expenditures annually to verify assumptions and projections in Comprehensive Rate Study.
- Conduct Comprehensive Water Rate Study update in Fiscal Year 2023-24.

4.0 Sewer Enterprise

In order to properly assess the District's future revenue requirements in the Sewer Enterprise, one must first evaluate and understand trends within three specific areas. These areas are: 1) current customer base and projected changes; 2) changes in operating expenses, and 3) capital expenditures and debt service obligations. The following is a brief discussion on the impact of these factors on the District's revenue requirements.

4.1 Current and Projected Customer Base

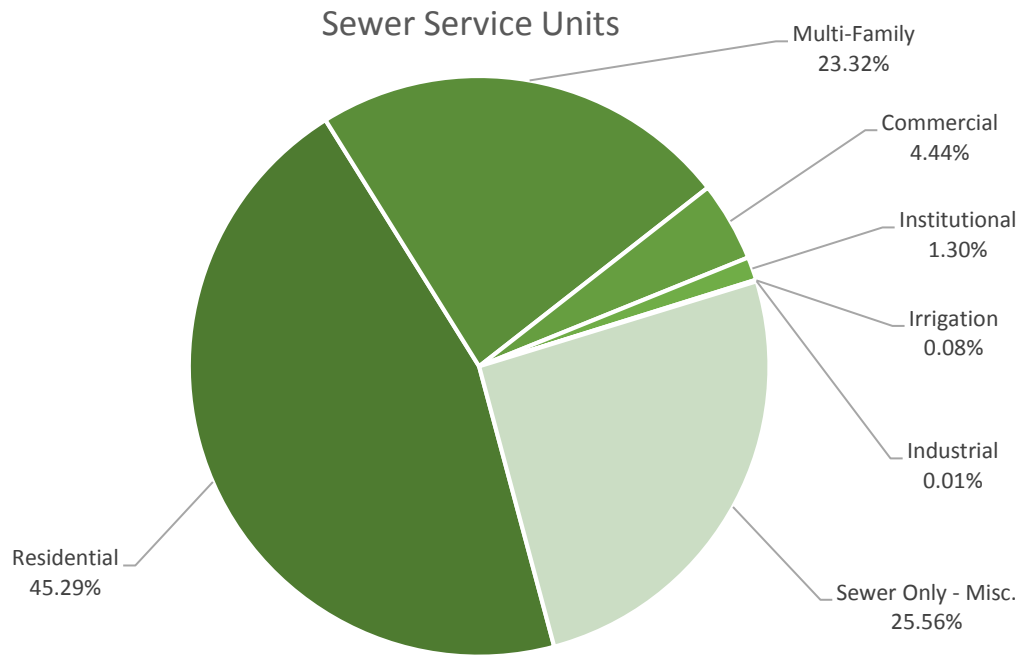
A fundamental element for developing service revenue and expense projections is the quantification of customer characteristics and the revenues derived from the current schedule of utility charges. This information provides the foundation for integrating projected changes in demands and customer unit rate adjustments.

As of June 30, 2019, the District's sewer enterprise customer base consisted of the following:

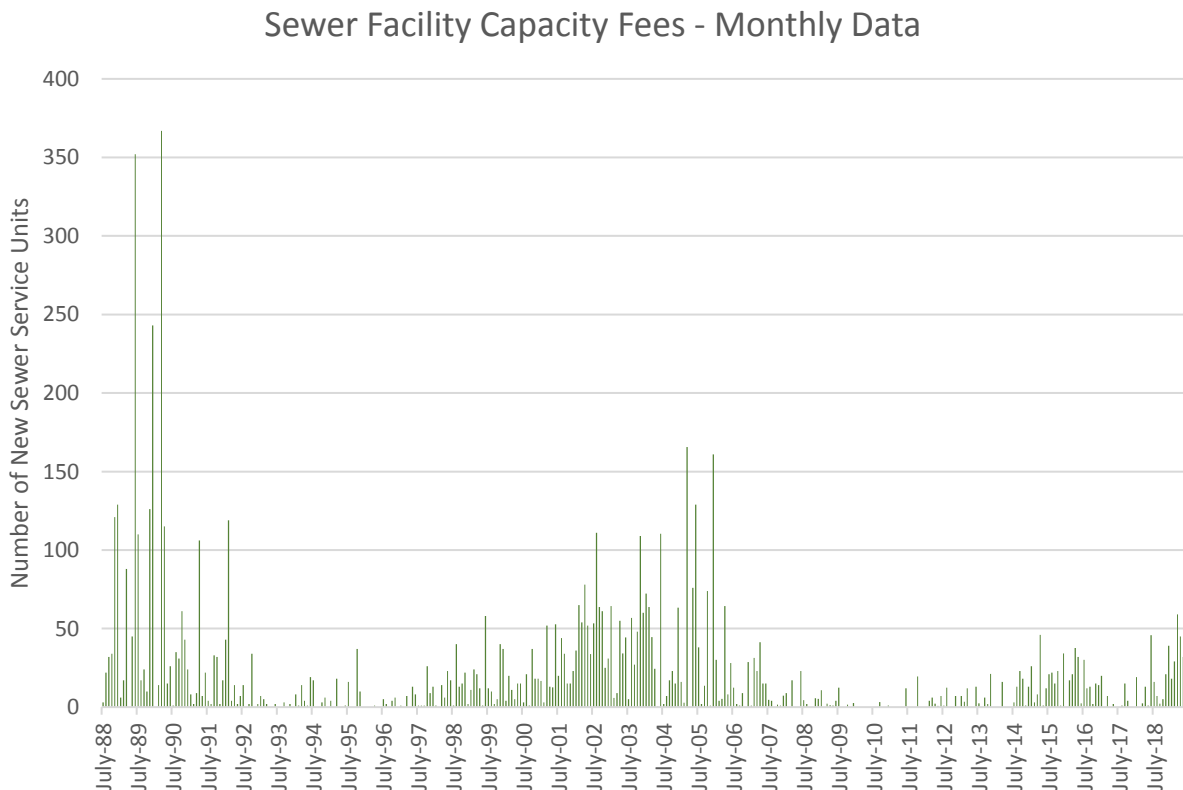
- Service was provided through 14,104 sewer connections; and
- Sewer collection and treatment was provided to 22,774 Sewer Service Units.

The table below illustrates a detailed breakdown of service connections by the type of customer. The difference between the number of service connections and the number of Sewer Service Units represents multiple units on a property or additional capacity needed to meet the demands of commercial, industrial and institutional customers. The comprehensive rate analysis focuses on Sewer Service Units for allocation of Sewer Enterprise fixed costs.

| Customer Type | Sewer Enterprise | |
|----------------|-------------------------------|----------------------------|
| | Number of Service Connections | Water Service Units (WSUs) |
| Single Family | 10,358 | 10,315 |
| Multiple Units | 454 | 5,311 |
| Commercial | 216 | 1,011 |
| Institutional | 57 | 295 |
| Industrial | 3 | 3 |
| Irrigation | 7 | 18 |
| Sewer Only | 3,009 | 5,822 |
| Total | 14,104 | 22,774 |



The chart below illustrates the number of Sewer Service Units (SSUs) added to the District's sewer collection system on a monthly basis over the past thirty years. During these three decades, the Yucaipa Valley Water District averaged 238 new sewer services per year.

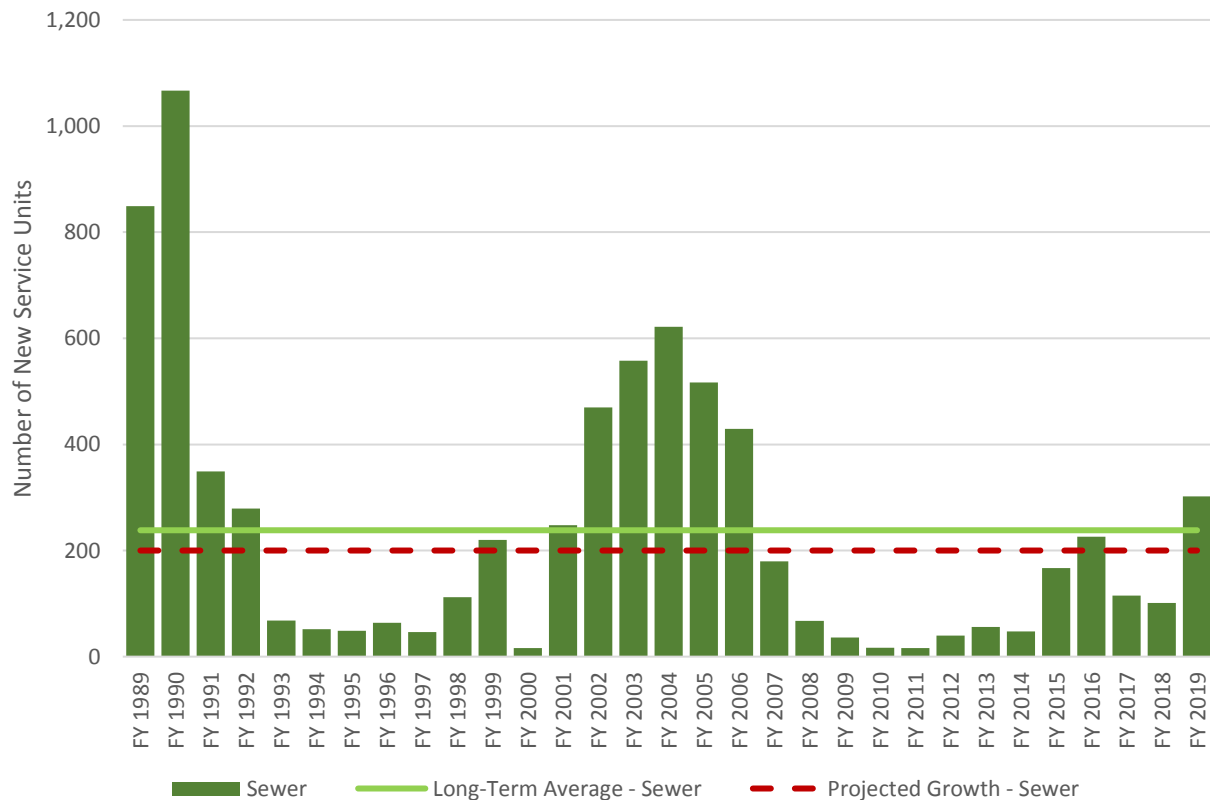


For the purposes of this Comprehensive Rate Study, the District recognizes that several large developments have started construction and will add thousands of Sewer Service Units in the near future. These fully entitled development projects will likely skew the relatively slow growth that has occurred over the past decade. Specifically, Summerwind Ranch, Mesa Verde Estates, JP Ranch, and the Oak Valley commercial center all have the ability to change the District's customer base, primarily within the City of Calimesa.

To reasonably project the future growth rate of the Yucaipa Valley Water District, an estimated growth rate of 200 Sewer Service Units per year will be added to the sewer system. This projection is based on 50 homes per year will be constructed in the City of Yucaipa and 150 homes per year will be constructed in the City of Calimesa.

While this projection represents a 15% annual increase over the long-term average of 238 Sewer Service Units per year, the overall increase will be about 1% per year. Over the 50 year projection of this rate study, this growth rate will add 10,000 more Sewer Service Units to the sewer system. While this growth rate is less than the long-term average, yet more than recently experienced by the District, the projected rate of 200 additional sewer services per year for the next 50 years will not exceed the projected buildout of either the City of Yucaipa or the City of Calimesa. Therefore, this may be a fairly conservative estimated growth rate when one looks back at this Comprehensive Rate Study in the future.

Sewer Facility Capacity Charges - Annual Data



The projected customer growth rate affects the District's sewer revenue requirements in two ways. First, it increases the customer base, which increases the property tax revenue and fixed charge revenue. Secondly, it increases operating costs associated with the sewer collection and treatment services.

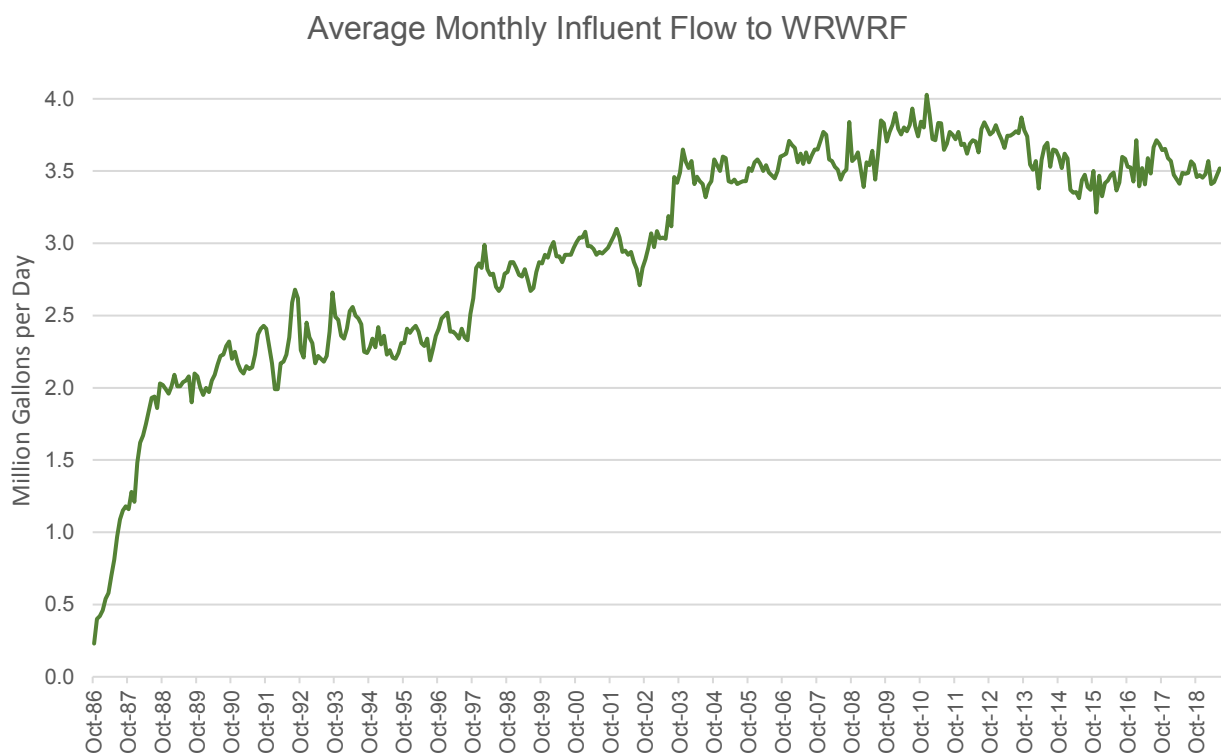
4.2 Sewer Enterprise Revenue Requirements

The Yucaipa Valley Water District analyzed the revenue requirements for sewer service customers to test the financial health of the enterprise. The revenue requirement analysis uses FY 2019 as the baseline and extends the forecast period 50 years until FY 2070. With an extended forecast, the District can plan for debt repayment and schedule future capital improvements. However the tables and graphs included in this rate study will typically focus on a ten year period of FY 2020 to FY 2030.

Based on the findings of this study, the rate changes recommended for the Sewer Enterprise will not require any changes to the framework of the existing rate structure. The proposed findings support the Sewer Enterprise's ability to continue meeting its level of service objectives.

4.2.1 Evaluation of Sewer Demands

The Yucaipa Valley Water District constructed the original sewer treatment plant in 1986. As the community grew, the wastewater treatment plant was expanded to its current capacity of 8.0 million gallons per day. This is sufficient treatment capacity for at least the next two decades.

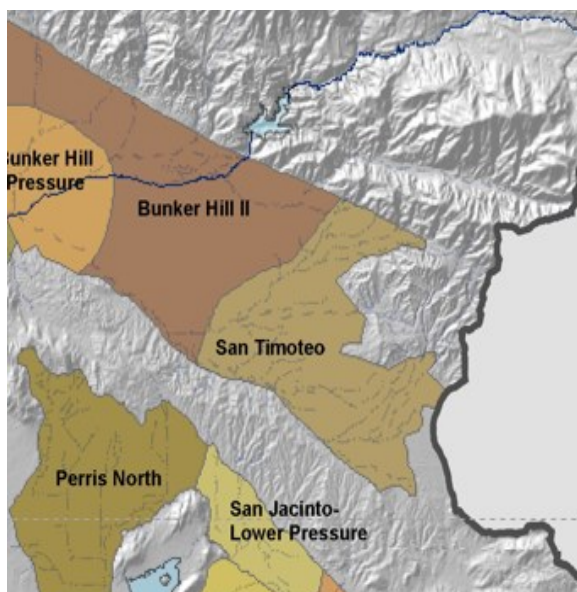


The Yucaipa Valley Water District operates one of the few wastewater treatment plants that utilize reverse osmosis membranes for treatment. This system is able to produce exceptionally pure recycled water that can be used to augment irrigation demands instead of using drinking water. This pure source of water will ultimately be used for groundwater replenishment.

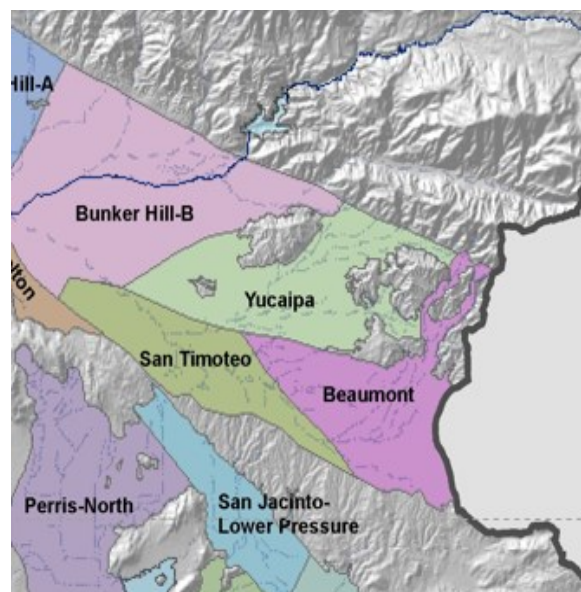


The need for installing the reverse osmosis treatment system is a direct result of the regulatory requirements contained within the Basin Plan adopted by the Santa Ana Regional Water Quality Control Board on January 22, 2004 as Resolution No. R8-2004-0001. For the Yucaipa Valley Water District, this regulatory action resulted in the modification of the existing groundwater basins and stringent requirements for total dissolved solids and nitrogen compounds.

1995 Regulatory Sub-Basins

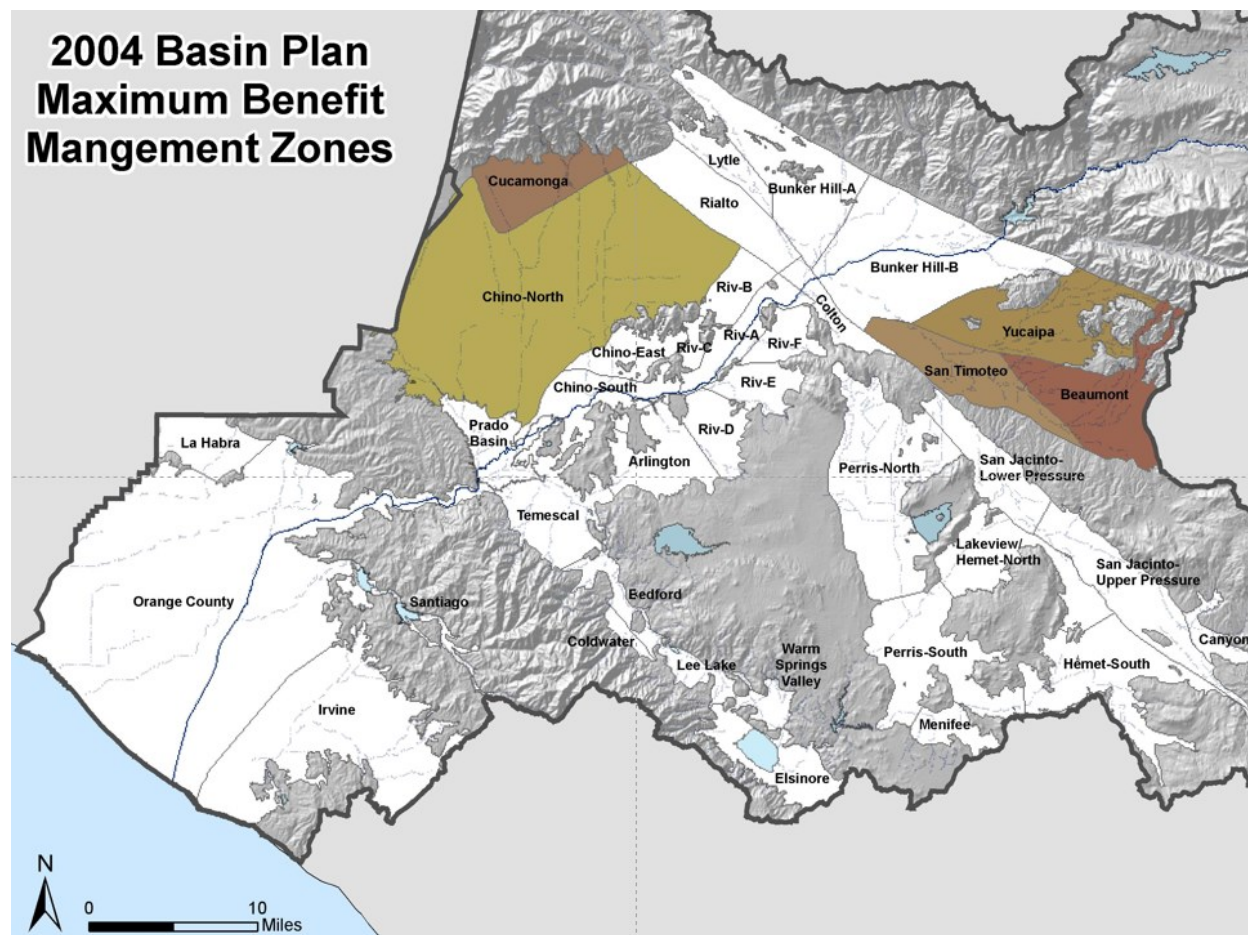


2004 Basin Plan Management Zones



The Yucaipa Valley Water District pursued regulatory relief by committing to mitigate the buildup of salinity and nitrogen compounds in the Yucaipa, San Timoteo, and Beaumont Management Zones. While these commitments raised the standard for treatment at the Wochholz Regional Water Recycling Facility, it allowed the Yucaipa Valley Water District to continue to accumulate imported water supplies and to pursue recycled water as an alternative water resource in the upper Santa Ana Watershed.

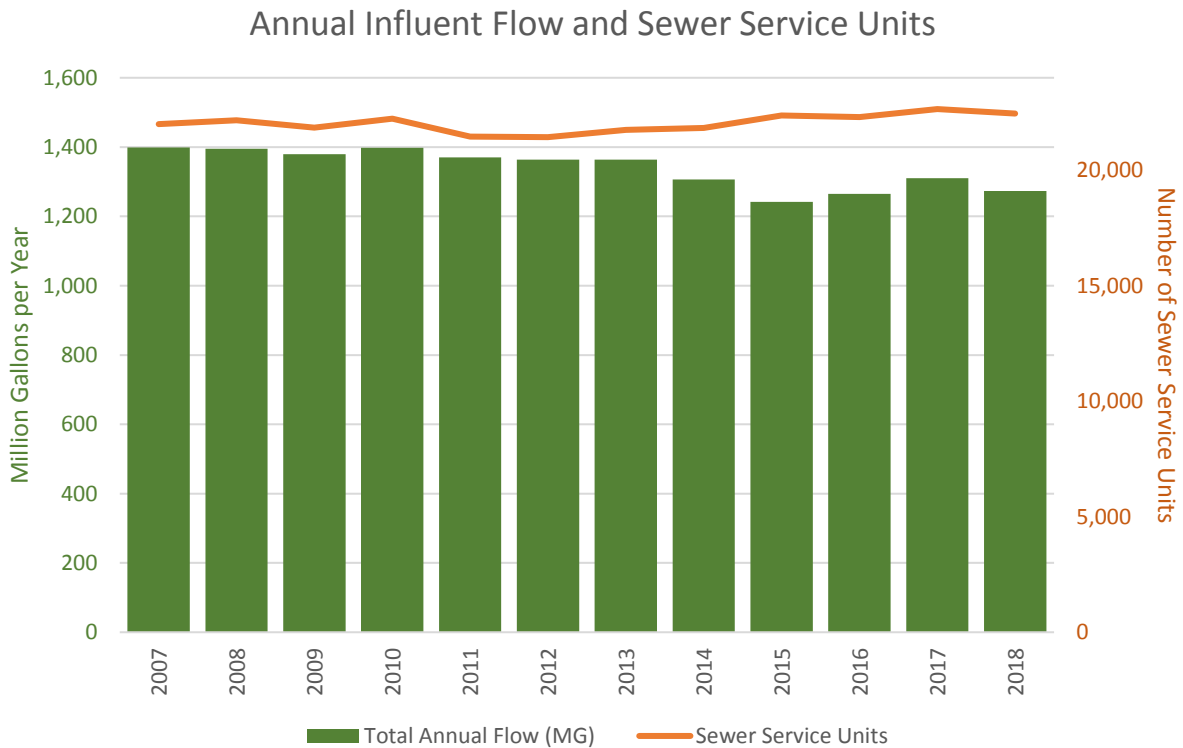
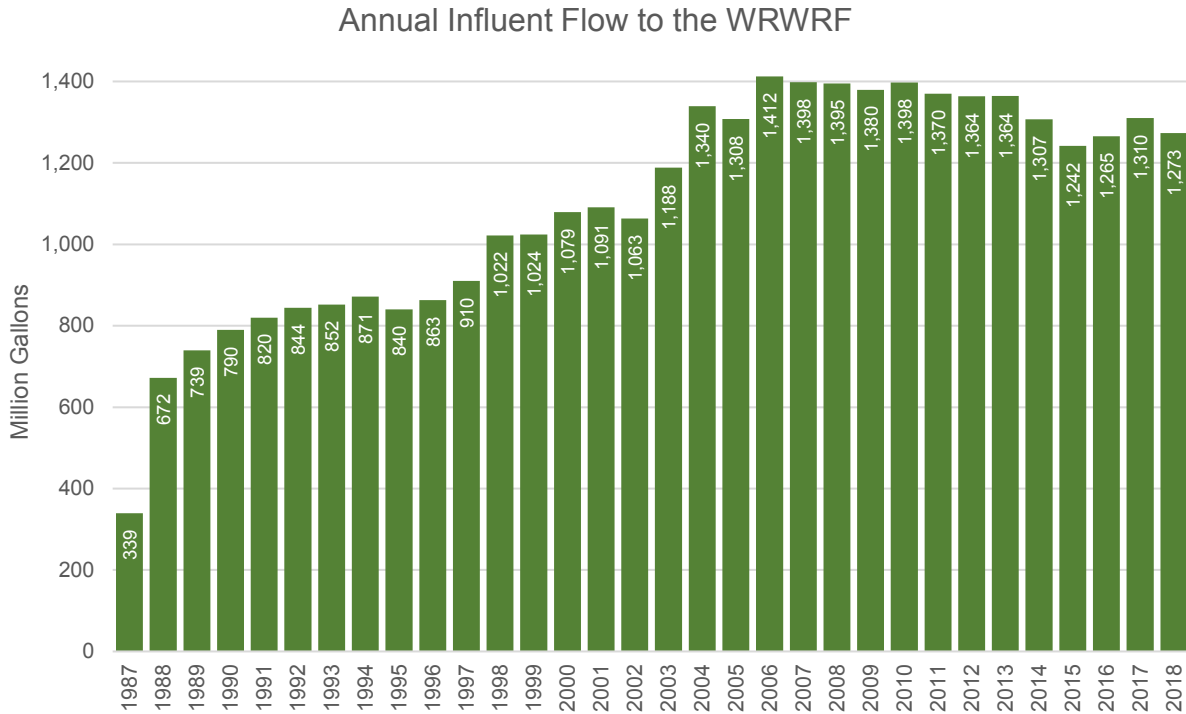
The first two areas in the region to complete a maximum benefit analysis with the Santa Ana Regional Water Quality Control Board was in the Yucaipa area and the Chino area.



With the regulatory authority to develop a recycled water system that does not degrade downstream water quality, the Yucaipa Valley Water District Board of Directors has been committed to achieving high levels of treatment at the Wochholz Regional Water Recycling Facility and to maximize the use of recycled water and refill the local groundwater basins to increase and purify the local water resources.

As illustrated below, the Yucaipa Valley Water District has been experiencing a decline in sewer influent flows, similar to the reductions in drinking water consumption over the past decade. In calendar year 2006, the District received 1,412 million gallons of sewage to the Wochholz Regional Water Recycling Facility compared to 1,273 million gallons in calendar year 2018. This

represents a decrease of 9.8% over the past twelve years. The decrease in drinking water demand for the past thirteen years was 27.5%.



4.2.2 Revenue Requirements Overview

The revenue requirement analysis compares the forecasted revenues of the District to its forecasted operating and capital costs to determine the adequacy of the existing rates to recover the cost of providing service. Should any deficits be identified, additional funding through rates are reviewed and recommended based on strategic goals and available funding.

To fully analyze the revenue requirements, the District utilized the adopted FY 2020 budget expenses as the base year of operation and maintenance costs. Future expenses were forecasted for a 50 year period. Additional information was evaluated that consisted of a detailed review of costs, operations expenses, capital needs, and reserve requirements. The revenue requirements analysis determines the annual retail revenue necessary to be recovered through water rates and charges in order to meet the expected financial obligations of the Sewer Enterprise.

Two tests are utilized to determine whether the annual revenues are sufficient: cash flow test and debt coverage test. Should both tests “fail,” the test with the larger deficiency is determined to be the primary driver. Based on the results of the baseline revenue requirement analysis, the main driver is the debt service analysis.

4.2.2.1 Cash Flow Test

The cash flow sufficiency test evaluates whether revenues exceed expenses for a net positive cash flow at the end of each fiscal year. When they do not, this test is not passed, and additional rate revenue is recommended. The cash flow test identifies the amount of annual revenues that must be generated in order to meet annual expenditure obligations. These obligations include O&M expenses, debt service payments, policy-driven minimum reserves, and rate-funded capital expenses. These expenses, less offsetting revenues from other sources, are compared to total annual projected retail rate revenues. Deficits are then used to estimate the need for rate revenue increases. The analysis also considers existing reserves and financial policies to help mitigate or smooth the need for rate adjustments in the short-term.

Excess reserve amounts will be considered for contingencies and rate stabilization. As such, the District has the ability to use unrestricted reserves, if available, to satisfy the annual cash flow test in order to minimize rate spikes.

4.2.2.2 Debt Coverage Test

The debt service coverage test measures the ability to meet both legal and policy-driven revenue obligations. The Yucaipa Valley Water District uses bond indebtedness to fairly share the cost of certain capital improvements with future customers.

Debt service coverage is dictated by specific bond covenants and establishes an amount that a borrower must raise in revenue in excess of operations and debt-related expenses.

4.2.2.3 SRF Loan Coverage Guidelines

The Yucaipa Valley Water District has received loans from the State Water Resources Control Board, revolving fund loan program. Funding has been set aside in restricted

accounts to secure repayments for the loans as required by the State Water Resources Control Board.

At this time, the Yucaipa Valley Water District is planning to utilize grants and loans for the Salinity and Groundwater Enhancement (SAGE) project at the Wochholz Regional Water Recycling Facility. The SAGE project will increase the overall capacity of the reverse osmosis system at the wastewater facility.

4.2.3 Existing Sewer Rate Structure and Assumptions

The current sewer rates adopted as Resolution No. 18-2011 are based on a fixed sewer service charge that is the basis for most revenue received by the Sewer Enterprise.

4.2.3.1 Current Sewer Service Charge

The monthly sewer service charge is applied to the number of sewer service units for each property with a minimum Sewer Service Unit of 1.00.

| Sewer Service Charge | Current Rate |
|------------------------|--------------|
| Service Charge per EDU | \$42.43 |

Multiple Residential Dwellings of more than 30 dwelling units on the same parcel constructed prior to May 1, 2005 shall be calculated based on the methodology provided above multiplied by the Multiple Residential Water Service Charge Factor of 0.80 to calculate the Multiple Residential Water Service Charge.

4.2.3.2 Capital Improvement Program – Sewer

A Capital Improvement Program (CIP) was prepared as part of the Fiscal Year 2020 Budget adopted on June 18, 2019. Some Projects associated with the Capital Improvement Program are constructed with Facility Capacity Charges paid by new development while other projects are paid by existing customers as part of the rate structure.

A copy of the current Capital Improvement Program for the Sewer Enterprise is included as Appendix C.

4.2.3.3 Sewer Enterprise Revenue Assumptions

The sewer revenue generated each year from the customer rates should be approximately equal to the total sewer operational expenditures planned for that year. The revenue requirements include long-term financial objectives such as capital improvement and refurbishment/replacement projects in addition to regular operations and maintenance. With these basic principles, the required revenue can be projected and then rates can be designed to meet the revenues needed.

Based on prior year information, the following forecast factors were used to develop the Sewer Enterprise Revenue forecast through calendar year 2070.

| Sewer Enterprise Revenue Forecast | | Forecast Factor |
|-----------------------------------|-------------------------------|-----------------|
| 03-40016 | Sales-Establish Service Fee | 2.0% |
| 03-41000 | Sales-Sewer Charges | |
| 03-41005 | Sales-Disc (Multi Units)-SC | 0.0% |
| 03-41110 | Meter/Lateral Installation | 0.25% |
| 03-41121 | Penalty - Late Charges | 1.0% |
| 03-41124 | Bad Debt Write-Off & Recovery | 0.5% |
| 03-41131 | Front Footage Fees | 1.0% |
| 03-42122 | Revenue - Other, Operating | 1.0% |
| 03-43010 | Interest Earned | 2.0% |
| 03-43110 | Property Tax - Unsecured | 0.0% |
| 03-43120 | Property Tax - Secured | 0.0% |
| 03-43130 | Tax Collection - Prior | 0.0% |
| 03-43140 | Taxes - Other | 0.0% |
| 03-49150 | Revenue - Misc. Non-Operating | 2.0% |

Based on prior year information, the following forecast factors were used to develop the Sewer Enterprise Expense Forecast through 2070.

| Drinking Water Enterprise Expense Forecast | | Forecast Factor |
|--|-------------------------------|-----------------|
| Sewer Treatment Department | | |
| 03-5-02-50010 | Labor - Treatment | 3.0% |
| 03-5-02-50013 | Benefits-FICA | 7.7% |
| 03-5-02-50014 | Benefits-Life Insurance | \$480 + 1% |
| 03-5-02-50016 | Benefits-Health & Dental | \$19,692 + 2% |
| 03-5-02-50017 | Benefits-Disability Insurance | 0.9% |
| 03-5-02-50019 | Benefits-Workers Compensation | 2.7% |
| 03-5-02-50022 | Benefits-PERS Employer | 15.0% |
| 03-5-02-50023 | Benefits-Uniforms | \$500 + 1% |
| 03-5-02-50024 | Benefits-Vacation & Sick Pay | 0.35% |
| 03-5-02-50025 | Benefits-Boots & Incentive | \$650 + 1% |
| 03-5-02-51003 | R&M - Structures | 2.0% |
| 03-5-02-51010 | R&M - Automation Control | 2.0% |
| 03-5-02-51106 | Chemicals | 2.0% |
| 03-5-02-51111 | Propane | 2.0% |
| 03-5-02-51115 | Laboratory Supplies | 2.0% |
| 03-5-02-51140 | General Supplies & Expenses | 2.0% |
| 03-5-02-51210 | Utilities - Power Purchases | 2.0% |
| 03-5-02-54110 | Laboratory Services | 2.0% |
| 03-5-02-57031 | Sewage Waste Disposal-Solids | 2.0% |
| 03-5-02-57034 | Brine Operating Expenses | 2.0% |
| Sewer Administrative Department | | |
| 03-5-06-50010 | Labor - Sewer Admin | 3.0% |

| Drinking Water Enterprise Expense Forecast | | Forecast Factor |
|--|--|-----------------|
| 03-5-06-50012 | Director Fees | 5.0% |
| 03-5-06-50013 | Benefits-FICA | 7.7% |
| 03-5-06-50014 | Benefits-Life Insurance | \$480 + 1% |
| 03-5-06-50016 | Benefits-Health & Dental | \$19,692 + 2% |
| 03-5-06-50017 | Benefits Disability Insurance | 0.9% |
| 03-5-06-50019 | Benefits-Workers Compensation | 2.7% |
| 03-5-06-50022 | Benefits-PERS Employer | 15.0% |
| 03-5-06-50023 | Benefits-Uniforms | \$500 + 1% |
| 03-5-06-50024 | Benefits-Vacation & Sick Pay | 0.35% |
| 03-5-06-50025 | Benefits-Boots & Incentives | \$650 + 0.5% |
| 03-5-06-51120 | Safety Equipment & Supplies | 2.0% |
| 03-5-06-51125 | Petroleum Products | 2.0% |
| 03-5-06-51130 | Office Supplies & Expenses | 2.0% |
| 03-5-06-51140 | General Supplies & Expenses | 2.0% |
| 03-5-06-51199 | Disaster Repairs & Incidences | 2.0% |
| 03-5-06-54002 | Dues & Subscriptions | 2.0% |
| 03-5-06-54003 | Management & Admin Services | 2.0% |
| 03-5-06-54005 | Computer Expenses | 2.0% |
| 03-5-06-54011 | Printing & Publications | 2.0% |
| 03-5-06-54012 | Education & Training | 2.0% |
| 03-5-06-54014 | Public Relations | 2.0% |
| 03-5-06-54016 | Travel Related Expenses | 2.0% |
| 03-5-06-54017 | Certifications & Renewals | 2.0% |
| 03-5-06-54019 | Licenses & Permits | 2.0% |
| 03-5-06-54020 | Meeting Related Expenses | 2.0% |
| 03-5-06-54022 | Utilities - YVWD Services | 2.0% |
| 03-5-06-54024 | Waste Disposal | 2.0% |
| 03-5-06-54025 | Telephone & Internet | 2.0% |
| 03-5-06-54030 | Drinking Water | 2.0% |
| 03-5-06-54104 | Contractual Services | 2.0% |
| 03-5-06-54107 | Legal | 2.0% |
| 03-5-06-54108 | Audit & Accounting | 2.0% |
| 03-5-06-54109 | Professional Fees | 2.0% |
| 03-5-06-55500 | Depreciation - use budget-prior years | 2.0% |
| fund transfer | Infrastructure replacement fund | 2.0% |
| 03-5-06-56001 | Insurance | 2.0% |
| 03-5-06-57030 | Regulatory Compliance | 2.0% |
| Environmental Control Department | | |
| 03-5-07-50010 | Labor - Environmental Control | 2.0% |
| 03-5-07-50013 | Benefits-FICA | 7.7% |
| 03-5-07-50014 | Benefits-Life Insurance | \$480 + 1% |
| 03-5-07-50016 | Benefits-Health & Dental | \$19,692 + 2% |
| 03-5-07-50017 | Benefits-Disability Insurance | 0.9% |
| 03-5-07-50019 | Benefits-Workers Compensation | 2.7% |
| 03-5-07-50022 | Benefit-PERS Employer | 15.0% |
| 03-5-07-50023 | Benefits-Uniforms | \$500 + 1% |

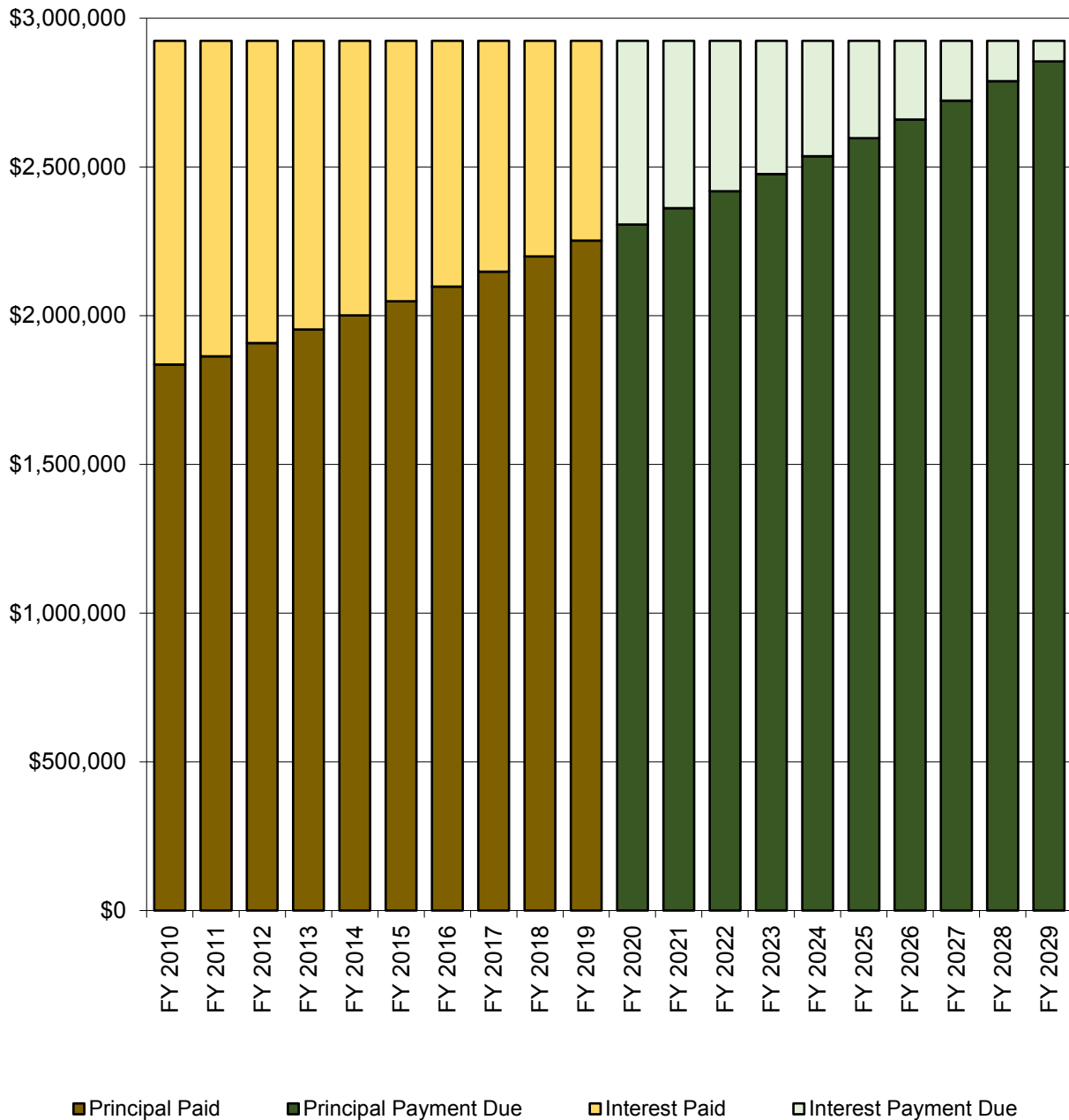
| Drinking Water Enterprise Expense Forecast | | Forecast Factor |
|--|----------------------------------|-----------------|
| 03-5-07-50024 | Benefits-Vacation & Sick Pay | 0.35% |
| 03-5-07-50025 | Benefits-Boots & Incentives | \$650 + 0.5% |
| 03-5-07-51003 | R&M - Structures | 2.0% |
| 03-5-07-51140 | General Supplies & Expenses | 2.0% |
| 03-5-07-51241 | Lift Station #1 | 2.0% |
| 03-5-07-51242 | Lift Station #2 | 2.0% |
| 03-5-07-51243 | Lift Station #3 | 2.0% |
| 03-5-07-51244 | Lift Station #4 | 2.0% |
| 03-5-07-51246 | Lift Station #6 | 2.0% |
| 03-5-07-51248 | Lift Station #8 | 2.0% |
| 03-5-07-54111 | Pretreatment | 2.0% |
| Sewer Debt Expenses | | |
| 03-5-40-57202 | SRF Principal-WWTP | Fixed Loan |
| 03-5-40-57203 | SRF Principal-Brineline | Fixed Loan |
| 03-5-40-57204 | SRF Principal-Wise | Fixed Loan |
| 03-5-40-57205 | SRF Principal-R 10.3 | Fixed Loan |
| 03-5-40-57206 | SRF Principal-Crow St | Fixed Loan |
| | Calimesa Recycled Water Pipeline | Fixed Loan |
| 03-5-40-57403 | Interest - Long Term Debt | Fixed Loan |

4.2.3.4 Long-Term Debt – Sewer Enterprise

The Yucaipa Valley Water District has secured several loans from the State Water Resources Control Board for wastewater related projects.

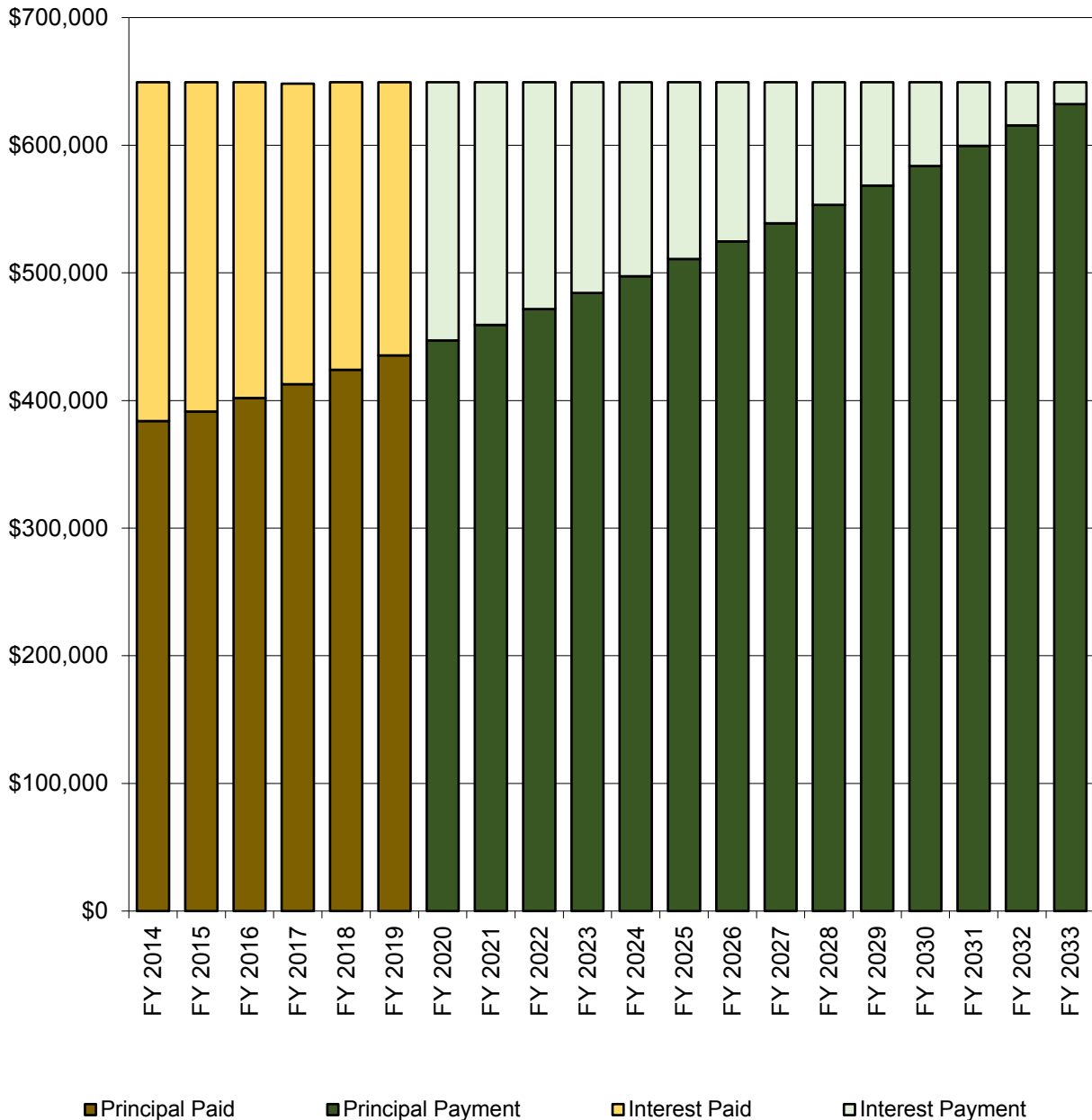
The following schedules provide the principal and interest payments through the full term of the financings.

Wochholz Regional Water Recycling Facility Expansion - The Yucaipa Valley Water District has secured a \$44,748,356 low interest loan (2.4% interest rate) for the expansion and upgrade of the Wochholz Regional Water Recycling Facility. The District received full disbursement of the loan fund in FY 2009 and annual repayment of \$2,923,669 started in FY 2010 based on the following schedule:



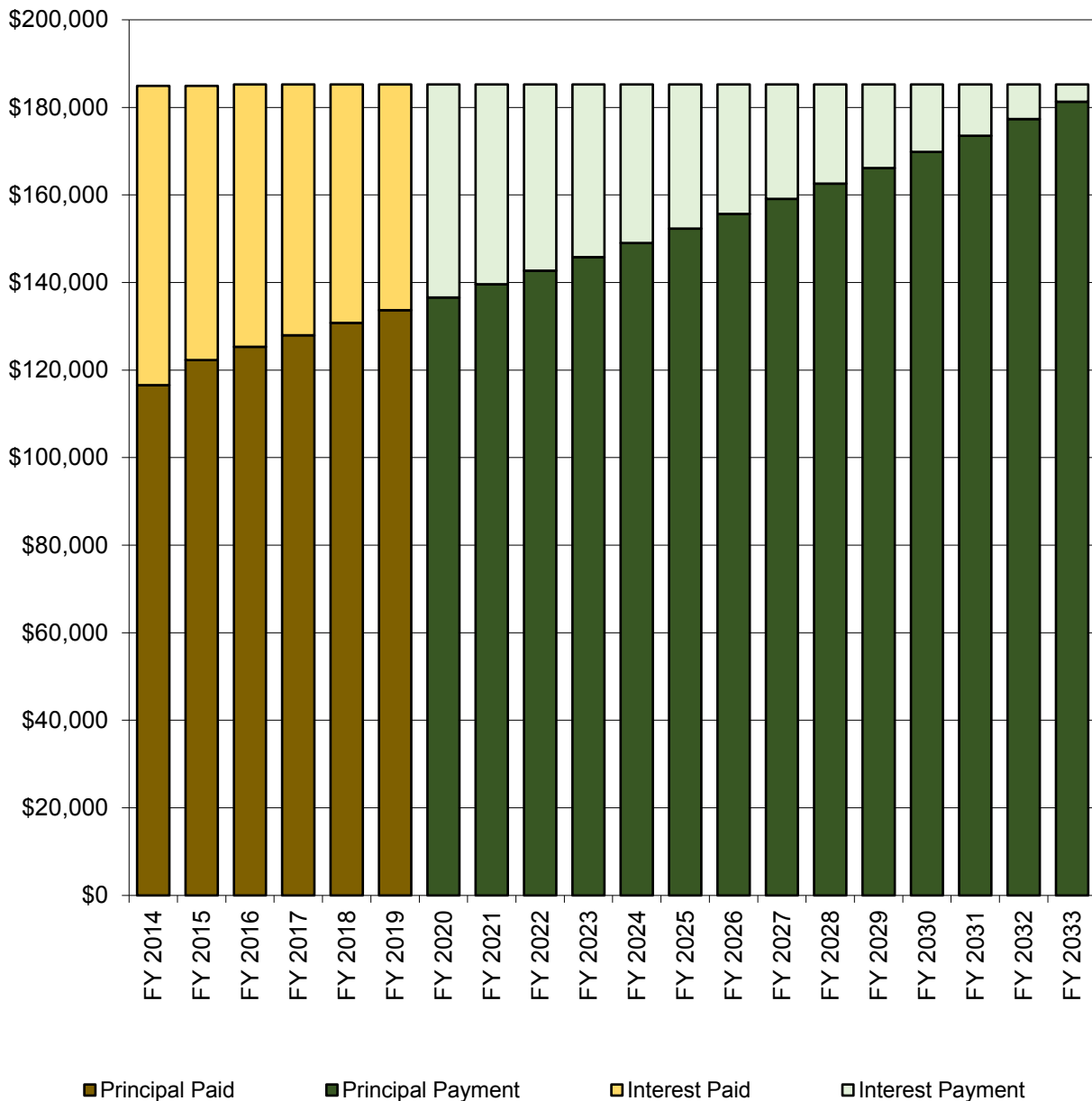
The annual loan payments are due on September 10th. The loan extends until September 10, 2028.

Yucaipa Valley Regional Brineline - The Yucaipa Valley Water District has secured a \$9,752,100 low interest loan (2.7% interest rate) for the construction of the Yucaipa Valley Regional Brineline. The construction cost for this facility was \$19,706,156 which was also funded by several grants and cash. The District received full disbursement of the loan fund in FY 2013 and annual repayment of \$649,274 started in FY 2014 based on the following schedule:



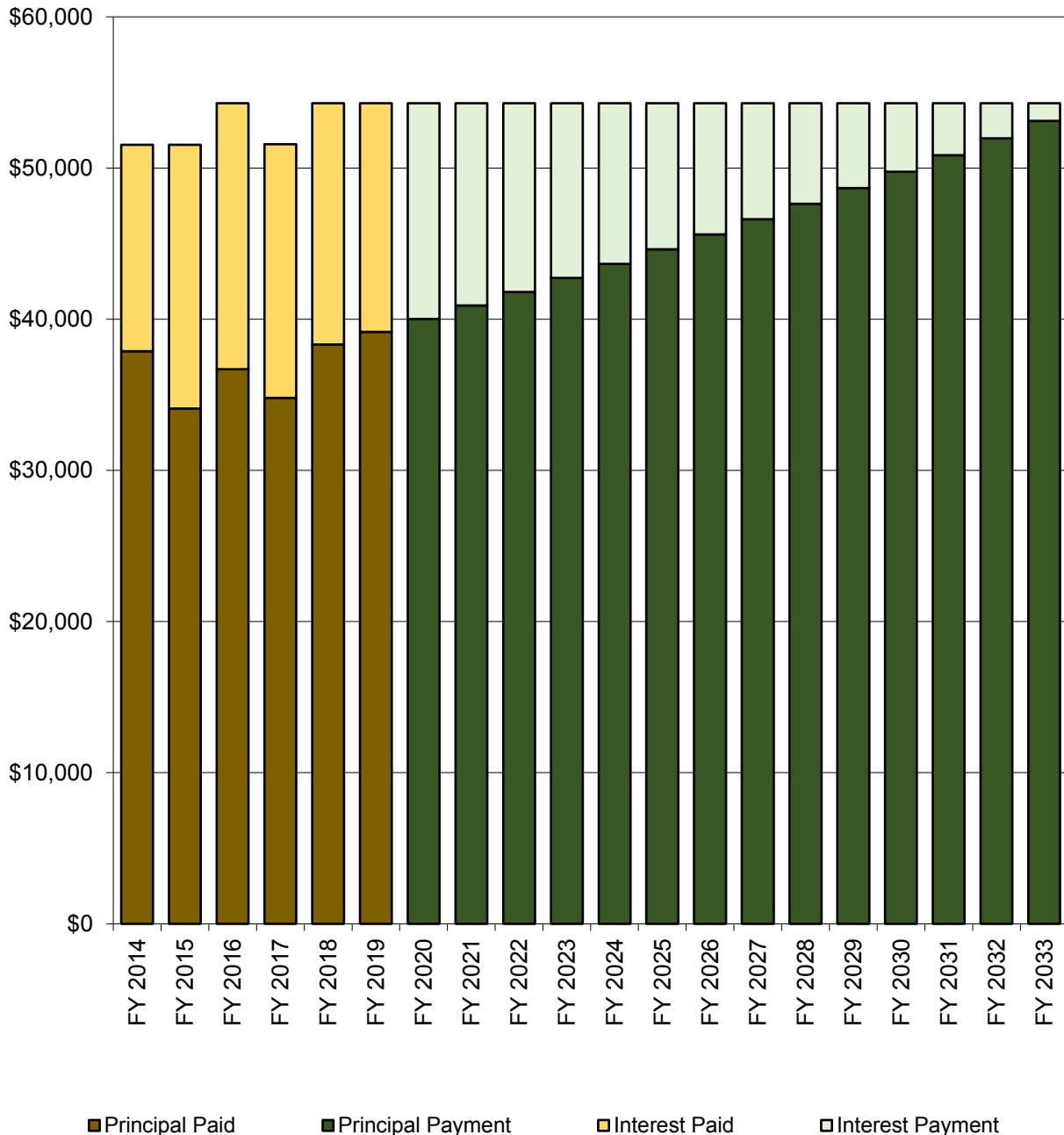
The annual loan payments are due on December 31st. The loan extends until December 31, 2032.

Wochholz Improved Salinity Effluent Project (W.I.S.E.) - The Yucaipa Valley Water District has secured a \$2,988,095 low interest loan (2.2% interest rate) for the construction of the reverse osmosis equipment at the Wochholz Regional Water Recycling Facility to achieve compliance with the Regional Water Quality Control Board Basin Plan objectives. The construction cost for this facility was \$5,003,170 which was also funded by grants and cash. The District received full disbursement of the loan fund in FY 2015 and annual repayment of \$185,251 started in FY 2014 based on the following schedule:



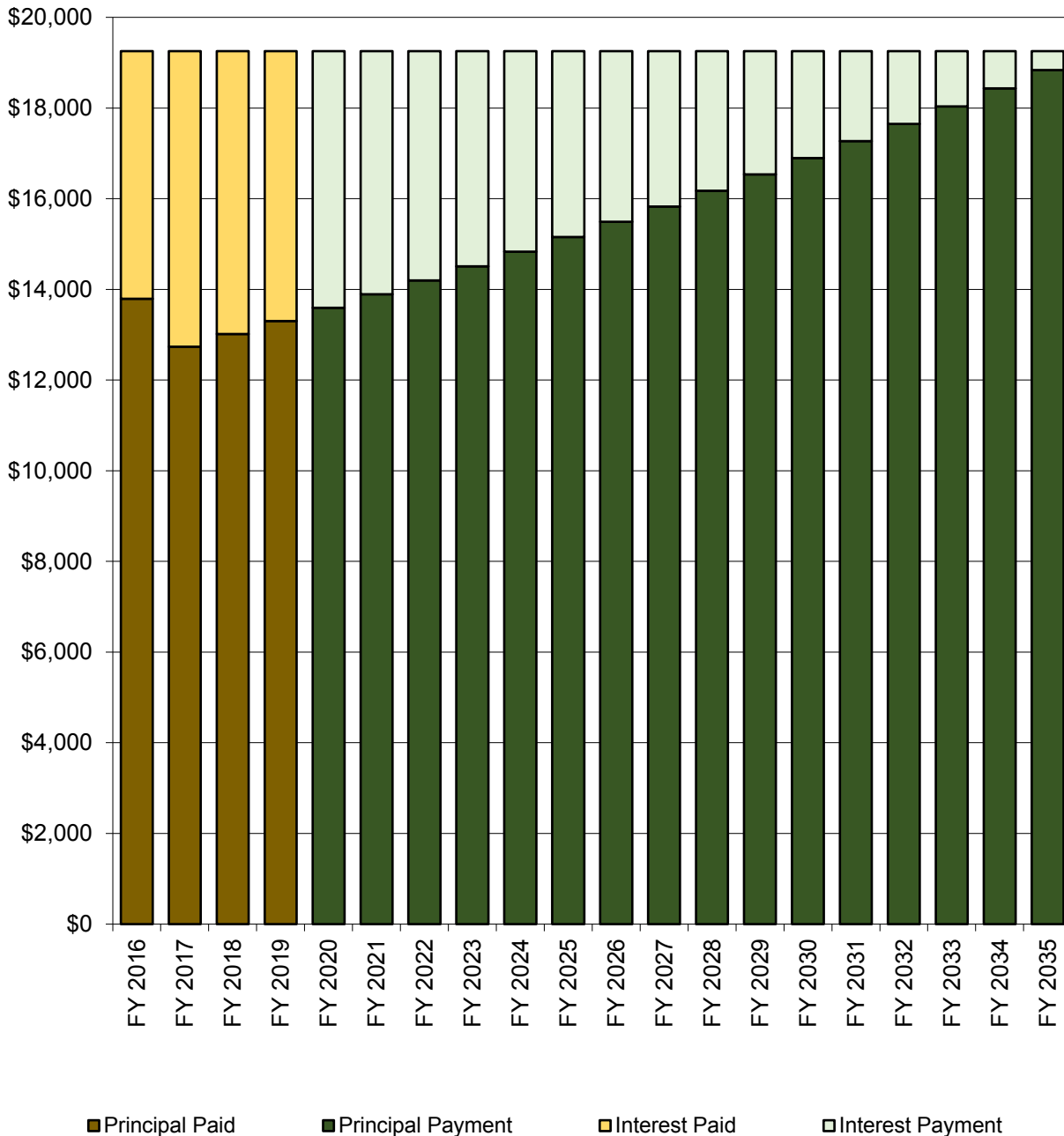
The annual loan payments are due on March 31st. The loan extends until March 31, 2033.

Recycled Water Reservoir R-10.3 - The Yucaipa Valley Water District has secured a \$871,570 low interest loan (2.2% interest rate) for the construction of the Recycled Water Reservoir Complex R-10.3. The construction cost for this facility was \$4,177,087 which was also funded by grants and cash. The District received full disbursement of the loan fund in FY 2014 and annual repayment of \$54,277 started in FY 2014 based on the following schedule:



The annual loan payments are due on March 31st. The loan extends until March 31, 2033.

Crow Street Recycled Water Pipeline and Booster B-12.1 - The Yucaipa Valley Water District has secured a \$310,179 low interest loan (2.2% interest rate) for the construction of the Crow Street Recycled Water Pipeline and Recycled Water Booster Station B-12.1. The construction cost for this facility was \$2,972,167 which was also funded by grants and cash. The District received full disbursement of the loan fund in FY 2015 and annual repayment of \$19,254 started in FY 2016 based on the following schedule:



The annual loan payments are due on March 31st. The loan extends until March 31, 2035.

Calimesa Regional Water Recycled Pipeline Project - The Yucaipa Valley Water District will be securing funds to complete the Calimesa Regional Water Recycled Pipeline Project.

LOAN AMORTIZATION SCHEDULE

| ENTER VALUES | | | | LOAN SUMMARY | | | |
|-----------------------------|----------------|-------------------|--------------|--|-------------------------------|---------------------------|--------------|
| Loan amount | \$2,892,500.00 | Scheduled payment | \$165,172.86 | Scheduled number of payments | 20 | Actual number of payments | 1 |
| Annual interest rate | 1.3000% | | | Total early payments | \$0.00 | Total interest | \$410,957.21 |
| Loan period in years | 20 | | | Note: Total interest amount does not include the interest during construction. For total interest refer to LGTS Payment Schedule. | | | |
| Number of payments per year | 1 | | | RECIPIENT | Yucaipa Valley Water District | | |
| Start date of loan | 01/01/2021 | | | | | | |
| Optional extra payments | \$0.00 | | | | | | |

| PMT NO | PAYMENT DATE | BEGINNING BALANCE | SCHEDULED PAYMENT | EXTRA PAYMENT | TOTAL PAYMENT | PRINCIPAL | INTEREST | ENDING BALANCE | CUMULATIVE INTEREST |
|--------|--------------|-------------------|-------------------|---------------|---------------|--------------|-------------|----------------|---------------------|
| 1 | 01/01/2021 | \$2,892,500.00 | \$165,172.86 | \$0.00 | \$165,172.86 | \$127,570.36 | \$37,602.50 | \$2,764,929.64 | \$37,602.50 |
| 2 | 01/01/2022 | \$2,764,929.64 | \$165,172.86 | \$0.00 | \$165,172.86 | \$129,228.78 | \$35,944.09 | \$2,635,700.86 | \$73,546.59 |
| 3 | 01/01/2023 | \$2,635,700.86 | \$165,172.86 | \$0.00 | \$165,172.86 | \$130,908.75 | \$34,264.11 | \$2,504,792.11 | \$107,810.70 |
| 4 | 01/01/2024 | \$2,504,792.11 | \$165,172.86 | \$0.00 | \$165,172.86 | \$132,610.56 | \$32,562.30 | \$2,372,181.55 | \$140,372.99 |
| 5 | 01/01/2025 | \$2,372,181.55 | \$165,172.86 | \$0.00 | \$165,172.86 | \$134,334.50 | \$30,838.36 | \$2,237,847.05 | \$171,211.35 |
| 6 | 01/01/2026 | \$2,237,847.05 | \$165,172.86 | \$0.00 | \$165,172.86 | \$136,080.85 | \$29,092.01 | \$2,101,766.20 | \$200,303.37 |
| 7 | 01/01/2027 | \$2,101,766.20 | \$165,172.86 | \$0.00 | \$165,172.86 | \$137,849.90 | \$27,322.96 | \$1,963,916.30 | \$227,626.33 |
| 8 | 01/01/2028 | \$1,963,916.30 | \$165,172.86 | \$0.00 | \$165,172.86 | \$139,641.95 | \$25,530.91 | \$1,824,274.35 | \$253,157.24 |
| 9 | 01/01/2029 | \$1,824,274.35 | \$165,172.86 | \$0.00 | \$165,172.86 | \$141,457.29 | \$23,715.57 | \$1,682,817.06 | \$276,872.81 |
| 10 | 01/01/2030 | \$1,682,817.06 | \$165,172.86 | \$0.00 | \$165,172.86 | \$143,296.24 | \$21,876.62 | \$1,539,520.82 | \$298,749.43 |
| 11 | 01/01/2031 | \$1,539,520.82 | \$165,172.86 | \$0.00 | \$165,172.86 | \$145,159.09 | \$20,013.77 | \$1,394,361.73 | \$318,763.20 |
| 12 | 01/01/2032 | \$1,394,361.73 | \$165,172.86 | \$0.00 | \$165,172.86 | \$147,046.16 | \$18,126.70 | \$1,247,315.57 | \$336,889.90 |
| 13 | 01/01/2033 | \$1,247,315.57 | \$165,172.86 | \$0.00 | \$165,172.86 | \$148,957.76 | \$16,215.10 | \$1,098,357.82 | \$353,105.00 |
| 14 | 01/01/2034 | \$1,098,357.82 | \$165,172.86 | \$0.00 | \$165,172.86 | \$150,894.21 | \$14,278.65 | \$947,463.61 | \$367,383.65 |
| 15 | 01/01/2035 | \$947,463.61 | \$165,172.86 | \$0.00 | \$165,172.86 | \$152,855.83 | \$12,317.03 | \$794,607.77 | \$379,700.68 |
| 16 | 01/01/2036 | \$794,607.77 | \$165,172.86 | \$0.00 | \$165,172.86 | \$154,842.96 | \$10,329.90 | \$639,764.81 | \$390,030.58 |
| 17 | 01/01/2037 | \$639,764.81 | \$165,172.86 | \$0.00 | \$165,172.86 | \$156,855.92 | \$8,316.94 | \$482,908.89 | \$398,347.52 |
| 18 | 01/01/2038 | \$482,908.89 | \$165,172.86 | \$0.00 | \$165,172.86 | \$158,895.04 | \$6,277.82 | \$324,013.85 | \$404,625.34 |
| 19 | 01/01/2039 | \$324,013.85 | \$165,172.86 | \$0.00 | \$165,172.86 | \$160,960.68 | \$4,212.18 | \$163,053.17 | \$408,837.52 |
| 20 | 01/01/2040 | \$163,053.17 | \$165,172.86 | \$0.00 | \$163,053.17 | \$160,933.48 | \$2,119.69 | \$0.00 | \$410,957.21 |

4.2.4 Sewer Enterprise Rate Design

The Yucaipa Valley Water District has developed sewer rates that are sound and adhere to the industry best practices.

In California, water rates must adhere to the cost of service requirements imposed by Proposition 218 of the State Constitution. Proposition 218 requires that property-related fees and charges, including water rates, do not exceed the proportional cost of providing the service.

In determining the appropriate rate level and structure, the District analyzed various rate design alternatives and reviewed the corresponding implications. There is no single structure that meets all objectives equally, nor are all objectives valued the same by the District or its customers. The objectives were discussed, evaluated, and adjusted at throughout the rate study process.

Rate Structure Objectives

Provide revenue stability

Meet debt service obligations

Comply with legal and regulatory requirements

Be concise and understandable

Encourage the efficient use of resources

Maintain affordability

Follow cost of service principles

It is recommended that the current rate structure be adopted to conform to the latest guidelines and court interpretations on Proposition 218 and its implementation. It is therefore recommended that no structural changes be made to the Sewer Enterprise.

The Yucaipa Valley Water District has received Federal funding for infrastructure in the Recycled Water and Sewer Enterprises. Federal Water Pollution Control Act, section 603(d)(1)(E) requires a recipient of a loan for a project that involves the repair, replacement, or expansion of a publicly owned treatment works develop and implement a fiscal sustainability plan or certify that it has developed and implemented such a plan. The Financial Sustainability Plan is intended to be treated as “living documents” that are regularly reviewed, revised, expanded, and implemented as an integral part of the operation and management of the system. This provision in the Comprehensive Rate Study forms an integral part of the Yucaipa Valley Water District Financial Sustainability Plan.

4.2.5 Sewer Rate Model Results

The proposed sewer rates have been developed and tested using a financial model based on estimated expense and revenues developed from the proposed rate schedule. The objective of the financial model is to test rates to determine if they will provide sufficient revenue to meet all expenses and provide an adequate reserve for unforeseen conditions.

The proposed sewer rates begin on February 1, 2020. The Board of Directors will have the option of skipping a year’s rate increase or adjusting the rates to any level at or below the recommended rate. The future year’s rate will be based on the financial performance of the Sewer System Enterprise.

4.2.5.1 Sewer Service Charge

As discussed above, this comprehensive rate study includes a 50-year projection that forecasts the sewer revenues and expenses to fiscal year 2070. Based on these

projections, the District is able to forecast the revenue needs for future years as provided below. The charges identified as “forecasted” will be reviewed and adopted in a future rate resolution.

The Sewer Service Charge represents the fixed charges associated with the Sewer Enterprise and is associated with the number of Sewer Service Units purchased when a new service is secured from the District.

| Proposed Sewer Service Charge | | Forecasted Sewer Service Charge | |
|-------------------------------|---------|---------------------------------|---------|
| Current Rate | \$42.43 | Projected 7/1/2026 | \$48.55 |
| Effective 2/1/2020 | \$43.48 | Projected 7/1/2027 | \$49.40 |
| Effective 1/1/2021 | \$44.21 | Projected 7/1/2028 | \$50.27 |
| Effective 7/1/2021 | \$44.52 | Projected 7/1/2029 | \$51.15 |
| Effective 7/1/2022 | \$45.30 | Projected 7/1/2030 | \$52.04 |
| Effective 7/1/2023 | \$46.09 | Projected 7/1/2031 | \$52.95 |
| Effective 7/1/2024 | \$46.90 | Projected 7/1/2032 | \$53.48 |
| Effective 1/1/2025 | \$47.72 | Projected 7/1/2033 | \$54.02 |

The minimum monthly charge for Sewer Service Units is a factor of 1.00 even if less than 1.00 of Sewer Service Units are purchased through the Facility Capacity Charges.

Multiple Residential Dwellings of more than 30 dwelling units on the same parcel constructed prior to May 1, 2005 shall be charged pursuant to the rates above, multiplied by the Multiple Residential Water Service Charge Factor below to determine the Multiple Residential Water Service Charge.

| Multiple Residential Water Charge Factor | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 2/1/2020 | Effective 1/1/2021 | Effective 1/1/2022 | Effective 1/1/2023 | Effective 1/1/2024 | Effective 1/1/2025 |
| 0.925 | 0.930 | 0.935 | 0.940 | 0.945 | 0.950 |

| Multiple Residential Water Charge Factor | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 1/1/2026 | Effective 1/1/2027 | Effective 1/1/2028 | Effective 1/1/2029 | Effective 1/1/2030 | Effective 1/1/2031 |
| 0.955 | 0.960 | 0.965 | 0.970 | 0.975 | 0.980 |

| Multiple Residential Water Charge Factor | | | |
|--|--------------------|--------------------|---|
| Effective 1/1/2032 | Effective 1/1/2033 | Effective 1/1/2034 | Multiple Residential Sewer Charge Factor is Eliminated Effective 1/1/2035 |
| 0.985 | 0.990 | 0.995 | 1.000 |

4.2.6 Recommendations for the Sewer Enterprise

It is recommended that the Yucaipa Valley Water District adjust sewer enterprise rates as provided in this comprehensive rate study. If adopted following Proposition 218 procedures, the total monthly sewer bill for a typical single family residential unit will be adjusted to \$43.48 per month, an increase of \$1.05 effective February 1, 2020. Additional monthly adjustments to the Sewer Service Charge are provided in Section 4.2.5.1.

It is further recommended that the Board of Directors review the financial performance of the Sewer Enterprise each year and, at their discretion, adjust rates as needed to meet expenses and policy goals. The rates may not exceed those presented herein for each fiscal year. The Board may recapture rate increases in a subsequent year if the increase was not accounted for in the prior year.

Other miscellaneous sewer fees, not subject to Proposition 218 majority protest proceedings, should be reviewed and adjusted annually based on a cost of service study.

The proposed rate increase is a property related fee and thus must be implemented in accordance with the requirements of Proposition 218. The general implementation plan is as follows:

- District Board of Directors (and legal counsel) reviews and accepts the report and recommendations.
- The Board sets a date for a public protest hearing not less than 45 days after notices to customers have been mailed.
- Mail customer notices with the proposed rate increase and time and date of the public protest hearing as well as any other required notice information as specified in Government Code Section 53753.
- Hold public majority protest hearing.
- Determine if there is majority protest, and if not, adopt revised rate structure. Rates will go into effect beginning February 2020.
- Review revenue versus expenditures annually to verify assumptions and projections in Comprehensive Rate Study.
- Conduct Comprehensive Water Rate Study update in Fiscal Year 2023-24.

5.0 Recycled Water Enterprise

The Yucaipa Valley Water District started the construction of the recycled water system in 2002 to reduce the amount of groundwater used within the community. This recycled water system was connected to the Wochholz Regional Water Recycling Facility in 2015 and is now part of the District's recycled water system.

A fundamental element for developing service projections is the quantification of customer demand characteristics and the revenues derived from the current schedule of utility charges. This information provides the foundation for integrating projected changes in demands and customer unit rate adjustments.

As of June 30, 2019, the District's customer base consisted of the following:

- Recycled water service was provided through 111 water service connections; and
- Recycled water was provided to 460 Recycled Service Units.

The table below illustrates a detailed breakdown of service connections by the type of customer. The difference between the number of service connections and the number of Recycled Service Units represents multiple units on a property and larger capacity water meters. The comprehensive rate analysis focuses on Recycled Service Units for allocation of Recycled Water Enterprise fixed costs.

| Customer Type | Recycled Water Enterprise | |
|--------------------|-------------------------------|----------------------------|
| | Number of Service Connections | Water Service Units (WSUs) |
| Single Family | -- | -- |
| Multiple Units | -- | -- |
| Commercial | -- | -- |
| Institutional | -- | -- |
| Industrial | -- | -- |
| Irrigation | -- | -- |
| Fire Detectors | -- | -- |
| Construction Water | 7 | -- |
| Recycled Water | 104 | 460 |
| Total | 111 | 460 |

In order to properly assess the District's future revenue requirements, one must first evaluate and understand trends within four specific areas. These areas are: 1) current customer base and projected changes; 2) evaluation of recycled water demands, 3) significant changes in operating expenses, and 4) capital expenditures and debt service obligations. The following is a brief discussion on the impact of these factors on the District's revenue requirements.

5.1 Current and Projected Customer Base

For the purposes of this comprehensive rate study, the District recognizes that several large developments have started construction and will add thousands of Recycled Service Units in the near future. These fully entitled development projects will likely skew the relatively slow growth that has occurred over the past decade. Specifically, Summerwind Ranch, Mesa Verde Estates, JP

Ranch, and the Oak Valley commercial center all have the ability to change the District's customer base, primarily within the City of Calimesa.

To reasonably project the future growth rate of the Yucaipa Valley Water District, an estimated growth rate of 150 Recycled Service Units per year will be added to the recycled water system. This projection is based on 30 homes per year will be constructed in the City of Yucaipa and 120 homes per year will be constructed in the City of Calimesa.

The projected customer growth rate affects the District's revenue requirements in two ways. First, it increases the customer base, which increases the property tax revenue, fixed charge revenue, and variable charge revenue. Secondly, it increases operating costs associated with the delivery and provision of recycled water services.

5.2 Recycled Water Enterprise Revenue Requirements

The Yucaipa Valley Water District analyzed the revenue requirements of recycled water service customers to test the financial health of the enterprise. The revenue requirement analysis uses FY 2019 as the baseline and extends the forecast period 50 years until FY 2070. With an extended forecast, the District can plan for debt repayment and schedule future capital improvements. However the tables and graphs will typically focus on a ten year period of FY 2020 to FY 2030.

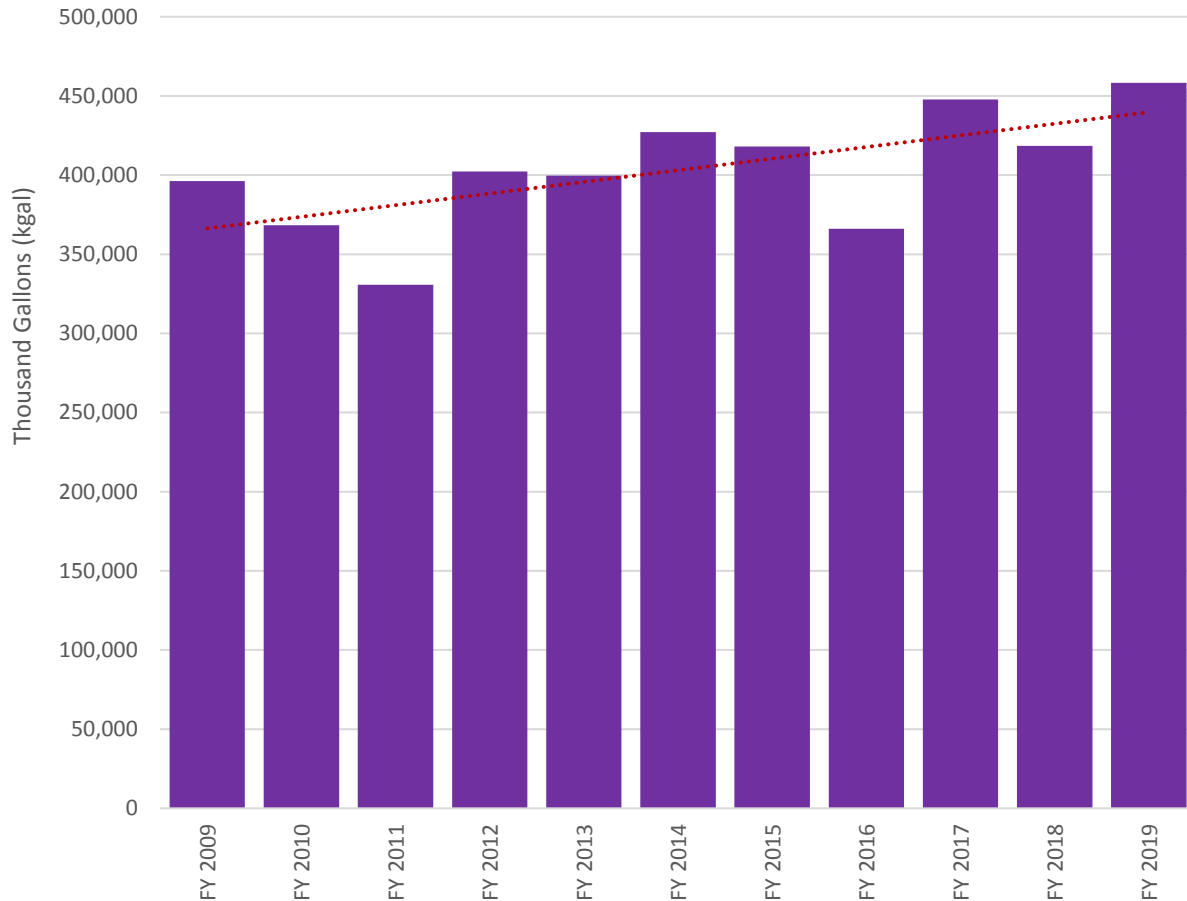
Based on the findings of this study, the rate changes recommended for the Recycled Water Enterprise will consist of changes to the framework of the existing rate structure plus new revenue categories that will fund operational and capital needs and meet debt service obligations. The proposed findings support the Water Enterprise's ability to continue meeting its level of service objectives.

5.2.1 Evaluation of Recycled Water Demands

The Yucaipa Valley Water District implemented a recycled water system in 2002 to reduce the amount of groundwater used in the community. The recycled water system was expanded over the years and eventually connected to the Wochholz Regional Water Recycling Facility in 2015 and is now part of the District's recycled water system.

The following graph illustrates the annual recycled water demands since FY 2009.

Recycled Water Demands (kgal)



5.2.2 Revenue Requirements Overview

The revenue requirement analysis compares the forecasted revenues of the District to its forecasted operating and capital costs to determine the adequacy of the existing rates to recover the cost of providing service. Should any deficits be identified, additional funding through rates are reviewed and recommended based on strategic goals and available funding.

To fully analyze the revenue requirements, the District utilized the adopted FY 2020 budget expenses as the base year of operation and maintenance costs. Future expenses were forecasted for a 50 year period. Additional information was evaluated that consisted of a detailed review of costs, operations expenses, capital needs, and reserve requirements. The revenue requirements analysis determines the annual retail revenue necessary to be recovered through water rates and charges in order to meet the expected financial obligations of the Recycled Water Enterprise.

5.2.3 Existing Recycled Water Rate Structure and Assumptions

The current recycled water rates, adopted as Resolution No. 18-2011 includes the following components:

- Monthly recycled water service charges by meter size; and
- Recycled water commodity charges.

These rates were adopted on August 17, 2011 and reflect the current recycled water service and recycled water commodity charges.

5.2.3.1 Recycled Water Service Charge

The monthly recycled water service charge is applied to the greater of (1) meter size or (2) number of Equivalent Dwelling Units / Water Service Units receiving service from the water meter. This charge shall be applicable to drinking water and recycled water users.

| Meter Size | Current Water Service Charge |
|----------------------------|------------------------------|
| Service Charge per EDU | \$14.00 |
| Water Meter Based Charge: | |
| ¾" Water Meter - 1.00 EDU | \$14.00 |
| 1" Water Meter - 1.67 EDU | \$23.38 |
| 1½" Water Meter - 3.33 EDU | \$46.62 |
| 2" Water Meter - 5.33 EDU | \$74.62 |
| 3" Water Meter - 10.00 EDU | \$140.00 |
| 4" Water Meter - 16.67 EDU | \$233.38 |
| 6" Water Meter - 33.33 EDU | \$466.62 |
| 8" Water Meter - 53.33 EDU | \$746.62 |

The Multiple Residential Water Service Charge does not apply to recycled water services.

5.2.3.2 Recycled Water Commodity Charge

The recycled water commodity charge rate is the charge per one thousand gallons (kgal) for all water registered by the customer's water meter in a monthly billing cycle and is herein established as follows:

| Effective Date | Recycled Water Commodity Rate (\$/kgal) |
|----------------|---|
| Existing Rate | \$1.425 |

5.2.3.3 Capital Improvement Program – Recycled Water

A Capital Improvement Program (CIP) was prepared as part of the Fiscal Year 2020 Budget adopted on June 18, 2019. Some Projects associated with the Capital Improvement Program are constructed with Facility Capacity Charges paid by new development while other projects are paid by existing customers as part of the rate structure.

A copy of the current Capital Improvement Program for the Recycled Water Enterprise is included as Appendix C.

5.2.3.4 Recycled Water Enterprise Revenue Assumptions

The total recycled water revenue generated each year from the customer rates should be approximately equal to the total operational expenditures planned for that year. The revenue requirements include long-term financial objectives such as capital improvement and refurbishment/replacement projects in addition to regular operations and maintenance. With these basic principles, the required revenue can be projected and then rates can be designed to meet the revenues needed.

Based on prior year information, the following forecast factors were used to develop the Recycled Water Enterprise Revenue Forecast through 2070.

| Recycled Water Enterprise Revenue Forecast | | Forecast Factor |
|--|------------------------------------|-----------------|
| 04-40010 | Sales - Recycled Water | See Below |
| | Sales - Excess Consumption | See Below |
| 04-40011 | Sales - Construction Water | Static |
| 04-41000 | Sales - Service Demand Charges | See Below |
| 04-41003 | Sales - Construction Demand Charge | 2.0% |
| 04-41010 | Unauthorized Use of Water Charge | Static |
| 04-41110 | Meter/Lateral Installation | Static |
| 04-41113 | Disconnect & Reconnect Fees | 3.0% |
| 04-41121 | Delinquent Payment Charges | 3.0% |
| 04-41124 | Bad Debt Write-Off & Recovery | 2.0% |
| 04-42122 | Revenue - Other Operating | 2.0% |
| 04-42123 | Administration and Management | 2.0% |
| 04-43010 | Interest Earned | 2.0% |
| 04-431xx | Property Taxes | See Below |
| 04-43140 | Taxes - Other | 3.0% |
| 04-49110 | Rental Income | 2.0% |
| 04-49150 | Miscellaneous Non-Operating | 2.0% |

Based on prior year information, the following forecast factors were used to develop the Recycled Water Enterprise Expense Forecast through 2070.

| Recycled Water Enterprise Expense Forecast | | Forecast Factor |
|--|-------------------------------|-----------------|
| 04-5-01-50010 | Labor - Water Resources | 3.0% |
| 04-5-01-50013 | Benefits-FICA | 7.7% |
| 04-5-01-50014 | Benefits-Life Insurance | \$480 + 1% |
| 04-5-01-50016 | Benefits-Health & Dental | \$19,692 + 2% |
| 04-5-01-50017 | Benefits-Disability Insurance | 0.9% |
| 04-5-01-50019 | Benefits-Workers Compensation | 2.7% |
| 04-5-01-50022 | Benefits-PERS Employer | 15.0% |
| 04-5-01-50023 | Benefits-Uniforms | \$500 + 1% |

| Recycled Water Enterprise Expense Forecast | | Forecast Factor |
|--|---------------------------------------|-----------------|
| 04-5-01-50024 | Benefits-Vacation & Sick Pay | 0.35% |
| 04-5-01-50025 | Benefits-Boots & Incentives | \$650 + 0.5% |
| 04-5-06-51003 | R&M - Structures | 2.0% |
| 04-5-06-51011 | R&M - Valves | 2.0% |
| 04-5-06-51020 | R&M - Pipelines | 2.0% |
| 04-5-06-51021 | R&M - Service Lines | 2.0% |
| 04-5-06-51022 | R&M - Fire Hydrants | 2.0% |
| 04-5-06-51030 | R&M - Meters | 2.0% |
| 04-5-06-51140 | General Supplies & Expenses | 2.0% |
| 04-5-06-51210 | Utilities - Power Purchases | 4.0% |
| 04-5-06-54002 | Dues & Subscriptions | 2.0% |
| 04-5-06-54005 | Computer Expenses | 2.0% |
| 04-5-06-54012 | Education & Training | 2.0% |
| 04-5-06-54014 | Public Relations | 2.0% |
| 04-5-06-54016 | Travel Related Expenses | 2.0% |
| 04-5-06-54017 | Certifications & Renewals | 2.0% |
| 04-5-06-54019 | Licenses & Permits | 2.0% |
| 04-5-06-54020 | Meeting Related Expenses | 2.0% |
| 04-5-06-54022 | Utilities - YVWD Services | 2.0% |
| 04-5-06-54025 | Telephone & Internet | 2.0% |
| 04-5-06-54104 | Contractual Services | 2.0% |
| 04-5-06-54107 | Legal | 2.0% |
| 04-5-06-54108 | Audit & Accounting | 2.0% |
| 04-5-06-54109 | Professional Fees | 2.0% |
| 04-5-06-54110 | Laboratory Services | 2.0% |
| 04-5-06-55500 | Depreciation - use budget-prior years | 2.0% |
| fund transfer | Infrastructure replacement fund | 2.0% |
| 04-5-06-56001 | Insurance | 2.0% |
| 04-5-06-57030 | Regulatory Compliance | 2.0% |
| 04-5-06-57040 | Environmental Compliance | 2.0% |

5.2.4 Recycled Water Rate Design

The Yucaipa Valley Water District has developed recycled water rates that are sound and adhere to the industry best practices. In addition to achieving cost recovery, the rate analysis has been developed to continue to promote the efficient use of water resources.

In California, water rates must adhere to the cost of service requirements imposed by Proposition 218 of the State Constitution. Proposition 218 requires that property-related fees and charges, including water rates, do not exceed the proportional cost of providing the service.

Rate Structure Objectives

- Provide revenue stability
- Comply with legal and regulatory requirements
- Be concise and understandable
- Encourage the efficient use of resources
- Maintain affordability
- Follow cost of service principles

In determining the appropriate rate level and structure, the District analyzed various rate design alternatives and reviewed the corresponding implications. There is no single structure that meets all objectives equally, nor are all objectives valued the same by the District or its customers. The objectives were discussed, evaluated, and adjusted at throughout the rate study process.

It is recommended that the current rate structure be adopted to conform to the latest guidelines and court interpretations on Proposition 218 and its implementation, as well as, to augment the reduction in drinking water consumption anticipated by the water conservation goals set forth by Senate Bill No. 606 (Hertzberg) and Assembly Bill No. 1668 (Friedman) and signed by Governor Brown on May 31, 2018. It is therefore recommended that changes to the rate structure occur based on the following rationale:

- **Increase the monthly fixed rate service charge to provide greater revenue stability during droughts.** It is estimated that only ten percent (10%) of the recycled water division expenses are variable. Variable costs include primarily electrical power. Costs that are mostly independent of recycled water usage include personnel cost, general and administrative cost, meter reading and billing, renewal and replacement cost, laboratory costs. In order to maintain an incentive for water conservation, there should be a reasonable balance between cost recovered under the monthly service charge and commodity charges and therefore not all fixed costs will be recovered in the service charge.
- **Make the monthly fixed rate service charge proportional to meter size and flow capability.** The amount of the fixed rate will be based on meter size and application of standard AWWA equivalent meter factors based on the flow that can be delivered through a standard $\frac{3}{4}$ -inch residential meter. For example, a 2-inch meter can deliver 5.33 times as much water as a standard $\frac{3}{4}$ -inch meter. Therefore, a customer with a 2- inch meter will be charged a monthly service charge that is 5.33 times that of the base charge for a $\frac{3}{4}$ -inch meter. Additionally, residential customers are now required to install a 1-inch water meter to support fire sprinklers inside the homes. These larger meters have the ability to deliver more water and they are more expensive to repair/replace when compared to a $\frac{3}{4}$ -inch water meter.
- **Establish an excess recycled water commodity charge for recycled water usage that exceeds the amount of capacity purchased for the property.** Each parcel that receives recycled water service first secures capacity in the recycled water storage reservoirs, conveyance pipelines, and booster facilities. This system is used to provide reliable and high-quality recycled water service to customers. When the amount of recycled water used in a month exceeds the quantity of purchased capacity in the system, there is an inequity that arises for the lack of funding for the variable cost of operation, repair cost, replacement cost, capacity cost, and other related charges. This inequity is resolved with the creation of the Excess Recycled Water Commodity Charge.
- **Residential, commercial, industrial, and institutional customer will pay the same service charge and commodity rates.**
- **Develop a rate structure that incorporates the California Statutes Making Conservation a California Way of Life.** Assembly Bill No. 1668 and Senate Bill No. 606 build on ongoing efforts to make water conservation a way of life in California and create

a new foundation for long-term improvements in water conservation and drought planning. These Statutes establish guidelines for efficient water use and a framework for the implementation and oversight of the new standards, which must be in place by 2022. The legislation contains provisions that include:

- Establishing water use objectives and long-term standards for efficient water use that apply to urban retail water suppliers; comprised of indoor residential water use, outdoor residential water use, commercial, industrial, and institutional (CII) irrigation with dedicated meters, water loss, and other unique local uses.
 - Providing incentives for water suppliers to recycle water.
 - Requiring urban water suppliers to set annual water budgets and prepare for future droughts.
- **Increase reserve funding for infrastructure replacement.** The Yucaipa Valley Water District relies on a recycled water system that consists of multiple pressure zones that receive source water from both the Yucaipa Valley Regional Water Filtration Facility and the Wochholz Regional Water Recycling Facility. While this is a relatively new system, as this system continues to age, outages are likely to occur unless the District proactively establishes a funding program to replace pipelines, boosters, wells, and storage reservoirs. The funding for infrastructure replacement will be used to accomplish three goals: (1) provide sufficient revenues for future debt service coverage; (2) improve the daily cash available for emergencies; and (3) fund a pay-go system for future recycled water system infrastructure replacement. This funding will maintain a stable and sustainable method to make sure each customer equitably contributes to the use of the recycled water system.

The Yucaipa Valley Water District's asset management program provides the foundation for this use of this funding. The District's asset management program has been designed to:

- Improve the efficiency and effectiveness of the District;
 - Justify infrastructure needs and decisions;
 - Meet service expectations and regulatory requirements;
 - Improve emergency response;
 - Plan and pay for future repairs and replacements;
 - Make informed decisions for the maintenance, repair, rehabilitation, and replacement of assets;
 - Make the best use of limited resources;
 - Prolong asset life;
 - Plan for capital improvement projects; and
 - Reduce vulnerability to hazards and become more resilient.
- **Federal Financial Sustainability Plan.** Additionally, the Yucaipa Valley Water District has received Federal funding for infrastructure in the Recycled Water and Sewer Enterprises. Pursuant to the Federal Water Pollution Control Act, section 603(d)(1)(E) requires a recipient of a loan for a project that involves the repair, replacement, or expansion of a publicly owned treatment works to develop and implement a fiscal sustainability plan or certify that it has developed and implemented such a plan. The Financial Sustainability Plan is intended to be treated as "living documents" that are regularly reviewed, revised, expanded, and implemented as an integral part of the operation and management of the system. This provision in the Comprehensive Rate

Study forms an integral part of the Yucaipa Valley Water District Financial Sustainability Plan.

5.2.5 Recycled Water Rate Model Results

The proposed recycled water rates have been developed and tested using a financial model based on estimated expense and revenues developed from a proposed rate schedule that uses the premises outlined above. The objective of the financial model is to test rates to determine if they will provide sufficient revenue to meet all expenses and provide an adequate reserve for unforeseen conditions.

The proposed recycled water rates begin on February 1, 2020. The Board of Directors will have the option of skipping a year's rate increase or adjusting the rates to any level at or below the recommended rate. The future year's rate will be based on the financial performance of the recycled water system enterprise.

5.2.5.1 Recycled Water Service Charge

The Recycled Water Service Charge represents the fixed charges associated with the Recycled Water Enterprise and is associated with the number of Water Service Units purchased when a new service is secured from the District.

| Proposed Recycled Water Service Charge | | Forecasted Recycled Water Service Charge | |
|--|---------|--|---------|
| Current Rate | \$14.00 | Effective 7/1/2026 | \$19.00 |
| Effective 2/1/2020 | \$15.00 | Effective 7/1/2027 | \$19.50 |
| Effective 1/1/2020 | \$16.00 | Effective 7/1/2028 | \$20.00 |
| Effective 7/1/2021 | \$16.50 | Effective 7/1/2029 | \$20.50 |
| Effective 7/1/2022 | \$17.00 | Effective 7/1/2030 | \$21.00 |
| Effective 7/1/2023 | \$17.50 | Effective 7/1/2031 | \$21.50 |
| Effective 7/1/2024 | \$18.00 | Effective 7/1/2032 | \$22.00 |
| Effective 1/1/2025 | \$18.50 | Effective 7/1/2033 | \$22.50 |

The monthly Recycled Water Service Charge is applied to the greater of (1) meter size or (2) number of dwelling units served. The minimum monthly charge for Recycled Service Units is 1.00 even if less than 1.00 of Recycled Service Units are purchased through the Facility Capacity Charges. This charge shall be applicable to drinking water and recycled water users.

| Recycled Water Service Charge | Current Rate | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 |
|-------------------------------|--------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per EDU | \$14.00 | \$15.00 | \$16.00 | \$16.50 | \$17.00 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$14.00 | \$15.00 | \$16.00 | \$16.50 | \$17.00 |
| 1" Water Meter - 1.67 EDU | \$23.38 | \$25.05 | \$26.72 | \$27.56 | \$28.39 |
| 1½" Water Meter - 3.33 EDU | \$46.62 | \$49.95 | \$53.28 | \$54.95 | \$56.61 |
| 2" Water Meter - 5.33 EDU | \$74.62 | \$79.95 | \$85.28 | \$87.95 | \$90.61 |
| 3" Water Meter - 10.00 EDU | \$140.00 | \$150.00 | \$160.00 | \$165.00 | \$170.00 |
| 4" Water Meter - 16.67 EDU | \$233.38 | \$250.05 | \$266.72 | \$275.06 | \$283.39 |

| Recycled Water Service Charge | Current Rate | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 |
|-------------------------------|--------------|--------------------|--------------------|--------------------|--------------------|
| 6" Water Meter - 33.33 EDU | \$466.62 | \$499.95 | \$533.28 | \$549.95 | \$566.61 |
| 8" Water Meter - 53.33 EDU | \$746.62 | \$799.95 | \$853.28 | \$879.95 | \$906.61 |

As discussed above, this comprehensive rate study includes a 50-year projection that forecasts the water revenues and expenses to fiscal year 2070. Based on these projections, the District is able to forecast the revenue needs for future years as provided below. The charges identified as "projected" will be reviewed and adopted in a future rate resolution.

| Recycled Water Service Charge | Effective 7/1/2023 | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per EDU | \$17.50 | \$18.00 | \$18.50 | \$19.00 | \$19.50 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$17.50 | \$18.00 | \$18.50 | \$19.00 | \$19.50 |
| 1" Water Meter - 1.67 EDU | \$29.23 | \$30.06 | \$30.90 | \$31.73 | \$32.57 |
| 1½" Water Meter - 3.33 EDU | \$58.28 | \$59.94 | \$61.61 | \$63.27 | \$64.94 |
| 2" Water Meter - 5.33 EDU | \$93.28 | \$95.94 | \$98.61 | \$101.27 | \$103.94 |
| 3" Water Meter - 10.00 EDU | \$175.00 | \$180.00 | \$185.00 | \$190.00 | \$195.00 |
| 4" Water Meter - 16.67 EDU | \$291.73 | \$300.06 | \$308.40 | \$316.73 | \$325.07 |
| 6" Water Meter - 33.33 EDU | \$583.28 | \$599.94 | \$616.61 | \$633.27 | \$649.94 |
| 8" Water Meter - 53.33 EDU | \$933.28 | \$959.94 | \$986.61 | \$1,013.27 | \$1,039.94 |

| Recycled Water Service Charge | Projected 7/1/2028 | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per EDU | \$20.00 | \$20.50 | \$21.00 | \$21.50 | \$22.00 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$20.00 | \$20.50 | \$21.00 | \$21.50 | \$22.00 |
| 1" Water Meter - 1.67 EDU | \$33.40 | \$34.24 | \$35.07 | \$35.91 | \$36.74 |
| 1½" Water Meter - 3.33 EDU | \$66.60 | \$68.27 | \$69.93 | \$71.60 | \$73.26 |
| 2" Water Meter - 5.33 EDU | \$106.60 | \$109.27 | \$111.93 | \$114.60 | \$117.26 |
| 3" Water Meter - 10.00 EDU | \$200.00 | \$205.00 | \$210.00 | \$215.00 | \$220.00 |
| 4" Water Meter - 16.67 EDU | \$333.40 | \$341.74 | \$350.07 | \$358.41 | \$366.74 |
| 6" Water Meter - 33.33 EDU | \$666.60 | \$683.27 | \$699.93 | \$716.60 | \$733.26 |
| 8" Water Meter - 53.33 EDU | \$1,066.60 | \$1,093.27 | \$1,119.93 | \$1,146.60 | \$1,173.26 |

5.2.5.2 Recycled Water Commodity Charge

The Recycled Water Commodity Charge represents the variable charges associated with the Recycled Water Enterprise. This commodity cost applies to each billing unit, or fraction thereof.

| Effective Date | Recycled Water Commodity Rate (\$/kgal) |
|------------------|---|
| Existing Rate | \$1.425 |
| February 1, 2020 | \$1.725 |

| Effective Date | Recycled Water Commodity Rate (\$/kgal) |
|--------------------------|---|
| January 1, 2021 | \$1.760 |
| July 1, 2021 | \$1.795 |
| July 1, 2022 | \$1.836 |
| July 1, 2023 | \$1.879 |
| July 1, 2024 | \$1.922 |
| January 1, 2025 | \$1.966 |
| Projected - July 1, 2026 | \$2.011 |
| Projected - July 1, 2027 | \$2.057 |
| Projected - July 1, 2028 | \$2.105 |
| Projected - July 1, 2029 | \$2.153 |
| Projected - July 1, 2030 | \$2.203 |
| Projected - July 1, 2031 | \$2.253 |
| Projected - July 1, 2032 | \$2.305 |

5.2.5.3 Excess Recycled Water Commodity Charge

The number of Recycled Service Units on a property is directly related to the capacity purchased in the Yucaipa Valley Water District's recycled water system at the time the new service is originally established. Prior to the issuance of a building permit a property owner will secure capacity in the recycled water system through the payment of Facility Capacity Charges. Pursuant to the District design guidelines, one Recycled Service Unit provides capacity in the recycled water system for 700 gallons per day, or 21,000 gallons per month (21 kgal). However, with the implementation of dual-plumbed homes, some properties will be able to purchase a fraction of one Water Service Unit for indoor use and a fraction of a Recycled Service Unit for outdoor use.

The minimum number of recycled water service units will be equal to one for all non-dual plumbed accounts. For dual-plumbed residential units, the Excess Drinking Water Commodity Charge plus the Excess Recycled Water Commodity Charge will be fractional with a sum of 700 gallons per day, or 21,000 gallons per month (21 kgal) for both drinking water and recycled water.

Monthly recycled water consumption that exceeds the Recycled Service Units creates additional demand and costs for the operation, repair, maintenance, and replacement of recycled water filtration facilities, pipelines, reservoirs, boosters, and groundwater wells. This Comprehensive Rate Study incorporated the proportional operational, maintenance, and capital costs for the excessive use into the recycled water infrastructure.

The Excess Recycled Water Commodity Charge applies to the next Recycled Water Commodity unit (kgal) beyond the Recycled Service Unit (RSU) based on the formula below:

$$\text{If Recycled Water Commodity (kgal)} > \left[\left(\frac{\text{Recycled}}{\text{Service Units}} \right) \times (0.7 \text{ kgal}) \times (30 \text{ days}) \right],$$

then the following rate structure applies

Therefore, the Excess Recycled Water Commodity Charge would apply to a property with one (1) Recycled Service Unit (RSU) if more than the calculated Maximum Applied Water Allowance (MAWA) is used during a billing period.

The Excess Recycled Water Commodity Charge will be calculated based on the proportionality of 1 RSU = 98.550 kgal of recycled water.

The rate schedule for Excess Recycled Water Commodity Charges is provided below and only applies to the commodity usage in excess of the Recycled Service Unit (RSU) allowance.

| Excess Recycled Water Commodity Charge (kgal) | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 | Effective 7/1/2023 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Billing Units in Excess of Recycled Water Service Unit Allocation | \$0.067 | \$0.129 | \$0.183 | \$0.195 | \$0.208 |

| Excess Recycled Water Commodity Charge (kgal) | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 | Projected 7/1/2028 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Billing Units in Excess of Recycled Water Service Unit Allocation | \$0.221 | \$0.236 | \$0.251 | \$0.267 | \$0.285 |

| Excess Recycled Water Commodity Charge (kgal) | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 | Projected 7/1/2033 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Billing Units in Excess of Recycled Water Service Unit Allocation | \$0.303 | \$0.323 | \$0.344 | \$0.366 | \$0.390 |

5.2.5.4 Recycled Water Infrastructure Replacement Commodity Charge

In order to fund the replacement of infrastructure that supports the recycled water system, it is critical to manage and plan for the anticipated replacement of assets. As infrastructure continues to age, significant outages are likely to occur. The funding for infrastructure replacement will be used to accomplish four specific goals: (1) provide sufficient revenues for debt service coverage; (2) improve the daily cash available for emergencies and unforeseen events; (3) fund a pay-go system for recycled water system infrastructure replacement; and (4) fund a Financial Sustainability Plan pursuant to the Federal Water Pollution Control Act. This funding will maintain a stable and sustainable method to make sure each customer equitably contributes to the use of the recycled water system.

Additionally, the Yucaipa Valley Water District has received Federal funding for infrastructure in the Recycled Water and Sewer Enterprises. Pursuant to the Federal Water Pollution Control Act, section 603(d)(1)(E) requires a recipient of a loan for a project that involves the repair, replacement, or expansion of a publicly owned treatment works to develop and implement a fiscal sustainability plan or certify that it has developed and implemented such a plan. The Financial Sustainability Plan is intended to be treated as “living documents” that are regularly reviewed, revised, expanded, and implemented as an integral part of the operation and management of the system. This provision in the Comprehensive Rate Study forms an integral part of the Yucaipa Valley Water District Financial Sustainability Plan.

The Recycled Water Infrastructure Replacement Commodity Charge applies to each billing unit, or fraction thereof.

| Recycled Water Infrastructure Replacement Commodity Charge (kgal) | Effective 2/1/2020 | Effective 7/1/2020 | Effective 7/1/2021 | Effective 7/1/2022 | Effective 7/1/2023 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Each Billing Unit (kgal) | \$0.151 | \$0.153 | \$0.154 | \$0.156 | \$0.157 |

| Recycled Water Infrastructure Replacement Commodity Charge (kgal) | Effective 2/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 | Projected 7/1/2028 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Each Billing Unit (kgal) | \$0.159 | \$0.160 | \$0.162 | \$0.164 | \$0.165 |

| Recycled Water Infrastructure Replacement Commodity Charge (kgal) | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 | Projected 7/1/2033 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Each Billing Unit (kgal) | \$0.167 | \$0.168 | \$0.170 | \$0.172 | \$0.174 |

5.2.6 Recommendations for the Recycled Water Enterprise

It is recommended that the Yucaipa Valley Water District adjust recycled water division rates as provided in this comprehensive rate study. If adopted following Proposition 218 procedures, the total monthly water bill for a typical irrigation customer using 50 kgal with a ¾ inch meter will be \$110.74. The monthly water bill under current rates would be \$94.74.

It is further recommended that the Board of Directors review the financial performance of the recycled water enterprise fund each year and, at their discretion, adjust rates as needed to meet increased expenses. The rates may not exceed those presented herein for each fiscal year. The Board may recapture rate increases in a subsequent year if the increase was not accounted for in the prior year.

Since the total charges vary depending on the amount of recycled water consumed, the following table has been prepared to illustrate how the proposed recycled water rates effective on February 1, 2020 will change the existing rate structure.

| Sample Recycled Water Rate Calculations for a ¾ Inch Water Meter (Effective February 1, 2020) | | | | |
|--|----------------|----------------|----------------|-----------------|
| Water Consumption (kgal) | 5 | 15 | 25 | 100 |
| <i>Existing Total Drinking Water Charge</i> | <i>\$21.88</i> | <i>\$37.64</i> | <i>\$53.67</i> | <i>\$176.89</i> |
| Proposed Service Charge | \$15.00 | \$15.00 | \$15.00 | \$15.00 |
| Proposed Commodity Charge | \$18.63 | \$25.88 | \$43.13 | \$172.50 |
| Proposed Excess Commodity Charge | \$ 0.00 | \$ 0.00 | \$ 0.27 | \$ 5.29 |
| Proposed Infrastructure Replacement Charge | \$ 0.76 | \$ 2.27 | \$ 3.78 | \$ 15.10 |
| Proposed Total Drinking Water Charge | \$24.38 | \$39.46 | \$62.17 | \$207.89 |

Other miscellaneous recycled water fees, not subject to Proposition 218 majority protest proceedings, should be reviewed and adjusted annually based on a cost of service study.

It is further recommended that the Board of Directors review the financial performance of the recycled water enterprise fund each year and, at their discretion, adjust rates as needed to meet increased expenses. The rates may not exceed those presented herein for each fiscal year. The Board may recapture rate increases in a subsequent year if the increase was not accounted for in the prior year.

Other miscellaneous recycled water fees, not subject to Proposition 218 majority protest proceedings, should be reviewed and adjusted annually based on a cost of service study.

The proposed rate increase is a property related fee and thus must be implemented in accordance with the requirements of Proposition 218. The general implementation plan is as follows:

- District Board of Directors (and legal counsel) reviews and accepts the report and recommendations.
- The Board sets a date for a public protest hearing not less than 45 days after notices to customers have been mailed.
- Mail customer notices with the proposed rate increase and time and date of the public protest hearing as well as any other required notice information as specified in Government Code Section 53753.
- Hold public majority protest hearing.
- Determine if there is majority protest, and if not, adopt revised rate structure. Rates will go into effect beginning February 2020.
- Review revenue versus expenditures annually to verify assumptions and projections in Comprehensive Rate Study.
- Conduct Comprehensive Water Rate Study update in Fiscal Year 2023-24.

6.0 Recommendations and Next Steps

6.1 Recommendations

Based on the Comprehensive Rate Model and analysis of the model results, it is recommended that the Board of Directors take the following actions:

- Approve and Accept this Comprehensive Rate Study: The Yucaipa Valley Water District Board of Directors should formally approve and adopt this Comprehensive Rate Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- Implement Recommended Levels of Rate Increases and Proposed Rates. Based on successfully meeting the Proposition 218 procedural requirements, the Yucaipa Valley Water District Board of Directors should proceed with implementing the schedule of proposed rates and future rate increases contained herein. This will help ensure the continued financial health of Yucaipa Valley Water District.

6.2 Next Steps

In preparing this report and the opinions and recommendations included herein, there were a number of principal assumptions and considerations with regard to financial matters, conditions, pace of new development, water consumption, and other events that may occur in the future. This information and associated assumptions, including District's budgets and capital improvement costs are reasonable for the purpose of this report and its recommendations. However, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that future conditions may be different from what is anticipated at this point in time. Therefore, it is recommended that the Board of Directors take the following actions:

- Annually Review Drinking Water, Sewer and Recycled Water Rates and Revenue. Any time new utility rates or rate structures are adopted, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements - particularly those related to regulations that can significantly affect capital improvements and repair and replacement costs.

Note: Several appendices have been included to document the drinking water, recycled water and sewer regulations enforced at the time this document was prepared.

Appendices

Appendix A

Proposed Resolution No. 2020-xx

RESOLUTION NO. 2020-xx

RESOLUTION OF THE BOARD OF DIRECTORS OF THE YUCAIPA VALLEY WATER DISTRICT SETTING RATES FEES AND CHARGES FOR WATER, SEWER AND RECYCLED WATER SERVICE

WHEREAS, the Yucaipa Valley Water District (the "District") is a public agency of the State of California organized and existing pursuant to the provisions of the County Water District Law of this State (Section 30000, et seq. of the Water Code); and

WHEREAS, Section 21080(b)(8) of the Public Resources Code provides that the establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by public agencies are exempt from the requirements of the California Environmental Quality Act (CEQA) provided that certain findings are made specifying the basis for the claim of exemption; and

WHEREAS, the actions taken herein are necessary for setting rates, fees, charges for the provision of water and sewer service within the boundaries of the District and are therefore exempt from the requirements of the California Environmental Quality Act as provided by Public Resources Code Section 21080(b)(8); and

WHEREAS, the amount of rates and charges hereby adopted do not exceed the reasonable anticipated costs for the corresponding services provided by the District, and therefore the fees imposed hereby do not qualify as a "tax" under Article XIII C, Section 1, of the California Constitution or Section 50076 of the California Government Code, and the actions taken herein are exempt from the additional notice and public meeting requirements of the Brown Act pursuant to Government Code Section 54954.6(a)(1)(A) and (B); and

WHEREAS, the District has satisfied all of the substantive and procedural prerequisites of Article XIII D of the California Constitution in establishing the rates and charges set forth herein, including but not limited to, the identification of the parcels upon which the rates and charges will be imposed; the calculation of the rates and charges; the mailing of written notice to the record owners of each parcel upon which the rates and charges will be imposed describing the amount thereof, the basis upon which the rates and charges were calculated, the reason for the rates and charges, and the date, time, and location of the public hearing to be held thereon; and the conducting of a public hearing on the rates and charges not less than 45 days after mailing the notice during which all protests against the fee were considered. The potential reduction of fees by this Resolution requires no additional procedural prerequisites as no new or increased fees are being established.

WHEREAS, pursuant to the requirements of Article XIII D, Section 6 of the California Constitution and Section 53755 of the Government Code, on [REDACTED], 2019, the District provided mailed notice of the proposed rate adjustments to its customers who would be affected by said rates, advising them of a public hearing to be conducted by the Board of Directors, and the opportunity to protest the proposed rates in writing, which notice was mailed more than 45 days prior to the public hearing; and

WHEREAS, on [January 21], 2020, the Board of Directors conducted a public hearing on the proposed rate adjustments as provided in the notice mailed to customers who would be affected by the rates, considered all written protests to the proposed rate adjustments filed with the District



prior to the conclusion of the public hearing, and has determined that the written protests filed with the District represent fewer than fifty percent (50%) of the number of parcels that would be affected by the proposed rate adjustment; and

WHEREAS, Assembly Bill 3030 went into effect as of January 1, 2009, adding Section 53756 to the Government Code. Pursuant to Government Code Section 53756, the District may adopt a schedule of fees or charges that authorizes automatic adjustments that pass through increases in wholesale charges for water or adjustments for inflation for a period not to exceed five (5) years

NOW, THEREFORE, the Board of Directors of Yucaipa Valley Water District do hereby RESOLVE, DETERMINE, AND ORDER as follows:

1. Purpose and Implementation:

1.01 Purpose of Resolution. The fees and charges set forth herein are for the purpose of meeting all of the District's water, sewer, and recycled water operating expenses, including but not limited to: distribution system maintenance; collection system maintenance; purchase of vehicles and equipment; pump maintenance; well maintenance; groundwater management; vehicle and equipment maintenance; facility maintenance; regulatory compliance; permitting compliance; staffing; purchase of imported water; water filtration and purification; sewer treatment; brine disposal; material costs; administrative costs; long-term debt repayment; and reserve fund needs.

1.02 Implementation of Rates, Fees and Charge. It is hereby determined that the proposed rates, fees and charges included herein are within the purposes set forth in Section 21080(b) of the Public Resources Code including but not by way of limitation, the purposes of: (A) meeting operating expenses; (B) purchasing or leasing supplies, equipment or materials; (C) meeting financial reserve needs and requirements; and (D) obtaining funds for capital projects necessary to maintain service within existing areas, and therefore, that such charges are exempt from CEQA.

The water, sewer and recycled water related rates, fees and charges shall be effective based on the specific date(s) provided herein. Implementation of all rate changes will occur on the effective date regardless of the service period.

Fees and charges identified as "Projected" will be further evaluated in a future rate study to validate the anticipated charges.

1.03 Updates to Prior Resolutions. Upon adoption of this Resolution, the effective date and implementation dates will supersede previously approved resolutions such as Resolution No. 18-2011 which previously set forth rates, fees and charges as contained herein.

1.04 Validity. If any section, subsection, clause, phrase, or portion of this Resolution is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of the Resolution.

2. Construction Related Fees, Charges and Deposits

- 2.01 Sub-Regional / Project Specific Master Plan. The District shall collect a deposit for the purpose of conducting a sub-regional or project specific master plan to evaluate water, sewer and recycled water service requirements. This service shall be required of projects in areas with insufficient service capacity or within areas where water, sewer or recycled water services do not currently exist. If the actual cost of this service is greater than the deposit provided, then an additional deposit shall be required prior to completing the written evaluation. At the conclusion of the evaluation, the District will provide a refund equal to the amount of deposited funds which were not utilized by the District or apply the difference to plan check services. If at the conclusion of the evaluation, the District has exhausted all deposited funds and a balance due remains, then the property owner or developer shall remit that balance due immediately upon receipt of an invoice from the District.
- 2.02 Plan Check Services. The District shall collect a plan check deposit for the purpose of plan checking services by the District staff or a representative authorized by the District. If the actual cost of plan check services is greater than the deposit applied, the District will require an additional deposit be made prior to continuing plan checking services. At the conclusion of the plan check review process, the District will provide a refund equal to the amount of deposited funds which were not utilized by the District for plan checking services or apply the difference to future inspection services. If at the conclusion of the evaluation, the District has exhausted all deposited funds and a balance due remains, then the property owner or developer shall remit that balance due immediately upon receipt of an invoice from the District.
- 2.02.01 Residential, commercial, institutional, and industrial developments. For development related projects, the plan check deposit shall be 3% of the estimated drinking water, recycled water, and sewer construction value. The estimated construction value shall be reviewed and approved by the District prior to recordation.
- 2.02.02 Storage Reservoirs. For water storage reservoirs, the plan check deposit shall be 2% of the estimated construction cost or \$10,000.00 whichever is greater.
- 2.02.03 Wells, Pump Equipment and/or Boosters. For water and sewer related pumping equipment the plan check deposit shall be 2% of the estimated construction cost or \$10,000.00 whichever is greater.
- 2.02.04 Plan Rechecking. The District requires a resubmittal of all construction plans every year after being initially approved. Rechecking of plans shall be performed on a cost basis with a deposit paid prior to initiating this service. The District will not approve the plans until all unpaid plan checking service charges have been paid.
- 2.03 Inspection Services. The District requires an inspection deposit for the purpose of conducting inspection services by the District staff or a representative authorized by the District. If the actual cost of the inspection services provided by the District is greater than the deposit applied, the District will require an additional deposit be made prior to continuing inspection services. At the conclusion of the project, the District will provide a refund equal to the amount of deposited funds which were not utilized by the District for

inspection services. If at the conclusion of the evaluation, the District has exhausted all deposited funds and a balance due remains, then the property owner or developer shall remit that balance due immediately upon receipt of an invoice from the District.

- 2.03.01 Residential, Commercial, Institutional, and Industrial Water & Sewer Facilities. For installation of residential, commercial, institutional, and industrial drinking water, recycled water, and sewer facilities, a deposit in the amount equal to seven percent (7.0%) of the estimated construction cost shall be provided to the District prior to recordation.
- 2.03.02 New Water Service Lines and Sewer Laterals. For drinking water service lines, recycled water service lines, and sewer laterals constructed by contractors between the public water/sewer mainline and the property line, the owner shall provide a \$500.00 deposit and be responsible for the actual cost of inspection services.
- 2.03.03 Connecting to an Existing Sewer Lateral. For verifying a proper sewer lateral connection to an existing sewer lateral, the owner shall provide a \$195.00 flat fee for the cost of inspection services.
- 2.03.04 Water and Sewer Pump Stations. A deposit for the inspection of water and sewer pump stations shall be seven percent (7.0%) of the estimated construction cost.
- 2.03.05 Reinspection. Where reinspection is required due to test failures, damage, litigation or other causes beyond normal construction, the cost of reinspection will be paid by owner at the actual cost incurred.
- 2.03.06 Overtime Inspection Services. Any overtime inspection provided, including Saturday, holiday, evening, and night will be provided if inspectors are available and 72 hour advance notification is given to the District. All costs for overtime inspection shall be paid by owner.
- 2.04 Water and Sewer Mainline Extension Charges. When a drinking water, recycled water, or sewer mainlines are extended past or to properties not contributing toward the cost of the mainline, and those properties have not paid a direct assessment or its equivalent, the property owner or developer who paid for the mainline extension shall be reimbursed, pursuant to the active reimbursement agreement for a portion of the cost of such extension. The amount of reimbursement shall not exceed the cost of an equal length and depth of 8-inch diameter mainline, as determined by the General Manager, or designee. In the event an active reimbursement agreement does not exist, the District shall be paid the mainline extension charges.
- 2.05 Water Service Line and Sewer Lateral Installation Charges. The cost associated with the installation of a water service line (drinking and recycled), fire service line, and/or a sewer lateral shall be the actual cost of all labor, material, and equipment charges, plus employee benefits, overhead and administrative surcharges per District Resolution. A deposit shall be made with the District equal to the estimated cost of installation, as determined by the District, prior to initiating installation. Final job costs will be determined and the customer will be billed or refunded the difference in cost.

- 2.06 Fire Hydrant and Fire Service Installation Charge. The cost associated with the installation of a fire hydrant and/or fire service shall be the actual cost of all labor, material, and equipment charges, plus employee benefits, overhead and administrative surcharges per District Resolution. A deposit shall be made with the District equal to the estimated cost of installation, as determined by the District, prior to initiating installation. Final job costs will be determined and the customer will be billed or refunded the difference in cost.
- 2.07 Drinking Water & Recycled Water Meter Installation Charge. The cost associated with the installation of drinking water or recycled water meters shall be reviewed and updated on a regular basis to reflect the current cost of service. The installation fees for this service shall be adopted by separate resolution by the Board of Directors of the Yucaipa Valley Water District.
- 2.08 Construction Meter Deposit, Demand Charge and Consumption Charge. The District's construction, agriculture, and residential hydrant meters will be required to record water consumption for all water provided by the District. Construction and agriculture meters will be used for the sole purpose of construction and agriculture. The residential hydrant meter will be used for human activities and will be required to use drinking water only. Customers will be required to fill out a Fire Hydrant Use Application for Construction, Agriculture, and/or Residential Water Consumption form describing their water uses and requirements in regard to hauling drinking and recycled water. Any customer wanting to use drinking water instead of recycled for construction and/or agriculture purposes must have prior approval from District staff. All other typical and fixed meter charges shall apply as set forth by the Board of Directors.
- 2.08.01 Construction Meter Installation Charge, Daily Demand Charge and Recycled Water Consumption Charge.
- A. Construction Meter Installation Location. The Yucaipa Valley Water District reserves the right to locate a construction meter to use recycled water instead of a drinking water. All applicable recycled water rules and regulations shall apply if recycled water is the source of construction water.
- B. Construction Meter Installation/Removal Charge. A construction meter installation charge shall be paid prior to the District installing the construction meter. The installation charge will be \$72.72 and will be collected for the installation and removal of the construction meter when the service is started.

| Current Charge | Effective 7/1/2022 | Effective 7/1/2024 | Effective 7/1/2026 | Effective 7/1/2028 | Effective 7/1/2030 |
|----------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$72.72 | \$74.90 | \$77.15 | \$79.46 | \$81.85 | \$84.30 |

- C. Monthly Service Charge. A fixed service charge shall be charged per month. This charge includes depreciation costs of the hydrant meter and meter locks, plus a fee for meter reading and miscellaneous utility services.

| Current Charge | Effective 7/1/2022 | Effective 7/1/2024 | Effective 7/1/2026 | Effective 7/1/2028 | Effective 7/1/2030 |
|----------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$18.46 | \$20.01 | \$22.59 | \$24.77 | \$26.41 | \$28.05 |

- D. **Construction Water Commodity Charge.** Customers are encouraged to utilize recycled water for construction water needs since it is more reliable and not subject to interruptions with water conservation efforts. Both drinking water and recycled water commodity charges include a facility capacity charge of \$1.055 per kgal as provided in the equations below. Additionally, the Excess Drinking Water Commodity Charge applies to all Drinking Water Consumption (kgal) used for construction water.

$$\text{Recycled Water Commodity Charge} = \left(\frac{\text{Recycled Water Consumption (kgal)}}{\text{kgal}} \right) \times \left[\left(\frac{\text{Recycled Water Commodity Charge}}{\text{kgal}} \right) + \left(\frac{\$1.055}{\text{kgal}} \right) \right]$$

$$\text{Drinking Water Commodity Charge} = \left(\frac{\text{Drinking Water Consumption (kgal)}}{\text{kgal}} \right) \times \left[\left(\frac{\text{Drinking Water Commodity Charge at Highest Tier}}{\text{kgal}} \right) + \left(\frac{\$1.055}{\text{kgal}} \right) + \left(\frac{\text{Excess Drinking Water Commodity Charge}}{\text{kgal}} \right) \right]$$

- E. **Water Hauler's License.** The State of California requires a Water Hauler's License to haul drinking water in bulk (250 gallons capacity or greater). This license is needed anytime water is transported for drinking, culinary or other purposes involving a likelihood of water being ingested by humans.

[End of Section 2]

3. Administrative Charges

3.01 Credit Card Payment Surcharge. A credit card payment surcharge will not be applied to utility bill payments for the payment of monthly utility bills. A credit card payment surcharge of 3.0% will apply to all other charges in excess of \$300 for transactions completed by credit card or check card.

3.02 Delinquent Payment Charge. The District shall charge a basic penalty of ten percent (10%) of the amount of each invoice not paid on time, plus an additional penalty of one-half of one percent (0.5%) per month on each late billing and its associated basic penalty.

3.03 Returned Check Charge. The charge for a returned check shall be \$35.00 per item.

3.04 Disconnection and Reconnection Charge. For drinking water and recycled water service, the disconnection charge is hereby established at a rate of \$35.00 per occurrence.

A drinking water and recycled water reconnection charge of \$40.00 will be charged per occurrence with the payment of all delinquent fees and charges if received by 4:00 p.m. on a regular business day. A reconnection charge of \$50.00 will be charged per occurrence when the payment of all delinquent fees and charges is made after 4:00 p.m. on a regular business day and the customer requests reconnection of water service between the hours of 4:00 p.m. and 8:00 a.m. or on weekends/holidays.

The disconnection and reconnection charge associated with sewer service is established at actual cost plus 15%.

3.05 Unauthorized Use of Water & Sewer Service. The unauthorized use of drinking water, recycled water, and/or sewer service shall be charged to any person, organization, corporation, or agency for each unauthorized use of District water or sewer infrastructure which includes tampering in any manner with any meter belonging to the District. The unauthorized use of water or sewer charge is hereby established at a rate of \$850.00, or \$95.00 per day, whichever is greater. Any repeated offense within twenty-four months by the same person, business, or entity shall include an additional \$350.00 charge for each subsequent infraction.

3.06 Property Liens. A delinquent utility account that results in a property tax lien shall be charged \$125.00 per lien per property for administrative and processing costs.

| Effective 2/1/2020 | Effective 1/1/2022 | Effective 7/1/2024 | Effective 7/1/2026 | Effective 7/1/2028 | Effective 7/1/2030 | Effective 7/1/2030 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$125.00 | \$131.25 | \$137.81 | \$144.70 | \$151.94 | \$159.54 | \$167.51 |

3.07 Security Deposit. A security deposit charge of \$80.00 will be assessed on all accounts that have either of the following: (1) water service disconnected for non-payment; (2) a property lien for delinquent collections; or (3) a returned check for insufficient funds. The security deposit charge will be credited to the account after eighteen (18) months with no late charges or upon closing the account.

- 3.08 Employee Benefit, Administrative Overhead, and Surcharge Factors. The Yucaipa Valley Water District will routinely review and update the benefit, overhead, and surcharge factors for charging non-utility related expenses. The Employee Benefit, Administrative Overhead, and Surcharge Factors will be adopted by separate Resolution.
- 3.09 Delinquent Accounts and Collections. Delinquent accounts are hereafter identified as any account that remains unpaid (and without having made payment arrangements or established an alternative payment schedule) by close of business 21 calendar days after issuance of a utility bill. The following rules apply to the collection of delinquent accounts:
- 3.09.01 Small Balance Accounts. Any balance on a utility account of \$25.00 or less may be carried over, and added to, the next billing period without being assessed a late fee or incurring further collection action.
- 3.09.02 Late Fee. If payment for a utility bill is not received by close of business on the 21st calendar day after the bill is issued, a late fee will be assessed pursuant to Section 3.2. The due date and late fee will be displayed prominently on the bill. The District will make a reasonable, good faith effort to notify the customer by phone of an impending late fee two (2) days before the due date identified on the bill. The District assumes no responsibility for contact information that has not been kept up-to-date by the customer
- 3.09.03 Waiver of Late Fee. At the request of the customer, the District will waive the late fee if there are extenuating circumstances and the customer has not been assessed a late fee for delinquent payment in the preceding six (6) months.
- 3.09.04 Alternative Payment Arrangements. Any customer who is unable to pay for water service within the normal payment period may request an alternative payment arrangement to avoid late fees or disruption of service. The District will consider all circumstances surrounding the request and make a determination as to whether the payment arrangement is warranted.

Certification by Primary Care Provider Certification by a Primary Care Provider (General Practitioner, Obstetrician / Gynecologist, Pediatrician, Family Practice Physician, Primary Care Clinic, Hospital, or Outpatient Clinic) who certifies that the termination of service will be life-threatening or pose a serious threat to the health and safety of any resident of the premises where water service is provided will obligate the District to enter an amortized repayment plan.

Payment arrangements that extend into the next billing period are considered an amortization plan, which must be in writing and signed by the customer. An amortization plan will amortize the unpaid balance over a period defined by the customer, not to exceed 12 months from the original date of the bill. The amortized payments will be combined with, and subject to the due date of, the customer's regular bill. The customer must comply with the terms of the amortization plan and remain current as charges accrue in each subsequent billing period. The customer may not request further amortization of any subsequent unpaid charges while paying delinquent charges pursuant to an amortization plan. Failure to comply with the terms of an amortization plan will

result in the issuance of a written disconnection notice. The disconnection notice will be in the form of a door hanger delivered to the premises no less than 5 business days in advance of discontinuance of service.

3.09.05 Additional Notifications. As a courtesy, the District will make a reasonable, good faith effort to notify the customer that the account remains past due and further collection action will be forthcoming approximately 60 days after bill issuance. The means of notification will be based upon the notification preference (text, phone, or email) selected by the customer. Customers who have not selected a means of notification will be notified by phone. The District assumes no responsibility for contact information that has not been kept up-to-date by the customer.

3.09.06 Written Disconnection Notice. The District shall not discontinue water service for non-payment until payment by the customer has been delinquent for at least 60 days. The District will make a reasonable, good faith effort to contact the customer in writing at least 7 business days before discontinuation of water service for non-payment. The written disconnection notice will be mailed to the mailing address designated on the utility account. If the mailing address and the address of the property to which service is provided are different, a second notice will be mailed to the service address and addressed to "Occupant". The written disconnection notice will include:

- Customer's name and address;
- Amount that is past due;
- Date by which payment or payment arrangements are required to avoid discontinuation of service;
- Description of the process to apply for an amortization plan;
- Description of the process to dispute or appeal a bill; and
- District phone number and a web link to the District's written collection policy.

A. Notice to Residential Tenants/Occupants in an Individually Metered Residence. The District will make a reasonable, good faith effort to inform the occupants, by means of written notice, when the water service account is in arrears and subject to disconnection at least 10 days before water service is shut off. The written notice will advise the tenant/occupant that they have the right to become customers of the District without being required to pay the amount due on the delinquent account, as long as they are willing to assume financial responsibility for subsequent charges for water service at that address. In order for the amount due on the delinquent account to be waived, the tenant/occupant must provide verification of tenancy in the form of a rental agreement or proof of rent payments.

B. Notice to Tenants/Occupants in a Multi-Unit Complex Served through a Master Meter. The District will make a reasonable, good faith effort to inform the occupants, by means of written notice hung on the door of each residence, when the water service account is in arrears and subject to disconnection at least 10 days before water service is shut off. The written notice will advise the tenant/occupant that they have the right to

become customers of the District without being required to pay the amount due on the delinquent account, as long as they are willing to assume financial responsibility for subsequent charges for water service at the address(es) served by the master meter. If one or more of the occupants are willing and able to assume responsibility for the subsequent charges for water service to the satisfaction of the District, or if there is a physical means, legally available to the District, of selectively terminating service to those occupants who have not met the requirements for service, the District will make service available to the occupants who have met those requirements.

If the written disconnection notice is returned through the mail as undeliverable, the District will make a reasonable, good faith effort to visit the residence and leave a notice of discontinuance for non-payment.

- 3.09.07 Forty-eight (48) Hour Notice of Termination. The District will make a reasonable, good faith effort to notify the customer forty eight (48) hours in advance of disconnection of water service for non-payment. The means of notification will be based upon the notification preference (text, phone, or email) selected by the customer. Customers who have not selected a means of notification will be notified by phone. If the District is unable to make contact by phone a good faith effort will be made to visit the residence and leave a notice of termination of service.
- 3.09.08 Disconnection Deadline. All delinquent water service charges and associated fees must be received by the District by 10:00 a.m. on the day specified in the written disconnection notice.
- 3.09.09 Disconnection of Water Service for Non-Payment. The District will disconnect water service by turning off, and in some cases locking off, the meter. Before service is disconnected, the customer will be notified by a written disconnection notice at least seven (7) business days prior to termination and a second notice forty eight (48) hours prior to termination of service. The customer will be charged a fee to re-establish service in the billing system regardless of whether the meter has physically been turned off. The meter will be locked in the off position if payment is not received within seven (7) days of initial termination.
- 3.09.10 Re-establishment of Service. In order to resume or continue service that has been disconnected for non-payment, the customer must pay a re-establishment fee. The District will endeavor to reconnect service as soon as practicable, but at a minimum, will restore service before the end of the next regular working day following payment of any past due amount and delinquent fees attributable to the termination of service. Water service that is turned on by any person other than District personnel or without District authorization may be subject to fines or additional charges or fees. Any damages that occur as a result of unauthorized restoration of service are the responsibility of the customer.
- 3.09.11 Re-establishment of Service After Business Hours. Service restored after 5:00 pm Monday through Friday, weekends, or holidays will be charged an after-hours re-establishment fee. Service will not be restored after regular business hours unless the customer has been informed of the after-hours re-establishment fee.

The after-hours re-establishment fee is in addition to the regular re-establishment fee and the late fee for a past due account. District staff responding to service calls are not permitted to collect payment but will instruct the customer to contact the billing department before noon the following business day.

Sometimes water service is discontinued because the service is a new account and the District has not received a request to establish service. If service is being restored after regular business hours because the customer has yet to establish service, the customer must agree to contact the billing department to establish service the next business day and the after-hours re-establishment will be waived. If service is discontinued for any reason not identified above, the service should be restored as quickly as possible and the customer advised to contact the billing department to resolve the issue. No after-hours re-establishment fee will be charged in this instance.

- 3.09.12 Notification of Disposition of Returned Check. Upon receipt of a returned check taken as payment of water service or other charges, the District will consider the account not paid. The District will make a reasonable, good faith effort to notify the customer by phone or email of the returned check. A 48-hour notice of termination of service due to a returned check will be generated. The means of notification will be based upon the notification preference (text, phone, or email) selected by the customer. Customers who have not selected a means of notification will be notified by phone. If the District is unable to make contact by text, phone, or email, a good faith effort will be made to visit the residence and leave a notice of termination of service.

Water service will be disconnected if the amount of the returned check and the returned check charge are not paid on or before the date specified in the notice of termination. All amounts paid to redeem a returned check and to pay the returned check charge must be in cash, credit card or certified funds.

- 3.09.13 Returned Checks for Previously Disconnected Service. In the event a customer tenders a non-negotiable check as payment to restore water service previously disconnected for non-payment and the District restores service, the District may promptly disconnect service without providing further notice. No 48-hour notice of termination will be given in the case of a non-negotiable check tendered for payment of water charges that were subject to discontinuance.

Any customer issuing a non-negotiable check as payment to restore service turned off for non-payment will be required to pay cash, credit card or certified funds to restore future service disconnections for a period of 12 months from the date of the returned payment.

- 3.09.14 Disputed Bills. If a customer disputes the water bill and exercises their right to appeal to the Board of Directors, the District will not disconnect water service for non-payment while the appeal is pending.

- 3.09.15 Annual Property Tax Billing Methodology. By separate resolution, the Board of Directors may develop and implement policies that assign delinquent accounts to an annual assessment to be levied on property taxes each year. This policy

would apply to customers that receive a Forty-eight (48) Hour Notice of Termination pursuant to the policy above.

- 3.10 Utility Billing Adjustment for Leaks. A one-billing period leak adjustment is available once every three years for all customers who enter into the Excess Drinking Water Commodity Charge portion of the rate structure. Mechanical breakdown and broken pipes may be eligible for the adjustment provided the customer submits proof that the problem has been corrected. The proof may take the form of a licensed plumber/contractor's invoice or repair parts receipts. Photo documentation of the repair is recommended but not required. A site visit by the District may be required.

Commodity charges for water use will be re-billed using the lowest tier cost without collecting charges for the Excess Drinking Water Commodity Charge. The difference credited to the utility account.

Recycled water services that are leaking will be shut off at the water meter until repairs are completed.

3.11 Accessory Dwelling Units.

- 3.11.01 For a parcel that adds an Accessory Dwelling Unit, the Yucaipa Valley Water District shall not charge a Facility Capacity Charge at the time of construction, but will charge an administrative processing fee and monthly drinking water, recycled water, and sewer charges as approved by the Board of Directors and set forth below:

- A. A non-refundable administrative processing fee of \$150 shall be due payable at the time application materials are submitted to the District.
- B. A single residential unit with one or more Accessory Dwelling Units on the same parcel shall be charged additional monthly fixed fees for drinking water and sewer charges by increasing the number of dwelling units on the property. The additional drinking water fixed fees shall be based on the number of dwelling units or meter size, whichever is greater. While the number of dwelling units will increase on the property, the number of Water Service Units (WSU) will not increase since the capacity in the drinking water system does not change. Fixed fees for recycled water service will not be impacted. Water consumption charges are anticipated to increase based on the additional demand.
- C. The current variable, or consumptive rates for drinking water, recycled water, and/or sewer charges will be billed to the property owner each month. These charges include the Excess Usage Commodity Charges for drinking water and recycled water and other applicable fees.
- D. All monthly drinking water, recycled water, and sewer charges may be assigned by the owner to a tenant but shall remain the ultimate responsibility of the property owner as a single monthly utility bill.

- E. Utility billing for the fixed monthly drinking water and sewer charges associated with the Accessory Dwelling Unit shall commence to the property six months, or earlier if a certificate of occupancy is issued prior to the six-month period for the Accessory Dwelling Unit.
 - F. Fixed monthly fees associated with an Accessory Dwelling Unit shall be charged to the property regardless of occupancy status of the Accessory Dwelling Unit.
 - G. Additions and modifications to the primary residence(s) and/or the Accessory Dwelling Unit may result in the collection of Facility Capacity Charges as provided below.
- 3.11.02 For a parcel with two or more residential units, the Yucaipa Valley Water District shall charge the applicable Facility Capacity Charges at the time of construction, and the following monthly drinking water, recycled water, and sewer charges:
- A. A non-refundable administrative processing fee of \$150 shall be due payable at the time application materials are submitted to the District.
 - B. Multiple residential units shall be charged additional fixed fees for monthly drinking water and sewer charges by increasing the increasing the number of dwelling units on the property and the number of Water Service Units (WSUs) and/or Sewer Service Units (SSUs). The additional drinking water fixed fees shall be based on the number of dwelling units or meter size, whichever is greater.
 - C. The current variable, or consumptive rates for drinking water, recycled water, and/or sewer charges in effect will be billed to the property each month. These charges include the Excess Usage Commodity Charges for drinking water and recycled water and other applicable fees.
 - D. The billing methodology identified above shall apply to any parcel with more than one water meter for service on the sample parcel, plus costs associated with the installation and maintenance of cross-connection prevention devices.
 - E. All monthly drinking water, recycled water, and sewer charges may be assigned by the owner to a tenant but shall remain the ultimate responsibility of the property owner as a single monthly utility bill.
- 3.11.03 For apartments, condominiums, commercial, industrial, or institutional uses, the Yucaipa Valley Water District shall charge the applicable Facility Capacity Charges based on water and sewer fixture units and/or drainage units as calculated from the Uniform Plumbing Code. The fixed monthly drinking water, recycled water, and sewer charges shall be based on the fixture units and/or drainage units calculated. The current variable, or consumptive rates for drinking water, recycled water, and/or sewer charges in effect will be billed to the property each month.

- A. A non-refundable administrative processing fee of \$150 shall be due payable at the time application materials are submitted to the District.
- B. The fixed monthly drinking water, recycled water, and sewer charges shall be based on the calculated fixture units, drainage units, or Maximum Applied Water Allowance. The current variable, or consumptive rates for drinking water, recycled water, and/or sewer charges in effect will be billed to the property each month.
- C. All monthly drinking water, recycled water, and sewer charges may be assigned by the owner to a tenant but shall remain the ultimate responsibility of the property owner as a single monthly utility bill.

4. Drinking Water Charges

- 4.01 Drinking Water Service Charge. The monthly drinking water service charge shall be applied to the greater of: (1) meter size or (2) number of dwelling units.

| Drinking Water Service Charge | Current Rate | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 |
|----------------------------------|--------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per Dwelling Unit | \$14.00 | \$15.00 | \$16.00 | \$16.50 | \$17.00 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$14.00 | \$15.00 | \$16.00 | \$16.50 | \$17.00 |
| 1" Water Meter - 1.67 EDU | \$23.38 | \$25.05 | \$26.72 | \$27.56 | \$28.39 |
| 1½" Water Meter - 3.33 EDU | \$46.62 | \$49.95 | \$53.28 | \$54.95 | \$56.61 |
| 2" Water Meter - 5.33 EDU | \$74.62 | \$79.95 | \$85.28 | \$87.95 | \$90.61 |
| 3" Water Meter - 10.00 EDU | \$140.00 | \$150.00 | \$160.00 | \$165.00 | \$170.00 |
| 4" Water Meter - 16.67 EDU | \$233.38 | \$250.05 | \$266.72 | \$275.06 | \$283.39 |
| 6" Water Meter - 33.33 EDU | \$466.62 | \$499.95 | \$533.28 | \$549.95 | \$566.61 |
| 8" Water Meter - 53.33 EDU | \$746.62 | \$799.95 | \$853.28 | \$879.95 | \$906.61 |

| Drinking Water Service Charge | Effective 7/1/2023 | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per EDU | \$17.50 | \$18.00 | \$18.50 | \$19.00 | \$19.50 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$17.50 | \$18.00 | \$18.50 | \$19.00 | \$19.50 |
| 1" Water Meter - 1.67 EDU | \$29.23 | \$30.06 | \$30.90 | \$31.73 | \$32.57 |
| 1½" Water Meter - 3.33 EDU | \$58.28 | \$59.94 | \$61.61 | \$63.27 | \$64.94 |
| 2" Water Meter - 5.33 EDU | \$93.28 | \$95.94 | \$98.61 | \$101.27 | \$103.94 |
| 3" Water Meter - 10.00 EDU | \$175.00 | \$180.00 | \$185.00 | \$190.00 | \$195.00 |
| 4" Water Meter - 16.67 EDU | \$291.73 | \$300.06 | \$308.40 | \$316.73 | \$325.07 |
| 6" Water Meter - 33.33 EDU | \$583.28 | \$599.94 | \$616.61 | \$633.27 | \$649.94 |
| 8" Water Meter - 53.33 EDU | \$933.28 | \$959.94 | \$986.61 | \$1,013.27 | \$1,039.94 |

| Drinking Water Service Charge | Projected 7/1/2028 | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per EDU | \$20.00 | \$20.50 | \$21.00 | \$21.50 | \$22.00 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$20.00 | \$20.50 | \$21.00 | \$21.50 | \$22.00 |
| 1" Water Meter - 1.67 EDU | \$33.40 | \$34.24 | \$35.07 | \$35.91 | \$36.74 |



| Drinking Water Service Charge | Projected 7/1/2028 | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1½" Water Meter - 3.33 EDU | \$66.60 | \$68.27 | \$69.93 | \$71.60 | \$73.26 |
| 2" Water Meter - 5.33 EDU | \$106.60 | \$109.27 | \$111.93 | \$114.60 | \$117.26 |
| 3" Water Meter - 10.00 EDU | \$200.00 | \$205.00 | \$210.00 | \$215.00 | \$220.00 |
| 4" Water Meter - 16.67 EDU | \$333.40 | \$341.74 | \$350.07 | \$358.41 | \$366.74 |
| 6" Water Meter - 33.33 EDU | \$666.60 | \$683.27 | \$699.93 | \$716.60 | \$733.26 |
| 8" Water Meter - 53.33 EDU | \$1,066.60 | \$1,093.27 | \$1,119.93 | \$1,146.60 | \$1,173.26 |

- 4.01.01 Multiple Residential Drinking Water Service Charge. Multiple Residential Dwellings of more than 30 dwelling units on the same parcel constructed prior to May 1, 2005 shall be charged pursuant to the rates above, multiplied by the Multiple Residential Water Service Charge Factor below to determine the Multiple Residential Water Service Charge.

| Multiple Residential Drinking Water Charge Factor | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 2/1/2020 | Effective 1/1/2021 | Effective 1/1/2022 | Effective 1/1/2023 | Effective 1/1/2024 | Effective 1/1/2025 |
| 0.80 | 0.81 | 0.82 | 0.83 | 0.84 | 0.85 |

| Multiple Residential Drinking Water Charge Factor | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 1/1/2026 | Effective 1/1/2027 | Effective 1/1/2028 | Effective 1/1/2029 | Effective 1/1/2030 | Effective 1/1/2031 |
| 0.86 | 0.87 | 0.88 | 0.89 | 0.90 | 0.91 |

| Multiple Residential Drinking Water Charge Factor | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 1/1/2032 | Effective 1/1/2033 | Effective 1/1/2034 | Effective 1/1/2035 | Effective 1/1/2036 | Effective 7/1/2037 |
| 0.92 | 0.93 | 0.94 | 0.95 | 0.96 | 0.97 |

| Multiple Residential Drinking Water Charge Factor | | |
|---|--------------------|---|
| Effective 1/1/2038 | Effective 1/1/2039 | Multiple Residential Water Charge Factor is Eliminated Effective 1/1/2040 |
| 0.98 | 0.99 | 1.00 |

- 4.02 Drinking Water Commodity Charge. The water commodity charge rate is the charge per one thousand gallons (kgal) for all water registered by the customer's water meter in a monthly billing cycle. The Drinking Water Commodity Charge is applied to a fractional unit of drinking water consumption to 1/1,000 of a kgal (i.e. gallons) where applicable.

| Drinking Water Commodity Charge (kgal) | Current Rate (\$/kgal) | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 |
|--|------------------------|--------------------|--------------------|--------------------|--------------------|
| 1 – 15 Billing Units | \$1.429 | \$1.479 | \$1.579 | \$1.626 | \$1.675 |
| 16 – 60 Billing Units | \$1.919 | \$2.069 | \$2.131 | \$2.419 | \$2.504 |
| 61 – 100 Billing Units | \$2.099 | \$2.269 | \$2.435 | \$2.508 | \$2.583 |
| 101 and greater Billing Units | \$2.429 | \$2.629 | \$2.668 | \$2.708 | \$2.759 |

| Drinking Water Commodity Charge (kgal) | Effective 7/1/2023 | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1 – 15 Billing Units | \$1.691 | \$1.777 | \$1.848 | \$1.922 | \$1.999 |
| 16 – 60 Billing Units | \$2.591 | \$2.692 | \$2.786 | \$2.884 | \$2.985 |
| 61 – 100 Billing Units | \$2.661 | \$2.703 | \$2.798 | \$2.896 | \$2.997 |
| 101 and greater Billing Units | \$2.861 | \$2.897 | \$2.969 | \$3.120 | \$3.120 |

| Drinking Water Commodity Charge (kgal) | Projected 7/1/2028 | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1 – 15 Billing Units | \$2.079 | \$2.162 | \$2.248 | \$2.338 | \$2.432 |
| 16 – 60 Billing Units | \$3.089 | \$3.197 | \$3.309 | \$3.425 | \$3.530 |
| 61 – 100 Billing Units | \$3.102 | \$3.210 | \$3.323 | \$3.439 | \$3.530 |
| 101 and greater Billing Units | \$3.198 | \$3.278 | \$3.360 | \$3.444 | \$3.530 |

4.02.01 **Multiple Residential Water Commodity Charge.** Multiple Residential Dwellings of more than 30 dwelling units on the same parcel constructed prior to May 1, 2005 shall be charged pursuant to the rates above, multiplied by the Multiple Residential Water Service Charge Factor below to determine the Multiple Residential Water Service Charge.

| Multiple Residential Drinking Water Charge Factor | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 2/1/2020 | Effective 1/1/2021 | Effective 1/1/2022 | Effective 1/1/2023 | Effective 1/1/2024 | Effective 1/1/2025 |
| 0.80 | 0.81 | 0.82 | 0.83 | 0.84 | 0.85 |

| Multiple Residential Drinking Water Charge Factor | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 1/1/2026 | Effective 1/1/2027 | Effective 1/1/2028 | Effective 1/1/2029 | Effective 1/1/2030 | Effective 1/1/2031 |
| 0.86 | 0.87 | 0.88 | 0.89 | 0.90 | 0.91 |

| Multiple Residential Drinking Water Charge Factor | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 1/1/2032 | Effective 1/1/2033 | Effective 1/1/2034 | Effective 1/1/2035 | Effective 1/1/2036 | Effective 7/1/2037 |
| 0.92 | 0.93 | 0.94 | 0.95 | 0.96 | 0.97 |



| Multiple Residential Drinking Water Charge Factor | | |
|---|-----------------------|--|
| Effective 1/1/2038 | Effective 1/1/2039 | Multiple Residential Water Charge Factor is Eliminated Effective 1/1/2040 |
| 0.98 | 0.99 | 1.00 |

- 4.03 Excess Drinking Water Commodity Charge. Pursuant to the District design guidelines, one Water Service Unit (WSU) provides capacity in the drinking water system for 700 gallons per day, or 21,000 gallons per month (21 kgal). However, with the implementation of dual-plumbed homes, some properties will be able to purchase a fraction of one Water Service Unit (WSU) for indoor use and a fraction of a Recycled Service Unit (RSU) for outdoor use.

For all non-residential users, the number of Water Service Units (WSU) will be determined by dividing the total number of fixture units by 35.

The minimum number of drinking water service units (WSU) will be equal to one for all non-dual plumbed accounts.

Monthly drinking water consumption that exceeds the Water Service Units (WSU) creates additional demand and costs for the operation, repair, maintenance, and replacement of drinking water filtration facilities, pipelines, reservoirs, boosters, and groundwater wells. The proportional operational, maintenance, and capital costs for the excessive drinking water demand has been calculated based on the need for additional operation and maintenance of the drinking water infrastructure.

The Excess Drinking Water Commodity Charge applies to the next Drinking Water Commodity unit (kgal) beyond the Water Service Unit allowance based on the formula below:

$$\text{If Drinking Water Commodity (kgal)} > \left[\left(\frac{\text{Water Service Units}}{\text{Units}} \right) \times (0.7 \text{ kgal}) \times (30 \text{ days}) \right],$$

then the following rate structure applies

Therefore, the Excess Drinking Water Commodity Charge would apply to a property with one (1) Water Service Unit (WSU) if more than 21 kgal of drinking water is used during a billing period. For a property with greater than one Water Service Unit (WSU), the Excess Drinking Water Commodity Charge will be calculated based on the proportionality of 1 WSU = 21 kgal of drinking water.

The Excess Drinking Water Commodity Charge is applied to a fractional unit of drinking water consumption to 1/1,000 of a kgal (i.e. gallons) where applicable.

The rate schedule for Excess Drinking Water Commodity Charge only applies to the commodity usage in excess of the Water Service Unit (WSU) allowance except for construction water where the Excess Drinking Water Commodity Charge applies to each commodity unit, or fraction thereof.



| Excess Drinking Water Commodity Charge (kgal) | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 | Effective 7/1/2023 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Billing Units in Excess of Water Service Unit Allocation | \$0.240 | \$0.249 | \$0.263 | \$0.278 | \$0.303 |

| Excess Drinking Water Commodity Charge (kgal) | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 | Projected 7/1/2028 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Billing Units in Excess of Water Service Unit Allocation | \$0.326 | \$0.352 | \$0.359 | \$0.366 | \$0.374 |

| Excess Drinking Water Commodity Charge (kgal) | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 | Projected 7/1/2033 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Billing Units in Excess of Water Service Unit Allocation | \$0.381 | \$0.389 | \$0.396 | \$0.404 | \$0.412 |

- 4.04 **Drinking Water Infrastructure Replacement Commodity Charge.** Reliable infrastructure is important to provide safe, high-quality drinking water to our community and to ensure the system works properly when emergencies arise. The Infrastructure Replacement Commodity Charge applies to each billing unit, or fraction thereof.

| Infrastructure Replacement Commodity Charge (kgal) | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 | Effective 7/1/2023 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Each Billing Unit (kgal) | \$0.151 | \$0.397 | \$0.497 | \$0.621 | \$0.766 |

| Infrastructure Replacement Commodity Charge (kgal) | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 | Projected 7/1/2028 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Each Billing Unit (kgal) | \$0.776 | \$0.980 | \$0.989 | \$1.017 | \$1.035 |

| Infrastructure Replacement Commodity Charge (kgal) | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 | Projected 7/1/2033 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Each Billing Unit (kgal) | \$1.055 | \$1.074 | \$1.094 | \$1.114 | \$1.135 |

- 4.05 **Supplemental Water Commodity Charge.** The Supplemental Water Commodity Charge applies to all drinking water consumption and is used to acquire, secure, operate, maintain, and obtain a variety of supplemental water sources to augment local water resources. This funding source may be used for drinking water or recycled water capital or operational costs that result in a reduction or replacement of imported water from the State Water Project.

The Supplemental Water Commodity Charge shall be applied to all Yucaipa Valley Water District drinking water consumption recorded at all individual drinking water meters including, but not limited to, residential, multi-family, commercial, industrial, institutional, and construction users.

This commodity charge is based on a pass-through cost of imported water rates set by the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency. While it is essential for the Supplemental Water Commodity Charge to be adjusted automatically following any change by either State Water Contractor, the Yucaipa Valley Water District may take action by separate resolution to reduce this commodity charge if a less expensive supplemental water source, capital cost contribution, or operational cost is determined to be available as supplemental water that is created, established, or secured by the Yucaipa Valley Water District.

All available funds generated from the Supplemental Water Commodity Charge may be used to acquire, construct, secure, operate, maintain, and obtain, either temporarily or permanently, supplemental water to augment local water resources.

- 4.05.01 **Frequency of Calculation.** The frequency of the calculation in the following section will be applied automatically upon adoption of an imported water rate change by either the San Bernardino Valley Municipal Water District or the San Gorgonio Pass Water Agency. Any reduction of the Supplemental Water Commodity Charge by the Yucaipa Valley Water District shall not extend beyond twelve (12) months without re-authorization by the Yucaipa Valley Water District Board of Directors.

- 4.05.02 **Calculation Methodology.** The calculation definitions and methodology are applicable to the Imported Water Rates charged by the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency as follows:

Supplemental Water Commodity Charge

$$= [\text{Calculation Factor}] \times [\text{SBVMWD or SGPWA Imported Water Rate}] \times [0.00307]$$

Definitions:

- **Supplemental Water Supply Commodity Charge** (expressed in units of \$/kgal) represents the supplemental water supply charge implemented by the Yucaipa Valley Water District and applied to customer utility bills based on total drinking water consumption each billing cycle.
 - The Supplemental Water Supply Commodity Charge is independently calculated and applied within the respective service area of the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency.
- **Calculation Factor** represents the proportion of water resources that originate from local groundwater and surface water resources as compared to supplemental water sources. A Calculation Factor of 0.70 signifies that 70% of the total drinking water demands will be augmented with supplemental water resources. As provided in the table below, the Calculation Factor for supplemental water will slowly increase over time to provide funding necessary to secure alternative supplemental water resources.

| Supplemental Water Supply Commodity Charge | Current Factor | Effective 7/1/2021 | Effective 7/1/2022 | Effective 7/1/2023 | Effective 7/1/2024 |
|--|----------------|--------------------|--------------------|--------------------|--------------------|
| Calculation Factor | 0.700 | 0.722 | 0.739 | 0.756 | 0.777 |

| Supplemental Water Supply Commodity Charge | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 | Projected 7/1/2028 | Projected 7/1/2029 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Calculation Factor | 0.791 | 0.818 | 0.843 | 0.865 | 0.889 |

- **SBVMWD or SGPWA Imported Water Rate** (expressed in units of \$/acre-foot) represents the water rate charged by the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency for water delivered to the Yucaipa Valley Water District, or for other acquisition, construction, capital, operational, maintenance, or other related costs for creating, storing, producing, and serving supplemental water supplies.
- 4.05.03 **Implementation.** The Supplemental Water Commodity Charge shall be effective based on the effective date the Imported Water Rate is set by the Board of Directors of either the San Bernardino Valley Municipal Water District or the San Gorgonio Pass Water Agency, unless otherwise reduced by Resolution set forth by the Yucaipa Valley Water District Board of Directors. The Yucaipa Valley Water District shall implement the Supplemental Water Supply Commodity Charge on the effective date regardless of the service period.
- 4.05.04 **Notification by State Water Contractors.** By this Resolution, the District requests that the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency provide at least 120 days written notice to the Yucaipa Valley

Water District of any increases to the wholesale imported water rates charged to the Yucaipa Valley Water District.

- 4.06 Meter Test Charge. The cost associated with testing water meters shall not be less than the actual cost incurred by the District. This actual cost will be reviewed and set forth by resolution adopted by the Yucaipa Valley Water District Board of Directors.
- 4.07 Fire Service Demand Charge. The fire service standby charge shall be a daily charge per inch diameter of the: (1) main fire line; (2) detector check valve; or (3) water meter for residential fire sprinklers installed to the premises.

| Fire Service Demand Charge | Current Charge | Effective 2/1/2022 | Effective 7/1/2024 | Effective 7/1/2026 | Effective 7/1/2028 |
|---|----------------|--------------------|--------------------|--------------------|--------------------|
| Monthly charge per diameter inch of main fire line detector check valve or meter, whichever is larger | \$2.555 | \$2.683 | \$2.817 | \$2.958 | \$3.106 |

Water usage through a bypass meter is billed at two times the highest Drinking Water Commodity Charge.

Residential homes with fire sprinklers are required to install a minimum one inch (1") water meter for fire flow capacity but are only charged one Water Service Unit (WSU) for facility capacity charges. These customers will be charged a Water Service Charge for a 1" drinking water meter and receive one (1) Water Service Unit, or less if dual-plumbed, for calculating the Excess Recycled Water Commodity Charge.

- 4.08 Fire Flow Measurements and Reports. The charge for providing results of each fire flow test shall be \$150.00. The charge must be paid prior to the District providing any fire flow data to the requesting party.
- 4.09 Water Meter Reactivation/Conversion Charge. Prior to reactivating or converting a water meter that has been locked off by the District for greater than twelve months within the previous five years, the customer requesting meter conversion to one or more smaller water meters shall be required to pay the current Drinking Water or Recycled Water Service Charge multiplied by the number of months (or fraction thereof) the meter was locked off. Water meters that have been out of service for more than 60 months are required to pay the difference between the Facility Capacity Charge when the water meter was locked off / deactivated and the current Facility Capacity Charge.

[End of Section 4]

5. Recycled Water Charges

- 5.01 **Recycled Water Service Charge.** The monthly recycled water service charge shall be applied to the greater of (1) meter size or (2) number of dwelling units.

| Recycled Water Service Charge | Current Rate | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 |
|-------------------------------|--------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per EDU | \$14.00 | \$15.00 | \$16.00 | \$16.50 | \$17.00 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$14.00 | \$15.00 | \$16.00 | \$16.50 | \$17.00 |
| 1" Water Meter - 1.67 EDU | \$23.38 | \$25.05 | \$26.72 | \$27.56 | \$28.39 |
| 1½" Water Meter - 3.33 EDU | \$46.62 | \$49.95 | \$53.28 | \$54.95 | \$56.61 |
| 2" Water Meter - 5.33 EDU | \$74.62 | \$79.95 | \$85.28 | \$87.95 | \$90.61 |
| 3" Water Meter - 10.00 EDU | \$140.00 | \$150.00 | \$160.00 | \$165.00 | \$170.00 |
| 4" Water Meter - 16.67 EDU | \$233.38 | \$250.05 | \$266.72 | \$275.06 | \$283.39 |
| 6" Water Meter - 33.33 EDU | \$466.62 | \$499.95 | \$533.28 | \$549.95 | \$566.61 |
| 8" Water Meter - 53.33 EDU | \$746.62 | \$799.95 | \$853.28 | \$879.95 | \$906.61 |

| Recycled Water Service Charge | Effective 7/1/2023 | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per EDU | \$17.50 | \$18.00 | \$18.50 | \$19.00 | \$19.50 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$17.50 | \$18.00 | \$18.50 | \$19.00 | \$19.50 |
| 1" Water Meter - 1.67 EDU | \$29.23 | \$30.06 | \$30.90 | \$31.73 | \$32.57 |
| 1½" Water Meter - 3.33 EDU | \$58.28 | \$59.94 | \$61.61 | \$63.27 | \$64.94 |
| 2" Water Meter - 5.33 EDU | \$93.28 | \$95.94 | \$98.61 | \$101.27 | \$103.94 |
| 3" Water Meter - 10.00 EDU | \$175.00 | \$180.00 | \$185.00 | \$190.00 | \$195.00 |
| 4" Water Meter - 16.67 EDU | \$291.73 | \$300.06 | \$308.40 | \$316.73 | \$325.07 |
| 6" Water Meter - 33.33 EDU | \$583.28 | \$599.94 | \$616.61 | \$633.27 | \$649.94 |
| 8" Water Meter - 53.33 EDU | \$933.28 | \$959.94 | \$986.61 | \$1,013.27 | \$1,039.94 |

| Recycled Water Service Charge | Projected 7/1/2028 | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Service Charge per EDU | \$20.00 | \$20.50 | \$21.00 | \$21.50 | \$22.00 |
| Water Meter Based Charge: | | | | | |
| ¾" Water Meter - 1.00 EDU | \$20.00 | \$20.50 | \$21.00 | \$21.50 | \$22.00 |
| 1" Water Meter - 1.67 EDU | \$33.40 | \$34.24 | \$35.07 | \$35.91 | \$36.74 |
| 1½" Water Meter - 3.33 EDU | \$66.60 | \$68.27 | \$69.93 | \$71.60 | \$73.26 |
| 2" Water Meter - 5.33 EDU | \$106.60 | \$109.27 | \$111.93 | \$114.60 | \$117.26 |
| 3" Water Meter - 10.00 EDU | \$200.00 | \$205.00 | \$210.00 | \$215.00 | \$220.00 |
| 4" Water Meter - 16.67 EDU | \$333.40 | \$341.74 | \$350.07 | \$358.41 | \$366.74 |
| 6" Water Meter - 33.33 EDU | \$666.60 | \$683.27 | \$699.93 | \$716.60 | \$733.26 |
| 8" Water Meter - 53.33 EDU | \$1,066.60 | \$1,093.27 | \$1,119.93 | \$1,146.60 | \$1,173.26 |

- 5.02 **Recycled Water Commodity Charge.** The recycled water commodity charge is the charge per one thousand gallons (kgal) for all recycled water registered by the customer's meter in a monthly billing cycle. The Recycled Water Commodity Charge is applied to a fractional unit of recycled water consumption to 1/1,000 of a kgal (i.e. gallons) where applicable.

| Recycled Water Commodity Charge (kgal) | Current Rate (\$/kgal) | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 |
|--|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Billing Units (kgal) | \$1.425 | \$1.725 | \$1.760 | \$1.795 | \$1.836 |

| Recycled Water Commodity Charge (kgal) | Effective 7/1/2023 | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Billing Units (kgal) | \$1.879 | \$1.922 | \$1.966 | \$2.011 | \$2.057 |

| Recycled Water Commodity Charge (kgal) | Projected 7/1/2028 | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Each Billing Units (kgal) | \$2.105 | \$2.153 | \$2.203 | \$2.253 | \$2.305 |

- 5.03 **Excess Recycled Water Commodity Charge.** Pursuant to the District design guidelines, one Recycled Service Unit (RSU) provides capacity in the recycled water system based on the Maximum Applied Water Allowance (MAWA) calculation used to establish service using the designed irrigation demand.

With the implementation of dual-plumbed homes, some residential properties will be able to purchase a fraction of one Recycled Service Unit (RSU) for outdoor irrigation. Typically, the sum of the Water Service Unit (WSU) and the Recycled Service Unit (RSU) will total 1.0 for single family dual-plumbed residential units.

The minimum sum of Water Service Units (WSU) and Recycled Service Units (RSU) will be equal to one for all non-dual plumbed accounts.

Monthly recycled water consumption that exceeds the Recycled Service Units (RSU) creates additional demand and costs for the operation, repair, maintenance, and replacement of recycled water facilities, pipelines, reservoirs, boosters, and injection wells. The proportional operational, maintenance, and capital costs for the excessive recycled water demand has been calculated based on the need for additional operation and maintenance of the recycled water infrastructure.

The Excess Recycled Water Commodity Charge applies to the next Recycled Water Commodity unit (kgal) beyond the Recycled Service Unit (RSU) based on the formula below:

$$\text{If Recycled Water Commodity (kgal)} > \left[\left(\frac{\text{Recycled Service Units}}{\text{Units}} \right) \times (0.7 \text{ kgal}) \times (30 \text{ days}) \right],$$

then the following rate structure applies

Therefore, the Excess Recycled Water Commodity Charge would apply to a property with

one (1) Recycled Service Unit (RSU) if more than the calculated Maximum Applied Water Allowance (MAWA) is used during a billing period.

The Excess Recycled Water Commodity Charge will be calculated based on the proportionality of 1 RSU = 98.550 kgal of recycled water.

The rate schedule for Excess Recycled Water Commodity Charges is provided below and only applies to the commodity usage in excess of the Recycled Service Unit (RSU) allowance.

| Excess Recycled Water Commodity Charge (kgal) | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 | Effective 7/1/2023 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Billing Units in Excess of Recycled Water Service Unit Allocation | \$0.067 | \$0.129 | \$0.183 | \$0.195 | \$0.208 |

| Excess Recycled Water Commodity Charge (kgal) | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 | Projected 7/1/2028 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Billing Units in Excess of Recycled Water Service Unit Allocation | \$0.221 | \$0.236 | \$0.251 | \$0.267 | \$0.285 |

| Excess Recycled Water Commodity Charge (kgal) | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 | Projected 7/1/2033 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Billing Units in Excess of Recycled Water Service Unit Allocation | \$0.303 | \$0.323 | \$0.344 | \$0.366 | \$0.390 |

- 5.04 **Recycled Water Infrastructure Replacement Commodity Charge.** Reliable infrastructure is important to provide reliable recycled water to our community. The Infrastructure Recycled Water Replacement Commodity Charge applies to each billing unit of recycled water, or fraction thereof.

| Recycled Water Infrastructure Replacement Commodity Charge (kgal) | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 | Effective 7/1/2023 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Each Billing Unit (kgal) | \$0.151 | \$0.153 | \$0.154 | \$0.156 | \$0.157 |

| Recycled Water Infrastructure Replacement Commodity Charge (kgal) | Effective 2/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 | Projected 7/1/2028 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Each Billing Unit (kgal) | \$0.159 | \$0.160 | \$0.162 | \$0.164 | \$0.165 |

| Recycled Water Infrastructure Replacement Commodity Charge (kgal) | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 | Projected 7/1/2033 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Each Billing Unit (kgal) | \$0.167 | \$0.168 | \$0.170 | \$0.172 | \$0.174 |

- 5.05 **Meter Test Charge.** The cost associated with testing water meters shall be not less than the actual cost incurred by the District. This actual cost will be reviewed and set forth by resolution adopted by the Yucaipa Valley Water District Board of Directors.
- 5.06 **Water Meter Reactivation/Conversion Charge.** Prior to reactivating or converting a water meter that has been locked off by the District for greater than twelve months within the previous five years, the customer requesting meter conversion to one or more smaller water meters shall be required to pay the current Drinking Water or Recycled Water Service Charge multiplied by the number of months (or fraction thereof) the meter was locked off. Water meters that have been out of service for more than 60 months are required to pay the difference between the Facility Capacity Charge when the water meter was locked off / deactivated and the current Facility Capacity Charge.

[End of Section 5]

6. Sewer Charges

- 6.01 **Sewer Service Charge.** A sewer service charge shall apply to all customers based on the number of Sewer Service Units (SSU). For residential customers the number of Sewer Service Units (SSU) is one (1.00). For all non-residential users, the number of Sewer Service Units (SSU) will be determined by dividing the total number of drainage units (consistent with the Uniform Plumbing Code) by 35.

| Sewer Service Charge | Existing Charge | Effective 2/1/2020 | Effective 1/1/2021 | Effective 7/1/2021 | Effective 7/1/2022 |
|---|-----------------|--------------------|--------------------|--------------------|--------------------|
| Sewer Service Charge per Sewer Service Unit | \$42.43 | \$43.48 | \$44.21 | \$44.52 | \$45.30 |

| Sewer Service Charge | Effective 7/1/2023 | Effective 7/1/2024 | Effective 1/1/2025 | Projected 7/1/2026 | Projected 7/1/2027 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Sewer Service Charge per Sewer Service Unit | \$46.09 | \$46.90 | \$47.72 | \$48.55 | \$49.40 |

| Sewer Service Charge | Projected 7/1/2028 | Projected 7/1/2029 | Projected 7/1/2030 | Projected 7/1/2031 | Projected 7/1/2032 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Sewer Service Charge per Sewer Service Unit | \$50.27 | \$51.15 | \$52.04 | \$52.95 | \$53.48 |

- 6.01.01 **Multiple Residential Sewer Service Charge.** Multiple Residential Dwellings of more than 30 dwelling units on the same parcel constructed prior to May 1, 2005 shall be charged pursuant to the rates above, multiplied by the Multiple Residential Sewer Service Charge Factor below to determine the Multiple Residential Sewer Service Charge.

| Multiple Residential Sewer Charge Factor | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 2/1/2020 | Effective 1/1/2021 | Effective 1/1/2022 | Effective 1/1/2023 | Effective 1/1/2024 | Effective 1/1/2025 |
| 0.925 | 0.930 | 0.935 | 0.940 | 0.945 | 0.950 |

| Multiple Residential Sewer Charge Factor | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Effective 1/1/2026 | Effective 1/1/2027 | Effective 1/1/2028 | Effective 1/1/2029 | Effective 1/1/2030 | Effective 1/1/2031 |
| 0.955 | 0.960 | 0.965 | 0.970 | 0.975 | 0.980 |

| Multiple Residential Sewer Charge Factor | | | |
|--|-----------------------|-----------------------|--|
| Effective 1/1/2032 | Effective 1/1/2033 | Effective 1/1/2034 | Multiple Residential Sewer Charge Factor is Eliminated Effective 1/1/2035 |
| 0.985 | 0.990 | 0.995 | 1.000 |

6.02 Sewer Septage Receiving Charge. A sewer septage receiving of hauled waste is not included in this resolution since the Yucaipa Valley Water District does not accept hauled waste at the Wochholz Regional Water Recycling Facility.

6.03 Sewer Pretreatment Fees. The Yucaipa Valley Water District has adopted an ordinance which regulates the discharge of non-domestic sewer into the sewerage system of the District in accordance with General Pretreatment Regulations (40 CFR Part 403). In order to enforce the requirements of the District's Industrial Sewer Pretreatment Ordinance, it is necessary to issue five separate classes of Industrial User Permits and charges as follows:

| Permit Class | Industrial User type | Pretreatment Fees |
|-----------------|-------------------------|------------------------------|
| I | Federal Categorical | \$500.00 plus sampling costs |
| II | Significant User | \$500.00 plus sampling costs |
| III | Non-significant User | \$270.00 plus sampling costs |
| IV | Temporary User | \$200.00 plus sampling costs |
| V | Septage Waste Hauler | \$170.00 per vehicle |

6.04 Commercial and Industrial Sewer Service Charge. The sewer service charge shall apply to all identified commercial and industrial customers based on the following formula using the sewer service charge identified in Section 6.01, the commercial rate factors and water consumption.

$$\text{Commercial / Industrial Sewer Service Charge} = \text{Sewer Service Charge (Section 6.01)} \times 0.0329 \times \text{Volumetric Sewer Rate Factor (see Table 1)} \times \text{Water Consumption (kgal)}$$

6.04.01 Commercial and Industrial Minimum Charge. Each commercial and industrial unit shall be charged a minimum amount based on the number of Sewer Service Units assigned to the facility.

6.05 School Sewer Service Charge. If a school or college is receiving drinking water service from the Yucaipa Valley Water District with a separate irrigation meter, then the sewer service charge will be based on the volumetric sewer rates and billing methodology in Table 1.

If a school does not receive drinking water service from Yucaipa Valley Water District or does not have a separate irrigation meter, then the sewer service charge shall be based on the number of student's enrolled and total staff members at each facility based on fall enrollment figures for the school year. Elementary and middle schools shall use a factor of 60 students

and staff members per Equivalent Dwelling Unit; and high schools shall use a factor of 30 students and staff members per Equivalent Dwelling Unit.

$$\begin{array}{lcl} \text{Elementary /} & & \\ \text{Middle School} & & \\ \text{Sewer Service} & = & \text{Total Number of} \\ \text{Charge} & & \text{Students and} \\ & & \text{Staff Members} \end{array} \div 60 \times \begin{array}{l} \text{Monthly Sewer} \\ \text{Service Charge} \\ \text{(Section 5.1)} \end{array}$$

$$\begin{array}{lcl} \text{High School} & & \\ \text{Sewer Service} & = & \text{Total Number of} \\ \text{Charge} & & \text{Students and} \\ & & \text{Staff Members} \end{array} \div 30 \times \begin{array}{l} \text{Monthly Sewer} \\ \text{Service Charge} \\ \text{(Section 5.1)} \end{array}$$

- 6.06 Other Discharges to the Sewer System. The Yucaipa Valley Water District reserves the sole right and discretion to calculate monthly sewer rates for other sewer rate discharges not included specifically herein. Examples of such discharges are not limited to the following: water treatment processes, sewer treatment processes, brine disposal, commercial/industrial customers and other discharges to the sewer system originating outside of the Yucaipa Valley Water District service area.

[End of Section 6]

Table 1 - Volumetric Sewer Rate Factors

| Type of Business | BOD (mg/l) | SS (mg/l) | Commercial Rate Factors without a separate landscape meter | Commercial Rate Factors with a separate landscape meter |
|-------------------------------|---------------|--------------|---|--|
| Automobile - Car Wash | 20 | 150 | 2.06 | 2.74 |
| Automobile - Repair Shop | 180 | 280 | 3.67 | 4.89 |
| Automobile - Gas Station | 150 | 150 | 2.78 | 3.70 |
| Automobile - Steam Cleaning | 1150 | 1250 | 14.44 | 19.26 |
| Bakery | 1000 | 600 | 10.00 | 13.33 |
| College | 410 | 315 | 5.14 | 6.85 |
| Commercial, Category A* | 130 | 80 | 2.28 | 3.04 |
| Commercial, Category B** | 410 | 315 | 5.14 | 6.85 |
| Department / Retail Store | 150 | 150 | 2.78 | 3.70 |
| School*** | 410 | 315 | 5.14 | 6.85 |
| Fast Food | 340 | 315 | 4.75 | 6.33 |
| Hospital & Convalescent | 250 | 100 | 3.06 | 4.07 |
| Hotel with Dining Facility | 500 | 600 | 7.22 | 9.63 |
| Hotel without Dining Facility | 310 | 120 | 3.50 | 4.67 |
| Institutional | 150 | 150 | 2.78 | 3.70 |
| Laundromat - Commercial | 670 | 680 | 8.61 | 11.48 |
| Laundromat - Local | 150 | 110 | 2.56 | 3.41 |
| Mortuary | 800 | 800 | 10.00 | 13.33 |
| Professional Office | 130 | 80 | 2.28 | 3.04 |
| Restaurant | 1,000 | 600 | 10.00 | 13.33 |
| Rest Stop | 200 | 200 | 3.33 | 4.44 |
| Supermarket | 800 | 800 | 10.00 | 13.33 |

* Commercial - Category A rate factors apply to single unit or multiple unit commercial centers without a restaurant or supermarket on the water meter used to calculate the Commercial Sewer Service Charge.

** Commercial - Category B rate factors apply to multiple unit commercial centers with a restaurant or supermarket on the water meter used to calculate the Commercial Sewer Service Charge.

*** School - The volumetric calculation for schools requires drinking water service to be provided by Yucaipa Valley Water District. If drinking water service is not provided by Yucaipa Valley Water District, then the service charge will be calculated based on the number of students and staff members.

7. Effective Date

Previous resolutions regarding rates, fees, and charges contained herein are hereby superseded and replaced by the applicable sections identified above. This Resolution shall be effective immediately and shall remain in effect until such time as it is rescinded or superseded.

PASSED, APPROVED and ADOPTED this ___ day of January 2020.

YUCAIPA VALLEY WATER DISTRICT

Chris Mann, President Board of Directors

ATTEST:

Joseph B. Zoba, General Manager

Appendix B

Citations and Resources

Resources & Citations Utilized in the Preparation of this Rate Analysis

1. Yucaipa Valley Water District, Audited Financial Statements, period ending, June 30, 2010 through period ending June 20, 2018.
2. Yucaipa Valley Water District, Operating and Capital Improvement Budget for Fiscal Year 2020.
3. Yucaipa Valley Water District, Management Discussion and Analysis, GASB 34 Compliance Document, June 30, 2018.
4. City of Oxnard Water Rate Study, Prepared by Kennedy/Jenks Consultants, December 2002.
5. [Water Conservation and Drought Planning](#), AB 1668 (Friedman, 2018) and SB 606 (Hertzberg, 2018)
6. [Landscape Water Use Efficiency](#), AB 2371 (Carrillo, 2018)
7. [Onsite Treated Non-Potable Water Systems](#) SB 966 (Wiener, 2018)
8. *Making Water Conservation a California Way of Life: Primer of 2018 Legislation of Water Conservation and Drought Planning*. [News Release](#) (Nov 13, 2018)
9. [Water Efficiency Legislation Fact Sheet](#) (June 7, 2018)
10. [AB 1668 and SB 606](#) (enrolled text of both bills), Legislative information: [AB1668 SB 606](#) (May 31, 2018)
11. [Governor's Press Release](#) (May 31, 2018)
12. [Making Water Conservation a California Way of Life – Primer of 2018 Legislation on Water Conservation and Drought Planning Senate Bill 606 \(Hertzberg\) and Assembly Bill 1668 \(Friedman\)](#)
13. [Making Water Conservation a California Way of Life](#) (April 2017), Implementing Governor's Executive Order B-37-16. Also known as the "framework" report.
14. [California Water Action Plan](#) (2016), the Administration's five-year blueprint for more reliable, resilient water systems to prepare for climate change and population growth
15. [A complete list of Governor Brown's Executive Orders](#)
16. [An overview of California's Emergency Drought Actions](#)
17. Disclosure Procedures for the Issuance of Municipal Debt by the Yucaipa Valley Water District, Director Memorandum No. 14-103, December 17, 2014.
18. Policy Related to Debt Management of the Yucaipa Valley Water District Water Division, Director Memorandum No. 15-017, February 18, 2015.
19. EPA Water Infrastructure Financial Leadership, Successful Financial Tools for Local Decision Makers, September 2017, https://www.epa.gov/sites/production/files/2017-09/documents/financial_leadership_practices_document_final_draft_9-25-17_0.pdf

Appendix C

Yucaipa Valley Water District Capital Improvement Program



Chapter Five

Fiscal Year 2020

Capital Improvement Budget

Capital Improvement Program

A systematic, organized approach to planning capital facilities provides several benefits:

Using taxpayers' dollars wisely. Advance planning and scheduling of infrastructure may avoid costly mistakes. The effort put into deliberate assessment of the need for repair, replacement or expansion of existing infrastructure, as well as careful evaluation of the need and timing of new facilities can provide savings. Project timing may be improved to better use available personnel, expensive equipment and construction labor by scheduling related major activities over a longer period. Coordination of construction of several projects may affect savings in construction costs (a newly paved street may not have to be torn up to replace utility lines). Overbuilding or underbuilding usually can be avoided. Needed land can be purchased at lower cost well in advance of construction.

Focusing on community needs and capabilities. District projects should reflect the community's needs, objectives, expected growth and financial capability. With limitations for funding capital facilities, planning ahead will help assure that high priority projects will be built first.

Obtaining community support. Citizens tend to be more receptive toward projects which are part of a community-wide analysis. A high priority project which is part of an overall plan is less suspect as being someone's "pet project". Where the public participates in the planning of community facilities the citizens are better informed about the community needs and the priorities. A capital improvement program reduces the pressure on elected officials to fund projects which may be of low priority.

Encouraging economic development. Typically, a firm considering expansion or relocation is attracted to a community which has well planned and well managed facilities in place. Also, a capital improvement program allows private investors to understand a community's tax loads and service costs and reflects the fact that the community has completed advance planning to minimize the costs of capital facilities.

More efficient administration. Coordination of capital improvements construction among city, county and special districts can reduce scheduling problems, conflicts and overlapping of projects. Also, work can be scheduled more effectively when it is known in advance what, where and when projects are to be undertaken. A capital improvements program allows a community to anticipate lead times necessary to conduct bond elections and bond sales, prepare design work and let contract bids.

Maintaining a stable financial program. Abrupt changes in the tax structure and bonded indebtedness may be avoided when construction projects are spaced over a number of years. Major expenditures can be anticipated, resulting in the maintenance of a sound financial standing through a more balance program of bonded indebtedness. Where there is ample time for planning, the most economical methods of financing each project can be selected in advance. Keeping planned projects within the financial capacity of the community helps to preserve its credit and bond rating and makes the area more attractive to business and industry.

Federal and state grant and loan programs. A capital improvements program places the community in a better position to take advantage of federal and state grant programs, because plans can be made far enough in advance to utilize matching funds, both anticipated and

unanticipated. Most federal and state grant/loan programs either require prior facilities planning, or favor, in ranking applications, applicants which have conducted such planning.

The Yucaipa Valley Water District Capital Improvement Program is a planning tool used to identify projects and their corresponding costs. This program is necessary to provide for the orderly replacement and expansion of existing facilities; the construction of new facilities; and the development of project revenue and financing sources.

The Yucaipa Valley Water District Capital Improvements Program is a blueprint for planning the capital expenditures by coordinating planning, financial capacity and physical infrastructure construction.

The Capital Improvement Program is composed of two parts -- a capital budget and a capital program. The capital budget is the upcoming year's spending plan for capital items. The capital program is a plan for capital expenditures that extends five years beyond the capital budget.

Capital Improvement Program Summary

The Yucaipa Valley Water District Capital Improvement Program identifies those proposed projects to be undertaken by the District to improve services, upgrade facilities and replace physical plants. This report contains a summary of those projects. It should be noted that the cost estimates should only be used as a general guide. Actual costs may vary greatly based on such factors as when the project is built, specific design considerations, environmental mitigation, and actual construction bids.

Substantial financial resources will be needed to carry out the Capital Improvement Program. Revenue and expenditures over the next five-year period need to be reviewed in order to determine the District's ability to implement the Capital Improvement Program.

Criteria for Prioritizing Capital Improvement Projects

Capital Improvement Projects will be evaluated and prioritized by being placed into one of three categories. The three categories are as follows:

- **Critical**
 - Reduce Dependency on Imported Water
 - Well Construction
 - Maximize Local Water
 - Recycled Water Development
 - Regulatory Requirements
 - Contractual Obligations
- **Important**
 - Community Needs
 - Minimization of Operational Costs
 - System Reliability
- **Necessary**
 - Future Growth

Capital Improvement Categories

The District currently maintains several separate categories to better define capital improvement projects. These categories are used primarily to identify internal funding sources, but such categories can also be useful for assessing the importance of a particular project.

The District uses the following categories:

- Contractual Obligation
- Drinking Water Source of Supply
- Drinking Water System Improvement
- Drinking Water Treatment Facility Construction/Improvement
- Drinking Water Well Improvement
- Groundwater Monitoring Improvement
- Groundwater Recharge Facility Improvement
- Land Acquisition
- Recycled Water Source of Supply
- Recycled Water System Improvement
- Regulatory Requirement
- Sewer Collection System Improvement
- Sewer Lift Station Improvement
- Sewer Treatment Facility Construction/Improvement
- Other

Purpose of Capital Improvement Program

By establishing the Capital Improvement Program, it becomes clear that the District must maximize revenue sources to support the construction of required facilities. The District's ability to obtain long-term financing for the Capital Improvement Program is largely dependent on the financial strength and revenue stream of the District. To keep this high investment grade rating for future projects, the District must maintain adequate fee structures and reserve funds.

Finally, it is imperative that the operating costs of the water, sewer and recycled water divisions remain fully self-supported by user fees in order to maximize other revenue sources for support of the Capital Improvement Program.

In the operating budget, the water, sewer and recycled water divisions receive property taxes that are used to fund depreciation/reserves. This is consistent with a fiduciary approach that invests heavily in the replacement of aged infrastructure instead of subsidizing water and sewer rates. This approach will continue to make the water, sewer and recycled water operating funds self-sufficient while investing in improving the efficiency of the District while providing for the orderly replacement and expansion of existing facilities. This fiduciary philosophy of investing in the replacement of old infrastructure greatly enhances the overall value of the District while improving the quality of life for our customers.

| YVWD-Capital Improvement Projects | | | Proposed Capital Improvement Project Funding by Fiscal Year | | | | | | | | | | | | | | 2032 - 2042 10 Year Projected Cost | Estimated Project Cost |
|-----------------------------------|--------|---|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|---------------------------|
| | | | Project Type | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 | FY 2030-31 | FY 2031-32 | | |
| 1 | YVRWFF | Automated Meter Infrastructure – Meter Replacement and Retrofit | New | \$1,000,000 | \$1,000,000 | \$1,000,000 | | | | | | | | | | | \$0 | \$ 3,000,000 |
| 2 | YVRWFF | R-18.4 / Power Project | New | \$150,000 | | | | | | | | | | | | | \$0 | \$ 150,000 |
| 3 | YVRWFF | Drain Line for the Existing R-14 Reservoir | New | \$70,000 | | | | | | | | | | | | | \$0 | \$ 70,000 |
| 4 | YVRWFF | Surveillance System Upgrades - YVRWFF with Intrusion Notification | New | \$175,000 | | | | | | | | | | | | | \$0 | \$ 175,000 |
| 5 | YVRWFF | Upgrade Fencing for YVRWFF for Intrusion Protection | Rehab | \$100,000 | | | | | | | | | | | | | \$0 | \$ 100,000 |
| 6 | YVRWFF | Automatic Backwashable Strainers (3) | Replace/New | \$155,000 | | | | | | | | | | | | | \$0 | \$ 155,000 |
| 7 | YVRWFF | Booster 20.2.1 Installation | New | | \$200,000 | | | | | | | | | | | | \$0 | \$ 200,000 |
| 8 | YVRWFF | Surveillance System Upgrades - Production and Distribution Site | New | | \$100,000 | | | | | | | | | | | | \$0 | \$ 100,000 |
| 9 | YVRWFF | Booster 13.2.2 Installation | New | | Pending | | | | | | | | | | | | \$0 | \$ - |
| 10 | YVRWFF | Microfiltration Module Replacement Racks 1-5 | Replace | | \$1,140,000 | | | | | | | | | | | | \$0 | \$ 1,140,000 |
| 11 | YVRWFF | Oak Glen Filtration Facility Rehabilitation | Rehab | | \$200,000 | | | | | | | | | | | | \$0 | \$ 200,000 |
| 12 | YVRWFF | Additional NaOCl Bulk Tank | New | | \$20,000 | | | | | | | | | | | | \$0 | \$ 20,000 |
| 13 | YVRWFF | Colored Coating Paint for all Piping and Tank | Rehab | | \$245,000 | | | | | | | | | | | | \$0 | \$ 245,000 |
| 14 | YVRWFF | Microfiltration EFM Heater Installation | New | | | \$100,000 | | | | | | | | | | | \$0 | \$ 100,000 |
| 15 | YVRWFF | Rehab R-16.6 | Rehab | | | \$350,000 | | | | | | | | | | | \$0 | \$ 350,000 |
| 16 | YVRWFF | Booster 15.1.1 Installation | New | | | \$300,000 | | | | | | | | | | | \$0 | \$ 300,000 |
| 17 | YVRWFF | Booster Facility at R-15.1 - Design and Construction | New | | | \$925,000 | | | | | | | | | | | \$0 | \$ 925,000 |
| 18 | YVRWFF | Salinity/Concentrate Reduction and Minimization (SCRAM) | New | | | | \$526,620 | \$526,620 | \$526,620 | \$526,620 | \$526,620 | \$526,620 | \$526,620 | \$526,620 | \$526,620 | \$526,620 | \$5,266,200 | \$ 10,532,400 |
| 19 | YVRWFF | Rehab Well 12 | Rehab | | | | \$40,000 | | | | | | | | | | \$0 | \$ 40,000 |
| 20 | YVRWFF | Rehab R-16.2 | Rehab | | | | \$86,949 | | | | | | | | | | \$0 | \$ 86,949 |
| 21 | YVRWFF | Booster No. B-16.2 | New | | | | \$425,000 | | | | | | | | | | \$0 | \$ 425,000 |
| 22 | YVRWFF | Rehab Wells 72, 73, & 75 | Rehab | | | | | \$100,000 | | | | | | | | | \$0 | \$ 100,000 |
| 23 | YVRWFF | Booster 15.2.1 Replacement | Replace | | | | | \$30,000 | | | | | | | | | \$0 | \$ 30,000 |
| 24 | YVRWFF | 1.5 MG Reservoir R-17.2 - Design and Construction | New | | | | | \$250,000 | \$1,620,000 | | | | | | | | \$0 | \$ 1,870,000 |
| 25 | YVRWFF | 1.5 MG Reservoir R-16.2 - Design and Construction | New | | | | | \$640,000 | \$4,560,000 | | | | | | | | \$0 | \$ 5,200,000 |
| 26 | YVRWFF | Booster B-13.2 | New | | | | | | \$1,975,000 | | | | | | | | \$0 | \$ 1,975,000 |
| 27 | YVRWFF | YVRWFF Chemical Trench Rehabilitation | Rehab | | | | | | | \$50,000 | | | | | | | \$0 | \$ 50,000 |
| 28 | YVRWFF | Booster 16.2.1 Installation | New | | | | | | \$300,000 | | | | | | | | \$0 | \$ 300,000 |
| 29 | YVRWFF | Booster 17.2.1 Replacement | Replace | | | | | | | | \$30,000 | | | | | | \$0 | \$ 30,000 |
| 30 | YVRWFF | Booster 16.2.2 Installation | New | | | | | | | | \$350,000 | | | | | | \$0 | \$ 350,000 |
| 1 | WRWRF | Primary Clarifier Chain and Sprocket Replacement | Replace | \$500,000 | | | | | | | | | | | | | \$0 | \$ 500,000 |
| 2 | WRWRF | Primary Flights Refurbishing and Replacements | Replace | \$150,000 | | | | | | | | | | | | | \$0 | \$ 150,000 |
| 3 | WRWRF | Digester Feed Valve and Actuator | Replace | \$21,500 | | | | | | | | | | | | | \$0 | \$ 21,500 |
| 4 | WRWRF | Asphalt Rehabilitation | Rehab | \$75,000 | | | | | | | | | | | | | \$0 | \$ 75,000 |
| 5 | WRWRF | Facility Lights Upgrade to LED | Replace | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 | | | | | | | | | \$0 | \$ 50,000 |
| 6 | WRWRF | In Plant Sewer Pump #4 Replacement (District Project) | Replace | \$10,000 | | | | | | | | | | | | | \$0 | \$ 10,000 |
| 7 | WRWRF | Laboratory Rehabilitation | Rehab | \$125,000 | | | | | | | | | | | | | \$0 | \$ 125,000 |
| 8 | WRWRF | Boiler Replacement at Digesters | Replace | | Pending | | | | | | | | | | | | \$0 | \$ - |
| 9 | WRWRF | Belt Press Building Rehab | Rehab | | \$50,000 | | | | | | | | | | | | \$0 | \$ 50,000 |
| 10 | WRWRF | Backwash Return Basin Pump Replacement and Relocation | Replace | | Pending | | | | | | | | | | | | \$0 | \$ - |
| 11 | WRWRF | Methane Waste Gas Flare | New | | \$1,300,000 | | | | | | | | | | | | \$0 | \$ 1,300,000 |
| 12 | WRWRF | Salinity and Groundwater Enhancement (SAGE) | Replace | | \$1,811,004 | \$1,811,004 | \$1,811,004 | \$1,811,004 | \$1,811,004 | \$1,811,004 | \$1,811,004 | \$1,811,004 | \$1,811,004 | \$1,811,004 | \$1,811,004 | \$1,811,004 | \$14,488,032 | \$ 36,220,080 |
| 13 | WRWRF | Clarifier Three Drain Valve Broken | Rehab | | | \$5,000 | | | | | | | | | | | \$0 | \$ 5,000 |
| 14 | WRWRF | Belt Press Building Roof Replacement | Replace | | | \$60,000 | | | | | | | | | | | \$0 | \$ 60,000 |
| 15 | WRWRF | Compactor Discharge Shoot Modification | Rehab | | | \$5,000 | | | | | | | | | | | \$0 | \$ 5,000 |
| 16 | WRWRF | Retaining Wall Improvements | Rehab | | | \$5,000 | | | | | | | | | | | \$0 | \$ 5,000 |
| 17 | WRWRF | Pressurized Pump into the DAFT Replacement | Replace | | | \$6,000 | | | | | | | | | | | \$0 | \$ 6,000 |
| 18 | WRWRF | Daft Drive Sweep Assembly Replacement | Replace | | | Pending | | | | | | | | | | | \$0 | \$ - |
| 19 | WRWRF | Thicken Sludge Pump (2) Replacements | Replace | | | \$10,000 | | | | | | | | | | | \$0 | \$ 10,000 |
| 20 | WRWRF | Recirculation Pumps at Digesters (6) | Replace | | | | \$30,000 | | | | | | | | | | \$0 | \$ 30,000 |
| 21 | WRWRF | Relocate and Replace Scum Pump | Replace | | | | \$7,500 | | | | | | | | | | \$0 | \$ 7,500 |
| 22 | WRWRF | MPM Building Eve Replacement | Replace | | | | \$5,000 | | | | | | | | | | \$0 | \$ 5,000 |
| 23 | WRWRF | North and South Pond Liner Replacement | Replace | | | | Pending | | | | | | | | | | \$0 | \$ - |
| 24 | WRWRF | Primary Project Rehabilitation | Rehab | | | | Pending | | | | | | | | | | \$0 | \$ - |
| 25 | WRWRF | Methanol Tank Replacement or Additional Tankage Added | Replace | | | | Pending | | | | | | | | | | \$0 | \$ - |
| 26 | WRWRF | Primary Pond Liner Replacement | Replace | | | | | Pending | | | | | | | | | \$0 | \$ - |
| 27 | WRWRF | Aeration Basins Air Control Valve Relocation | New | | | | | Pending | | | | | | | | | \$0 | \$ - |
| 28 | WRWRF | Secondary Clarifier Stucco Repair and Repaint | Rehab | | | | | \$50,000 | | | | | | | | | \$0 | \$ 50,000 |
| 29 | WRWRF | Channel Coating | Rehab | | | | | Pending | | | | | | | | | \$0 | \$ - |
| 30 | WRWRF | Membrane Replacement | Replace | | | | | | \$1,375,000 | | | | | | | | \$0 | \$ 1,375,000 |
| 31 | WRWRF | Surveillance System Upgrades - WRWRF w/ Intrusion | New | | | | | | \$170,000 | | | | | | | | \$0 | \$ 170,000 |
| 32 | WRWRF | Oak Glen Road Booster Pipeline, 20.2-22.1 | New | | | | | | \$500,000 | | | | | | | | \$0 | \$ 500,000 |
| 33 | WRWRF | Surveillance System Upgrades - WRWRF Bridges | New | | | | | | | \$55,000 | | | | | | | \$0 | \$ 55,000 |
| 34 | WRWRF | Hydro pneumatic Tank Removal | Remove | | | | | | | Pending | | | | | | | \$0 | \$ - |
| 35 | WRWRF | Surveillance System Upgrades - Lift Station No. 1 | New | | | | | | | | \$30,000 | | | | | | \$0 | \$ 30,000 |
| 36 | WRWRF | Surveillance System Upgrades - Network Infrastructure | New | | | | | | | | \$55,000 | | | | | | \$0 | \$ 55,000 |
| 37 | WRWRF | Lift Station No. 1 Relocation | Relocate | | | | | | | | | | \$6,550,000 | | | | \$0 | \$ 6,550,000 |
| 38 | WRWRF | Brine Line Manhole Additions | New | | | | | | | | | | \$738,000 | | | | \$0 | \$ 738,000 |

| YVWD-Capital Improvement Projects | | | Project Type | Proposed Capital Improvement Project Funding by Fiscal Year | | | | | | | | | | | | | | 2032 - 2042 10 Year Projected Cost | Estimated Project Cost |
|-----------------------------------|-------|---|--------------|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--|---------------------------|
| | | | | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 | FY 2030-31 | FY 2031-32 | | | |
| 39 | RW | 24" Calimesa Recycled Water Pipeline | New | \$5,025,000 | | | | | | | | | | | | \$0 | \$ 5,025,000 | | |
| 40 | RW | Wilson Creek Spreading | New | \$700,000 | | | | | | | | | | | | \$0 | \$ 700,000 | | |
| 41 | RW | Calimesa Lakes and Spreading Basins | New | \$6,000,000 | | | | | | | | | | | | \$0 | \$ 6,000,000 | | |
| 1 | PW | Gateway Plaza - Oak Glen Road x I-10 Freeway Sewer Expansion | New | \$1,000,000 | | | | | | | | | | | | \$0 | \$ 1,000,000 | | |
| 2 | PW | Acacia Lane East of Douglas Street; Water Main (District Project) | Replace | \$194,000 | | | | | | | | | | | | \$0 | \$ 194,000 | | |
| 3 | PW | Lincoln Drive; Water Main (District Project) | Replace | \$80,000 | | | | | | | | | | | | \$0 | \$ 80,000 | | |
| 4 | PW | Crestview Drive from Douglas Street to Sutter Avenue (District Project) | Replace | \$242,000 | | | | | | | | | | | | \$0 | \$ 242,000 | | |
| 5 | PW | Ruby Court; Water Main (District Project) | Replace | \$44,000 | | | | | | | | | | | | \$0 | \$ 44,000 | | |
| 6 | PW | Fencing at WRWRF Exit to Live Oak Canyon Rd. | New | \$100,000 | | | | | | | | | | | | \$0 | \$ 100,000 | | |
| 7 | PW | Nebraska Lane from 6th to Colorado Street (District Project) | Replace | | \$155,000 | | | | | | | | | | | \$0 | \$ 155,000 | | |
| 8 | PW | Bella Vista and Leith Way; Water Main (District Project) | Replace | | \$450,000 | | | | | | | | | | | \$0 | \$ 450,000 | | |
| 9 | PW | Bryant Street from Ivy Avenue North to Kadota Street, Ivy Avenue East to Juniper Avenue, Juniper Avenue North to Bryant Street; Water Main, | Replace | | | \$1,300,000 | | | | | | | | | | \$0 | \$ 1,300,000 | | |
| 10 | PW | Date Avenue from 2 nd Street to 3 rd Street, includes Oak Lane, Indio Court, Kent Lane, and Preston Lane; Water Main | Replace | | | \$497,000 | | | | | | | | | | \$0 | \$ 497,000 | | |
| 11 | PW | Additional Radio Tower and Base Station | New | | | \$35,000 | | | | | | | | | | \$0 | \$ 35,000 | | |
| 12 | PW | 30" Cross-Town Drinking Water Transmission Main | New | | | | \$1,750,000 | | | | | | | | | \$0 | \$ 1,750,000 | | |
| 13 | PW | Peach Tree Circle / 4 th Street Pipeline | Replace | | | | \$470,000 | | | | | | | | | \$0 | \$ 470,000 | | |
| 14 | PW | Lift Station 2 | New | | | | | \$1,200,000 | | | | | | | | \$0 | \$ 1,200,000 | | |
| 15 | PW | Pipeline 4th St. / Yucaipa Boulevard / 5th Street | New | | | | | \$938,000 | | | | | | | | \$0 | \$ 938,000 | | |
| 16 | PW | Calimesa Blvd. - Phase II - Design and Construction | New | | | | | \$440,000 | | | | | | | | \$0 | \$ 440,000 | | |
| 17 | PW | Bryant St. Upsizing | Replace | | | | | | \$350,000 | | | | | | | \$0 | \$ 350,000 | | |
| 18 | PW | Lift Station 3 | New | | | | | | \$1,200,000 | | | | | | | \$0 | \$ 1,200,000 | | |
| 19 | PW | Wildwood Canyon Streets; Water Main, Services and Fire Hydrants | Replace | | | | | | \$1,166,667 | \$1,166,667 | \$1,166,666 | | | | | \$0 | \$ 3,500,000 | | |
| 20 | PW | Lift Station 4 | New | | | | | | | \$1,200,000 | | | | | | \$0 | \$ 1,200,000 | | |
| 21 | PW | Pipeline Between R15.1 and R-16.2 - Design and Cost | New | | | | | | | \$1,200,000 | | | | | | \$0 | \$ 1,200,000 | | |
| 22 | PW | Oak Hills Estates Streets; Water Main, Services and Fire Hydrants | Replace | | | | | | | \$1,033,333 | \$1,033,333 | \$1,033,334 | | | | \$0 | \$ 3,100,000 | | |
| 23 | PW | Pressure Zone 13 - 30" Cross Town Conveyance | New | | | | | | | | \$5,245,000 | | | | | \$0 | \$ 5,245,000 | | |
| 24 | PW | Removal of District Out Buildings | Remove | | | | | | | | \$150,000 | | | | | \$0 | \$ 150,000 | | |
| 25 | PW | Pipeline Between R16.2 and R-17.2 - Design and Cost | New | | | | | | | | | \$1,350,000 | | | | \$0 | \$ 1,350,000 | | |
| 26 | WR | Well Rehab and Monitoring | New | \$105,000 | | | | | | | | | | | | \$0 | \$ 105,000 | | |
| 1 | Admin | Virtual Private Network Improvements | Rehab | \$50,000 | | | | | | | | | | | | \$0 | \$ 50,000 | | |
| 2 | Admin | Public Works Department Relocation | New | | \$250,000 | \$250,000 | \$250,000 | \$250,000 | | | | | | | | \$0 | \$ 1,000,000 | | |
| 3 | Admin | Surveillance System Upgrades - Network Infrastructure | New | | \$135,000 | | | | | | | | | | | \$0 | \$ 135,000 | | |
| 4 | Admin | Surveillance System Upgrades- District Office | New | | | | | \$130,000 | | | | | | | | \$0 | \$ 130,000 | | |
| | | Total | | \$16,081,500 | \$ 7,066,004 | \$ 6,669,004 | \$ 5,412,073 | \$ 6,375,624 | \$15,254,291 | \$ 7,342,624 | \$10,397,623 | \$ 4,720,958 | \$ 9,625,624 | \$ 2,337,624 | \$ 2,337,624 | \$ 2,337,624 | \$ 19,754,232 | \$ 115,712,429 | |

| YVWD-Capital Improvement Projects | Project Type | Proposed Capital Improvement Project Funding by Fiscal Year | | | | | | | | | | | | | | |
|-----------------------------------|--------------|---|-------------|-------------|-------------|-------------|--------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|--|---------------------------|
| | | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 | FY 2030-31 | FY 2031-32 | 2032 - 2042 10 Year Projected Cost | Estimated Project Cost |
| CIP Funding Total by Division | | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 | FY 2030-31 | FY 2031-32 | 2032 - 2042 10 Year Projected Cost | Totals |
| | | | | | | | | | | | | | | | | |
| Water Operations | | \$1,650,000 | \$2,905,000 | \$2,675,000 | \$1,078,569 | \$1,546,620 | \$8,681,620 | \$876,620 | \$906,620 | \$526,620 | \$526,620 | \$526,620 | \$526,620 | \$526,620 | \$5,266,200 | \$28,219,349 |
| Wastewater Operations | | \$891,500 | \$3,171,004 | \$1,912,004 | \$1,863,504 | \$1,871,004 | \$3,856,004 | \$1,866,004 | \$1,896,004 | \$1,811,004 | \$9,099,004 | \$1,811,004 | \$1,811,004 | \$1,811,004 | \$14,488,032 | \$48,158,080 |
| Recycle Water | | \$11,725,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$11,725,000 |
| Public Works | | \$1,660,000 | \$605,000 | \$1,832,000 | \$2,220,000 | \$2,578,000 | \$2,716,667 | \$4,600,000 | \$7,594,999 | \$2,383,334 | \$0 | \$0 | \$0 | \$0 | \$0 | \$26,190,000 |
| Water Resources | | \$105,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$105,000 |
| Administration | | \$50,000 | \$385,000 | \$250,000 | \$250,000 | \$380,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,315,000 |
| Totals | | \$16,081,500 | \$7,066,004 | \$6,669,004 | \$5,412,073 | \$6,375,624 | \$15,254,291 | \$7,342,624 | \$10,397,623 | \$4,720,958 | \$9,625,624 | \$2,337,624 | \$2,337,624 | \$2,337,624 | \$19,754,232 | \$115,712,429 |

YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | | |
|-----------------|--------------------------------------|--------|-----------------------------|---------------|
| Project | AMI – Meter Replacement and Retrofit | | | |
| Division | YVRWFF/Public Works | | Project Priority | 2019/2022 - 1 |
| Category | System Improvements | | Projected Start Date | |
| Phase | Planning | Design | Environmental | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|--------------|-------------------------|--------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 0 |
| Environmental | \$ 0 | Development Impact Fees | \$ 3,000,000 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 1,000,000 |
| Labor, Equipment, Administration | \$ 4,000,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 4,000,000 | Total | \$ 4,000,000 |

Project Description: The District has approximately 6,000 Automated Meter Infrastructure (AMI) capable consumption meters of the approximately 13,000 total consumption meters. The 6,000 AMI capable meters must be retrofitted with a radio transceiver and special meter box lid. The remaining 7,000 consumption meters will need to be replaced with AMI capable meters and receive the same radio and meter box lid as the retrofits.

This project will be allocated over the next three years by District staff.

YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | |
|-----------------|------------------------|-----------------------------|---------------|
| Project | DWR 18.4/Power Project | | |
| Division | Water | Project Priority | Important |
| Category | System Improvements | Projected Start Date | 2019-2 |
| Phase | Planning | Design | Environmental |
| | | | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 0 |
| Environmental | \$ 0 | Development Impact Fees | \$ 150,000 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 0 | State Participation | \$ 0 |
| Contract Construction | \$ 150,000 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 150,000 | Total | \$ 150,000 |

Project Description:

Drinking Water Reservoir 18.4 is currently a SCADA network solar site with the original panels. Power would also allow for possible site security additions.

YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | | |
|-----------------|--|--------|-----------------------------|--------------------|
| Project | Drain Line for the Existing R-14 Reservoir | | | |
| Division | Water | | Project Priority | Important |
| Category | Asset Rehabilitation | | Projected Start Date | 2019-3 |
| Phase | Quote | Design | Implementation | Project Completion |

| COST BY TYPE | |
|--------------------------------------|-----------|
| Preliminary Engineering/Design | \$ 0 |
| Environmental | \$ 500 |
| Right-of-Way/Land Acquisition | \$ 0 |
| Labor, Equipment, Administration | \$ 8,500 |
| Contract Construction | \$ 61,000 |
| Construction Engineering | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 |
| Total | \$ 70,000 |

| FUNDING SOURCE | |
|-------------------------|-----------|
| Reserves/Depreciation | \$ 70,000 |
| Development Impact Fees | \$ 0 |
| Federal Participation | \$ 0 |
| State Participation | \$ 0 |
| Bond Financing | \$ 0 |
| Local Matching | \$ 0 |
| Other Funds | \$ 0 |
| Total | \$ 70,000 |

Project Description:

This project involves the construction of a drain line to facilitate drainage at the existing R-14 Reservoir site. The drainage will greatly extend the life of the reservoir structure.

YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | | |
|-----------------|---|--------|-----------------------------|--------------------|
| Project | Surveillance Security System Upgrade - YVRWFF | | | |
| Division | Water | | Project Priority | Important |
| Category | Security | | Projected Start Date | 2019-4 |
| Phase | Quote | Design | Implementation | Project Completion |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 0 |
| Environmental | \$ 0 | Development Impact Fees | \$ 175,000 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 175,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | | Total | \$ 175,000 |

Project Description:

The Yucaipa Valley Regional Water Filtration Facility (YVRWFF) is in need of a security system upgrade to ensure the safety of the District's drinking water customers. The current system is twelve years old and not working to the desired level of protection. This quote covers the full property and all processess.

YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | | |
|-----------------|---|--------|-----------------------------|--------------|
| Project | YVRWFF – Perimeter Fencing Upgrade for Intrusion Protection | | | |
| Division | Water | | Project Priority | Important |
| Category | Facility Improvement | | Projected Start Date | 2019-6 |
| Phase | Planning | Design | Environmental | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 0 |
| Environmental | \$ 0 | Development Impact Fees | \$ 100,000 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 100,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 100,000 | Total | \$ 100,000 |

Project Description:

The property line that is in conjunction with the Stater Bros. property directly adjacent to the YVRWFF has had multiple intrusions from the low block wall that belongs to Stater Bros. We've reached out to Stater Bros. to allow the District to heighten the block wall to 8 ft. Depending on the grade the addition of 2 to 4 ft. of block will need to be added.



YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| Project | YVRWFF- Microfiltration Influent Strainer Upgrade | | | |
|----------|---|--------|----------------------|--------------------|
| Division | Water | | Project Priority | Important |
| Category | Replace/New | | Projected Start Date | 2020-1 |
| Phase | Quote | Design | Implementation | Project Completion |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 155,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 155,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 155,000 | Total | \$ 155,000 |

Project Description:

The Yucaipa Valley Regional Water Filtration Facility currently utilizes two manual strainers in the microfiltration influent. With the possible addition to plant capacity, an additional strainer would be necessary. To maximize efficiency, replacing the existing labor-intensive strainers to an automated option would be greatly beneficial.

**YUCAIPA VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

| | | | | |
|-----------------|---|--------|-----------------------------|--------------|
| Project | Public Works – Wildwood Creek Sewer Replacement and Realignment | | | |
| Division | Wastewater | | Project Priority | Important |
| Category | Rehabilitation and Realignment | | Projected Start Date | 2019-7 |
| Phase | Planning | Design | Environmental | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 475,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 0 | State Participation | \$ 0 |
| Contract Construction | \$ 475,000 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 475,000 | Total | \$ 475,000 |

Project Description:

The Wildwood Creek Sewer pipeline was damaged during a storm on February 16, 2019. The sewer mainline will be realigned into Wildwood Canyon Road. There are potential funding opportunities from the State Office of Emergency Services (OES).



**YUCAIPA VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

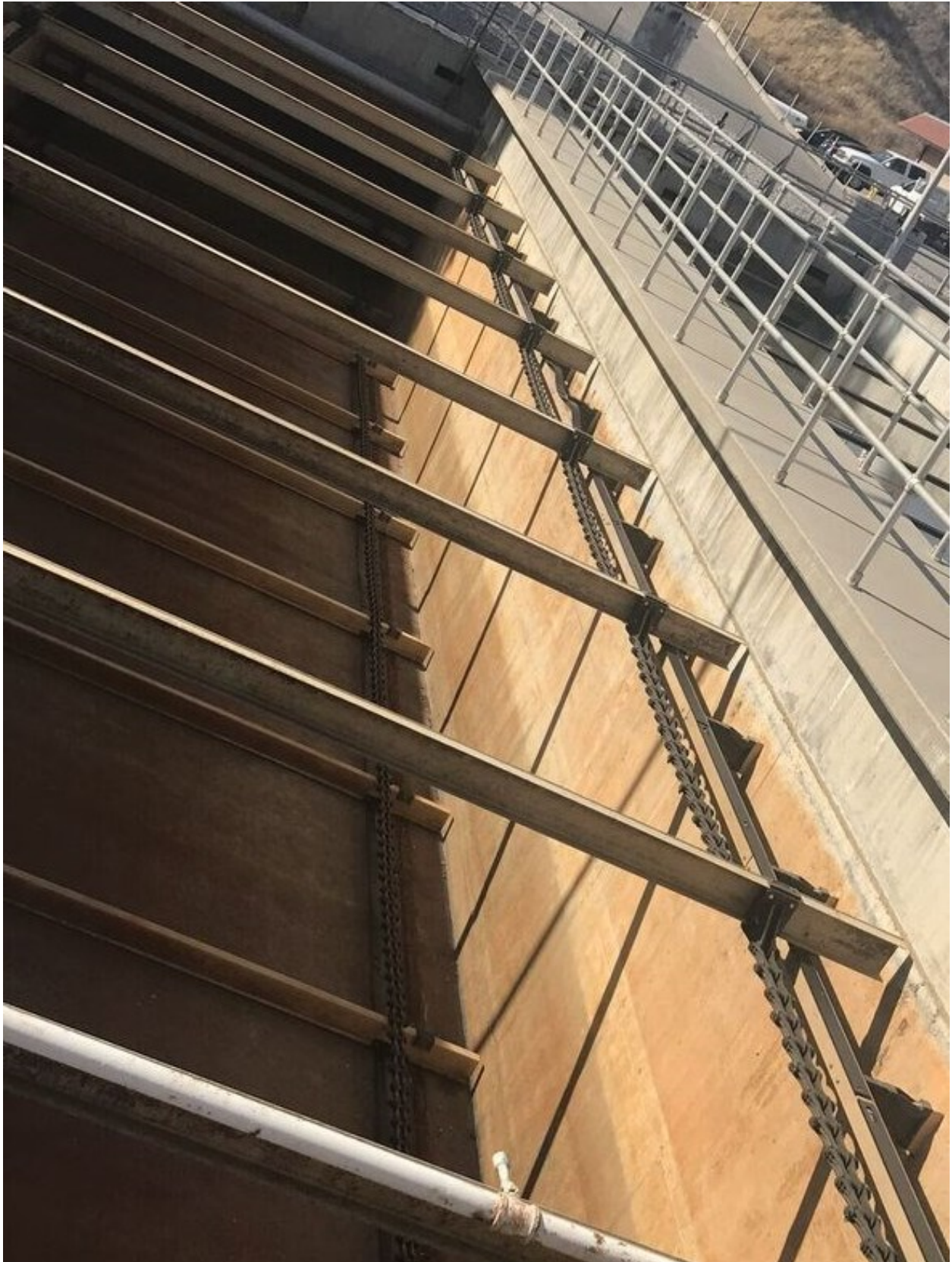
| | | | |
|-----------------|--|-----------------------------|---------------|
| Project | WRWRF – Primary Clarifier Chain and Sprocket Replacement | | |
| Division | Wastewater | Project Priority | Important |
| Category | Asset Rehabilitation | Projected Start Date | 2019-1 |
| Phase | Planning | Design | Environmental |
| | | | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 500,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 500,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 500,000 | Total | \$ 500,000 |

Project Description:

Replacement of clarifier chain and sprockets for the primary clarifier. These are becoming weathered and cracked.







**YUCAIPA VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

| Project | WRWRF – Primary Flights Refurbishing and Replacements | | | |
|----------|---|--------|----------------------|--------------|
| Division | Wastewater | | Project Priority | Important |
| Category | Asset Rehabilitation | | Projected Start Date | 2019-2 |
| Phase | Planning | Design | Environmental | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 150,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 150,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | | Total | \$ 150,000 |

Project Description:

Concrete refinishing and coating replacement of primary effluent launder. Primary metal launder needs to be replaced with fiberglass launder. Launderers need concrete coating replacement and door and hinge refurbishing. Metal doors need to be refurbished and hinges replaced due to rot.









YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | |
|-----------------|--|-----------------------------|---------------|
| Project | WRWRF – Digester Feed Valve and Actuator | | |
| Division | Wastewater | Project Priority | Important |
| Category | Asset Rehabilitation | Projected Start Date | 2019-3 |
| Phase | Planning | Design | Environmental |
| | | | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|-----------|-------------------------|-----------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 21,500 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 21,500 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 21,500 | Total | \$ 21,500 |

Project Description:

Eight in total, only seven total valve and actuators needing to be converted to Auma. This project will be completed by District staff.



**YUCAIPA VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

| | | | |
|-----------------|--------------------------------|-----------------------------|---------------|
| Project | WRWRF – Asphalt Rehabilitation | | |
| Division | Wastewater | Project Priority | Important |
| Category | Facility Maintenance | Projected Start Date | 2019-4 |
| Phase | Planning | Design | Environmental |
| | | | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|-----------|-------------------------|-----------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 75,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 75,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | | Total | \$ 75,000 |

Project Description:

Asphalt is 10 years old and small cracks have begun to appear. Asphalt needs be filled and sealed.

**YUCAIPA VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

| | | | |
|-----------------|--|-----------------------------|---------------|
| Project | WRWRF – Facility Lights Upgrade to LED | | |
| Division | Wastewater | Project Priority | Important |
| Category | Facility Improvements | Projected Start Date | 2019-5 |
| Phase | Planning | Design | Environmental |
| | | | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|-----------|-------------------------|-----------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 50,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 50,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 50,000 | Total | \$ 50,000 |

Project Description:

Current facility lighting is halogen with a mixture of different lighting structures. Numerous lights need replacement of bulbs. The last replacement was 8 years ago. The intent is to replace as needed per year with LED's. This project will be phased out over 5 years.





YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | |
|-----------------|--|-----------------------------|---------------|
| Project | WRWRF – In Plant Sewer Pump #4 Replacement | | |
| Division | Wastewater | Project Priority | Important |
| Category | Asset Replacement | Projected Start Date | 2019-6 |
| Phase | Planning | Design | Environmental |
| | | | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|-----------|-------------------------|-----------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 10,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 10,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 10,000 | Total | \$ 10,000 |

Project Description:

In plant sewer pump #4 is currently leaking and is in need of replacement. This project will be completed by District Staff.



**YUCAIPA VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

| | | | | |
|-----------------|-----------------------------------|--------|-----------------------------|--------------|
| Project | WRWRF – Laboratory Rehabilitation | | | |
| Division | Wastewater | | Project Priority | Necessary |
| Category | System Improvement | | Projected Start Date | 2019-7 |
| Phase | Planning | Design | Environmental | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 125,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 125,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 125,000 | Total | \$ 125,000 |

Project Description:

Laboratory rehabilitation and upgrades.



Yucaipa Valley Water Dist

Cost Breakdown . Proposal

May 2, 2019

| Description | Cost \$ |
|---|------------------|
| 1 General Conditions & Supervision | 1,541 |
| 2 Demolition | 5,563 |
| 3 Concrete and Masonry | - |
| 4 Rough & Finish Carpentry & Misc. Metals | 2,163 |
| 5 Roofing, Flashing, Insulation & Caulking | - |
| 6 Doors & Windows | - |
| 7 Metal Stud Walls | - |
| 8 Architectural Finishes (floor, clng, paint, etc.) | 9,989 |
| 9 Laboratory Equipment & Casework | 53,127 |
| 10 Spec Conditions | - |
| 11 Fire Protection | - |
| 12 Plumbing | 6,022 |
| 13 Heating, Ventilating & Air Conditioning | 8,012 |
| 14 Electrical | 3,875 |
| 15 Controls | - |
| 16 Allowances | - |
| 17 Safety Training | 1,840 |
| CONSTRUCTION SUBTOTAL | 92,132 |
| 10.0% Overhead & Profit | 9,213 |
| 0.00% Liability Insurance | - |
| 0% Contingency | - |
| TOTAL CONSTRUCTION COST | \$101,345 |
| Architect & Engineering Services | 21,000 |
| Plan Check and Construction Permit Allowance | 0 |
| TOTAL PROJECT COST | \$122,345 |
| ALTERNATES | |
| | |
| | |
| TOTAL ALTERNATES | - |



PEACE OF MIND. PERFECTED.

PROPOSAL

To: Ashley Gibson
Company Name: Yucaipa Valley Water District
Address: 12770 2nd St
Yucaipa CA 92399
Direct No: 909-790-3311
Email:

Submitted By: Jimmy Grimes
Proposal #: 41-07-158
Project Name: Chrstal Creek Facility
Address: 35477 Oak Glen RD
Yucaipa , CA 92399
Date: 5/2/2019

SCOPE OF WORK

1. Remove hood and plumbing , electrical , ductwork make ready for new layout.
2. Remove flooring , ceiling and metal casework leave one Labconco fume hood.
3. Remove all storage room shelves and dispose of in the proper manner.
4. Provide one new 10ft VWR Kewaunee chemical fume hood .
5. Fume hood to consist of lights, plugs, alarm., gas, air, water, vac , drain, dished top.
6. Fume hood cabinets to have one new 2ft basic one door and one new 4ft acid.
7. Owner supplied flammable cabinet to complete 10ft hood elevation.
8. Provide plumbing, electrical, and mechanical to new 10ft fume hood POC within 10ft
9. Provide new casework and tops for one 10ft Island and two 6ft wall elevations.
10. Provide new vct floor tile for main lab , storage, small lab, office.
11. Provide new exhaust system for new 10ft fume hood using the remaining electrical.
12. Provide new standard latex paint for main lab, stoage, small lab, office.
13. Provide electrical relocation for plugs and dishwasher.
14. Provide exhaust for for new oven location.
Casework Island to have power pole for one single phase electrical curcuit
10ft Hood to have a distalation rack and DI water
15. Provide one corrision resistant floor containment area.
16. Provide galvanized duct for new laboratory exhaust system.
17. Provide plumbing services with same type of material.

WE WILL PERFORM THIS SCOPE OF WORK FOR A COST OF : \$ 122,345.00

ACCEPTED

Upon Owner's acceptance, the below terms shall supersede any terms to the contrary incorporated into Owner's purchase orders

Accepted

Date

LCS Constructors, Inc.
License No: C-640058

15205 Alton Parkway, Irvine, California 92618
Tel: (949)870-4500 Fax: (949)870-4501

Page 1



PEACE OF MIND. PERFECTED.

Exclusions and Clarifications


1. This proposal is good for 30 days.
2. This proposal assumes access to the facility from 6:00 am – 4:30 pm business hours.
3. Temporary construction utilities (i.e. sanitary, water, power, telephone, etc.) are excluded.
4. All electrical circuits are existing and no new circuits are included.
5. There is no allowance in this proposal for engineering or permitting.
6. Dumpster by owner
7. LCS will conform with Owner's safety programs.
8. All plumbing final connections to be within 10 ft

Terms of Payment

For jobs less than thirty (30) days in duration, LCS will submit an invoice upon completion of the work, which shall be due and payable in twenty (20) days of the invoice date. For projects in excess of thirty (30) days in duration, LCS will invoice a 10% mobilization fee upon execution of the contract or issuance of a purchase order, which shall be payable within twenty (20) days of receipt. Upon commencement of the work, LCS will deliver an Application for Payment (Invoice) to the Owner on a monthly basis due and payable within twenty (20) days, with each such Invoice reflecting an amount equal to the percentage of completion for the work within the monthly billing period. Any remaining final payment shall be due within thirty (30) days after completion of the work or Owner's occupancy, whichever occurs first.

Upon Owner's acknowledgment, the above terms shall supersede any terms to the contrary incorporated into Owner's purchase orders or other agreements that may be issued for the performance of the work.

Thank you for selecting LCS Constructors, Inc. for your construction and maintenance needs.



NATIONAL BUSINESS FURNITURE

Quote # QL230562 (v2)
National Business Furniture, LLC
 770 South 70th Street Milwaukee, WI 53214
 Phone (888) 634-9764 x3558 Fax (800) 329-9349

Ship-To Address agibson@yvwd.us

ASHLEY GIBSON
 RC MANAGER
 YUCAIPA VALLEY WATER DISTRICT
 880 W COUNTY LINE RD
 YUCAIPA, CA 92399
 (909) 795-2491 ext. 4

Bill-To Address agibson@yvwd.us

SAME

Source: 99
 Cat: 46
 Cust#: AV7172

| Item # | Qty | Description | Options | Lead Time | Catalog Price | Discount Price | Total Merch |
|--------|-----|-----------------------------|---|-------------|---------------|----------------|-------------|
| 14517 | 1 | U-Desk with File & Bookcase | Dark Chocolate & White Chocolate Laminates | 1-2 Wks | \$1,070.00 | \$1,016.50 | \$1,016.50 |
| 56848 | 1 | High Back Mesh Chair | Black Pro-grd Back/Black Fabric Seat/Black Base | Ships Today | \$249.00 | \$236.55 | \$236.55 |
| 91495 | 1 | Height Adj Desktop Riser | Black PVC | 1-2 Wks | \$387.00 | \$367.65 | \$367.65 |
| | 1 | LIFETIME GUARANTEE | | | FREE | | |

Important Information:

DELIVERY LEVEL - TAILGATE DELIVERY, YOU WILL NEED PERSONNEL OR EQUIPMENT TO LOWER THE ITEMS FROM THE TRUCK AND BRING THEM INSIDE. PLEASE CONTACT US IF INSIDE DELIVERY IS REQUIRED

Price reflects quoted discount, valid for 30 days from 4/24/2019, exceptions may apply with pending US tariffs.

Sales Tax will be included only for shipments into locations where we are registered to collect sales tax. Customer may be liable for self-assessment if shipment is into a location where we are not registered to collect tax. If you feel any taxes are charged in error, please make sure we have received the proper exemption documentation. All documentation will be reviewed to ensure it meets state & local requirements prior to removing any taxes.

| | |
|----------------------|------------|
| Merchandise | \$1,706.00 |
| Total Discount | 85.30 |
| Merchandise Subtotal | 1,620.70 |
| Shipping & Handling | 285.56 |
| Subtotal | 1,906.26 |
| Total Tax | 147.73 |
| Order Total | \$2,053.99 |

Customer PO#:

Quoted By: STEVE STEPHENS **Ext:** 3558 **On:** 04/24/19 **Page** 1

**YUCAIPA VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

| | | | |
|-----------------|---|-----------------------------|---------------|
| Project | Recycled Water – Calimesa Recycled Water Pipeline Extension | | |
| Division | Recycled Water | Project Priority | Important |
| Category | Recycled Water Conveyance | Projected Start Date | 2019-1 |
| Phase | Planning | Design | Environmental |
| | | | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|--------------|-------------------------|--------------|
| Preliminary Engineering/Design | \$ 150,000 | Reserves/Depreciation | \$ 3,450,000 |
| Environmental | \$ 50,000 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 200,000 | State Participation | \$ 0 |
| Contract Construction | \$ 6,100,000 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 400,000 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 3,450,000 |
| Total | \$ 6,900,000 | Total | \$ 6,900,000 |

Project Description:

The Calimesa Recycled Water Conveyance Pipeline Project that will consist of approximately 18,500 linear feet of 24" recycled water pipeline that will provide recycled water to the Summerwind Development.

YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| Project | Recycled Water – Wilson Creek Spreading Basin | | |
|----------|---|----------------------|---------------|
| Division | Recycled Water | Project Priority | Important |
| Category | Pipeline Expansion | Projected Start Date | 2019-2 |
| Phase | Planning | Design | Environmental |
| | | | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 700,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 360,000 | State Participation | \$ 0 |
| Contract Construction | \$ 300,000 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 40,000 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | | Total | \$ 700,000 |

Project Description:

The Wilson Creek Basin Water Recharge project will enable the District to recharge Recycled Water at the Wilson Creek Basin facility.

The project would provide additional recharge of the Yucaipa groundwater sub basin by surface application of highly treated recycled water from the Wochholz Regional Water Recycling Facility (WRWRF) at the Wilson Creek Basins (Basins), as well as surface application of surplus water from the State Water Project (SWP) delivered via the SWP East Branch Extension. The Yucaipa sub basin is located within the Upper Santa Ana Valley groundwater basin, and currently serves as a local source of drinking water that is recharged by natural underflow from upgradient groundwater sub basins, as well as by deep percolation of precipitation and streambed infiltration. The Wilson Creek Basins are currently used to recharge SWP water and have a 7,000 AF/year recharge capacity. If SWP water is unavailable, additional diluent may be provided by applying potable water to the Wilson Creek Basins from the Yucaipa Valley Regional Water Filtration Facility (YVRWFF), located adjacent to the spreading basins. A new pipeline will be constructed to convey recycled water from the District's existing recycled water distribution system to the Wilson Creek Basins, as well as a new booster pump station and up to two monitoring wells.

YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

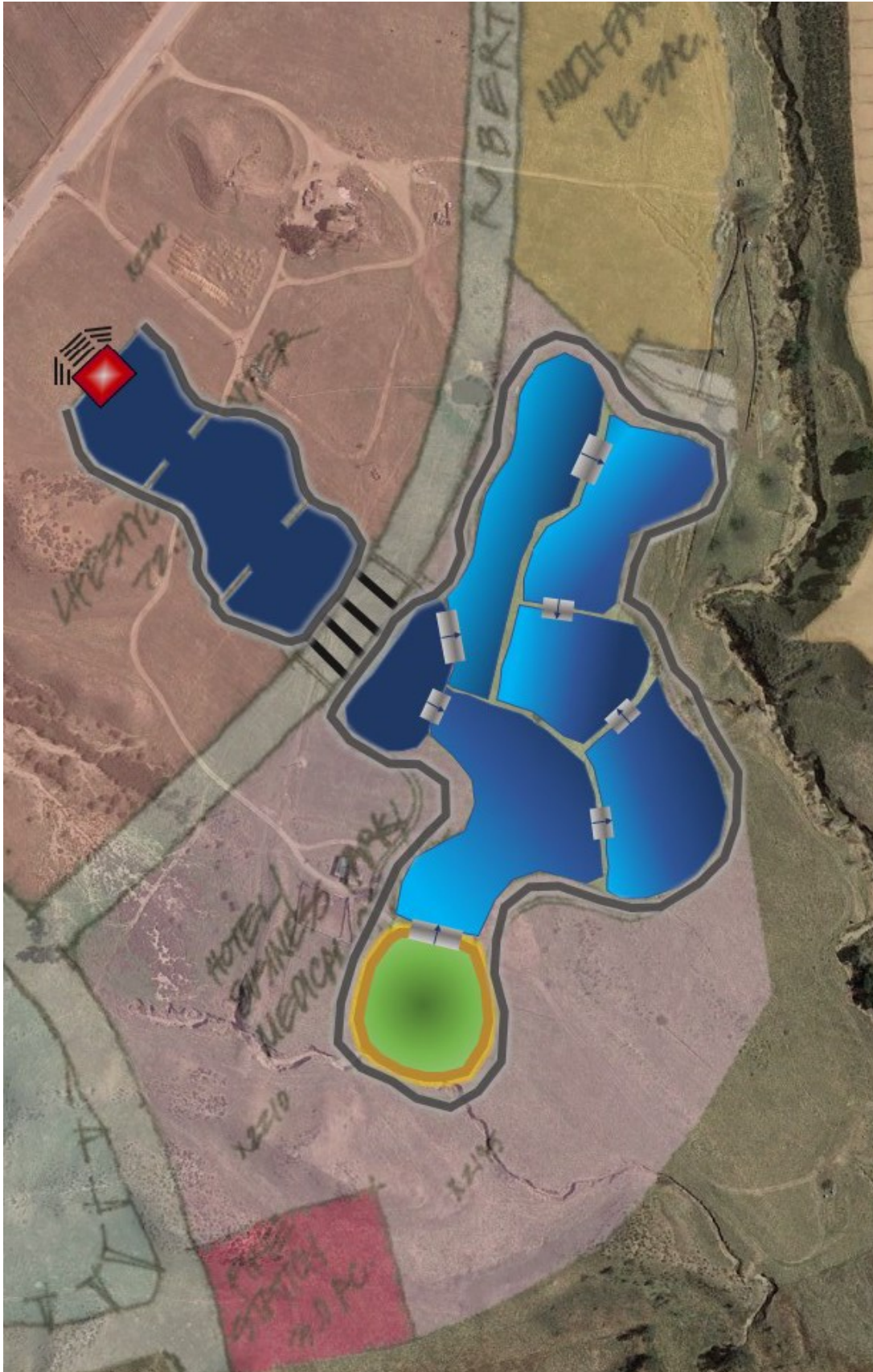
| | | | | |
|-----------------|--------------------------------|--------|-----------------------------|--------------|
| Project | Recycled Water – Calimesa Lake | | | |
| Division | Recycled Water | | Project Priority | Important |
| Category | Water Storage | | Projected Start Date | 2019-3 |
| Phase | Planning | Design | Environmental | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|--------------|-------------------------|--------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 6,000,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 0 | State Participation | \$ 0 |
| Contract Construction | \$ 6,000,000 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 6,000,000 | Total | \$ 6,000,000 |

Project Description:

The District staff has been studying the creation of the Calimesa Lake and Spreading Basin Project. This project will utilize recycled water for groundwater recharge with provisions for augmentation with imported water when available.

This project will be located in the Oak Valley Commercial Development and will consist of a lined pond with adjacent spreading basins and storm water capture basin.



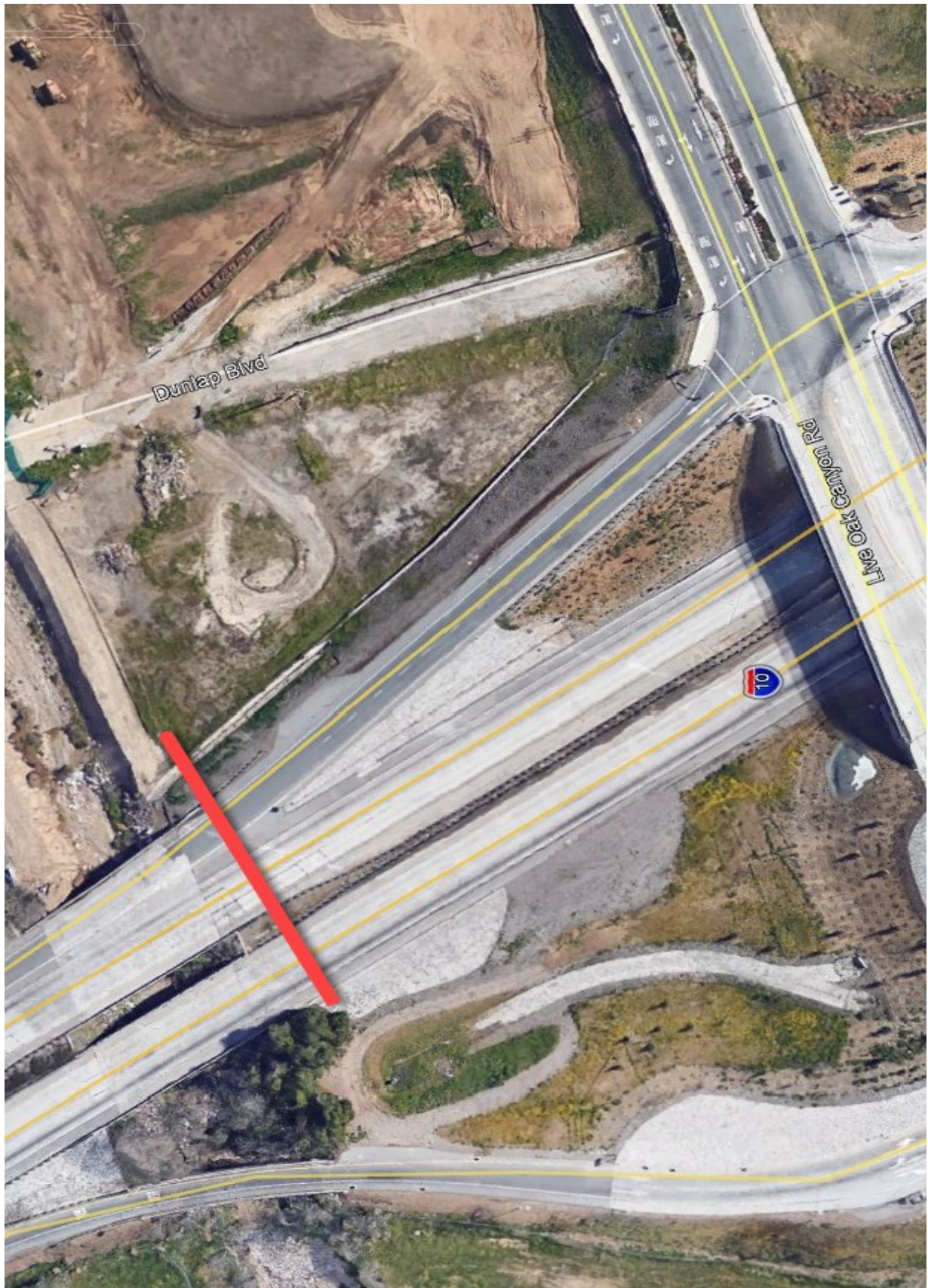
**YUCAIPA VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

| | | | | |
|-----------------|--|--------|-----------------------------|--------------|
| Project | Public Works - Gateway Plaza - Oak Glen Rd x 1-10 Fwy. Sewer Expansion | | | |
| Division | Wastewater | | Project Priority | Important |
| Category | Wastewater Collection | | Projected Start Date | 2019-1 |
| Phase | Planning | Design | Environmental | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|--------------|-------------------------|--------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 0 |
| Environmental | \$ 0 | Development Impact Fees | \$ 1,000,000 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 1,000,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 1,000,000 | Total | \$ 1,000,000 |

Project Description:

Gateway plaza regional sewer expansion, jack and bore under the I-10 freeway.



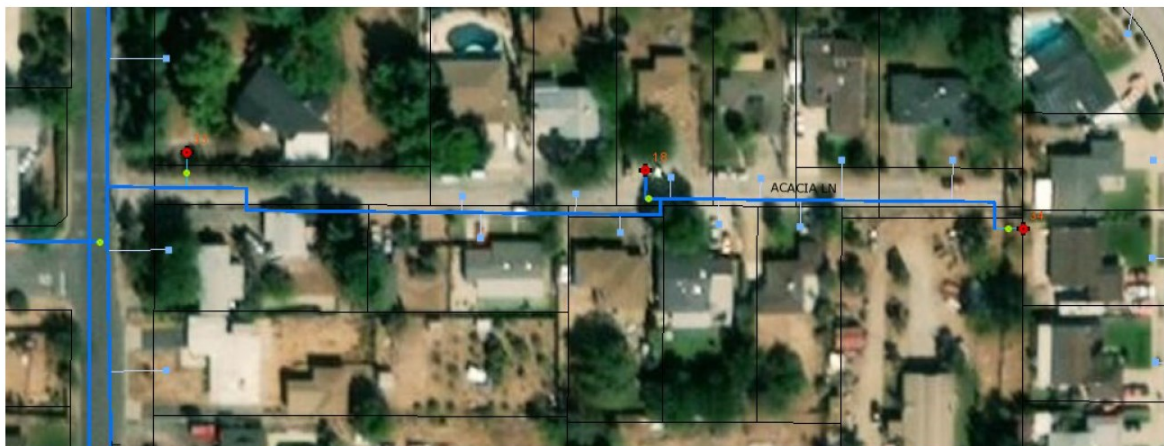
YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| Project | Public Works – Acacia Lane, East of Douglas | | | |
|----------|---|--------|----------------------|--------------|
| Division | Public Works | | Project Priority | Important |
| Category | Pipeline Improvements | | Projected Start Date | 2019-2 |
| Phase | Planning | Design | Environmental | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 194,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 0 | State Participation | \$ 0 |
| Contract Construction | \$ 194,000 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 194,000 | Total | \$ 194,000 |

Project Description:

This project consists of replacing 970 linear feet of water main, 20 services and 3 fire hydrants on Acacia Lane. District staff to complete.



YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | |
|-----------------|------------------------------|-----------------------------|---------------|
| Project | Public Works – Lincoln Drive | | |
| Division | Public Works | Project Priority | Important |
| Category | Pipeline Improvements | Projected Start Date | 2019-3 |
| Phase | Planning | Design | Environmental |
| | | | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|-----------|-------------------------|-----------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 80,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 0 | State Participation | \$ 0 |
| Contract Construction | \$ 80,000 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 80,000 | Total | \$ 80,000 |

Project Description:

This project consists of replacing 400 linear feet of drinking water main, 10 water services and 1 fire hydrant. This will be completed by District staff.



YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | | |
|-----------------|---|--------|-----------------------------|--------------|
| Project | Public Works – Crestview Drive from Douglas Street to Sutter Avenue | | | |
| Division | Public Works | | Project Priority | Important |
| Category | Pipeline Improvements | | Projected Start Date | 2019-4 |
| Phase | Planning | Design | Environmental | Construction |
| | | | | |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 242,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 0 | State Participation | \$ 0 |
| Contract Construction | \$ 242,000 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 242,000 | Total | \$ 242,000 |

Project Description:

This project consists of replacing 690 linear feet of water main, 14 services and 2 fire hydrants on Crestview Drive, 260 linear feet of water main, 7 water services and 1 fire hydrant on Crestview Court, and 260 linear feet of water main, 5 water services, and 1 fire hydrant on Sutter Avenue. This will be completed by District staff.



**YUCAIPA VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

| | | | |
|-----------------|---------------------------|-----------------------------|---------------|
| Project | Public Works – Ruby Court | | |
| Division | Public Works | Project Priority | Important |
| Category | Pipeline Improvements | Projected Start Date | 2019-5 |
| Phase | Planning | Design | Environmental |
| | | | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|-----------|-------------------------|-----------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 44,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 0 | State Participation | \$ 0 |
| Contract Construction | \$ 44,000 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 44,000 | Total | \$ 44,000 |

Project Description:

This project consists of replacing 220 linear feet of water main, 4 services and 1 fire hydrant. This will be completed by District staff.



YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | | |
|-----------------|--|--------|-----------------------------|--------------|
| Project | WRWRF – Perimeter Fencing Upgrade for Intrusion Protection | | | |
| Division | Wastewater | | Project Priority | Important |
| Category | Facility Improvement | | Projected Start Date | 2019-6 |
| Phase | Planning | Design | Environmental | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 0 |
| Environmental | \$ 0 | Development Impact Fees | \$ 100,000 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 100,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 100,000 | Total | \$ 100,000 |

Project Description:

Fencing for the exit of the WRWRF to Live Oak Canyon Road.

**YUCAIPA VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

| | | | |
|-----------------|---|-----------------------------|---------------|
| Project | Public Works – Oak Grove and Oak View Pipelines | | |
| Division | Public Works | Project Priority | Necessary |
| Category | Pipeline Replacement | Projected Start Date | 2019-11 |
| Phase | Planning | Design | Environmental |
| | | | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|------------|-------------------------|------------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 670,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 670,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | | Total | \$ 670,000 |

Project Description:

This project will be phased from 2019 to 2020. Replacement of the drinking water pipeline.



YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | | |
|-----------------|---|--------|-----------------------------|--------------|
| Project | Water Quality – Well Rehab and Monitoring | | | |
| Division | Water Quality | | Project Priority | Important |
| Category | System Improvement | | Projected Start Date | 2019-1 |
| Phase | Planning | Design | Environmental | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|-----------|-------------------------|-----------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 70,000 |
| Environmental | \$ 70,000 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 0 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 70,000 | Total | \$ 70,000 |

Project Description:

Rehabilitation of monitoring wells.

YUCAIPA VALLEY WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM

| | | | | |
|-----------------|---|--------|-----------------------------|--------------|
| Project | Administration – Virtual Private Network Improvements | | | |
| Division | Administration | | Project Priority | Important |
| Category | Rehabilitation | | Projected Start Date | 2019-7 |
| Phase | Planning | Design | Environmental | Construction |

| COST BY TYPE | | FUNDING SOURCE | |
|--------------------------------------|-----------|-------------------------|-----------|
| Preliminary Engineering/Design | \$ 0 | Reserves/Depreciation | \$ 50,000 |
| Environmental | \$ 0 | Development Impact Fees | \$ 0 |
| Right-of-Way/Land Acquisition | \$ 0 | Federal Participation | \$ 0 |
| Labor, Equipment, Administration | \$ 50,000 | State Participation | \$ 0 |
| Contract Construction | \$ 0 | Bond Financing | \$ 0 |
| Construction Engineering | \$ 0 | Local Matching | \$ 0 |
| Other: Environmental/Permitting/Misc | \$ 0 | Other Funds | \$ 0 |
| Total | \$ 50,000 | Total | \$ 50,000 |

Project Description:

Upgrade the District Virtual Private Network.

Appendix D

Drinking Water Related Statutes Updated on December 28, 2018

https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/lawbook/dwstatutes20190101.pdf

NOTE: This publication includes a variety of California statutes related to the subject of drinking water, which may not be complete and should not be relied upon as the State of California's representation of the law. The published codes are the only official representation of the law. Refer to the actual published codes whenever specific citations are required. Drinking water-related regulations are in Titles 22 and 17 of the California Code of Regulations.

California Statutes Related to Drinking Water

JANUARY 1, 2019

Important note:

Before citing any statute, the text of the statute should be confirmed by visiting California's Legislative Information website at: <http://leginfo.legislature.ca.gov/faces/codes.xhtml>. Please report any discrepancies between this document and the content of that website to Michael.McKibben@waterboards.ca.gov.

About this update of Drinking Water-Related Statutes:

- Sections that have been revised or added since the last version of **this** document are typically highlighted in **yellow**. Revisions or additions may not necessarily be due to recent legislative actions.
- Section headings have been added to ease finding a subject. Section headings are **not** typically included in official codes. Those depicted in this document may not be a true representation of the subject of the statutory section.
- There may be statutes related to drinking water that are not included in this document.
- For information pertaining to drinking water-related **regulations**, as well as graywater and recycled water-related statutes and regulations, please visit:
http://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/Lawbook.shtml

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January 1, 2019
California Safe Drinking Water Act & Related Statutes

NOTE: This publication includes a variety of California statutes related to the subject of drinking water, which may not be complete and should not be relied upon as the State of California's representation of the law. The published codes are the only official representation of the law. Refer to the actual published codes whenever specific citations are required. Drinking water-related regulations are in Titles 22 and 17 of the California Code of Regulations.

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Appendix E

Drinking Water Related Regulations Updated on April 16, 2019

https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/lawbook/dw_regulations_2019_04_16.pdf

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California Regulations Related to Drinking Water

April 16, 2019

Sections amended, adopted, repealed, or not included in the previous version are highlighted in yellow. In general, if the text in a section, subsection, or paragraph is highlighted, it is new. If only the section/paragraph number is highlighted, it was amended or repealed. Nonsubstantive revisions may not be shown. Please note that the water recycling criteria have been removed from this document, but may still be viewed in the "Recycled Water-Related Regulations" document here: http://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/Lawbook.shtml

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Appendix F

Recycled Water Related Statutes Updated on December 28, 2018

https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/lawbook/rwstatutes20190101.pdf

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California Statutes Related to Recycled Water & the State Board's Division of Drinking Water

January 2019

Important note:

Before citing any statute, the text of the statute should be confirmed by visiting California's Legislative Information website at: <http://leginfo.legislature.ca.gov/faces/codes.xhtml>. Please report any discrepancies between this document and the content of that website to Michael.McKibben@waterboards.ca.gov.

About this update of Recycled Water-Related Statutes:

- Sections that have been revised or added since the last version of this document are typically highlighted in **yellow**. Revisions or additions may not necessarily be due to recent legislative actions.
- Section headings have been added to ease finding a subject. Section headings are **not** typically included in official codes. Those depicted in this document may not be a true representation of the subject of the statutory section.
- There may be statutes related to recycled water that are not included in this document.
- For information pertaining to recycled water-related **regulations**, as well as drinking water statutes and regulations, please visit:
http://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/Lawbook.shtml

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Appendix G

Recycled Water Related Regulations Updated on December 7, 2018

https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/lawbook/rwregulations.pdf

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State Water Resources Control Board

Regulations Related to Recycled Water

October 1, 2018

Sections amended, adopted, repealed, or not included in the previous version are highlighted in yellow. This revision includes adoption of the Surface Water Augmentation regulations, effective on October 1, 2018. If the text in a section, subsection, or paragraph is highlighted, it is new. If only the section/paragraph number is highlighted, it was amended or repealed. Some nonsubstantive revisions may not be shown.

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Appendix H

Porter-Cologne Water Quality Control Act January 2019

https://www.waterboards.ca.gov/laws_regulations/docs/portercologne.pdf



CALIFORNIA

Water Boards

STATE WATER RESOURCES CONTROL BOARD
REGIONAL WATER QUALITY CONTROL BOARDS

Porter-Cologne Water Quality Control Act

Water Code Division 7 and Related Sections
(As amended, including Statutes 2018)



JANUARY 2019

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD



STATE OF CALIFORNIA
Gavin Newsom, Governor

STATE WATER RESOURCES CONTROL BOARD

Felicia Marcus, Chair
Tam Doduc, Member
Dorene D'Adamo, Member
Joaquin Esquivel, Member
Sean Maguire, Member

•

Eileen Sobeck, Executive Director
Jonathan Bishop, Chief Deputy Director
Eric Oppenheimer, Chief Deputy Director

Compiled by the Office of Chief Counsel

For additional copies or further information, contact the
State Water Resources Control Board, Office of Public Affairs
(916) 341-5254

STATE WATER RESOURCES CONTROL BOARD AND CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARDS

The State Water Resources Control Board was established in 1967 by the Legislature. The Board succeeded to the functions of the former State Water Rights Board and the State Water Quality Control Board. The nine California Regional Water Quality Control Boards were originally established in the Dickey Water Pollution Control Act of 1949. Together the ten water boards have primary responsibility for implementing and enforcing the Porter-Cologne Water Quality Control Act (Porter-Cologne Act).

This pamphlet contains excerpts of the Porter-Cologne Act and other related Water Code sections. The State Water Resources Control Board publishes this collection as part of its public information program. This booklet is provided as a public service. Bracketed headings in Division 7 are not part of the code, but are editorial insertions for the benefit of the reader. While every effort is made to assure accuracy, persons should consult the official version of the California Code when making legal decisions. The California Legislative Counsel maintains the official code, which is accessible on the Internet at:

<http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

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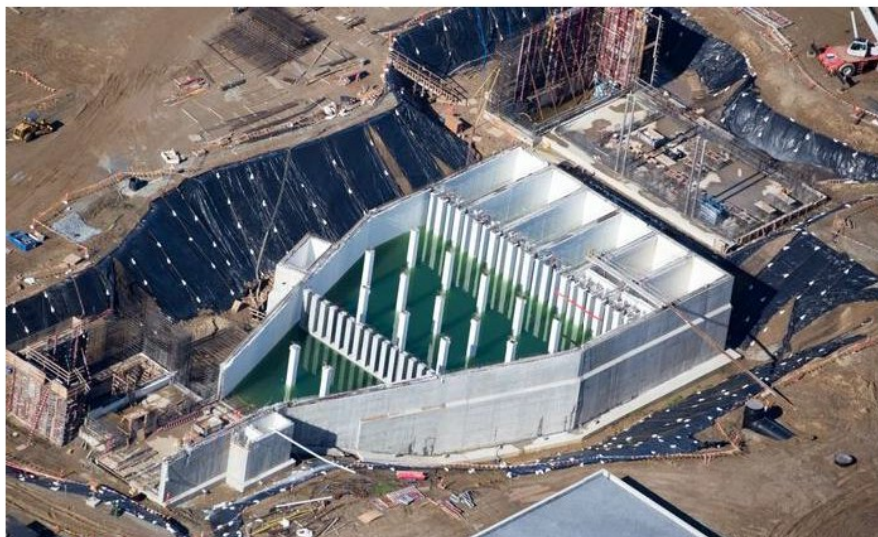
Appendix I

State Water Resources Control Board - Policy for Implementing the Clean Water State Revolving Fund Loan

**STATE
WATER
RESOURCES
CONTROL
BOARD**



**CALIFORNIA
ENVIRONMENTAL
PROTECTION
AGENCY**



Policy for Implementing the Clean Water State Revolving Fund



**Amended
November 28, 2018**

Prepared by:
THE DIVISION OF FINANCIAL ASSISTANCE

STATE WATER RESOURCES CONTROL BOARD
STATE OF CALIFORNIA

Amended November 28, 2018

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POLICY FOR IMPLEMENTING THE CLEAN WATER STATE REVOLVING FUND

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**Complete Appendices are located at:

https://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/cwsrf_policy.shtml

LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|----------|---|
| AIS | American Iron and Steel |
| CEQA | California Environmental Quality Act |
| CWA | Clean Water Act |
| CWSRF | Clean Water State Revolving Fund |
| DAC | Disadvantaged Community |
| DBE | Disadvantaged Business Enterprise |
| DWR | Department of Water Resources |
| FSP | Fiscal Sustainability Plan |
| GAAP | Generally Accepted Accounting Principles |
| GASB | Governmental Accounting Standards Board |
| IUP | Intended Use Plan |
| MHI | Median Household Income |
| POTW | Publicly Owned Treatment Works |
| PRF | Pledged Revenues and Funds |
| SCG | Small Community Grant |
| SDAC | Severely Disadvantaged Community |
| SERP | State Environmental Review Process |
| U.S. EPA | United States Environmental Protection Agency |
| WRFP | Water Recycling Funding Program |

I. INTRODUCTION

This Policy was written to implement the federal Clean Water Act's (CWA) Clean Water State Revolving Fund (CWSRF) Program in California. The CWA provides for the creation of a CWSRF Program capitalized by federal and state funds. The CWA authorizes financial assistance through loans and other financing mechanisms for a wide variety of pollution control efforts designed to meet the goals of the CWA. The CWSRF is intended to provide financial assistance in perpetuity using state and federal funds.

The *Policy for Implementing the Clean Water State Revolving Fund* addresses all project types eligible for CWSRF assistance. It is organized in order of project development, and it sets forth the requirements to obtain CWSRF financing.

The provisions of this amended Policy are effective November 28, 2018, unless otherwise required by federal or state statute, guidance, regulation, or agreement.

Notwithstanding any provision of this Policy, the State Water Board will implement this Policy consistent with federal law and policy and state bond law and policy.

II. PURPOSE AND OBJECTIVE

Under federal and state law the primary purpose of the CWSRF Program is to provide financing for eligible projects to restore and maintain water quality in the state. This Policy is also designed to support multiple objectives where economically and technically feasible. These additional objectives must be cost-effective and complement both the federal and state criteria and the policy goals of the State Water Board.

The State Water Board also seeks to reduce the effects of climate change and to promote sustainable water resources for future generations. In 2017 the State Water Board adopted Resolution No. 2017-0012 specifying a range of actions the State Water Board's divisions and offices will take to implement its climate change program. This Policy is designed to support those efforts.

Additionally, Section 106.3 of the Water Code provides that it is the policy of the state that every human being has the right to safe, clean, affordable and accessible water adequate for human consumption, cooking, and sanitary purposes. This section requires the State Water Board to consider this state policy when adopting policies and grant criteria. The State Water Board has considered the provisions of Section 106.3 of the Water Code in establishing this Policy.

III. DEFINITIONS

The following words where used in this CWSRF Policy shall have the meaning hereafter ascribed to them:

"Agricultural Water Supplier" means a water supplier, pursuant to Section 10608.12 of the Water Code.

"Allowance" or "soft costs" means an amount of money for eligible planning, design, value engineering, construction management, and administration costs of the project.

"Applicant" means the legal entity with the authority to enter into agreements and incur debt related to the Project. Eligible applicants for particular project types vary under applicable law, and are set forth in the Intended Use Plan (IUP).

"Authorized Representative" means the duly appointed member, official, or employee of the applicant/recipient who has the authority to represent the entity and sign documents pertaining to the funding or financing application, certify compliance with applicable state and federal laws, execute the financial assistance agreement and amendments, and certify disbursement requests.

"Bridge Financing" means interim financing to cover eligible project costs until the CWSRF financing for the project is received from the State Water Board.

"Capitalization Grant" means federal CWSRF funds granted to the State Water Board by the United States Environmental Protection Agency (U.S. EPA) in a particular year pursuant to certain terms and conditions.

"CEQA" means the California Environmental Quality Act (commencing at Section 21000 of the Public Resources Code).

"Clean Water Act" or "CWA" means the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.), including any amendments thereto.

"Completion of Construction" means the date that construction or implementation of the project is substantially complete.

"Completion of Planning/Design" means that the Division has accepted the deliverables identified in the planning/design financing agreement.

"Contingency" or "contingencies" means the amount budgeted for unforeseen costs. The contingency amount estimated in the CWSRF application can be used to pay for eligible change orders approved by the Division. Contingencies are subject to credit review and approval by the Division.

"Division" means the Division of Financial Assistance within the State Water Board.

"Eligible Project Cost" means that portion of the total cost of a project that is eligible for financial assistance under this Policy pursuant to federal and state laws, rules, regulations, policies, and guidelines.

"Eligible Start Date" means the date established by the Division upon approval of the financing application. Construction costs incurred after this date are eligible for financing. For project financing the eligible start date may not be earlier than a fundable project's notice to proceed date or the start of project implementation.

"Environmental Document" means a Categorical Exemption, Initial Study, and Negative Declaration, Mitigated Negative Declaration, Environmental Impact Report, Addendum, Supplemental or a Subsequent document prepared in accordance with CEQA and associated supporting documents showing compliance with federal environmental laws, consistent with the State Environmental Review Process (SERP).

"Estuary project" means a project that implements a Comprehensive Conservation and Management Plan for Morro Bay, the San Francisco Bay, or Santa Monica Bay, in accordance with Section 320 of the federal CWA.

"Executive Director" means the Executive Director of the State Water Board.

"Existing debt" means the applicant's existing material debt (e.g. secured by the System revenues, etc.).

"Financial distress" or "financial emergency" means that a recipient has filed for bankruptcy protection in federal court or has taken either of the preliminary actions for bankruptcy protection pursuant to Section 53760 of the Government Code.

"Financing agreement" means the written agreement signed by all parties and any amendments thereto, between the State Water Board and the recipient, setting forth the terms, provisions, and conditions governing the financing and repayment, if any. This document may be a Loan, Non-Repayable Financing, or another financing instrument.

"Fundable List" means a list of projects in the IUP that are expected to receive assistance in a particular state fiscal year. The Fundable List is prepared pursuant to Section 603(g) of the CWA.

"Infiltration" means groundwater entering a sewer system due to defective pipes, pipe joints, connections, manhole walls, or similar defects. Infiltration is distinct from inflow.

"Inflow" means the water entering a sewer system from roof leaders, cellars, yards and area drains, foundation drains, cooling water discharges, drains from springs and swampy areas, manhole covers, cross connections from storm sewers and combined sewers, catch basins, storm waters, surface run-off, street wash waters, drainage, or similar sources. Inflow is distinct from infiltration.

"Intended Use Plan" or "IUP" means the annual document that the State Water Board submits to U.S. EPA after public review and comment that contains the business plan for the CWSRF, identifies the projects eligible for funding during the year, and the terms and conditions applicable to funding.

"Loan" means and includes any repayable financing instrument, including a loan, bond, installment sale agreement, note, or other evidence of indebtedness.

"Nonpoint Source project" or "NPS project" means any program, device, method, or system used to prevent, abate, reduce, transport, separate, store, treat, recycle, or dispose of pollutants from nondistinct, unconfined sources, including return flows from irrigated agriculture consistent with the NPS Implementation Plan.

"Non-Repayable Financing" means and includes any form of non-repayable financing, whether in the form of grant, principal forgiveness, or other form of financing instrument.

"Operating Agreement" means the Operating Agreement between the California State Water Resources Control Board and the United States Environmental Protection Agency Region IX for Activities and Functions in Managing the State Water Pollution Control Revolving Fund Program, dated November 2012 and any amendments thereto. (See Appendix B).

"Planning/Design Financing" means financing to cover some or all of the cost of preliminary activities necessary to construct or implement a project including, but not limited to, legal costs, studies, planning, preliminary engineering, and design for a project.

"Project" means any distinguishable segment or segments, or portion of a segment, described in the approved financing agreement, which can be constructed or implemented separately, and for which financial assistance under this Policy is sought or provided.

"Recycled Water" is defined in Section 13050(n) of the Water Code.

"Recipient" means an applicant with an executed CWSRF financing agreement signed by all parties.

"Refinancing" means the use of CWSRF monies to pay off debt related to an otherwise eligible CWSRF project and provide CWSRF financing in its place.

"Regional Water Board" means the appropriate California Regional Water Quality Control Board.

"Sewer System Evaluation Survey" means a systematic examination of the sewer system to determine the specific location, estimated flow rate, methods of rehabilitation, and cost of rehabilitation versus cost of transportation and treatment for each defined source of Infiltration or Inflow.

"SERP" means State Environmental Review Process approved by U.S. EPA Region 9.

"Small Community Grant" or "SCG" means a grant authorized by Section 13477.6 of the Water Code.

"Small Disadvantaged Community" or "Small DAC" means a community with a population of less than 20,000, and either or both of the following conditions:

- an MHI of less than eighty percent (80%) of the statewide MHI;
- a sewer rate of more than four percent (4%) of the community's MHI.

"Small Severely Disadvantaged Community" or "Small SDAC" means a community with both a population of less than 20,000 and an MHI of less than sixty percent (60%) of the statewide MHI.

"State" means the State of California "State Water Board" means the State Water Resources Control Board.

"Storm water project" means any program, device, method, or system used to prevent, abate, reduce, transport, separate, store, treat, recycle, or dispose of pollutants arising or flowing in storm drainage that is transported in pipes, culverts, tunnels, ditches, wells, channels, conduits, from urban or rural areas to surface or groundwaters of the state and the reuse or disposal of storm water determined acceptable for reuse or disposal.

"Treatment facilities" or "treatment works" means "treatment works" as defined in Section 1292 of Title 33 of the United States Code.

"Urban Water Supplier" means a supplier, pursuant to Section 10617 of the Water Code.

"Useful Life" means the estimated period of time over which the funded facility will serve its intended purpose in a cost-effective manner from the estimated initiation of operation date.

IV. PROGRAM MANAGEMENT

A. Intended Use Plan and Capitalization Grant Applications

1. Annually the Division will prepare an IUP for the State Water Board's consideration and submittal to the U.S. EPA. The State Water Board may establish various requirements, conditions, and incentives in the IUP, and may reserve funds for selected classes or types of projects. The IUP will provide information necessary to satisfy U.S. EPA's requirements including, but not limited to, the availability of and applicable limitations on Non-Repayable Financing, equivalency requirements, the application of financing service charges, and a Fundable List of projects eligible to receive funding based on their priority and the availability of funds for the year.
2. The Executive Director may amend an IUP adopted by the State Water Board for good cause. The Executive Director must conduct a public review before amending the IUP.
3. The Executive Director or designee may apply for and accept Capitalization Grants and approve amendments to the Capitalization Grants.

B. Fundable List

The purpose of the Fundable List is to identify Eligible Projects the State Water Board intends to finance during the state fiscal year.

1. Annual Fundable List in General

- a. A project must be on the Fundable List to receive financing. Placement of an application on the Fundable List does not guarantee financing. A financing agreement will be executed for a project on the Fundable List only if the application meets all applicable eligibility requirements.
- b. All projects¹ submitted to the Division for CWSRF and its complementary funding sources will be evaluated for placement on the Fundable List. Annually all applications, with the exception of small SDAC, small DAC, and public health² projects, will receive a priority score as described below in Section IV.B.2 of this Policy.

¹ Multiple application forms submitted for financially separate but technically interrelated and interdependent segments of a project will be considered as one "project" for scoring purposes. Projects that (a) have completed 25% of construction on or before December 31 or (b) started construction on or before December 31 and are anticipated to complete construction before the earlier of June 15th or the adoption of the IUP are not fundable.

² A project is a public health project when the County Board of Supervisors, City Council, or the County Health Officer has certified that a health problem exists and the State Water Board or a Regional Water Board has (a) adopted a discharge prohibition, (b) approved a moratorium, or (c) adopted a cease and desist order. Alternatively, a project may be a public health project when it is required to comply with a prohibition, posting, limitation, or warning that has been imposed by a

- c. Small SDAC, small DAC, and public health projects are Fundable at any time provided they meet all eligibility requirements, and will automatically be added and remain on the Fundable List until:
 - i. The project is funded;
 - ii. The problem ceases to exist or the application is determined to be ineligible for funding;
 - iii. The State Water Board instructs that it be removed; or
 - iv. The applicant requests that its application be removed.

2. Priority Score

The priority score is the sum of three components: (a) the "primary score," (b) the "secondary score," and (c) the "readiness score." Pro-rated scores will not be awarded for any components of the priority score.

a. Primary Score

- i. All applications subject to scoring will receive a primary score. The primary score is a single number selected from Table 1.
- ii. The primary score is selected using the combination of purpose and resource or impact that results in the highest primary score³. A description of each term in Table 1 is given below the table.
- iii. The maximum primary score is nine (9).
- iv. Applications that do not meet any of the objectives in Table 1 will receive a primary score of two (2).

Table 1 – Primary Score

| Resource or Impact | Purpose | | |
|--------------------------------------|------------|------------|-------------|
| | Corrective | Preventive | Improvement |
| Drinking Water Source | 9 | 8 | 7 |
| Delta Water Quality | 8 | 7 | 7 |
| Water Recycling | | | 7 |
| Impaired Water Body | 8 | 6 | 4 |
| Water Quality Control Plan or Permit | 8 | 6 | 4 |

Primary Score Descriptions

Purpose

Correcting: To qualify as a corrective project, the applicant must identify the specific plan, policy, or permit criteria that are being violated or exceeded, document the extent of the violations, document that the violations are the subject of enforcement

responsible health authority and the State Water Board or a Regional Water Board has concurred with the health authority's determination and established a time schedule for correction or elimination of the problem. The applicant must demonstrate a direct connection between completion of the project and correction or elimination of the public health problem.

³ For example, a water recycling project that also corrects an impairment would be scored as a "corrective" project in that category, receiving a Primary Score of "8."

actions, if applicable, by a Regional Water Board or the State Water Board, and demonstrate a direct connection between completion of the project and correction of the problem.

Preventing: To qualify as a preventive project, an applicant must demonstrate that not completing the project is likely to result in a plan, policy, or permit violation or exceedance in the near future. The applicant must identify the specific criteria that will potentially be violated or exceeded and demonstrate a direct connection between completion of the project and prevention of the violations.

Improving: To qualify as an improvement project, an applicant must demonstrate that, while not necessary to meet current standards or prevent near-term violations, the project outcome will surpass current plan, policy, or permit requirements, meet anticipated future requirements, or be done to improve the efficiency and reliability of meeting standards or reduce operating costs.

Resource or Impact

Drinking Water Source: The applicant must identify the drinking water source, the current or reasonably foreseeable users of that source, the drinking water standards that are in jeopardy, and demonstrate a direct connection between completion of the project and the elimination or reduction of the constituents that jeopardize the drinking water standards.

Delta Water Quality: Applicants must demonstrate a direct connection between completion of the project and a benefit to water quality in the Sacramento-San Joaquin delta estuary.

Water Recycling: Projects must meet the requirements of the *Water Recycling Funding Program Guidelines*.

Impaired Water Body: Applicants must identify the 303(d) listed water body, the specific impairment, and demonstrate a direct connection between completion of the project and correction, prevention, or improvement of the specific impairment.

Water Quality Control Plan, Policy, or Permit: Applicants must identify the specific criteria in the Regional Water Board or State Water Board adopted plan, policy, or permit and demonstrate a direct connection between completion of the project and correction, prevention, or improvement of the conditions affecting the criteria.

b. Secondary Score

- i. All projects subject to scoring will receive a secondary score.
- ii. The secondary score is the single highest number chosen from Table 2 based on the characteristics identified in the table.
- iii. The maximum secondary score is three (3).
- iv. If the application or applicant does not meet any of the secondary characteristics shown on Table 2, then the secondary score will be zero (0).

Table 2 – Secondary Score

| Secondary Characteristic | Score |
|---|-------|
| Applicant has adopted a "climate change" action plan or policy, and the plan or policy is applicable to the system being financed or the project will help implement the plan or policy actions. | 3 |
| Project addresses multiple water quality impairments, eliminates or reduces multiple sources of water pollution, or eliminates a discharge of waste regulated by a Regional Water Board or the State Water Board. | 3 |
| Project is cited in a multi-agency regional environmental management plan, increases the local supply of drinking water, or has multi-media environmental benefits. | 2 |
| The applicant agrees to provide funds to match federal capitalization grants by agreeing to the match financing option ⁴ . | 2 |

Secondary Score Descriptions

Climate Action Plan or Policy: A plan or policy adopted or approved by the applicant that identifies a series of specific actions covering all aspects of the applicant's authority that it intends to take to address the causes and effects of climate change or participation in a 3rd party voluntary program covering all aspects of the applicant's authority that will help it identify, track, and verify actions to address the causes and effects of climate change.

Multi-Agency Regional Environmental Management Plan: A plan adopted or approved by multiple agencies that identifies regional solutions to environmental problems.

Multiple Environmental Benefits: Multiple environmental benefits are benefits in addition to the project's primary water quality benefits, such as reducing solid waste or air pollution from sources outside of the system or project being financed.

c. Readiness Score

- i. All projects subject to scoring will receive a readiness score.
- ii. The readiness score will be based on the status of the application and the project's plans and specifications as of December 31 of the year preceding the Fundable year.
- iii. The readiness score is the sum of the applicant's readiness for an agreement and the applicant's readiness to construct the project based on the thresholds identified in Table 3.
- iv. The maximum readiness score is four (4).
- v. If the application is incomplete, the agreement readiness score is 0 (zero). If the project's plans and specifications do not meet either of the thresholds in Table 3, the construction readiness score will be 0 (zero).

⁴ Applicants must commit to the match financing option at the time of scoring. Rejection of the match option at a later date may result in removal of the project from the Fundable List.

Table 3 – Readiness Score

| Application or Design Status | Score |
|---|----------------------------------|
| Complete Application ⁵ Received by the Division | 2 |
| Plans and Specifications ⁶ as verified by Division staff | If > 49% = 1, or if > 89% = 2 |

d. Adjustments

The projects' Priority Scores will not be adjusted during the Fundable year.

3. Development of the Annual Fundable List

- a. The Division will include all Small SDAC, Small DAC, and public health projects on the Fundable List. The Division will sort and rank all other projects from highest priority score to lowest priority score for potential placement on the Fundable List.
- b. The Division will select a cutoff score by comparing the demand for funds with the CWSRF Funding Target in the IUP and the available complementary funding sources.
 - i. All projects with a Priority Score higher than the cutoff score will be Fundable. Projects with a Priority Score equal to the cutoff score may be Fundable or not Fundable depending on the outcome of the process described in this subsection of the Policy. Projects below the cutoff score will not be Fundable.
 - ii. If a cutoff score results in a Fundable List less than 90% of the Funding Target, then a lower cutoff score will be selected.
 - iii. If a cutoff score results in a Fundable List greater than 125% of the Funding Target, then projects whose priority score is equal to the cutoff score will be evaluated separately for placement on the Fundable List based on the community economic status shown in Table 4 below. In addition, funding limitations may be applied to Fundable projects.
 - Projects with the same community economic status will either be Fundable or not be Fundable.
 - After determining the community economic status, all large severely disadvantaged and large disadvantaged communities will be Fundable provided the Fundable List is equal to or less than 125% of the Funding Target.

⁵ A complete financial assistance application means that all four completed application packages (general, technical, financial, and environmental), with all applicable attachments, have been submitted to the Division.

⁶ Release of a request for proposal for design-build or similar construction procurement will be counted as 100% P & S for purposes of the readiness score. For projects that do not require construction P & S, formulation of a complete scope of work will be counted as 50% P & S for purposes of the readiness score, and acquisition of all agreements and approvals necessary to implement the scope of work will be counted as 100% P & S for purposes of the readiness score.

- If the addition of all large severely disadvantaged and large disadvantaged communities results in a Fundable List greater than 125% of the Funding Target, then all large severely disadvantaged communities will be Fundable provided the Fundable List is equal to or less than 125% of the Funding Target.
 - If the addition of all large severely disadvantaged community projects would result in a Fundable List greater than 125% of the Funding Target or there are no large severely disadvantaged community projects, then the Division will consider funding all large disadvantaged community projects and the application of partial funding. Projects whose Priority Score is equal to or greater than the cutoff score may be subject to partial funding limitations. Any partial funding limitations will be determined so that the total funding on the Fundable List is consistent with the Funding Target and the availability of complementary financing sources. The Division will attempt to provide 100% of the requested financing to every project on the Fundable List to the greatest extent feasible, and will establish any funding limitations uniformly to those selected for partial funding. Projects approved for partial funding must demonstrate that the remaining funding is secured, or the Division must determine that it reasonably believes that the applicant is capable of obtaining the remaining funds necessary to successfully complete the projects or interrelated and interdependent phases of the projects. The funding limitations will not be adjusted during the Fundable year, but funding may be increased in a future IUP for projects that are limited in any given year.
- iv. Applications that are requesting only complementary financing sources, i.e., no CWSRF Loan funds, and a score below the cutoff score, may be included on the Fundable list if it appears that there will be complementary funds available after financing applications with the cutoff score or higher score.

Table 4 – Community Economic Status

| Status |
|--|
| Large disadvantaged community means a community with a population equal to or greater than 20,000 and one or both of the following conditions: <ul style="list-style-type: none"> ○ a MHI of less than eighty percent (80%) of the statewide median household income ○ a sewer rate of more than four percent (4%) of the community's MHI. |
| Large severely disadvantaged community means a community with both a population of equal to or greater than 20,000, and an MHI of less than sixty percent (60%) of the statewide MHI. |

- c. The Division may consider the application of partial funding to projects on the Fundable List or recommending a Fundable List greater than 125% of the Funding Target for good cause. The State Water Board reserves the right to modify the recommended Fundable List to provide for effective and equitable use of CWSRF funds. The Division will attempt to provide 100% of the requested financing to all projects on the Fundable List to the greatest extent feasible, and will apply partial funding limitations uniformly. Projects recommended for partial funding must demonstrate that the remaining funding is secured, or the Division must determine that it reasonably believes that the applicant is capable of obtaining the remaining funds necessary to successfully complete the projects or interrelated and interdependent phases of the projects. Any funding limitations approved by the State Water Board will not be adjusted during the Fundable year, but funding may be increased in a future IUP for projects that are limited in any given year.

4. Funding of Projects

- a. All projects on the Fundable List are fundable at any time during the fiscal year covered by the IUP provided they meet all eligibility requirements. The Division will monitor progress of all projects on the Fundable List to ensure that applicants are proceeding expeditiously to construction or implementation.
 - i. Applications on the Fundable List that were incomplete as of December 31 will be subject to a secondary deadline for submitting a complete application to remain on the Fundable List.
 - ii. Applications whose plans and specifications are less than 20% as of December 31 may be subject to a secondary deadline for submitting substantially complete plans and specifications to remain on the Fundable List.
- b. The Division will review the applications on the Fundable List with the objective of executing agreements quickly and efficiently, giving priority to Small SDAC, Small DAC, and public health projects and priority to those communities with lower median household incomes, for all applications by the end of the state fiscal year. Projects on the Fundable List that are not financed by the end of the state fiscal year will be carried over to the next year's Fundable List unless directed otherwise by the State Water Board or an applicant withdraws its application.

5. Project Removals

- a. The Deputy Director of the Division may remove a non- Small SDAC or a non- Small DAC project from the Fundable List if the applicant is non-responsive and the Deputy Director has notified the applicant and given the applicant a reasonable opportunity to respond.

- b. The Deputy Director of the Division will remove a project from the Fundable List when:
 - i. The problem ceases to exist or the application is determined to be ineligible for funding;
 - ii. An applicant retracts its commitment to the match financing option if scoring for the match option was decisive to placement of the application on the Fundable List;
 - iii. The applicant fails to meet a secondary deadline for submitting a complete application or substantially complete plans and specifications;
 - iv. The State Water Board instructs that it be removed; or
 - v. The applicant requests that its application be removed.
- c. Projects that were removed from the Fundable List for any reason may be placed on a future year's Fundable List if the Policy requirements for placement have been satisfied.

C. Interest Rate and Other Charges

- 1. Generally, the interest rate for CWSRF financing agreements is fifty percent (50%) of the most recent interest rate paid by the State on general obligation bonds issued by the State Treasurer's Office as of the date that the Division initiates preparation of the financing agreement document for routing and signoff or the State Water Board approves the financing, whichever is first, rounded up to the nearest ten basis points (0.1%).
- 2. The State Water Board will utilize the IUP to establish any administrative service charge, Small Community Grant (SCG) funding charge, financing charges, and incentives. The administrative service charge provides funding for administration of the CWSRF Program, and the SCG funding charge provides a source of grant funding for small SDAC and small DAC wastewater projects. Where a financing agreement includes any such charge, the interest is correspondingly reduced so that the combined payment of principal, interest, and charge(s) is the same regardless of whether a charge is applied.

D. Annual Report

The Division will prepare and send an Annual Report to the U.S. EPA that describes how the CWSRF Program met the objectives identified in the year's IUP and appropriate additional periodic reporting requirements. The Division will promptly post the Annual Report on its internet website.

V. MATCH FINANCING

The State must contribute capital into the CWSRF equal to twenty percent (20%) of the federal Capitalization Grants. The State Water Board may offer incentivized financing (e.g., a reduced interest rate) to applicants that contribute matching funds through their financing agreements.

A. Availability

The State Water Board will determine at least once each year whether to offer match financing. This determination will normally be made in the IUP.

B. Match Resolution

To receive match financing an applicant must submit a resolution passed by the applicant's governing body that sets forth the applicant's intent to provide matching funds in the amount and at the times necessary to complete the project. Appendix C contains a model resolution.

C. Match Financing Terms

The interest rate on match financing agreements will be zero percent (0%). The principal amount of the financing agreement will include both the amount received from the State Water Board and the matching funds contributed by the recipient. Planning and design financing agreements may not use match financing. Match Financing may not be combined with other interest rate reduction incentives.

D. Match Disbursements

1. Eligible Project Costs

The recipient must pay the proportionate match for each eligible project cost (16.67 percent), and may request the remainder of each eligible project cost (83.33 percent of the financed amount) from the CWSRF.

2. Match Certification and Documentation

The recipient must submit to the Division certification of payments for all eligible project costs. The Division will disburse 83.33% of the eligible project costs, provided the recipient has certified that all past disbursements have been paid to the consultants, contractors or vendors and submitted copies of the canceled checks or other documentation of payment acceptable to the Division, on a quarterly basis, documenting payment of CWSRF funds disbursed from the CWSRF and the match amounts to the consultants, contractors or vendors.

VI. REFINANCING AND RESTRUCTURING

A. Existing Small DAC and small SDAC Debt

1. Existing non-CWSRF debts may be refinanced with CWSRF funds if the Division determines that all of the following conditions exist:

- a. The applicant is a Small DAC or small SDAC;
- b. The applicant's debt was incurred for an Eligible Project.

- c. The existing debt(s) were the result of external and non-CWSRF borrowing by the applicant;
 - d. Refinancing the debt is necessary to complete a new Eligible Project at a payment that is affordable for the Small DAC, or small SDAC; and
 - e. The Division has identified sufficient available funds for this purpose.
 - 2. To be eligible for refinancing, projects that include work completed on or after October 30, 2009, must comply with Davis Bacon requirements, at least for the portion of construction work completed on or after October 30, 2009. (See *Appendix N.*)
 - 3. To be eligible for refinancing, projects that include work completed on or after June 10, 2014, must comply with American Iron and Steel (AIS) requirements, at least for the portion of construction work completed on or after June 10, 2014. (See *Appendix N.*)
- B. Restructuring for Financially Distressed Recipients

The Division may restructure existing CWSRF loans for financial distress or financial emergencies

VII. WATER RECYCLING AND SMALL DAC/SDAC PROJECTS

The State Water Board generally funds Small DAC and Small SDAC wastewater and water recycling projects in accordance with this Policy and the IUP.

- A. Where funding for these projects is not derived from, dependent upon, or bundled with CWSRF monies, the Deputy Director may waive federal CWSRF pass-through requirements, as appropriate.
- B. Water recycling projects serve water supply needs. The State Water Board will fund water recycling projects in accordance with this Policy and the requirements of the Water Recycling Funding Program (WRFP) Guidelines. Incentives available to these projects, including Non-Repayable Financing or reduced interest rates, will be described in the CWSRF IUP.
- C. The State Water Board will fund Small DAC and Small SDAC wastewater projects in accordance with this Policy. Incentives available to these projects, including non-repayable financing and reduced interest rates, will be described in the CWSRF IUP.

VIII. PLANNING/DESIGN FINANCING

Planning and design costs are eligible for reimbursement as part of a project financing agreement if not previously financed. However, applicants also have the option to apply for separate planning, design, or planning and design financing for a

project. Approval of planning/design financing does not obligate the State Water Board to provide subsequent project financing.

An applicant must submit all documents noted below, unless otherwise authorized by the Deputy Director of the Division for good cause, to obtain planning/design financing. The Division may require that the applicant submit additional information or certifications necessary or useful to ensure that the financing complies with state and federal requirements. *Appendix E* contains the application for planning/design financing.

A. Planning/Design Application Requirements

If the applicant intends to restructure the planning/design financing as part of a CWSRF project financing agreement, then the Plan of Study must ensure development of all documents necessary for project financing approval. The Division will apply the Credit/Financial Guidelines in the review of each planning/design financing application or request for securing additional debt (see Appendix N).

1. The application for planning/design financing must include the following:

a. Technical information:

i. A Plan of Study that includes the following components:

(A) Description of water quality problem(s) to be addressed (including information about existing or pending enforcement actions);

(B) Scope of Work that considers the following:

1. Budget;
2. Schedule (including deliverables and submittal dates); and
3. If the Plan of Study includes design work, it should explain the status of planning work. The Division may request to review existing planning documents prior to approving design financing.

ii. Water Rights (See Section IX.B.2.a.i of this Policy for requirements.)

iii. Water Management (See Sections IX.B.2.d of this Policy for requirements.)

b. Financial information:

- i. The applicant must submit a resolution or ordinance adopted by its governing board authorizing submittal of the application and designating an Authorized Representative by title as signatory to all relevant financing documents and supporting materials and certifications.

- ii. The applicant must provide a copy of any relevant service, management, operating, or joint powers agreements for the proposed project with a summary explanation of the shared financial and management responsibilities of the parties.
- iii. The applicant must provide the correct name of its proposed pledged revenue source and related enterprise fund to the Division (e.g., Wastewater Revenues and Wastewater Enterprise Fund).
- iv. The applicant must provide three (3) years of financial statements, preferably audited. The financial statements may include the current year (if available), and the two (2) previous years, or three (3) previous years if the current year has not been completed.
 - (A) The applicant must identify any restricted funds and the reason for such restrictions.
 - (B) If the system is privately owned, and lacks audited financial statements, the applicant must provide tax returns involving the system for the most recent three (3) years. The applicant's submitted information will not be deemed confidential.
 - (C) The applicant must provide any adopted budget for future year(s) and a projected budget through first payment. Budget projections may include proposed taxes, assessments, and/or fee or service charges (as applicable).
- v. Where the applicant is a local government, it must submit a copy of its debt management policy.
- vi. The applicant must describe any issues related to its proposed planning/design financing, including but not limited to contractual or ratepayer/taxpayer disputes, pending litigation, audit findings (including commercial and government auditors, grand juries, or other similar entities acting in a formal capacity), disputes, or property right issues associated with the proposed project.
- viii. Existing debt:
 - (A) The applicant must submit a schedule of all material debt, both short-term and long-term. This includes debt that reflects an obligation relying on the same revenue as the planning and design financing, and debt that is otherwise material to the transaction.
 - (B) The applicant must submit a copy of each material debt document (e.g., indenture, installment agreement, loan, note, etc.) and credit instrument (e.g., swaps, hedges, etc.). Where the relevant debt is a bond series, the applicant must submit both the Official Statement and the underlying debt document (e.g., indenture, pledge resolution, etc.).

- (C) If the applicant has no material debt, the applicant's Authorized Representative must certify this.
- (D) The applicant must identify any conditions in material debt obligations that must be satisfied prior to executing the financing agreement.
- (E) The applicant must identify any debt limit to which it is subject.

c. Coverage

- i. The applicant must comply with existing coverage covenants or with CWSRF coverage requirements, whichever covenants or requirements provide greater coverage. The Division will employ appropriate credit criteria to evaluating all pledged sources of repayment.

- (A) The recipient's pledged source of repayment for the Loan, in any fiscal year following the fiscal year in which the project is completed and until the Loan is repaid, must be at least the sum total of (a) 1.2 times the total senior (D^{senior}) and parity (D^{parity}) annual debt service payable from the pledged sources and (b) 1.0 times the subordinate ($D^{\text{subordinate}}$) annual debt service payable from the pledged sources, as reflected in the following formula, unless the Division determines that credit considerations allow a different debt service coverage requirement:

$$\text{Pledged Source} \geq [1.2 (D^{\text{senior}} + D^{\text{parity}}) + 1.0 (D^{\text{subordinate}})]$$

- (B) The applicant may pledge revenues, assessments and/or special taxes.
- (C) The Division may apply to the CWSRF transaction the additional debt test and rate covenant as set forth in an applicant's existing master trust indenture or similar debt document (see Appendix N, Section B).

d. Additional Debt

Additional debt will be evaluated in accordance with Appendix N.

e. Proposed Loan Security/PRF:

- i. This is not required if the applicant is a Small DAC or Small SDAC applying and eligible for one hundred percent grant or principal forgiveness funding.
- ii. A PRF may be a special tax, user fees, or a special assessment, provided that the applicant has the authority to control and pledge the PRF. The PRF may also include liens on real property and other appropriate security liens.

- iii. If using real property, the applicant must provide at least two appraisals of the value, how the value was determined, and whether the property is currently pledged as security on any other debt.
- iv. An applicant that is not a public agency must document its authority to bind itself to the financing agreement and pledge the relevant revenues.

B. Eligible Planning/Design Costs

1. Costs that were incurred by the applicant may be reimbursed provided all applicable state and federal requirements have been met by the applicant. If the applicant incurs planning and design costs before execution of the agreement, it does so at its own risk.
2. Eligible costs include the preparation of planning/design documents, including, but not limited to:
 - a. Feasibility studies and project reports
 - b. Plans and specifications
 - c. Financial analyses
 - d. Value engineering
 - e. Environmental documents
 - f. Capital improvement plans
 - g. Water conservation plans
 - h. Sewer system evaluation/surveys
 - i. Environmental management systems
 - j. Asset management systems
 - k. Reasonable administrative and legal costs associated with land acquisition (actual land acquisition is not eligible as a planning/design cost)
 - l. Water audits
 - m. Energy audits
 - n. Fiscal sustainability plans
 - o. Costs related to Proposition 218 proceedings

3. Ineligible Costs

- a. Construction management costs
- b. Administration costs associated with construction/implementation

C. Planning/Design Financing Terms

1. Interest

For Small SDACs and Small DACs, the interest rate shall be zero (0) percent. For all other applicants, the interest rate shall be fifty percent (50%) of the most recent interest rate paid by the State on general obligation bonds issued by the State Treasurer's Office as of the date the Division initiates preparation of the financing agreement document for routing and signoff or the State Water Board approves the financing, whichever is first, rounded up to the nearest ten basis points (0.1%).

2. Amortization

Repayments will be amortized by equal annual payments over five or ten years, whichever the applicant selects, unless restructured. The first annual payment will be due no later than one year following the completion of planning/design. As a courtesy, the Division will issue a revised payment schedule after the recipient submits an acceptable final disbursement request. All payments must be sent to the address referenced in Section XIV.E of this Policy. The grace period on the payment is specified in Section XIV.D.2 of this Policy.

3. Restructured Planning/Design Financing

The balance of a planning/design financing agreement may be restructured as part of executing a project financing agreement. The balance of the planning/design financing agreement will carry the financing terms applicable to the project's financing agreement. Interest will accrue on the planning/design financing balance based upon execution of the project financing agreement per the terms of the project financing agreement.

D. Planning/Design Financing Approval and Agreement

- 1. An application must be on the Fundable List to receive planning/design financing. For routine, noncontroversial applications, the Executive Director, Deputy Director, or designee, of the Division may approve and execute planning/design financing agreements. Non-routine or controversial applications will be considered by the State Water Board at a State Water Board meeting.
- 2. Upon review and approval of required documents, the Division will prepare a financing agreement for execution.

3. At closing, the applicant will generally be expected to submit an opinion satisfactory to the Division's counsel from its general counsel and, if relevant, its bond counsel, substantially similar to the templates in Appendix Q.
4. For loans, the applicant will be expected to submit a closing resolution authorizing the transaction.

E. Planning/Design Financing Disbursements

1. The Division will not disburse funds until after the financing agreement is executed, and any disbursements are entirely conditioned on such execution. Costs submitted to the Division must be currently due and payable, but the recipient need not have actually paid the costs before requesting disbursements. Appendix F contains specific instructions for requesting disbursements.
2. The recipient must submit all draft deliverables prior to disbursement beyond 70 percent of the financing amount, and it must submit all final deliverables to the Division prior to disbursement beyond 90 percent of the financing amount.
 - a. If the recipient intends to restructure the planning/design agreement as part of a CWSRF project financing agreement, approval of the project financing will constitute Division acceptance of the final deliverables.
 - b. For short term financings for the preparation of planning/design documents not restructured as part of a project agreement, the Division will issue a letter accepting completion of the original scope of work, as appropriate.
3. The Division must receive the final disbursement request promptly after completion of planning/design. As a courtesy, the Division will normally send a reminder notice approximately three (3) months before the agreement's scheduled completion of planning/design, but prompt submittal of the final disbursement request remains the responsibility of the recipient. If the Division does not receive the final disbursement request within six (6) months of the planning/design completion date, it may deobligate the undisbursed balance of the planning/design financing agreement.

IX. PROJECT FINANCING

An applicant must submit all documents identified by the Division in the application forms to obtain financing under this section, unless otherwise authorized by the Deputy Director of the Division for good cause. The Division may require that the applicant submit additional information or certifications necessary or useful to ensure that the financing complies with state and federal requirements. *Appendix G* contains the application for project construction/implementation financing. Eligible project types will be reflected in the current year's IUP, and generally conform to the list of eligible projects set forth in the CWA. (33 U.S.C. § 1383). Applicants should contact the Division for assistance with eligibility determinations.

A. General

1. The application is organized into four packages: (1) general information, (2) technical, (3) environmental, and (4) financial security.
2. To expedite financing, the Division will assist applicants with completing certain program requirements during the application review. The Division may also offer limited assistance to qualified applicants to bolster the administrative and managerial capacity of those applicants.
3. To assist repeat applicants with financing long-term capital needs, the Division will work with them to update and maintain on-file reports/plans/documents that fulfill the requirements of this Section to minimize the resubmission of information needed to complete the requirements of this section.

B. Application Requirements

1. General Information Package

- a. This package includes basic applicant and project information needed by the Division to process the application, and information to assist in completing the priority scoring process.

2. Technical Package

- a. This package includes information and certifications necessary to evaluate the technical feasibility of the project, its ability to meet applicable water quality standards, objectives, or permit requirements, and compliance with applicable state and federal program requirements.

b. Water Rights

- i. Section 5103 of the Water Code requires water diverters to submit records of water diversions to the State Water Board's Division of Water Rights. If the applicant is not current on these submittals, the Division will not execute a financing agreement or disburse any funds until the reports are submitted unless the Deputy Director determines that (a) the CWSRF financing will assist the applicant in complying with the reporting requirements, and (b) the applicant has submitted to the State Water Board a one-year schedule for complying with the reporting requirement.
- ii. The applicant must provide information to allow the Division to determine whether a petition for change must be filed and approved with the State Water Board's Division of Water Rights for the project.

c. Project Report and Technical Certifications

- i. The applicant must submit a project report, or its equivalent, that contains the information outlined in Appendix G, as appropriate to the project. Engineering reports must be signed and stamped by a

registered Professional Engineer. The contents of the report outlined in *Appendix G* are not prescriptive, but are intended to provide Division staff with sufficient information to evaluate whether the project is eligible for CWSRF financing, meets applicable technical requirements, and is likely to meet applicable water quality objectives and standards. Division staff may require the applicant to submit additional information to assess the project's ability to meet water quality objectives or plans.

- ii. For all applications, the applicant shall develop and implement a fiscal sustainability plan (FSP), or its equivalent, or its Authorized Representative shall certify that it has developed and implemented such a plan. The FSP will at a minimum include:
 - (A) an inventory of critical assets that are a part of the treatment works;
 - (B) an evaluation of the condition and performance of inventoried assets or asset groupings;
 - (C) a certification that the recipient has evaluated and will be implementing water and energy conservation efforts, to the maximum extent practicable, as part of the plan; and
 - (D) a plan for maintaining, repairing, and, as necessary, replacing the treatment works and a plan for funding such activities.
- iii. For all applications, the applicant shall certify that they have:
 - (A) studied and evaluated the cost and effectiveness of the processes, materials, techniques, and technologies for carrying out the proposed project or activity for which assistance is sought under this title; and
 - (B) selected, to the maximum extent practicable, a project or activity that maximizes the potential for efficient water use, reuse, recapture, and conservation, and energy conservation, taking into account:
 - 1. the cost of constructing the project or activity;
 - 2. the cost of operating and maintaining the project or activity over the life of the project or activity; and
 - 3. the cost of replacing the project or activity.

d. Water Conservation and Water Management

- i. If the applicant is a water supplier, the State Water Board will not execute a financing agreement until the applicant has certified that it

has complied with the provisions of Division 6 of the Water Code applicable to the applicant.

- ii. If the applicant is not a water supplier, the State Water Board will not execute a financing agreement until the applicant has verified to the satisfaction of the Deputy Director of the Division that the water suppliers in its service or project area have complied with the provisions of Division 6 of the Water Code applicable to the area's water suppliers.

- iii. Water Metering

The State Water Board will not execute a financing agreement until the applicant has certified that it has complied with the water metering requirements of Section 529.5 of the Water Code or that the water metering requirements are not applicable to the applicant.

- e. General Plans

- i. If the applicant is responsible for adopting the General Plan(s) for the area(s) affected by a proposed project, the Division may not approve financing for the project until the applicant's Authorized Representative has certified that the applicant has adopted the land use and housing elements of its General Plan as required by Section 65302 of the Government Code and that the project is consistent with the adopted General Plan.
- ii. If the applicant is not responsible for adopting the General Plan(s) for the area(s) affected by the project, then the Division may not approve financing until the applicant's Authorized Representative certifies that at least seventy-five (75) percent of the area affected by the project includes cities and counties with adopted land use and housing elements. The applicant's Authorized Representative will also certify that the applicant notified the agency (ies) responsible for adopting the General Plan(s) and provided a reasonable opportunity to comment on the project's consistency with the General Plan(s). The applicant's Authorized Representative must certify that the applicant considered those comments during development of the project.

- 3. Environmental Package

- a. This package includes information and documentation necessary to evaluate applicable state and federal environmental requirements.
- b. The applicants must provide complete and adequate project specific environmental documentation to allow the State Water Board to fulfill its responsibilities under the California Environmental Quality Act (CEQA) and to meet federal environmental review requirements. In accordance with the Operating Agreement, the State Water Board uses the State Environmental Review Process (SERP) to fulfill these requirements. (See Appendix I.)

4. Financial Security Package

- a. This package includes information and certifications necessary to evaluate the financial security of the applicant and the proposed financing agreement.
- b. General Requirements
 - i. The Division will review the financial security documents to determine the applicant's credit capacity.
 - ii. The Division will apply the Credit/Financial Guidelines in the review of each Financial Security Package or request for securing additional debt (see Appendix N).
 - iii. If the applicant's finances cannot support the funding request, Division staff will work with the applicant to find a way to finance the project(s), if feasible.
- c. Coverage and Reserve
 - i. The applicant will normally be expected to establish and maintain, until the financing agreement is repaid in full, a restricted reserve equal to one year's debt service from available cash prior to the construction completion date, unless the Division determines that credit or tax considerations support a different result.
 - ii. The applicant must comply with existing coverage covenants or with CWSRF coverage requirements, whichever covenants or requirements provide greater coverage. The Division will employ appropriate credit criteria to evaluating all pledged sources of repayment.
 - (A) The recipient's pledged source of repayment for the Loan, in any fiscal year following the fiscal year in which the project is completed and until the Loan is repaid, must be at least the sum total of (a) 1.2 times the total senior (D^{senior}) and parity (D^{parity}) annual debt service payable from the pledged sources and (b) 1.0 times the subordinate ($D^{\text{subordinate}}$) annual debt service payable from the pledged sources, as reflected in the following formula, unless the Division determines that credit considerations allow a different debt service coverage requirement:
$$\text{Pledged Source} \geq [1.2 (D^{\text{senior}} + D^{\text{parity}}) + 1.0 (D^{\text{subordinate}})]$$
 - (B) The applicant may include in its pledge revenues, assessments and/or special taxes.
 - (C) The Division may apply to the CWSRF transaction the additional debt test and rate covenant as set forth in an applicant's existing master trust or similar debt document. (See Appendix N, Section B).

d. Additional Debt

- i. The State Water Board normally expects the CWSRF debt obligation's lien status to be on parity with the applicant's senior/first tier lien debt obligations, unless the Division determines that credit considerations support a lower lien status.
 - ii. Additional obligations secured by pledged sources of repayment may be senior to CWSRF obligations under the following conditions:
 - (A) The CWSRF agreement provides for 100 percent forgiveness of principal; or
 - (B) The senior obligation(s) predates the CWSRF obligation, the applicant meets the coverage requirements of this Policy, and the Deputy Director of the Division determines that such additional obligation(s) will not negatively affect existing or proposed CWSRF bonds; or
 - (C) The senior obligation meets the conditions set forth in paragraph iii of this section.
 - iii. The applicant may refund debt with new debt if all of the following conditions are met:
 - (A) The new debt refunds or refinances existing debt with the same lien position as that existing debt;
 - (B) The new debt has the same or earlier repayment term as the refunded debt;
 - (C) The new debt service is the same or lower than the existing debt service; and
 - (D) The new debt will not diminish the applicant's ability to repay its CWSRF obligation(s).
 - iv. Additional obligations that meet the coverage requirements of this Policy and secured by the PRF may be on parity with the CWSRF obligations.
 - v. Assessment-backed financing should be a closed lien pledge. No additional debt subsequent to the CWSRF financing will be permitted to be secured against the assessment except for refunding consistent with this Section of this Policy.
 - vi. Special tax-based financing will require the Division's consent for additional debt.
- e. Proposed Loan Security/Pledged Revenues and Funds (PRF)

- i. This item is not required if the applicant is a Small DAC or Small SDAC applying for one hundred percent grant or principal forgiveness funding.
 - ii. The applicant must identify all sources of security to be pledged.
 - iii. If using real property, the applicant must provide at least two appraisals of the value, indicate how the value was determined, and indicate whether the property is currently pledged as security on any other debt.
 - iv. A PRF may be a special tax, user fees, or a special assessment, provided that the applicant has the authority to control and pledge the PRF. The PRF may also include liens on real property and other appropriate security liens. Typically, assessment-backed financing will be combined with a revenue pledge.
 - v. An applicant that is not a public agency must document its authority to bind itself to the financing agreement and pledge the relevant revenues. It must also submit draft documents in support of filing a Uniform Commercial Code (UCC) lien with the Secretary of State.
- f. Existing Debt
- i. If the applicant has no other material debt, the Agency's Authorized Representative must verify this.
 - ii. The applicant must submit a schedule of all material debt (e.g. secured by the PRF or the System), along with a copy of each relevant debt document (e.g. indenture, official statement, installment agreement, loan, or note, etc.).
- g. Debt Management Policy
- Where the applicant is a local government, it must submit a copy of its debt management policy.
- h. Future Capital Needs
- The applicant must describe its capital improvement plans and the long-term indebtedness needed to fund its future capital improvements. The applicant must provide any formal capital improvement plan it has to the Division.
- i. Financial Statements and Budget
- i. The applicant must provide (3) three years of financial statements, preferably audited financial statements. The financial statements must include the current year (if available) and the two previous years, or three previous years if the current year is not yet completed. If the system is privately owned, and lacks audited financial statements, the

applicant must provide tax returns involving the system for the most recent three (3) years.

- ii. The applicant must identify any restricted funds and the reason for the restrictions.
 - iii. The applicant must provide any adopted budget for future year(s) and a projected budget through first payment. Budget projections may include proposed taxes, assessments, and/or fee or service charges (as applicable).
- j. Tax Questionnaire and Reimbursement Resolution

All public agency applicants must provide certain information for the State Water Board's tax counsel to assess the applicant's ability to receive CWSRF funds from tax-exempt revenue bond proceeds. While the reimbursement resolution establishes a potential date for reimbursement, the actual date and limitations for eligible construction costs will be stated in the financing agreement.

k. Applicant Resolution(s)/Ordinances

The applicant must submit resolutions or ordinances authorizing submittal of the application, authorizing the match component (if match financing is requested), and designating an Authorized Representative by title as a financing agreement signatory. The applicant must submit a reimbursement resolution meeting the reimbursement requirements for compliance with federal tax laws.

l. Material events, existing debt, and debt limits

- i. The applicant must submit information regarding current, prior, or pending material events (bankruptcy, defaults, litigation, grand jury findings/indictments).
- ii. The applicant must identify any conditions in material debt obligations that must be satisfied prior to executing the CWSRF financing agreement.
- iii. The applicant must identify any debt limit to which it is subject.

m. Relevant service, management, operating, or joint powers agreements

The applicant must provide a copy of any relevant service, management, operating, or joint powers agreements for the proposed project with a summary explanation of the shared financial and management responsibilities of each party.

C. Eligibility

Project costs are eligible to the extent consistent with federal and state authority. The following are general categories of eligible and ineligible costs. The applicant must segregate the eligible and ineligible costs. When cost categories include a combination of eligible and ineligible costs, the ineligible costs will be estimated on an incremental basis.

1. Eligible Project Costs

- a. Treatment facilities, including new collection systems and replacement of private laterals to serve existing homes or businesses or new development in infill areas within the existing service area, alternative treatment facilities such as leach fields, mound systems, and constructed wetlands, and equipment or systems to reduce energy use or reduce the effects of climate change.
- b. For treatment works projects, the leasing and fee-simple purchase of land necessary for construction. This includes surface and subsurface easements, a place to store equipment and material during construction, land needed to locate eligible projects, and land integral to the treatment process (e.g., land for effluent storage, effluent application, recharge basins, or for sludge disposal). The State Water Board may be recorded as first lienholder on the deed of trust, and the Division may release the lien when no longer necessary to satisfy the project's objectives.
- c. Pre-purchased material and equipment used in the project and purchased in accordance with state and federal law;
- d. Reserve capacity for treatment works per Section IX.D.1 below;
- e. Administration, maintenance, and laboratory building space directly related to the operation of the eligible project;
- f. Process control systems;
- g. Mitigation measures mandated by state and/or federal agencies;
- h. Contingency for change orders approved by the Division for increased costs provided the costs are eligible, consistent with the original scope of the project and the credit review. The contingency amount will be included in the financing agreement.
- i. Recycled water distribution and storage system capacity purchases directly related to the operation of eligible facilities consistent with the WRFPP Guidelines;

- j. On-site solids handling systems necessary to meet Regional Water Board waste discharge permit requirements, including systems that perform thickening, stabilization, and dewatering of sludge as a means of preparing it for beneficial reuse and/or ultimate disposal;
- k. Stationary and mobile equipment that are integral to the treatment, collection, or sludge handling processes, including, but not limited to, front loaders for sludge drying beds, injection/spray irrigation equipment for dedicated land disposal sites, vector trucks, and compost windrow turners. Dedicated equipment must be confined to the treatment, collection, or sludge handling systems for which it was purchased;
- l. Costs for planning, design, construction management, value engineering, and administration;
- m. Costs to prepare an Environmental Management System or Asset Management System, or a "fiscal sustainability plan" as required by Section IX of this Policy not previously financed through CWSRF planning/design financing;
- n. Costs to prepare new or update existing Operation and Maintenance Manuals for funded facilities;
- o. Equipment necessary to maintain the eligible treatment facilities, including the manufacturer's list of spare parts;
- p. Necessary insurance related to the construction contract;
- q. Cost-effective buy-in for all of the proportional costs to connect to an existing treatment plant and/or collection system. Purchase of capacity is not considered refinancing;
- r. Recycled water systems (not including gray water systems);
 - i. Recycled water treatment works;
 - ii. Recycled water storage facilities;
 - iii. Recycled water pumping facilities;
 - iv. Recycled water groundwater recharge facilities;
 - v. Recycled water distribution systems;
 - vi. Recycled water onsite user retrofits; and
 - vii. Recycled water capacity purchases (buy in costs).
- s. Water conservation measures:
 - i. Installation of water supply meters;
 - ii. Plumbing fixture retrofits or replacements;
 - iii. Efficient landscape irrigation equipment;
 - iv. Public water conservation education programs⁷, and
 - v. Gray water systems

⁷ Public water education conservation programs may be eligible on a case-by-case basis.

t. Non-Treatment Works Projects

- i. Construction of facilities to treat, reduce, or prevent NPS or point source pollution not required or specified by a National Pollution Discharge Elimination System permit, including reimbursement of planning, design, and environmental documents, project administration, and construction management for facilities construction;
- ii. Costs necessary to implement nonstructural components of water quality control projects;
- iii. Purchase of land or interests in land necessary for the project or for the purposes of protecting or preserving beneficial uses, including necessary mitigation measures and project implementation;
- iv. Demonstration projects;
- v. Education and outreach programs⁸; and
- vi. Project performance monitoring.

2. Ineligible Costs

- a. New collection systems not serving existing homes and businesses unless the new collection system serves an infill project within an existing service area.
- b. Honoraria;
- c. Engineering costs included as part of the construction bid for other than design-build projects;
- d. Decorative items (art work, sculptures, reflective ponds, fountains.);
- e. Non-wastewater solids facilities solely devoted to pasteurization, co-generation, conditioning, heat drying, thermal reduction, packaging, or distribution biosolids;
- f. Operation and maintenance costs and extended warranties for equipment and act of God, flood, and earthquake insurance costs;
- g. Motor vehicles used for employee transportation or for the transportation of materials generated or consumed by the treatment plant;
- h. All other items not included in the construction contract except allowances;
- i. Overhead unrelated to the project;

⁸ Education and outreach programs may be eligible on a case-by-case basis.

- j. Replacement of facilities previously funded by Clean Water grants or CWSRF financing except under one of the following circumstances:
 - i. Where upgrading treatment systems or technology is necessary to achieve the Regional Water Board-mandated level of treatment and the replacement of previously funded facilities is necessary to achieve the mandated enhanced level of treatment;
 - ii. Where the facility or portion of the facility can no longer provide reliable service because it has reached the end of its useful life;
 - iii. Where replacement of equipment reduces the effects of climate change, such as greater energy efficiency, or provides for more dependable or cost-effective operation of the facility; or
 - iv. Where a proposed water recycling project:
 - (A) Meets the definition of an eligible water recycling project pursuant to current WRFPP Guidelines; and
 - (B) Requires the replacement of previously funded facilities to complete the recycling project.

D. Capacity Limitations

1. Treatment Works Capacity

- a. The Division will determine eligible capacity of treatment works using average dry weather flow and appropriate peak flows in accordance with population and per capita flow estimates provided by the applicant. The applicant will be responsible for documenting, in the Project Report, the average dry weather flow and peaking factors used for the project. Project capacity must be consistent with environmental constraints.
- i. The Division will calculate eligible capacity by multiplying the appropriate local population projection by an appropriate local per capita flow figure. For existing treatment facilities, the Division will base the per capita flow on the existing population and the measured flow. This flow will be deemed to include the entire eligible project flows (residential, commercial, existing federal facilities, existing industrial, and infiltration/inflow). The Division will determine eligible capacity prior to the funding approval.
- ii. Eligible design capacity for treatment facilities may be based on flow projections up to a period of twenty (20) years from the initiation of operation. For projects designed to serve a capacity greater than 20 years after initiation of operation, the Division will determine eligible and ineligible costs on an incremental basis. The Division will determine eligible capacity for multiple phased projects on a case-by-case basis.

- iii. Eligible design capacity for collection systems, interceptors, and outfalls may be based on flow projections up to forty (40) years from the initiation of operation. The Division will allocate between eligible and ineligible costs for capacity needs more than forty years after initiation of operation on an incremental basis. The Division will determine eligible capacity for multiple phased projects on a case-by-case basis.

b. Population Projections

The applicant must submit population projections from an independent source (i.e., Regional Council of Governments, appropriate local planning agencies, Department of Finance, or Area-wide Water Quality Management Plans prepared pursuant to Section 208 of the CWA). The Division will use population or flow projections to determine the eligible treatment works capacity. The Division may require additional documentation to support the projection's reasonableness. The applicant must include a detailed discussion of the local projections in the Project Report.

2. Non-Treatment Works Capacity

The Division will determine eligible capacity of non-treatment works projects using appropriate engineering criteria and data provided by the applicant. Project capacity must be consistent with environmental constraints.

X. PROJECT FINANCING AGREEMENT

A. Financing Approval

1. The applicant may receive a financing agreement based on the estimated eligible project costs after an application for its project has been reviewed and approved.
 - a. For routine, noncontroversial, fundable applications, the Executive Director, Deputy Director of the Division, or designee is authorized to approve financing.
 - b. Non-routine or controversial fundable projects will be considered by the State Water Board at a State Water Board meeting.
 - c. At closing, the applicant will generally be expected to submit an opinion satisfactory to the Division's counsel from its general counsel and, if relevant, its bond counsel, substantially similar to the templates in Appendix Q.
 - d. Applicants may start construction prior to execution of the financing agreement, but are not guaranteed financing approval and an executed financing agreement

B. Execution of the Financing Agreement

The Executive Director, Deputy Director of the Division, or designee, may execute agreements and amendments on behalf of the State Water Board for projects with approved applications.

1. Conditions and Expiration Date(s)

Financing agreements may include appropriate conditions and expiration dates to ensure that projects are completed successfully and expeditiously in conformance with applicable requirements. If a recipient misses an expiration date or fails to fulfill a condition of the agreement and does not receive an extension or amendment of the condition, it may need to reapply for CWSRF funding.

2. Allowances (Soft Costs)

The soft cost amounts in the financing agreement will be based on the amount requested by the applicant.

3. Compliance with Federal and State Statutes and Authorities

The recipient must agree to comply with, and require its contractors and subcontractors to comply with, all applicable federal and state laws, rules and regulations, permits, and all applicable local ordinances, specifically including, but not limited to, environmental, procurement and safety laws, rules, regulations, permits, ordinances, and labor compliance requirements. The financing agreement includes the applicant's certification that the applicant has complied, or will comply, with a non-exclusive list of federal and state laws, as well as any other applicable federal and state laws. Additional details regarding the following federally-mandated requirements are contained in the Appendices:

- a. Disadvantaged Business Enterprise (DBE) (See Appendix J.)
- b. Davis-Bacon Wage Requirements (See Appendix O.)
- c. American Iron and Steel (AIS) (See Appendix O.)

C. Financing Agreement Amendments

Most agreements will be amended to finalize the budget, after contractor selection.

1. Final Budget Approval Package

The recipient must submit complete and adequate final budget information as shown in the final budget approval package. The primary focus of the review of the final budget approval package will be to determine consistency with the approved financing and compliance with applicable CWSRF Program requirements, including federal cross-cutters.

- a. The recipient must submit the final budget approval package to the Division for review and approval prior to disbursement of construction or previously unidentified unapproved equipment or material, or labor costs. The Division will also review the package to ensure that both the recipient and its consultants, contractors, or vendors have complied with the applicable requirements of this section, any conditions specified in the financing approval, and that all permits, approvals, and financing necessary to complete the project have been obtained.
- b. Neither the U.S. EPA nor the State Water Board will participate in resolving bid or contractual disputes. The recipient will have sole responsibility to resolve all bid or contractual disputes. The amended financing agreement will not be sent to the recipient until all bid and/or contract disputes have been resolved to the Division's satisfaction.
- c. The Division will use the bids, proposals, and purchase orders accepted by the recipient, along with the requested contingency amount to determine the eligible amended financing agreement amount
- d. If the final budget cost exceeds the financing agreement amount determined in Section X.A., the Division may update its financing limit determination per Section IX.B.4.b.i
- e. The applicant may be required to submit updated financial information.
- f. The recipient must certify that it complies with all applicable public contracting requirements.

2. Execution of Amendment

- a. In general, after the Division reviews and approves the final budget approval package, it will incorporate its eligibility decisions into an amended financing agreement and send the amendment to the recipient for signature. The amended financing agreement must be executed prior to disbursement of costs identified in the final budget approval package. For good cause, the Deputy Director may allow the disbursement of costs identified in the final budget approval package prior to the execution of the amended financing agreement for small SDAC and small DAC.
- b. The Completion of Construction date will be revised in the amended financing agreement for the purpose of determining the recipient's final payment schedule. The final Completion of Construction date will be established by mutual agreement between the Division and the recipient.

D. Cost Increases

1. The applicant may include a contingency amount in its application, subject to Division approval. The Division's credit review will evaluate the contingency amount. If the credit review shows the applicant can afford repayment, the financing agreement will include the contingency amount. The recipient can

use this contingency amount, plus any other funds remaining due to construction/implementation or allowance cost reductions, to pay for change orders approved by the Division. The Division will disencumber any unused funds at the end of the project.

2. Where the financing agreement provides for one hundred percent (100%) Non-Repayable Financing, the total amount of CWSRF Non-Repayable Financing cannot exceed the limits established in the IUP or the amount made available by U.S. EPA. The Division-approved contingency amount shall not exceed ten percent (10%) of the total project cost.
3. In general, the State Water Board will not increase or add funds to the financing agreement after the final budget is approved and the amended financing agreement is executed. All project changes that result in costs that exceed the approved financing amount will be the responsibility of the recipient. For good cause, the Deputy Director may increase the financing agreement amount for small SDAC and small DAC after the final budget is approved. Any request for an increase in the financing agreement must be submitted to and approved by the Division prior to incurring costs and are subject to denial by the Division.

XI. PROJECT DISBURSEMENTS

A. Disbursements in General

1. All disbursements are subject to federal and state requirements and/or limitations notwithstanding any provisions of this Policy. Disbursement of funds is contingent on execution of a financing agreement, and the State Water Board will not disburse funds until after a financing agreement has been executed. A recipient may request disbursements at any time after execution or amendment of a financing agreement that identifies the specific costs. Costs submitted to the Division must be currently due and payable, but the recipient need not have actually paid the costs before requesting disbursements. The Division will not disburse funds for construction until the recipient adopts any necessary rate increase subject to Proposition 218. (See Cal. Const., Art.XIII D, § 6; Gov. Code, § 53750 et seq.)
2. The Division will send the recipient a copy of the Request for Disbursement form with the financing agreement. *Appendix F* contains specific instructions for requesting disbursements. The Division will send the recipient a copy of each processed disbursement request to show the total amount disbursed.
3. The recipient must ensure that adequate local funding is available to pay its consultants, contractors, and vendors in case the disbursement is not processed before payment to the consultant, contractor, or vendor is due.

4. In limited circumstances, principal, interest and fees on bridge financing may be eligible for reimbursement. Applicants should contact the Division with the terms of the bridge financing prior to securing funds or establishing a credit line.
5. If the recipient incurs eligible project costs before the financing agreement is executed, it does so at its own risk.
6. The Division will base disbursement on the amount of money currently due and payable to a consultant, contractor, or vendor for eligible costs incurred, minus any amounts previously disbursed by the Division.
7. The recipient must certify that work has been completed and that claimed costs were incurred. The recipient must submit invoices or other documentation acceptable to the Division to substantiate the reimbursement of costs. Ineligible or questioned costs may result in suspension of disbursements.

B. Initial Financing Agreement Disbursements

1. Allowances

The Division may disburse eligible allowances (soft costs) that were incurred prior to the eligible start date of the financing agreement after execution of the financing agreement. Costs previously disbursed under a planning/design financing agreement are not eligible for reimbursement. The recipient must certify that soft cost work has been completed and that claimed costs were incurred. The recipient must submit invoices or other acceptable documentation to substantiate disbursement of soft costs.

2. Pre-purchase Material and Equipment

After execution of the financing agreement, the Division may disburse funds for eligible, identified pre-purchased material and equipment used in the project that was purchased in accordance with state and federal law prior to the eligible start date of the financing agreement. The Division will make disbursements for actual, eligible, incurred pre-purchase material and equipment costs supported by documentation to substantiate disbursement of these costs.

C. Amended Financing Agreement Disbursements

1. The Division will disburse remaining soft costs paid during construction/implementation as costs are incurred. The Division will review and approve soft costs based on each applicant's project and documentation submitted supporting incurred soft costs.
2. The Division will not disburse funds for construction costs incurred prior to the eligible start date of the financing agreement. The actual bid or identified costs must be included in the financing agreement in order for those costs to

be eligible for disbursement. The Division may disburse all eligible costs after the agreement is amended to incorporate the actual bid or identified costs. (See Appendix F for instructions.)

D. Final Disbursement

1. Division staff and the recipient will establish a deadline for submittal of the final disbursement request. The complete final disbursement request must be received by the Division in a timely manner. The final disbursement request will not be processed until the Project Completion Report is submitted per *Section XIII of this Policy*.
2. As a courtesy, the Division will normally send a reminder notice approximately three months before the due date for the final disbursement request, but prompt submittal remains the responsibility of the recipient. If the Division has not received the complete final disbursement request and prior approval has not been granted to submit the final disbursement request at a later time, then the Division may deobligate the undisbursed balance of the CWSRF financing agreement.

XII. PROJECT CONSTRUCTION OR IMPLEMENTATION

A. Pre-Project Conference or Media Events

The recipient shall notify the Division of any pre-project conferences or press, or public media events related to the project with sufficient advance notice to allow Division staff to attend, but in any event, with at least ten (10) days' notice.

B. Inspections: Interim and Final

1. The Division may conduct interim inspections during construction or implementation.
2. The Division will conduct a final project inspection. During the final project inspection, the Division and the recipient will establish a due date for submission of the Project Completion Report and final disbursement request.

C. Progress Reports

At least quarterly, the recipient must submit progress reports on the status of project activities starting with the issuance of the executed financing agreement and ending on final disbursement. The reports must contain at least the following information:

1. A summary of progress to date including a description of progress since the last report, percent complete, percent invoiced, and percent schedule elapsed;
2. A listing of change orders including amount, description of work, and change in contract amount and schedule;

3. Any problems encountered, proposed resolutions, schedule for resolutions and status of previous problem resolutions; and
4. A summary of compliance with environmental conditions, if applicable.

XIII. PROJECT COMPLETION REPORT

- A. The recipient must notify the appropriate Regional Water Board and the Division that its project was completed by submitting a Project Completion Report to the Division with a copy to the Regional Water Board. The Project Completion Report must be submitted on or before the due date established per Section XII.B.2. The Project Completion Report must describe the project, describe the water quality problem the project sought to address, discuss the project's likelihood of successfully addressing that water quality problem in the future, and summarize compliance with environmental conditions, if applicable.
- B. The State Water Board expects the recipient to prepare and send a timely and complete report. The State Water Board may avail itself of any legal means to obtain this report. (See Water Code §13267.)

XIV. PROJECT FINANCING PAYMENTS

- A. Interest and other charges, if applicable, will accrue on all disbursements as of the date of each disbursement. The Division will issue a revised payment schedule after the recipient submits an approvable final disbursement request.
- B. Financing agreements will be fully amortized no later than the earlier of thirty (30) years after Completion of Construction or the end of the Project's useful life. The amount to be paid will include the amount financed plus accrued interest, administration service, and SCG funding charges, if applicable.
- C. The Division will prepare a payment schedule that includes:
 1. The interest rate, and, if applicable, an administrative service charge and SCG funding charge;
 2. Amount of CWSRF funding;
 3. The final principal amount of the financing agreement including accrued interest, administration service charge, and SCG funding charge, if applicable; and
 4. A complete amortization table.
- D. The recipient must make its first annual payment not later than one year following the Completion of Construction date, as established in the financing agreement.

1. As a courtesy, the Division will normally send a payment notice approximately thirty (30) days before the payment due date, but prompt payment remains the responsibility of the recipient.
2. The recipient will have a ten-day grace period, after which time the State Water Board will assess a penalty in the amount of costs incurred for lost interest earnings, staff time, bond default penalties, and other costs incurred or flowing from the late payment. Any penalties will be deposited in the CWSRF account. Penalties will not change the principal balance of the financing agreement and will be treated as a separate receivable in addition to the annual payment due.
3. All payments are to be sent to:

CWSRF Accounting Office
State Water Resources Control Board
Attention: CWSRF Program
Post Office Box 1888
Sacramento, CA 95812-1888

E. Pre-Payments

Loan prepayments require the consent of the Deputy Director of the Division (see Section X of the Clean Water and Drinking Water State Revolving Funds Debt Management Strategy).

F. Loan Compliance and Monitoring

1. Evaluation
 - a. All Loan recipients must submit audited financials annually for at least the first 5 years of the repayment term and possibly for every year until Loan repayment. Where the Loan has been pledged as security for the State Water Board's revenue bond debt, the Division will review audited financials every year until Loan repayment.
 - b. Rate Stabilization Fund transfers may be viewed as supplemental revenue to System Revenues, for purposes of complying with the Debt Service Coverage requirement on an occasional basis during the repayment term and may require notice.
 - c. Where SRF revenue bond proceeds funded any portion of a Loan, the Division will review tax compliance on that Loan annually.

XV. RECORD KEEPING REQUIREMENTS

- A. The recipient must maintain separate project accounts in accordance with federal requirements as specified in the financing agreement. (See 2 CFR, Part 200, Subpart F). In most cases, the records retention period will be thirty-six (36) years.

- B. Assistance recipients shall maintain project accounts according to generally accepted accounting principles (GAAP), the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

XVI. BOARD RESERVATION OF AUTHORITY

- A. Prior to approving any financing, the State Water Board reserves the right to modify this CWSRF Policy as necessary to provide for effective and equitable use of CWSRF funds, including:
 - 1. Reducing the eligible funding amount for any project for due cause;
 - 2. Conforming to applicable state and federal laws, rules, regulations, or agreements, including but not limited to the Operating Agreement, the Capitalization Grant Agreement, and agreements related to any CWSRF revenue bonds.
- B. The Deputy Director of the Division may update and amend the CWSRF Policy Appendices and create new Appendices, unless doing so would require additional approval by U.S. EPA or the Executive Director, as necessary for administrative or procedural changes not in conflict with this Policy.

XVII. DISPUTES

- A. Division approvals or actions taken under previous versions of this Policy remain valid. Division approvals or actions after the effective date of this Policy amendment that conflict with or are inconsistent with approvals or actions taken under previous versions of this Policy will be resolved by the Deputy Director of the Division.
- B. An applicant or recipient may appeal a staff decision within 30 days to the Deputy Director of the Division or designee, for a final Division decision. An applicant or recipient may appeal a final Division decision to the State Water Board within 30 days. The Office of the Chief Counsel of the State Water Board will prepare a summary of the dispute and make recommendations relative to its final resolution, which will be provided to the State Water Board's Executive Director and each State Water Board Member. Upon the motion of any State Water Board Member, the State Water Board will review and resolve the dispute in the manner determined by the State Water Board. Should the State Water Board determine not to review the final Division decision, this decision will represent a final agency action on the dispute.
- C. Where a financing agreement has been executed, the dispute provisions of that agreement will control, and the dispute provisions of this section are inapplicable.

Appendix J

Yucaipa Valley Water District Annual Financial Statements for the Fiscal Year Ending on June 30, 2019



Yucaipa Valley Water District

12770 Second Street, Yucaipa, California 92399

Annual Financial Statements

for the

Fiscal Year Ending June 30, 2019

Board of Directors

Chris Mann
Division 1

Bruce Granlund
Divisions 2

Jay Bogh
Division 3

Lonni Granlund
Division 4

Joyce McIntire
Division 5

Financial Audit Preparation Team:

Allison M. Edmisten, Chief Financial Officer

Kathryn Hallberg, Management Analyst

Matthew Porras, Management Analyst

Denise Howard, Purchasing Agent

Erin Anton, Administrative Clerk V

Tysa Baeumel, Administrative Clerk IV

Allie Barry, Administrative Clerk IV

Sara Onate, Administrative Clerk IV

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INTRODUCTION

It is my pleasure to provide the following financial report for Yucaipa Valley Water District ("District") for the fiscal year ended on June 30, 2019. The financial report was prepared by District staff following guidelines set forth by the Governmental Accounting Standards Board.

The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

This report is organized into the following sections: (1) Transmittal Letter and District Overview; (2) Management Discussion & Analysis; (3) Audited Financial Statements and (4) Required Supplementary Information. The first section provides the reader with a general overview of the District. The Management Discussion & Analysis section offers a summary of significant financial results. The Audited Financial Statements section includes the Independent Auditors' Report. The Required Supplementary section provides information and schedules to supplement the basic financial statements.

OVERVIEW OF THE DISTRICT

The Yucaipa Valley Water District is made up of a proactive group of elected officials and employees dedicated to providing reliable drinking water, recycled water and sewer service in an efficient, cost effective manner that provides a high level of customer satisfaction. On May 1, 2002, the Board of Directors adopted the following mission statement to clearly reflect the vision and principles that guide elected officials and employees of the District.

Yucaipa Valley Water District is committed to professionally managing the precious water, sewer and recycled water resources of the Yucaipa Valley in a reliable, efficient and cost effective manner in order to provide the finest service to our customers, both present and future.

We are entrusted to serve the public for the benefit of the community.

We believe in responsive, innovative and aggressive service, and take pride in getting the job done right the first time.

We encourage a work environment that fosters professionalism, creativity, teamwork and personal accountability.

We treat our customers and one another with fairness, dignity, respect and compassion and exhibit the utmost integrity in all we do.

Financial Statements
Audited Financial Statements - Fiscal Year 2019

We believe in enhancing the environment by following a general philosophy of eliminating waste and maximizing recycling and reuse of our natural resources.

We are committed to using the following operating principles as a guide to accomplishing our mission:

- We are proactive in our approach to issues.
- We are committed to integrity and consistently high ethical standards in all our business dealings.
- We use the strategic planning process to focus our efforts and minimize our crisis management mode.
- We make informed, rational and objective decisions.
- We aggressively pursue technological solutions to improve operations.
- We are inclusive in our decision making and delegate responsibility whenever possible.
- We design our services around customer wants and needs to the degree possible within our financial and regulatory constraints.
- We cultivate widespread commitment to common goals.

We believe our success depends on every employee knowing and sharing these values and principles.

This financial report is a reflection of the District's commitment to professionally manage the precious water, sewer and recycled water resources and infrastructure of the Yucaipa Valley in a reliable, efficient, and cost-effective manner in order to provide the finest service to our customers, both present and future.

To meet the mission of the District, the Board and staff members continue to proactively focus on water quality issues, water supply issues, infrastructure deficiencies, maintenance of existing systems and compliance with increasingly stringent regulatory requirements.

Historical Background

The District was formed as part of reorganization, pursuant to the Reorganization Act of 1965, being Division I of Title 6 of the Government Code of the State of California. This reorganization consisted of the formation of the District, dissolution of the Calimesa Water District and formation of Improvement District No. 1 of the District as successor-in-interest, and dissolution of Improvement District "A" of the San Bernardino Valley Municipal Water District and the formation of Improvement District "A" of the District as successor-in-interest. On September 14, 1971, the Secretary of State of the State of California certified and declared the formation of the Yucaipa Valley County Water District. The District operates under the County Water District Law, being Division 12, section 30000 of the State of California Water Code. Although the immediate function of the District was to provide water service, the District has assumed responsibility for providing recycled water and sewer service in Yucaipa Valley.

The District is located about 70 miles east of Los Angeles and 20 miles southeast of San Bernardino in the foothills of the San Bernardino Mountains and provides water, sewer, and recycled water services.



Financial Statements
Audited Financial Statements - Fiscal Year 2019

As of June 30, 2019, the District provided service to 13,794 water connections (19,243 units), 14,104 sewer connections (22,774 units) and 111 recycled water connections (460 units).

| Customer Type | Drinking Water Enterprise | | Sewer Enterprise | | Recycled Water Enterprise | |
|--------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|-------------------------------|
| | Number of Service Connections | Water Service Units (WSUs) | Number of Service Connections | Sewer Service Units (SSUs) | Number of Service Connections | Recycled Service Units (RSUs) |
| Single Family | 11,876 | 12,602 | 10,358 | 10,315 | -- | -- |
| Multiple Units | 467 | 5,331 | 454 | 5,311 | -- | -- |
| Commercial | 225 | 626 | 216 | 1,011 | -- | -- |
| Institutional | 78 | 370 | 57 | 295 | -- | -- |
| Industrial | 6 | 17 | 3 | 3 | -- | -- |
| Irrigation | 111 | 297 | 7 | 18 | -- | -- |
| Fire Detectors | 1,013 | -- | -- | -- | -- | -- |
| Construction Water | 18 | -- | -- | -- | 7 | -- |
| Recycled Water | -- | -- | -- | -- | 104 | 460 |
| Sewer Only | -- | -- | 3,009 | 5,822 | -- | -- |
| Total | 13,794 | 19,243 | 14,104 | 22,774 | 111 | 460 |

Land and Land Use

The altitude of the District rises from about 2,000 feet above sea level at the western end of the valley to about 5,000 feet at the eastern end, with average elevation of roughly 2,650 feet. The topography of the area is characterized by rolling hills separated by deeply entrenched stream beds, namely, the Yucaipa and Wilson Creeks. The District includes the incorporated cities of Yucaipa and Calimesa which are in San Bernardino and Riverside Counties respectively.

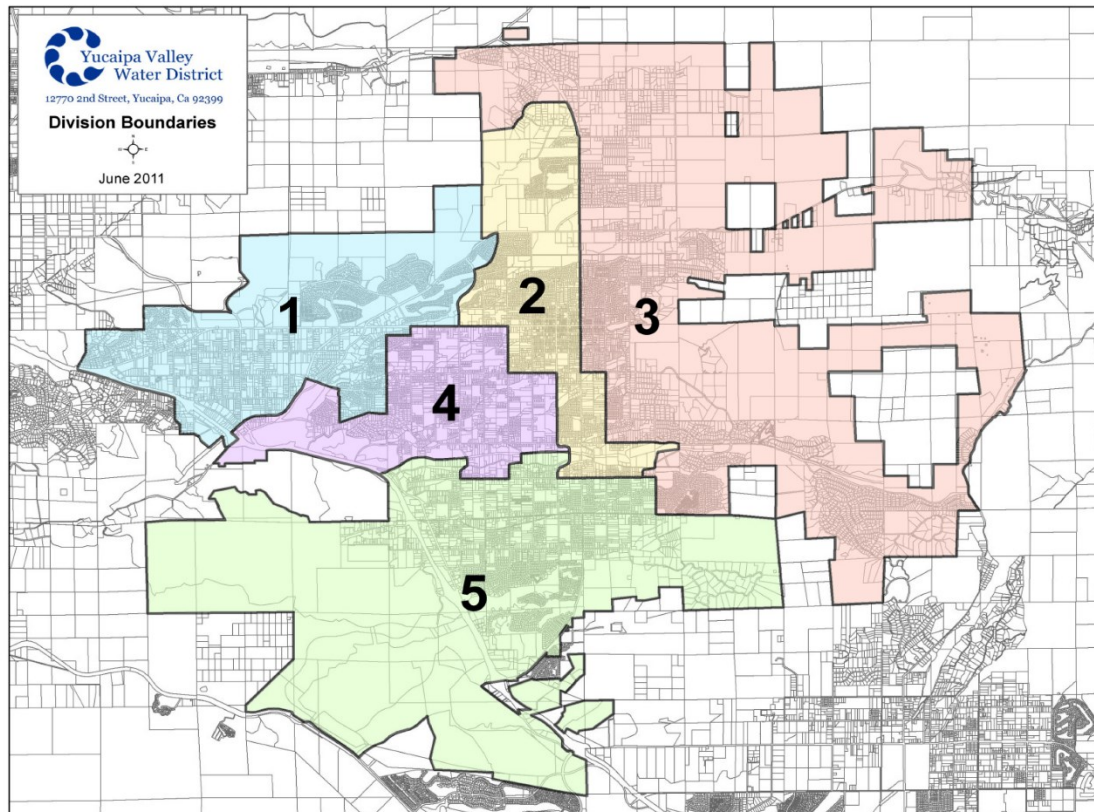
The District expects that the undeveloped land within its boundaries will continue to be developed consistent with the general plans as provided by the City of Yucaipa and the City of Calimesa. The projected population of the District in the year 2060 will be approximately 94,800, which reflects build-out of the City of Yucaipa, City of Calimesa, and the Oak Valley development. Although approximately 49.8% of the land within the boundaries of the District is currently undeveloped, less than 1% of District water sales are to agricultural water users.

Governance and Management

The District is governed by a 5-member board of directors (the "Board"), the members of which are elected from five separate divisions of the District to staggered 4-year terms. The current Board members, the expiration dates of their terms and their occupations are set forth below.

| Member of the Board of Directors | Division | Initial Date of Service | Expiration of Term | Occupation |
|----------------------------------|----------|-------------------------|--------------------|-------------------------------------|
| Chris Mann, President | One | 12/2/2016 | 2020 | Public Relations Firm President |
| Bruce Granlund, Vice President | Two | 12/23/1998 | 2022 | Retired Senior D.A. Investigator |
| Jay Bogh, Director | Three | 09/07/2005 | 2022 | Building Firm Manager |
| Lonni Granlund, Director | Four | 12/05/2008 | 2020 | Property Manager/Real Estate Broker |
| Joyce McIntire, Director | Five | 12/07/2018 | 2022 | Retired School District Employee |

Financial Statements
Audited Financial Statements - Fiscal Year 2019

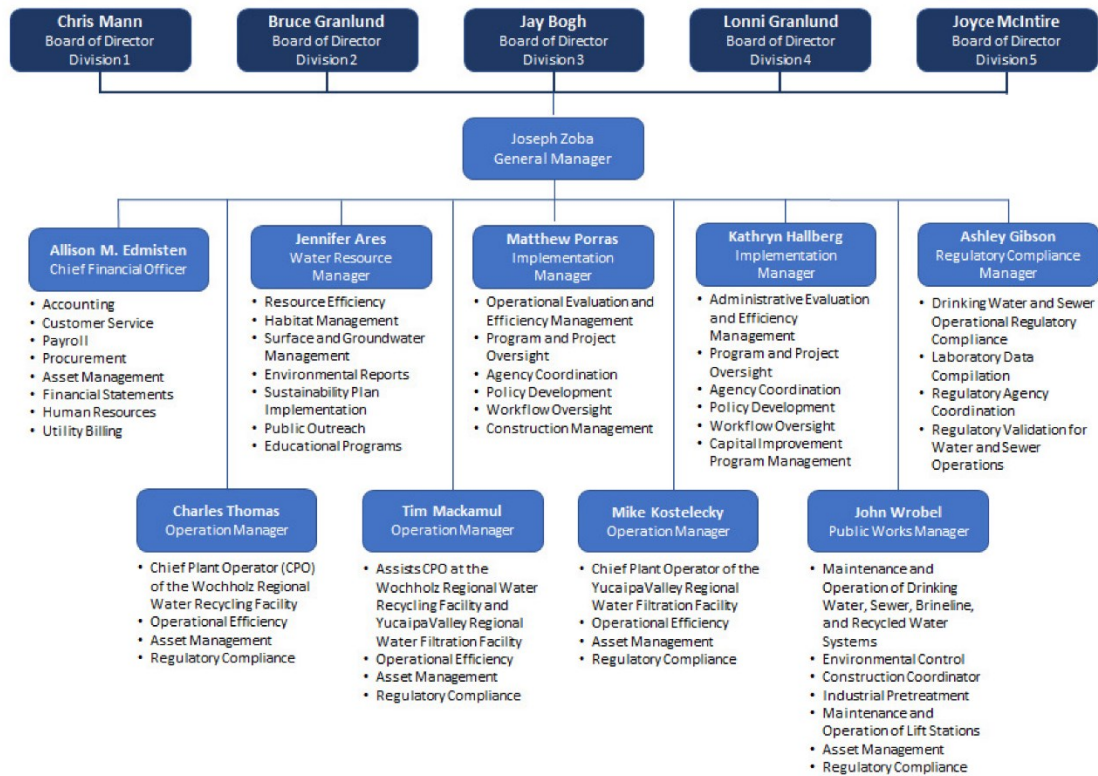


The following individuals have served as President of the Board since the District was created in 1971.

| Yucaipa Valley Water District Presidents of the Board | |
|--|-----------------|
| October 1971 to November 1973 | Harold Lockwood |
| December 1973 to November 1975 | Hank Wochholz |
| December 1975 to October 1977 | Geno Gasponi |
| November 1977 to November 1979 | Eve Kraft |
| December 1979 to December 1983 | Pete Squires |
| January 1984 to December 1987 | Fred Childs |
| January 1988 to November 1989 | George Sardeson |
| November 1989 to December 1991 | Hank Wochholz |
| January 1992 to November 1993 | David Lesser |
| December 1993 to December 1995 | Conrad Nelson |
| December 1995 to December 1998 | Steve Copelan |
| January 1999 to November 2002 | Conrad Nelson |
| December 2002 to December 2006 | Bruce Granlund |
| December 2006 to December 2008 | Tom Shalhoub |
| December 2008 to December 2012 | Jay Bogh |
| January 2013 to December 2014 | Bruce Granlund |
| December 2014 to December 2016 | Lonni Granlund |
| December 2016 to January 2019 | Jay Bogh |
| January 2019 to Present | Chris Mann |

Financial Statements
Audited Financial Statements - Fiscal Year 2019

Day-to-day management of the District is delegated to the General Manager who works closely with an executive team who ultimately oversee all of the District's services and functions.



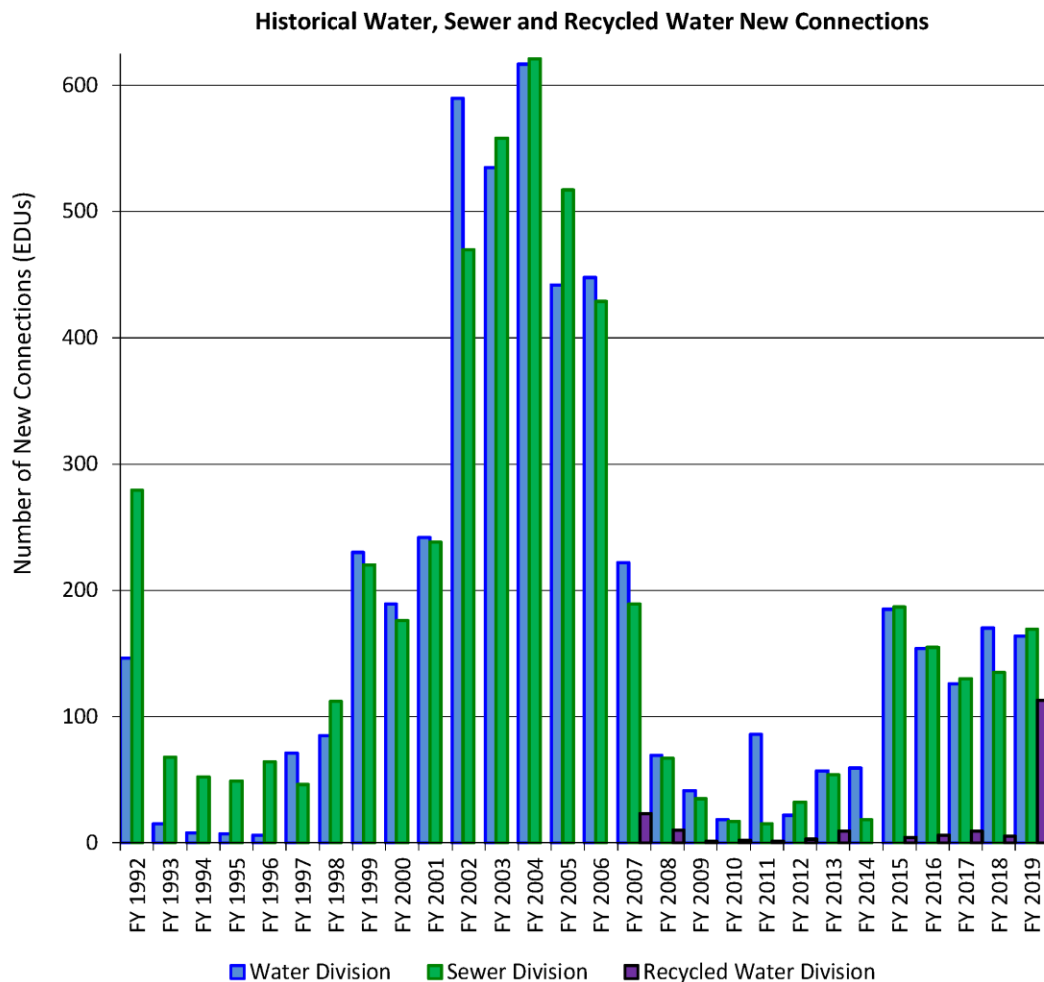
DEVELOPMENT ACTIVITY WITHIN THE DISTRICT

Facility Capacity Charges - Fiscal Year 2019

During this fiscal year, the District added 164 water connections, 169 sewer connections, and 113 recycled water connections. When compared to the development activity in the prior year, the District had 3.5% less water connections, 25.2% more sewer connections, but 2,160% more recycled water connections.

Financial Statements
Audited Financial Statements - Fiscal Year 2019

| Fiscal Year | New Water Connections | New Sewer Connections | New Recycled Water Connections |
|-------------|-----------------------|-----------------------|--------------------------------|
| 2009 | 41 | 35 | 1 |
| 2010 | 18 | 17 | 2 |
| 2011 | 86 | 15 | 1 |
| 2012 | 22 | 32 | 3 |
| 2013 | 57 | 54 | 9 |
| 2014 | 59 | 18 | 0 |
| 2015 | 185 | 187 | 4 |
| 2016 | 154 | 155 | 6 |
| 2017 | 126 | 130 | 9 |
| 2018 | 170 | 135 | 5 |
| 2019 | 164 | 169 | 113 |



MAJOR INITIATIVES AND CONTROLS

Sustainability Initiative

California's water supply continues to be a concern due to projected population increases and limited capabilities to convey water throughout the state. On August 20, 2008 the Board of Directors adopted a *Strategic Plan for a Sustainable Future - The Integration and Preservation of Resources*. The purpose of this document was to document the proactive steps taken by the Yucaipa Valley Water District to improve the social, economic and environmental sustainability of our community. These actions have included the purchase of valuable watershed properties, protection of local water supplies and management of environmental corridors. While the decisions to embark on these actions have been generally unrelated, a look back in time indicates that the District has been progressing towards a more independent, flexible and sustainable future.

"The nation behaves well if it treats the natural resources as assets which it must turn over to the next generation increased, and not impaired in value."

- Theodore Roosevelt

The proactive steps taken by the District to protect and conserve our resources have been based on the concepts that: (1) resources are not limitless and therefore need to be conserved, nurtured and renewed; and (2) resources that are used to generate short-term gains result in an inefficient and inequitable consumption of resources that are not beneficial for a long-term

strategy. Both of these concepts help to guide the District to make decisions that are conservative, careful and conscious of the role we currently play in a long-term strategy to protect the community.

The purpose of pursuing a sustainability plan is twofold. First and foremost, the sustainability plan has been designed to establish the policies and guidelines necessary to protect and preserve the natural resources entrusted to the District for our customers. It is our business to maximize the use of our limited natural resources for the long-term economic growth and expansion of the local economy. In the arid southwest, the basic fuel to create and maintain a local economy is water. Secondly, the sustainability policy has been designed to provide a means to measure performance of the organization. While performance monitoring or benchmarking is not normally associated with sustainability, this document has been created with the intention that the goals and reporting requirements are designed around performance management across a wide range of disciplines.

"Sustainable development is . . . development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

World Commission on Environment and Development, *Our Common Future*, 1987

With the use of this document the District is better equipped to:

- Identify the key challenges over the next five decades and assess the goals to overcome these challenges;
- Deal with the challenges of the future in a transparent manner involving stakeholders;
- Identify and manage risk in a reasonable and prudent manner with information, data and resources necessary to minimize the potential costs associated with certain scenarios; and
- Embark on a program to ensure that the generations that follow are provided with the necessary tools and resources to grow the community as the prior generation has done for us.



Financial Statements
Audited Financial Statements - Fiscal Year 2019

The implementation of this initiative will come about largely with the return of new development. However, the District has enacted additional measures for existing customers which largely involves the purchase of imported water to offset groundwater production by 15% beginning in January 2010.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. 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.

Budgetary Control

The District's Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. Budget adjustments are presented to the Board semi-annually for items that were not initially anticipated. The budget and reporting steps taken by the District are consistent with generally accepted accounting principles with monthly reporting of public documents for complete transparency and disclosure.

Investment Policy

The Board of Directors adopts an investment policy annually that conforms to state law, District ordinance and resolutions, and prudent money management. The District is extremely conservative in our approach to investing to maximize safety and protection of public funds.

Audit and Financial Reporting

State law and bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Eide Bailly LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditors' Report is attached.

Independent Auditors' Report





Independent Auditor's Report

Board of Directors
Yucaipa Valley Water District
Yucaipa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Water Fund, Sewer Fund, Recycled Water Fund, and the aggregate remaining fund information of the Yucaipa Valley Water District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Water Fund, Sewer Fund, Recycled Water Fund, and aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 41 and the Schedule of Contributions on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The transmittal letter is presented for purposes of additional analysis and is not a required part of the financial statements.

The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Rancho Cucamonga, California
November 18, 2019

Management's Discussion & Analysis



This section of the Yucaipa Valley Water District's comprehensive annual financial report presents a discussion and analysis of the District's financial performance during the fiscal years ending June 30, 2018 and June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the District's basic financial statements following this section.

Yucaipa Valley Water District's financial statements consist of three enterprise funds: (W) drinking water fund, (S) sewer fund, and (R) recycled water fund.

FINANCIAL HIGHLIGHTS

Based on the financial information for the fiscal year ending on June 30, 2019, the following financial highlights are noted for the Yucaipa Valley Water District.

- The District's net position increased 0.19% to \$191,582,827.
- The District's total revenues decreased 0.34% to \$25,617,825.
- The District's total expenses increased 3.54% to \$31,905,254.
- The capital contributions to the District totaled \$6,647,936 for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Yucaipa Valley Water District's basic financial statements. The District's basic financial statements are comprised of three components: Financial Statements, Notes to the Financial Statements, and Required Supplementary Information.

The District's Basic Financial Statements are comprised of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

The *Statement of Net Position* presents information on all District assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as *Net Position*. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how Net Position changed during the fiscal year.

The *Statement of Cash Flows* presents information about the cash receipts and cash payments of the District during the fiscal year. When used with related disclosures and information in the other financial statements, the information provided in these statements should help financial report users assess the District's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the District's financial position of its cash and its non-cash investing, capital and related financing transactions during the year.

Notes to the Basic Financial Statements provides additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes are included immediately following the financial statements within this report.

FINANCIAL ANALYSIS - STATEMENT OF NET POSITION

The following table summarizes the changes in the Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position as of June 30, 2019.

| | Water Enterprise | | | | Sewer Enterprise | | | | Recycled Water Enterprise | | | |
|---|--------------------|--------------------|--------------------|----------------|--------------------|--------------------|--------------------|----------------|---------------------------|-------------------|----------------|--------------|
| | 2019 | 2018 | Change | % Change | 2019 | 2018 | Change | % Change | 2019 | 2018 | Change | % Change |
| Assets | | | | | | | | | | | | |
| Current Assets | \$ 8,050,028 | \$ 8,569,094 | \$ (519,066) | (6.06%) | \$ 7,209,847 | \$ 7,577,832 | \$ (367,985) | (6.06%) | \$ 545,500 | \$ 858,725 | \$ (313,225) | (36.48%) |
| Net Capital Assets | 101,550,102 | 102,940,901 | (1,390,799) | (1.35%) | 120,184,808 | 123,124,449 | (2,939,641) | (2.39%) | 23,886,667 | 24,661,325 | (774,658) | (3.14%) |
| Other Assets | 1,131,328 | 1,117,083 | 14,245 | 1.28% | 893,163 | 893,163 | - | 0.00% | 1,922,101 | 607,498 | 1,314,603 | 216.40% |
| Total Assets | 110,731,458 | 112,627,078 | (1,895,620) | (1.68%) | 128,287,818 | 131,595,444 | (3,307,626) | (2.51%) | 26,354,268 | 26,127,548 | 226,720 | 0.87% |
| Deferred Outflows of Resources | | | | | | | | | | | | |
| Deferred Outflow of Resources to Pensions | 951,548 | 1,243,383 | (291,835) | (23.47%) | 710,514 | 893,368 | (182,854) | (20.47%) | 136,707 | 140,507 | (3,800) | (2.70%) |
| Total Assets and Deferred Outflows | 111,683,006 | 113,870,461 | (2,187,455) | (1.96%) | 128,998,332 | 132,488,812 | (3,490,480) | (2.64%) | 26,490,975 | 26,268,055 | 222,920 | 0.85% |
| Liabilities | | | | | | | | | | | | |
| Current Liabilities | 2,818,903 | 3,605,471 | (786,568) | (21.82%) | 4,079,177 | 4,161,501 | (82,324) | (1.98%) | 7,650 | 34,257 | (26,607) | (77.67%) |
| Long-term Liabilities | 31,972,674 | 33,604,871 | (1,632,197) | (4.86%) | 36,055,960 | 39,172,684 | (3,116,724) | (7.96%) | 469,383 | 402,612 | 66,771 | 16.58% |
| Total Liabilities | 34,791,577 | 37,210,342 | (2,418,765) | (6.50%) | 40,135,137 | 43,334,185 | (3,199,048) | (7.4%) | 477,033 | 436,869 | 40,164 | 9.19% |
| Deferred Inflows of Resources | | | | | | | | | | | | |
| Deferred Amounts Related to Pensions | 96,256 | 231,292 | (133,036) | (57.52%) | 73,367 | 166,183 | (92,816) | (55.85%) | 14,116 | 28,137 | (12,021) | (45.99%) |
| Total Liabilities and Deferred Inflows | 34,887,833 | 37,441,634 | (2,553,801) | (6.80%) | 40,208,504 | 43,500,368 | (3,291,864) | (7.57%) | 491,149 | 465,006 | 26,143 | 6.00% |
| Net Position | | | | | | | | | | | | |
| Net Investment in Capital Assets, Net of Related Debt | 72,261,052 | 72,366,486 | (105,434) | (0.15%) | 83,864,694 | 83,928,508 | (63,814) | (0.08%) | 23,886,667 | 24,661,325 | (774,658) | (3.14%) |
| Restricted Funds | 1,131,328 | 1,117,083 | 14,245 | 1.28% | 893,163 | 893,163 | 0 | 0.00% | 1,922,101 | 607,498 | 1,314,603 | 216.40% |
| Unrestricted Funds | 3,400,793 | 2,945,258 | 455,535 | 15.47% | 4,031,971 | 4,166,773 | (134,802) | (3.24%) | 191,058 | 536,226 | (345,168) | (64.37%) |
| Total Net Position | 76,428,827 | 76,428,827 | (2,628,279) | (3.32%) | 88,789,828 | 88,988,444 | (198,616) | (0.22%) | 25,999,826 | 25,905,049 | 94,777 | 0.75% |
| Total Liabilities and Net Position | 111,316,660 | 113,870,461 | 2,553,801 | (2.24%) | 128,998,332 | 132,488,812 | (3,490,480) | (2.63%) | 26,490,975 | 26,268,055 | 222,920 | 0.85% |



Statement of Net Position – The District's net position increased between fiscal years 2017-18 and 2018-19, increasing from \$191,222,320 to \$191,582,827. The change can be seen in the condensed Statement of Net Position below as a \$360,507 increase in net position.

As of July 1, 2014, and the District's adoption of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. These pronouncements resulted in a restatement of the District's beginning net position and inclusion of several new accounts on the District's financial statements. These new accounts include a \$6,176,087 net pension liability, \$185,739 in deferred inflow of resources (deferred amount on pensions) and \$1,798,769 in deferred outflows of resources from pension contributions made after the measurement date and amortization. These are further discussed in Defined Benefit Pension Plans in the accompanying pages.

The decrease in current assets for water is primarily attributed to the reduced revenue for water sales, compared to the most recent prior year. However, the sales for 2018-19 are more in line with the revenue from 2016-17. The decrease in sewer and recycled current assets is attributed to the increased expenditures and operations in the funds. The sewer fund had an increase in professional fees as a result of the MORE project as well as the Calimesa Lakes Recharge Project. The recycled fund continues to grow and an increased amount of District staff was allocated to this fund in 2018-19.

The decrease in net capital water, sewer and recycled assets is primarily attributed to the depreciation expenses for the year.

FINANCIAL ANALYSIS - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following table summarizes changes in Net Position for the year ended June 30, 2019.

Management's Discussion and Analysis
Fiscal Year 2019

Statement of Revenues, Expenses and Changes in Net Position

| | 2019 | 2018 | Change | % Change |
|--|-------------------|-------------------|------------------|---------------|
| Operating Revenues | | | | |
| Water Services | \$ 9,479,417 | \$ 9,922,660 | \$(443,243) | -4.47% |
| Sewer Services | 11,436,177 | 11,522,679 | (86,502) | -0.75% |
| Recycled Services | 802,468 | 530,374 | 272,094 | 51.30% |
| Interfund Services Provided | 202,500 | 189,000 | 13,500 | 7.14% |
| Other Revenue | 2,625 | 1,800 | 825 | 45.83% |
| Total Operating Revenues | 21,923,187 | 22,166,513 | (243,326) | -1.10% |
| Non-Operating Revenues | | | | |
| Interest Income | 192,807 | 196,151 | (3,344) | -1.70% |
| Property Taxes | 3,477,140 | 3,276,660 | 200,480 | 6.12% |
| Other Income | 24,691 | 65,965 | (41,274) | -62.57% |
| Total Non-Operating Revenues | 3,694,638 | 3,538,776 | 155,862 | 4.40% |
| Total Revenues | 25,617,825 | 25,705,289 | (87,464) | -0.34% |
| Operating Expenses | | | | |
| Salaries & Benefits - W | 4,154,337 | 4,488,038 | (333,701) | -7.44% |
| Salaries & Benefits - S | 3,232,991 | 2,910,573 | 322,418 | 11.08% |
| Salaries & Benefits - R | 930,326 | 731,583 | 198,743 | 27.17% |
| Operating Expenses - W | 5,682,200 | 5,930,850 | (248,650) | -4.19% |
| Operating Expenses - S | 5,908,280 | 4,756,529 | 1,151,751 | 24.21% |
| Operating Expenses - R | 311,399 | 385,657 | (74,258) | -19.25% |
| Water Purchases - W | 1,092,040 | 1,372,267 | (280,227) | -20.42% |
| Operating Expenses before Depreciation | 21,311,573 | 20,575,497 | 736,076 | 3.58% |
| Depreciation & Amortization - W | 3,483,185 | 3,318,457 | 164,728 | 4.96% |
| Depreciation & Amortization - S | 4,338,068 | 4,104,399 | 233,669 | 5.69% |
| Depreciation & Amortization - R | 874,938 | 794,665 | 80,273 | 10.10% |
| Total Operating Expenses | 30,007,764 | 28,793,018 | 1,214,746 | 4.22% |
| Non-Operating Expenses | | | | |
| (Gain)/Loss on Asset Disposal | - | - | - | 100.00% |
| Interest Expense - W | 990,789 | 1,044,348 | (53,559) | -5.13% |
| Interest Expense - S | 906,701 | 977,041 | (70,340) | -7.20% |
| Total Non-Operating Expenses | 1,897,490 | 2,021,389 | (123,899) | -6.13% |
| Total Expenses | 31,905,254 | 30,814,407 | 1,090,847 | 3.54% |



Management's Discussion and Analysis
Fiscal Year 2019

Statement of Revenues, Expenses and Changes in Net Position

| | 2019 | 2018 | Change | % Change |
|--|-----------------------|-----------------------|-------------------|--------------|
| Income (Loss) Before Contributions - W | \$ (2,301,590) | \$ (2,978,538) | \$ 676,948 | -22.73% |
| Income (Loss) Before Contributions - S | (2,866,014) | (900,526) | (1,965,488) | 218.26% |
| Income (Loss) Before Contributions - R | (1,119,825) | (1,230,054) | 110,229 | -8.96% |
| Total Income (Loss) Before Contributions | (6,287,429) | (5,109,118) | (1,178,311) | 23.06% |
| Contributions | | | | |
| Capital Contributions - W | 2,665,936 | 350,259 | 2,315,677 | 661.13% |
| Capital Contributions - S | 2,667,398 | 841,462 | 1,825,936 | 217.00% |
| Capital Contributions - R | 1,314,602 | 88,127 | 1,226,475 | 1391.71% |
| | 6,647,936 | 1,279,848 | 5,368,088 | 2269.84% |
| Change in Net Position - W | 364,346 | (2,628,279) | 2,992,625 | -113.86% |
| Change in Net Position - S | (198,616) | (59,064) | (139,552) | 236.27% |
| Change in Net Position - R | 194,777 | (1,141,927) | 1,336,704 | -117.06% |
| Beginning Net Position | 191,222,320 | 195,051,590 | (3,829,270) | -1.96% |
| Ending Net Position | <u>\$ 191,582,827</u> | <u>\$ 191,222,320</u> | <u>\$ 360,507</u> | <u>0.19%</u> |



The Statement of Revenues, Expenses and Changes in Net Position provides the nature and source of these changes. As can be seen in the preceding table, the loss before capital contributions of \$6,287,429 and capital contributions of \$6,647,936 offset the increase in Net Position of \$364,346 in Fiscal Year 2019.

On January 17, 2014, Governor Brown issued a proclamation of a state of emergency under the California Emergency Services Act based on drought conditions. On April 25, 2014, Governor Brown issued a proclamation of a continued state of emergency based on continued drought. Yucaipa Valley Water District has taken steps over the years to reduce drinking water use by implementing an extensive recycled water system and asking customers to cut back usage on potable water. The drought restrictions were reduced in 2017 which resulted in increased water services revenue.

The sewer fund experienced an increase in operating expenses as a result of the MORE project as well as the Calimesa Lakes Recharge Project.

During fiscal year 2018-19 additional staff was allocated from the water fund to the sewer and recycled water funds. In addition, the water fund experienced a decrease in operating expenses as a result of one time projects from the prior fiscal year. The water fund also purchased less imported water in 2018-19 compared to the prior fiscal year. Finally, all funds experienced an increase in capital contributions compared to the prior fiscal year.



CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At the end of Fiscal Year 2019, the District had invested \$245,621,580 in a broad range of infrastructure as shown below.

Schedule of Capital Assets

| | 2019 | 2018 | Change | % Change |
|----------------------------------|-----------------------|-----------------------|-----------------------|---------------|
| Non-Depreciable Assets | | | | |
| Land & Easements | \$ 5,892,830 | \$ 5,587,305 | \$ 305,525 | 5.47% |
| Secured Rights | 9,687,619 | 9,687,619 | - | 0.00% |
| Construction in Progress | 7,274,352 | 21,439,892 | (14,165,540) | -66.07% |
| Total Non-Depreciable Assets | 22,854,801 | 36,714,816 | (13,860,015) | -37.75% |
| Depreciable Assets | | | | |
| Structures & Improvements | 347,896,302 | 330,802,869 | 17,093,433 | 5.17% |
| Equipment | 6,669,669 | 6,450,041 | 219,628 | 3.41% |
| Total Depreciable Assets | 354,565,971 | 337,252,910 | 17,313,061 | 5.13% |
| Less Accumulated Depreciation | (131,799,192) | (123,241,051) | (8,558,141) | 6.94% |
| Net Depreciable Assets | 222,766,779 | 214,011,859 | 8,754,920 | 4.09% |
| Total Capital Assets, Net | \$ 245,621,580 | \$ 250,726,675 | \$ (5,105,095) | -2.04% |

As of June 30, 2019, land increased by \$305,525, in the sewer fund due to a property purchase near the wastewater plant. Construction in Progress decreased \$14,165,540 amongst the water, sewer and recycled water funds combined. These projects include reservoir 12.4, the belt press rehab, digesters, the fill station and the 12.4 booster. This decrease in Construction in Progress results in the increase in Structures and Improvements.

Additional information on the District's capital assets can be found in Note 3 of this report.

Management's Discussion and Analysis
Fiscal Year 2019

Long-term obligations, including the current portion, total \$75,403,747 as of June 30, 2019, a decrease of \$5,577,649 from \$80,981,396 as of June 30, 2018. The long-term obligations were comprised of compensated absences, water revenue bonds and sewer fund state revolving fund (SRF) loans for the WRWRF plant expansion, Regional Brineline Extension, (WISE) Wochholz Improved Salinity Effluent Project, Non-Potable Reservoir NR-10.3.1 project and the Crow Street Recycled Project.

Schedule of Liabilities

| | 2019 | 2018 | Change | % Change |
|-----------------------------------|----------------------|----------------------|-----------------------|---------------|
| Long Term Obligations: | | | | |
| Compensated absences | \$ 828,561 | \$ 875,336 | \$ (46,775) | -5.34% |
| Refunding Revenue Bonds - Water | 28,119,050 | 29,459,415 | (1,340,365) | -4.55% |
| State Revolving Fund Loan - Sewer | 33,374,319 | 36,320,096 | (2,945,777) | -8.11% |
| Net Pension Liability | 6,176,087 | 6,525,320 | (349,233) | -5.35% |
| Total Long Term Obligations | 68,498,017 | 73,180,167 | (4,682,150) | -6.40% |
| Current Portion of Obligations: | | | | |
| Compensated Absences | 405,002 | 431,780 | (26,778) | -6.20% |
| Refunding Revenue Bonds - Water | 1,170,000 | 1,115,000 | 55,000 | 4.93% |
| State Revolving Fund Loan - Sewer | 2,945,795 | 2,875,845 | 69,950 | 2.43% |
| Other Current Liabilities | 2,384,933 | 3,378,604 | (993,671) | -29.41% |
| Total Current Obligations | 6,905,730 | 7,801,229 | (895,499) | -11.48% |
| Total Liabilities | \$ 75,403,747 | \$ 80,981,396 | \$ (5,577,649) | -6.89% |

Additional information on the District's long-term obligations can be found in Notes 4 through 12 of this report.

Requests for Information

This financial report is designed to provide a general overview of the financial position of the Yucaipa Valley Water District for all those with an interest in the government's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Allison M. Edmisten, Chief Financial Officer at 12770 Second Street, Yucaipa, California 92399.

Financial Statements



YUCAIPA VALLEY WATER DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2019

| | Enterprise Funds | | | |
|---|------------------|---------------|----------------|----------------|
| | Water | Sewer | Recycled Water | Total |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and investments | \$ 4,558,160 | \$ 5,887,113 | \$ 452,741 | \$ 10,898,014 |
| Accounts receivable, net | 996,955 | 1,294,017 | 87,126 | 2,378,098 |
| Taxes and assessments receivable | 61,013 | | | 61,013 |
| Interest receivable | 25,347 | 25,347 | 5,633 | 56,327 |
| Inventory | 1,162,397 | | | 1,162,397 |
| Prepayments and deposits | 1,246,156 | 3,370 | | 1,249,526 |
| Total Current Assets | 8,050,028 | 7,209,847 | 545,500 | 15,805,375 |
| Noncurrent Assets: | | | | |
| Restricted investments | 1,131,328 | 893,163 | 1,922,101 | 3,946,592 |
| Capital assets not being depreciated | 10,323,707 | 12,072,484 | 458,610 | 22,854,801 |
| Capital assets being depreciated, net | 91,226,395 | 108,112,324 | 23,428,057 | 222,766,776 |
| Total Noncurrent Assets | 102,681,430 | 121,077,971 | 25,808,768 | 249,568,169 |
| TOTAL ASSETS | 110,731,458 | 128,287,818 | 26,354,268 | 265,373,544 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amounts related to pensions | 951,548 | 710,514 | 136,707 | 1,798,769 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued liabilities | 315,752 | 389,307 | 7,650 | 712,709 |
| Customer deposits | 115,790 | | | 115,790 |
| Developer/construction deposits | 558,758 | | | 558,758 |
| Accrued interest payable | 383,955 | 613,721 | | 997,676 |
| Current portion of long-term liabilities: | | | | |
| Compensated absences | 274,648 | 130,354 | | 405,002 |
| Certificates of participation | 1,170,000 | | | 1,170,000 |
| State revolving fund loans | | 2,945,795 | | 2,945,795 |
| Total Current Liabilities | 2,818,903 | 4,079,177 | 7,650 | 6,905,730 |
| Long-Term Liabilities: | | | | |
| Compensated absences | 586,474 | 242,087 | | 828,561 |
| Certificates of participation | 28,119,050 | | | 28,119,050 |
| State revolving fund loans | | 33,374,319 | | 33,374,319 |
| Net pension liability | 3,267,150 | 2,439,554 | 469,383 | 6,176,087 |
| Total Long-Term Liabilities | 31,972,674 | 36,055,960 | 469,383 | 68,498,017 |
| TOTAL LIABILITIES | 34,791,577 | 40,135,137 | 477,033 | 75,403,747 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred amounts related to pensions | 98,256 | 73,367 | 14,116 | 185,739 |
| NET POSITION | | | | |
| Net investment in capital assets | 72,261,052 | 83,864,694 | 23,886,667 | 180,012,413 |
| Restricted for: | | | | |
| Debt service | | 893,163 | | 893,163 |
| Capital projects | 1,131,328 | | 1,922,101 | 3,053,429 |
| Unrestricted | 3,400,793 | 4,031,971 | 191,058 | 7,623,822 |
| TOTAL NET POSITION | \$ 76,793,173 | \$ 88,789,828 | \$ 25,999,826 | \$ 191,582,827 |

The accompanying notes are an integral part of these financial statements.



YUCAIPA VALLEY WATER DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | Enterprise Funds | | | |
|--|------------------|---------------|----------------|----------------|
| | Water | Sewer | Recycled Water | Total |
| OPERATING REVENUES | | | | |
| Charges for current services | \$ 9,479,417 | \$ 11,436,177 | \$ 802,468 | \$ 21,718,062 |
| Interfund services provided | 202,500 | | | 202,500 |
| Other revenue | 285 | 2,340 | | 2,625 |
| Total Operating Revenues | 9,682,202 | 11,438,517 | 802,468 | 21,923,187 |
| OPERATING EXPENSES | | | | |
| Salaries and employee benefits | 4,154,337 | 3,232,991 | 930,326 | 8,317,654 |
| Electrical power | 1,444,187 | 1,350,518 | 100,127 | 2,894,832 |
| Water purchases | 1,092,040 | | | 1,092,040 |
| Administrative services | 630,518 | 606,388 | 32,086 | 1,268,992 |
| Operating supplies | 279,955 | 876,858 | 5,690 | 1,162,503 |
| Maintenance and repairs | 1,897,419 | 925,685 | 36,671 | 2,859,775 |
| Crystal Creek Water Treatment | 618,228 | | | 618,228 |
| Brineline charges | | 413,813 | | 413,813 |
| Depreciation | 3,483,185 | 4,338,068 | 874,938 | 8,696,191 |
| Insurance | 100,173 | 130,327 | 21,178 | 251,678 |
| Professional fees | 565,163 | 1,259,262 | 110,179 | 1,934,604 |
| Other | 146,557 | 345,429 | 5,468 | 497,454 |
| Total Operating Expenses | 14,411,762 | 13,479,339 | 2,116,663 | 30,007,764 |
| Operating Income (Loss) | (4,729,560) | (2,040,822) | (1,314,195) | (8,084,577) |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest income | 94,520 | 80,417 | 17,870 | 192,807 |
| Property taxes | 3,300,640 | | 176,500 | 3,477,140 |
| Other income | 23,599 | 1,092 | | 24,691 |
| Interest expense | (990,789) | (906,701) | | (1,897,490) |
| Total Non-Operating Revenues (Expenses) | 2,427,970 | (825,192) | 194,370 | 1,797,148 |
| Income (Loss) Before Contributions | (2,301,590) | (2,866,014) | (1,119,825) | (6,287,429) |
| CONTRIBUTIONS | | | | |
| Capital contributions | 2,665,936 | 2,667,398 | 1,314,602 | 6,647,936 |
| Change in Net Position | 364,346 | (198,616) | 194,777 | 360,507 |
| Net Position, Beginning of Year | 76,428,827 | 88,988,444 | 25,805,049 | 191,222,320 |
| Net Position, End of Year | \$ 76,793,173 | \$ 88,789,828 | \$ 25,999,826 | \$ 191,582,827 |

The accompanying notes are an integral part of these financial statements.



YUCAIPA VALLEY WATER DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | Enterprise Funds | | | |
|---|------------------|---------------|----------------|---------------|
| | Water | Sewer | Recycled Water | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 9,378,035 | \$ 11,735,592 | \$ 786,985 | \$ 21,900,612 |
| Receipts (payments) from interfund services provided | 202,500 | (202,500) | | |
| Payments to suppliers | (7,425,348) | (5,783,685) | (338,006) | (13,547,039) |
| Employment related payments | (4,286,892) | (3,341,156) | (871,776) | (8,499,824) |
| Net Cash Provided by/(Used for) Operating Activities | (2,131,705) | 2,408,251 | (422,797) | (146,251) |
| CASH FLOWS FROM CAPITAL AND AND RELATED FINANCING ACTIVITIES | | | | |
| Capital contributions | 2,665,936 | 2,667,398 | 1,314,602 | 6,647,936 |
| Cash paid for capital assets | (2,092,386) | (1,398,427) | (100,280) | (3,591,093) |
| Principal paid on capital debt | (1,115,000) | (2,875,827) | | (3,990,827) |
| Interest paid on capital debt | (1,179,738) | (957,006) | | (2,136,744) |
| Net Cash Provided by/(Used for) Capital and Related Financing Activities | (1,721,188) | (2,563,862) | 1,214,322 | (3,070,728) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Property taxes received | 3,324,492 | | 176,500 | 3,500,992 |
| Other receipts | 23,599 | 1,092 | | 24,691 |
| Net Cash Provided by Non-Capital Financing Activities | 3,348,091 | 1,092 | 176,500 | 3,525,683 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest and dividends | 107,223 | 93,120 | 20,693 | 221,036 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (397,579) | (61,399) | 988,718 | 529,740 |
| Balances, Beginning of Year | 6,087,067 | 6,841,675 | 1,386,124 | 14,314,866 |
| Balances, End of Year | \$ 5,689,488 | \$ 6,780,276 | \$ 2,374,842 | \$ 14,844,606 |
| Reconciliation to Statement of Net Position: | | | | |
| Cash and investments | \$ 4,558,160 | \$ 5,887,113 | \$ 452,741 | \$ 10,898,014 |
| Restricted cash and investments - Non-current | 1,131,328 | 893,163 | 1,922,101 | 3,946,592 |
| Total Cash and Investments | \$ 5,689,488 | \$ 6,780,276 | \$ 2,374,842 | \$ 14,844,606 |

The accompanying notes are an integral part of these financial statements.



YUCAIPA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS, Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

| | Enterprise Funds | | | |
|---|------------------|----------------|----------------|----------------|
| | Water | Sewer | Recycled Water | Total |
| RECONCILIATION OF OPERATING Income (Loss) | | | | |
| TO NET CASH PROVIDED | | | | |
| BY OPERATING ACTIVITIES | | | | |
| Operating Income (loss) | \$ (4,729,560) | \$ (2,040,822) | \$ (1,314,195) | \$ (8,084,577) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 3,483,185 | 4,338,068 | 874,938 | 8,696,191 |
| Change in assets and liabilities: | | | | |
| Receivables, net | 295,391 | 297,075 | (15,483) | 576,983 |
| Compensated absences | 4,321 | (77,874) | | (73,553) |
| Prepayments and deposits | (245,126) | (3,192) | | (248,318) |
| Developer and customer deposits | (397,058) | | | (397,058) |
| Inventory | 20,422 | | | 20,422 |
| Accounts and other payables (non-capital) | (426,404) | (74,713) | (26,607) | (527,724) |
| Net pension liability | (295,675) | (120,329) | 66,771 | (349,233) |
| Change in deferred outflows of resources related to pensions | 291,835 | 182,854 | 3,800 | 478,489 |
| Change in deferred inflows of resources related to pensions | (133,036) | (92,816) | (12,021) | (237,873) |
| Net Cash Provided by/(Used for) Operating Activities | \$ (2,131,705) | \$ 2,408,251 | \$ (422,797) | \$ (146,251) |

The accompanying notes are an integral part of these financial statements.



YUCAIPA VALLEY WATER DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

JUNE 30, 2019

| | |
|---------------------------|---|
| | SCIP R-12.4 Reservoir Agency Fund |
| ASSETS | |
| Cash and cash equivalents | \$ 1,297,349 |
| LIABILITIES | |
| Due to other governments | \$ 1,297,349 |

The accompanying notes are an integral part of these financial statements.



Notes to the Financial Statements



YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Yucaipa Valley Water District (the District) is a special-purpose government district providing water distribution and sewer collection and treatment for consumers within its service area. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Basis of Presentation

The District has the following major proprietary funds:

- Water – This fund accounts for the activities of the District's drinking water supply system.
- Sewer – This fund accounts for the activities of the District's sewage treatment plant, pumping stations, and collection systems.
- Recycled Water – This fund accounts for the activities of the District's recycled water supply system.

The SCIP R-12.4 Reservoir agency fund utilizes the accrual basis of accounting for reporting its assets and liabilities. This fund is used to account for receipts and disbursements associated with Assessment District AD-14-01, which is administered by, but is not the liability of, the District.

C. Basis of Accounting

Proprietary fund financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes apply. Property taxes are collected for the District by the Counties of San Bernardino and Riverside. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses include the costs of sales and services, the costs of employee benefits, maintenance of capital assets, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *(Continued)*

D. Capital Assets

Capital assets purchased or constructed are carried at cost. Constructed costs include labor, materials and construction period interest expense (net of interest income, where applicable). Capitalization threshold is \$5,000. Contributed assets are stated at acquisition value at the time received by the District. Depreciation is calculated on the straight-line method over the following estimated useful lives of the assets:

| | |
|-----------------------------|---------------|
| Structures and improvements | 10 – 50 years |
| Equipment | 4 – 10 years |

E. Restricted Investments

Various resources of the District are limited as to their use by law or by debt covenants and are classified on the balance sheet as restricted investments. Undisbursed debt proceeds are restricted for repayment of the debt and project costs. Also, fees imposed on new real estate development are restricted by law for the construction of capital improvements which benefit the development projects.

F. Inventory

Inventory is stated at the lower of cost, using the average cost method, or market.

G. Cash and Cash Equivalents

All cash and investments are held in the District's cash management pool. Therefore, for purposes of the statement of cash flows, the District considers the entire pooled cash and investment balance to be cash and cash equivalents.

H. Investments

Investments are reported at fair value, which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Management reviews investments for events that might affect fair value measurements of investments on a monthly basis. The evaluation is performed at the lowest level of identifiable unit of account.

YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

I. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1 percent of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to entities based on complex formulas. The property tax calendar for San Bernardino and Riverside County is as follows:

| | |
|------------------|---------------------------|
| Lien date | January 1 |
| Levy date | July 1 |
| Due date | November 1 and February 1 |
| Collection dates | December 10 and April 10 |

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Uncollectible Accounts

The District provides an allowance for doubtful accounts for all accounts deemed uncollectible. As of June 30, 2019, this allowance was estimated at \$20,000 in the Water Fund and \$15,000 in the Sewer Fund.

L. Credit/Market Risk

The District provides water, sewer, and recycled water services to local residential and commercial customers. As part of normal operating practices, credit is granted to local customers, on an unsecured basis.

M. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

N. Net Position

Net investment in capital assets consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets.

Restricted net position consists of those restricted assets reduced by liabilities related to those assets.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.



YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

O. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the District's California Public Employees Retirement System (CalPERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until then. The government only has one item that qualifies for reporting in this category. It is the deferred outflow related to pensions which represents the District's pension contributions made subsequent to the measurement date, change in proportion and the difference between projected and actual earnings on investments.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. The government has only one type of item, deferred amounts related to pensions. This item represents the change in proportion and the change in assumptions used in the pension calculation.

Q. New Accounting Pronouncements

Effective in this Fiscal Year

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The District has not determined the effect on the financial statements.



YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Q. New Accounting Pronouncements, (Continued)

Effective in Future Fiscal Years

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effect on the financial statements.

GASB Statement No. 90 – In September 2018, the GASB issues Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2018. The District has not determined the effect on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The district has not determined the effect on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are classified as the accompanying financial statements as follows:

| | |
|---|----------------------|
| Statement of Net Position | |
| Cash and investments | \$ 10,898,014 |
| Restricted investments - Non-current | 3,946,592 |
| Statement of Fiduciary Assets and Liabilities | |
| Cash and cash equivalents | 1,297,349 |
| Total Cash and Investments | <u>\$ 16,141,955</u> |



YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Cash and investments as of June 30, 2019, consist of the following:

| | |
|----------------------------|----------------------|
| Petty cash | \$ 800 |
| Cash | 4,605,142 |
| Investments | 11,536,013 |
| Total Cash and Investments | <u>\$ 16,141,955</u> |

Investments Authorized by the California Government Code and the Yucaipa Valley Water District's Investment Policy

The table below identifies the investment types that are authorized for the Yucaipa Valley Water District by the California Government Code and the District's policy, whichever is more restrictive. The table also identifies certain provisions of the California Government Code that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Yucaipa Valley Water District, rather than the general provisions of the California Government Code.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|-------------------------------------|------------------|---------------------------------|----------------------------------|
| U.S. Treasury Obligations | 5 years | None | None |
| Money Market Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |

Investments Authorized by Debt Agreements

Investment of debt proceeds held by the bond trustee is governed by provisions of the debt agreement, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of the debt agreement that address interest rate risk, credit risk, and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|------------------------------------|------------------|---------------------------------|----------------------------------|
| U.S. Treasury Obligations | None | None | None |
| U.S. Agency Securities | None | None | None |
| Banker's Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Repurchase Agreements | 365 days | None | None |
| Negotiable Certificates of Deposit | None | 30% | None |
| Money Market Mutual Funds | None | None | None |



YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Yucaipa Valley Water District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

| Investment Type | Fair Value | Maturity 12 Months or Less |
|---------------------|----------------------|----------------------------------|
| LAIF | \$ 10,287,445 | \$ 10,287,445 |
| U.S. Treasury Bills | 490,795 | 490,795 |
| Money Market Funds | 757,773 | 757,773 |
| Total | <u>\$ 11,536,013</u> | <u>\$ 11,536,013</u> |

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the rating as of year-end for each investment type:

| Investment Type | Fair Value | S&P Rating at June 30, 2018 |
|---------------------|----------------------|-----------------------------------|
| LAIF | \$ 10,287,445 | Unrated |
| U.S. Treasury Bills | 490,795 | AA+ |
| Money Market Funds | 757,773 | AAAm |
| Total | <u>\$ 11,536,013</u> | |

YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Yucaipa Valley Water District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. Bank deposits are covered by the federal depository insurance (FDIC) for the first \$250,000. As of June 30, 2019, the District has \$3,661,183 of cash in excess of the FDIC limit. The uninsured deposits were held by financial institutions, which are legally required by the California Government Code to collateralize the District's deposits as noted above.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF has a portion of the pool invested in structured notes and asset backed securities. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals to and from LAIF are transferred on the basis of \$1 and not fair value. Accordingly, under the fair value hierarchy, LAIF is valued based on inputs not categorized as level 1, level 2, or level 3.

YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Fair Value Hierarchy

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The district has the following recurring fair value measurements as of year-end.

As of June 30, 2019:

| Investments by Fair Value Level | Fair Value | Fair Value Measurement | | |
|--|---------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| U.S Treasury Bills | \$ 490,795 | \$ 490,795 | \$ - | \$ - |
| <u>Investments not Subject to Fair Value Hierarchy</u> | | | | |
| Local Agency Investment Fund | 10,287,445 | | | |
| Money Market Funds | 757,773 | | | |
| Total Investments | \$ 11,536,013 | | | |

In determining fair value, the district's custodians use various methods including market and income approaches. Based on these approaches, the district's custodians utilize certain assumptions that market participants would use in pricing the asset or liability. The district's custodians utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Various inputs are used in determining the value of the district's investments and other financial instruments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. These inputs are summarized in the three broad levels: Level 1 - quoted prices in active markets for identical investments, Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) and Level 3 - significant unobservable inputs (including the district's own assumptions in determining the fair value of investments).



YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 3 – CAPITAL ASSETS

The following tables summarize capital asset activity during 2018-2019:

| Water Fund | Balance June 30, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|--------------------------|--------------|----------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land and easements | \$ 4,111,106 | | | \$ 4,111,106 |
| Water rights | 432,941 | | | 432,941 |
| Construction in progress | 12,261,572 | \$ 1,784,154 | \$ (8,266,065) | 5,779,661 |
| Total capital assets not being depreciated | 16,805,619 | 1,784,154 | (8,266,065) | 10,323,707 |
| Capital assets being depreciated: | | | | |
| Structures and improvements | 130,636,540 | 8,354,672 | | 138,991,212 |
| Equipment | 4,710,053 | 219,628 | | 4,929,681 |
| Total capital assets being depreciated | 135,346,593 | 8,574,300 | | 143,920,893 |
| Less accumulated depreciation for: | | | | |
| Structures and improvements | (45,392,240) | (3,256,733) | | (48,648,973) |
| Equipment | (3,819,071) | (226,452) | | (4,045,523) |
| Total accumulated depreciation | (49,211,311) | (3,483,185) | | (52,694,496) |
| Total capital assets being depreciated, net | 86,135,282 | 5,091,115 | | 91,226,395 |
| Water Fund capital assets, net | \$ 102,940,901 | \$ 6,875,269 | \$ (8,266,065) | \$ 101,550,104 |

Depreciation expense was \$3,483,185 for the year ended June 30, 2019.



YUCAIPA VALLEY WATER DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – CAPITAL ASSETS, (Continued)

| Sewer Fund | Balance June 30, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|--------------------------|--------------|----------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land and easements | \$ 1,476,199 | \$ 305,525 | | \$ 1,781,724 |
| Water rights | 9,254,678 | | | 9,254,678 |
| Construction in progress | 2,735,776 | 805,000 | \$ (2,504,694) | 1,036,082 |
| Total capital assets not being depreciated | 13,466,653 | 1,110,525 | (2,504,694) | 12,072,484 |
| Capital assets being depreciated: | | | | |
| Structures and improvements | 174,704,728 | 2,792,595 | (138,050) | 177,359,273 |
| Equipment | 1,592,988 | | | 1,592,988 |
| Total capital assets being depreciated | 176,297,716 | 2,792,595 | (138,050) | 178,952,261 |
| Less accumulated depreciation for: | | | | |
| Structures and improvements | (65,218,708) | (4,312,737) | 138,050 | (69,393,395) |
| Equipment | (1,421,212) | (25,331) | | (1,446,543) |
| Total accumulated depreciation | (66,639,920) | (4,338,068) | 138,050 | (70,839,938) |
| Total capital assets being depreciated, net | 109,657,796 | (1,545,473) | | 108,112,323 |
| Sewer Fund capital assets, net | \$ 123,124,449 | \$ (434,948) | \$ (2,504,694) | \$ 120,184,807 |

Depreciation expense was \$4,338,068 for the year ended June 30, 2019.



YUCAIPA VALLEY WATER DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – CAPITAL ASSETS, (Continued)

| Recycled Water Fund | Balance June 30, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|--------------------------|--------------|----------------|--------------------------|
| Capital assets not being depreciated | | | | |
| Construction in progress | \$ 6,442,544 | \$ 67,560 | \$ (6,051,495) | \$ 458,610 |
| Total capital assets not being depreciated | 6,442,544 | 67,560 | (6,051,495) | 458,610 |
| Capital assets being depreciated: | | | | |
| Structures and improvements | 25,461,601 | 6,084,216 | | 31,545,817 |
| Equipment | 147,000 | | | 147,000 |
| Total capital assets being depreciated | 25,608,601 | 6,084,216 | | 31,692,817 |
| Less accumulated depreciation for: | | | | |
| Structures and improvements | (7,316,320) | (860,238) | | (8,176,558) |
| Equipment | (73,500) | (14,700) | | (88,200) |
| Total accumulated depreciation | (7,389,820) | (874,938) | | (8,264,758) |
| Total capital assets being depreciated, net | 18,218,781 | 5,209,278 | | 23,428,057 |
| Recycled Water Fund capital assets, net | \$ 24,661,325 | \$ 5,276,838 | \$ (6,051,495) | \$ 23,886,667 |

Depreciation expense was \$874,938 for the year ended June 30, 2019.

NOTE 4 – REFUNDING REVENUE BONDS SERIES 2015 A

In 2015, the District sold certificates of participation in the amount of \$30,810,000 to refund the 2004 Certificates of Participation and to pay delivery costs of the certificates.

Certificates began maturing on September 1, 2015 with semi-annual interest payments due March 1 and September 1 at various interest rates from 3.00 to 5.00 percent. Principal payments are due annually September 1 at various amounts from \$980,000 to \$2,240,000. The final principal payment of the certificates is scheduled for September 1, 2034. The bonds are subject to optional redemption as a whole or in part on any date in order of maturity as directed by the District. The District has covenanted to provide certain financial information and operating data annually not later than 270 days following the end of the fiscal year. See Note 12 for revenues pledged. The Bonds are recorded in the Water Fund.

YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 4 – REFUNDING REVENUE BONDS SERIES 2015 A, (Continued)

Maturities of the revenue refunding bonds are as follows:

| Fiscal Year Ending | 2015 Refunding Revenue Bonds Series A | | |
|-----------------------|---------------------------------------|---------------|---------------|
| | Principal | Interest | Total |
| 2020 | \$ 1,170,000 | \$ 1,122,612 | \$ 2,292,612 |
| 2021 | 1,230,000 | 1,062,612 | 2,292,612 |
| 2022 | 1,290,000 | 1,006,062 | 2,296,062 |
| 2023 | 1,335,000 | 960,237 | 2,295,237 |
| 2024 | 1,390,000 | 904,462 | 2,294,462 |
| 2025-2029 | 8,060,000 | 3,401,710 | 11,461,710 |
| 2030-2034 | 9,905,000 | 1,562,692 | 11,467,692 |
| 2035 | 2,240,000 | 56,000 | 2,296,000 |
| Total | \$ 26,620,000 | \$ 10,076,387 | \$ 36,696,387 |

NOTE 5 – STATE REVOLVING FUND LOAN - 2006

In August 2006, the District entered into a loan agreement with the State of California Water Resources Control Board to provide funding for the expansion and modification of the Henry N. Wochholz Wastewater Treatment Plant. The maximum amount of \$44,748,356 has been drawn. The loan accrues interest at a rate of 2.4 percent annually. Principal and interest payments are due in 20 annual installments. The first payment occurred in September 2009. The District has pledged all revenues and amounts legally available to repay the loan. The loan is recorded in the Sewer Fund.

| Fiscal Year Ending | 2006 State Revolving Fund Loan | | |
|-----------------------|--------------------------------|--------------|---------------|
| | Principal | Interest | Total |
| 2020 | \$ 2,306,368 | \$ 617,301 | \$ 2,923,669 |
| 2021 | 2,361,721 | 561,948 | 2,923,669 |
| 2022 | 2,418,402 | 505,267 | 2,923,669 |
| 2023 | 2,476,444 | 447,225 | 2,923,669 |
| 2024 | 2,535,878 | 387,790 | 2,923,669 |
| 2025-2029 | 13,622,052 | 996,291 | 14,618,344 |
| Total | \$ 25,720,865 | \$ 3,515,822 | \$ 29,236,687 |

YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 6 – STATE REVOLVING FUND LOAN - 2010

In June 2010, the District entered into a loan agreement with the State of California Water Resources Control Board (SWRCB) to provide the funding for the construction of the Regional Brineline Extension Project. The maximum amount of \$9,752,100 has been drawn plus interest accrued during the period of construction of \$183,714. The loan accrues interest at a rate of 2.7 percent annually. Principal and interest payments are due in 20 annual installments. In accordance with Amendment No. 1 of the loan agreement, the first payment occurred in December 2013. The District has pledged all revenues and amounts legally available to repay the loan. The loan is recorded in the Sewer Fund.

| Fiscal Year Ending | 2010 State Revolving Fund Loan | | |
|-----------------------|--------------------------------|--------------|--------------|
| | Principal | Interest | Total |
| 2020 | \$ 447,138 | \$ 202,136 | \$ 649,274 |
| 2021 | 459,211 | 190,063 | 649,274 |
| 2022 | 471,609 | 177,664 | 649,274 |
| 2023 | 484,343 | 164,931 | 649,274 |
| 2024 | 497,420 | 151,854 | 649,274 |
| 2025-2029 | 2,695,956 | 550,412 | 3,246,368 |
| 2030-2033 | 2,430,828 | 166,266 | 2,597,094 |
| Total | \$ 7,486,504 | \$ 1,603,325 | \$ 9,089,829 |

NOTE 7 – STATE REVOLVING FUND LOAN – 2013 (WISE)

In December 2011, the District entered into a loan agreement (Wise) with the State of California Water Resources Control Board (SWRCB) to provide the funding for Recycled Water Fund projects. The maximum amount of the loan is \$2,988,364. The loan accrues interest at a rate of 2.2 percent annually. Principal and interest payments are due in 20 annual installments. The first payment occurred in March 2014. The District has pledged all revenues and amounts legally available to repay the loan. The loan is recorded in the Sewer Fund.

| Fiscal Year Ending | 2013 (Wise) State Revolving Fund Loan | | |
|-----------------------|---------------------------------------|------------|--------------|
| | Principal | Interest | Total |
| 2020 | \$ 136,599 | \$ 48,652 | \$ 185,251 |
| 2021 | 139,605 | 45,647 | 185,251 |
| 2022 | 142,676 | 42,575 | 185,251 |
| 2023 | 145,815 | 39,437 | 185,251 |
| 2024 | 149,023 | 36,229 | 185,251 |
| 2025-2029 | 795,757 | 130,499 | 926,257 |
| 2030-2033 | 701,977 | 39,029 | 741,005 |
| Total | \$ 2,211,451 | \$ 382,067 | \$ 2,593,518 |

YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 8 – STATE REVOLVING FUND LOAN – 2013 (R-10.3)

In December 2011, the District entered into a loan agreement (R-10.3) with the State of California Water Resources Control Board (SWRCB) to provide the funding for Recycled Water Fund projects. The maximum amount of the loan is \$871,570. The loan accrues interest at a rate of 2.2 percent annually. Principal and interest payments are due in 20 annual installments. The first payment occurred in March 2014. The District has pledged all revenues and amounts legally available to repay the loan. The loan is recorded in the Sewer Fund.

| Fiscal Year Ending | 2013 (R-10.3) State Revolving Fund Loan | | |
|-----------------------|---|------------|------------|
| | Principal | Interest | Total |
| 2020 | \$ 40,023 | \$ 14,255 | \$ 54,277 |
| 2021 | 40,903 | 13,374 | 54,277 |
| 2022 | 41,803 | 12,474 | 54,277 |
| 2023 | 42,723 | 11,555 | 54,277 |
| 2024 | 43,663 | 10,615 | 54,277 |
| 2025-2029 | 233,151 | 38,235 | 271,387 |
| 2030-2033 | 205,674 | 11,435 | 217,109 |
| Total | \$ 647,939 | \$ 111,943 | \$ 759,882 |

NOTE 9 – STATE REVOLVING FUND LOAN – 2013 (CROW)

In December 2011, the District entered into a loan agreement (Crow Street) with the State of California Water Resources Control Board (SWRCB) to provide the funding for Recycled Water Fund projects. The District received the amount of \$310,179. The loan accrues interest at a rate of 2.2 percent annually on amounts drawn. Repayment will be made in 20 annual installments. The first payment occurred in March 2016. The District has pledged all revenues and amounts legally available to repay the loan. The loan is recorded in the Sewer Fund.

| Fiscal Year Ending | 2013 (Crow) State Revolving Fund Loan | | |
|-----------------------|---------------------------------------|-----------|------------|
| | Principal | Interest | Total |
| 2020 | \$ 15,667 | \$ 5,574 | \$ 21,241 |
| 2021 | 15,994 | 5,230 | 21,223 |
| 2022 | 16,346 | 4,878 | 21,223 |
| 2023 | 16,705 | 4,518 | 21,223 |
| 2024 | 17,073 | 4,151 | 21,223 |
| 2025-2029 | 91,166 | 14,951 | 106,116 |
| 2030-2033 | 80,422 | 4,471 | 84,893 |
| Total | \$ 253,372 | \$ 43,771 | \$ 297,144 |

YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 10 – COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation, sick leave and comp time, a portion of which will be paid to employees upon separation from the District. At June 30, 2019, total accruals for the Water and Sewer funds amounted to \$861,122 and \$372,441, respectively. The District estimated, based on historical trends, that approximately \$274,648 and \$130,354 of the Water and Sewer balances, respectively, will come due during fiscal year 2019-2020. During the year, compensated absences with an estimated value of \$358,227 were accrued, \$431,780 were used and the ending balance was \$1,233,563.

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities balances for the fiscal year ended June 30, 2019:

| | Balance June 30, 2018 | Additions | Repayments | Balance June 30, 2019 | Amount Due in 2019-20 |
|---|--------------------------|-----------|----------------|--------------------------|--------------------------|
| 2015 Refunding Revenue Bonds | \$ 27,735,000 | | \$ (1,115,000) | \$ 26,620,000 | \$ 1,170,000 |
| Unamortized premium | 2,839,415 | | (170,365) | 2,669,050 | |
| Total Certificates of Participation | 30,574,415 | | (1,285,365) | 29,289,050 | 1,170,000 |
| State Revolving Fund Loan - 2006 | 27,973,178 | | (2,252,312) | 25,720,865 | 2,306,368 |
| State Revolving Fund Loan - 2010 | 7,921,887 | | (435,383) | 7,486,504 | 447,138 |
| State Revolving Fund Loan - 2013 Wise | 2,345,110 | | (133,659) | 2,211,451 | 136,599 |
| State Revolving Fund Loan - 2013 R-10.3 | 687,101 | | (39,161) | 647,939 | 40,023 |
| State Revolving Fund Loan - 2013 Crow | 268,665 | | (15,331) | 253,355 | 15,667 |
| Total State Revolving Fund Loans | 39,195,941 | | (2,875,846) | 36,320,114 | 2,945,795 |
| Total Long-term Liabilities | \$ 69,770,356 | \$ - | \$ (4,161,211) | \$ 65,609,164 | \$ 4,115,795 |

NOTE 12 – REVENUE PLEDGED

The District has pledged future water fund revenues, net of specified operating expenses, to repay \$30,810,000 in refunding revenue bonds (2015 bonds) as disclosed in Note 4. Net revenues are defined as operating income, less specified operating expenses, plus specified non-operating income. The 2015 bonds refunded the 2004 Certificates of Participation (COP). Proceeds from the COPs provided financing for the construction of the Yucaipa Valley Regional Water Filtration Facility (YVRWFF). The 2015 bonds are payable through 2035. Net revenues are anticipated to equal at least 110 percent of annual principal and interest payments. The total principal and interest remaining to be paid on the 2015 bonds is \$36,696,387. Principal and interest paid for the current year was \$2,294,737 and total net revenues were \$5,744,546.

For the state revolving fund loans recorded in the Sewer Fund, the District has pledged all revenues and amounts legally available to repay the loans.

YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Description – All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and may be amended by District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information. These reports can be found on the CalPERS website.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 60 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

| | PEPRA - | |
|---|--------------------------|-----------------------------|
| | Miscellaneous | Miscellaneous |
| Hire Date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Formula | 2% @ 60 | 2% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 60 | 62 |
| Monthly benefits, as a % of annual salary | 2.00% | 2.00% |
| Required employee contribution rates | 7% | 6.250% |
| Required employer contribution rates | 7.653% | 6.533% |
| Employer payment of unfunded liability | \$ 443,606 | \$ 36 |

Contributions – Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. Contributions to the pension plan from the District were \$919,668 for the year ended June 30, 2019.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the District reported a liability of \$6,176,087 for its proportionate share of the collective net pension liability.



YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 – DEFINED BENEFIT PENSION PLAN, (Continued)

The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportion of the net collective pension liability as of June 30, 2018 and 2019 was as follows:

| | |
|----------------------------|-----------|
| Proportion - June 30, 2018 | 0.06580% |
| Proportion - June 30, 2019 | 0.06409% |
| Change - Decrease | -0.00171% |

For the year ended June 30, 2019, the District recognized a pension expense of \$811,055. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Contributions subsequent to the measurement date | \$ 919,668 | |
| Changes between expected and actual experience | 156,328 | |
| Changes in proportion and differences between actual contributions and proportionate share of contributions | 160,707 | \$ 185,739 |
| Changes in assumptions | 531,533 | |
| Net difference between projected and actual earnings on pension plan investments | 30,533 | |
| | <u>\$ 1,798,769</u> | <u>\$ 185,739</u> |

\$919,668 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30, | |
|------------------------|-------------------|
| 2020 | \$ 618,534 |
| 2021 | 328,529 |
| 2022 | (198,152) |
| 2023 | (55,550) |
| | <u>\$ 693,361</u> |



YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 – DEFINED BENEFIT PENSION PLAN, (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions.

| | |
|---------------------------|--|
| Valuation Date | June 30, 2017 |
| Measurement Date | June 30, 2018 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Projected Salary Increase | Varies by entry age and service |
| Investment Rate of Return | 7.15% |
| Mortality | Derived using CalPERS' Membership Data |

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. Further details of the Experience Study (based on CalPERS demographic data from 1997 to 2015) can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.



YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 – DEFINED BENEFIT PENSION PLAN, (Continued)

In determining the long-term expected 7.15 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return of return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

| Asset Class ⁽¹⁾ | New Strategic Allocation | Real Return Years 1-10 ⁽²⁾ | Real Return Years 11+ ⁽³⁾ |
|----------------------------|--------------------------|---------------------------------------|--------------------------------------|
| Global Equity | 50% | 4.80% | 5.98% |
| Fixed Income | 28% | 1.00% | 2.62% |
| Inflation Assets | 0% | 0.77% | 1.81% |
| Private Equity | 8% | 6.30% | 7.23% |
| Real Estate | 13% | 3.75% | 4.93% |
| Liquidity | 1% | 0.00% | -0.92% |
| Total | 100% | | |

⁽¹⁾ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in both Global Equity Securities and Global Debt Securities

⁽²⁾ An expected inflation of 2.00% used for this period

⁽³⁾ An expected inflation of 2.92% used for this period

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | |
|-----------------------|---------------|
| 1% Decrease | 6.15% |
| Net Pension Liability | \$ 10,285,684 |
| Current Discount Rate | 7.15% |
| Net Pension Liability | \$ 6,176,087 |
| 1% Increase | 8.15% |
| Net Pension Liability | \$ 2,783,683 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.



YUCAIPA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 14 – COMMITMENTS

The District has entered into contracts for various services and projects that will require payments in future fiscal years. None of these contracts are considered by management to represent a significant commitment of the district's resources.

NOTE 15 – INTERFUND ACTIVITY

Interfund Services Provided

The Sewer fund reimburses the Water fund for the expenses related to administration, accounting and general services. The reimbursement is reflected in the statement of revenues, expenses and changes in net position as the revenue "Interfund services provided" in the Water Fund and included in the expense "Administrative services" in the Sewer Fund. The amount reimbursed for these services was \$202,500 as of June 30, 2019.

NOTE 16 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2019, the District purchased insurance through various commercial carriers to cover these risks with various limits including the Real Property & Business Personal Property blanket limit of \$99,902,731. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE 17 – ASSESSMENT DISTRICT

The District acts in a fiduciary capacity for an assessment district that was formed to finance the construction and installation of a reservoir that will service properties located within the assessment district. The bonds issued by the assessment district are payable solely from the revenues of annual special taxes levied against land within the district and do not constitute an indebtedness of the Yucaipa Valley Water District. Yucaipa Valley Water District is not liable for the bonds, but acts as an agent for the bondholders. Since the District is acting in an agency capacity, the assets and liabilities of the assessment district have been excluded from the District's statement of net position. The amount outstanding on the bonds at June 30, 2019 was \$10,690,000.



Required Supplementary Information



YUCAIPA VALLEY WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – LAST TEN YEARS* AS OF THE FISCAL YEAR ENDING JUNE 30, 2019

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|
| Proportion of the collective net pension liability | 0.06409% | 0.06580% | 0.06547% | 0.06295% | 0.07950% |
| Proportionate share of the collective net pension liability | \$ 6,176,087 | \$ 6,525,230 | \$ 5,665,084 | \$ 4,320,667 | \$ 4,947,010 |
| Covered payroll | \$ 4,973,515 | \$ 5,752,996 | \$ 5,611,132 | \$ 5,411,972 | \$ 5,245,090 |
| Proportionate share of the collective net pension liability as a percentage of covered payroll | 124.18% | 113.42% | 100.96% | 79.84% | 94.32% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.26% | 73.31% | 74.06% | 78.40% | 79.82% |

* - Fiscal year 2015 was the first year of implementation.

Changes of Assumption

The discount rate stayed the same at 7.15 percent for the June 30, 2017 measurement date and June 30, 2018 measurement date.



YUCAIPA VALLEY WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS LAST TEN YEARS*
AS OF THE FISCAL YEAR ENDING JUNE 30, 2019**

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contributions | \$ 919,668 | \$ 752,731 | \$ 697,729 | \$ 882,127 | \$ 570,529 |
| Contributions in relation to the actuarially determined contribution | 919,668 | 752,731 | 697,729 | 882,127 | 570,529 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 5,478,278 | \$ 4,973,515 | \$ 5,752,996 | \$ 5,611,132 | \$ 5,411,972 |
| Contributions as a percentage of covered payroll | 16.79% | 15.13% | 12.13% | 15.72% | 10.54% |

* - Fiscal year 2015 was the first year of implementation.

