

ANNUAL BUDGET

FY2023-24



PFAS Treatment Plant



**Yorba Linda
Water District**

California

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Yorba Linda Water District Team

INTRODUCTION & OVERVIEW

GENERAL MANAGER'S MESSAGE
DISTRICT PROFILE
CORE VALUES
STRATEGIC PLAN & GOALS

General Manager's Message

Honorable Board of Directors and Ratepayers of the Yorba Linda Water District:

I am pleased to present Yorba Linda Water District's Operating and Capital Improvement Project Budget for Fiscal Year 2023-24.

This budget reflects the District's commitment to providing reliable water and sewer services to protect public health and the environment with financial integrity and superior customer service.

This budget is the result of a collaborative effort by all departments and serves as the guide for the implementation and operation of District projects and goals. The budget provides clear direction for and focus on sound financial management, service to the community, efficient operations, achievable goals and objectives, together with transparent communication.

Budget Process and Adoption

Beginning in January of each year, the budget development process begins at the staff level evaluating current and future needs according to the Board of Directors' adopted District-wide goals and objectives. This effort follows a process that targets priorities while considering all operational needs. Each phase of the budget was presented to the Board of Directors at a series of public meetings to provide discussion, receive input from members of the community, and for transparency and accountability.

Strategic Planning Efforts

A Strategic Plan was developed in 2018 through a comprehensive process that included the Directors, executive management, staff members, and the public. This resulted in the creation of a plan applicable to all positions within the organization, and to empower exceptional and effective public service. The Strategic Plan, attached as Appendix A, remains in effect, and a complete list of agency goals and objectives are set forth in the plan.

District-wide Goals and Objectives

District-wide goals and objectives are established annually by the Board of Directors and communicated to the General Manager for implementation. Priorities for FY2023-24 are consistent with efforts of recent years, with an emphasis on evaluation and planning, including:

- Providing safe and reliable water and sewer services.
- Being fiscally responsible.
- Implementing operational efficiencies and effectiveness.
- Increasing community outreach and partnerships.
- Engaging the YLWD workforce.

Revenue and Expenditure Projections

Anticipated revenue and expense projections are presented to understand the financial resources and obligations available for the fiscal year. These projections include approved rates and charges, and take into account a number of external impacts such as fluctuations in demand, state mandates that effect District finances, the state of the overall economy and other similar factors. Expenditure projections are established in accordance with the District's stated goals, historical trends, and with consideration of external forces such as increases for material, supply, labor and energy costs and an assumed overall rate of inflation of 5%. This information is presented from the District-wide perspective, for each enterprise fund.

Fund Monitoring

Given that the budget is developed based on projections, each fund is monitored closely, and budget-to-actual spending is reported to the Board of Directors monthly. Each quarter the budget is reviewed to allow an opportunity to take formal budget adjustments to the Board of Directors for consideration. Consistent budget review eases the transition of funds from year-to-year.

Budget Summary

The budget for FY2023-24 reflects YLWD's commitment to allocating anticipated resources to meet the expectations of District stakeholders. Operating expenses incurred by the District are allocated to the water and sewer funds based on the assumed benefit services to each fund. Both the water and sewer funds are self-supporting based on approved rates and services provided. The presented budget will highlight and explain in further detail the following for FY2023-24:

Revenues

Water Rates and Charges

The District's water fund revenue is generated through rates and charges approved by the Board of Directors in accordance with California's Proposition 218. District revenue is not dependent on voter approved tax assessments. It is the intent of the District's Board of Directors to approve rates and charges to ensure the cost of service and debt service obligations are met and to allow for the effective planning of future capital improvements. To that end, on June 8, 2021, the Board of Directors approved a 5-year rate structure that includes the following:

- A "commodity" rate, comprised of the actual cost of the water (including energy and other costs directly tied to the commodity), is independent from the District's fixed costs. This insulates the District's finances from fluctuations in water demand and conservation mandates.
- A Pass-Through adjustment may be implemented onto the commodity rate if the cost of providing water services increased greater than the allowable rate adjustment approved in the 2021 Rate Study Report. The costs include wholesale water, attributed fixed costs and power/energy. However, any increase in costs from the assumptions in the 2021 Rate Study shall not exceed 10% per year of the budget year's commodity rate amount. For FY2023-24 Budget the Pass-Through adjustment cannot exceed \$0.31, which is 10% of FY2023-24 Commodity Rate (\$3.14).
- A monthly fixed meter charge collected ensures a consistent revenue stream that is unaffected by changes in demand or government mandates.
- A Capital Finance Charge collected per service meter connection on the annual property tax bill for each taxable parcel within the District's service area or by annual manual billing for those public institutions who do not pay property tax and meter connections at parcels not yet reported on county records. This secures the District's annual debt service obligation pertaining to the principal and interest charge for long-term, intergenerational capital projects.

The increase in water revenue is a result of an approved 9% adjustment on the commodity rate, monthly meter service charge and the annual Capital Finance Charge, as well as additional \$0.31 pass-through on the commodity. The new rates will be effective July 1, 2023, in accordance with the 2021 Rate Study Report.

Sewer Charge Revenue

The sewer fund revenue is expected to increase by the District's Board of Directors approved rate adjustment of 15% on the usage and service charge and will be effective July 1, 2023. This revenue stream helps fund maintenance equipment, system repairs, replacements, and improvements associated with the sewer system. The following is the Board of Director's approved 5-year rate structure for sewer rates and charges:

- A usage rate for commercial class connections only.
- A monthly fixed maintenance charge collected ensures a consistent revenue stream.

Other Operating Revenue

Other Operating Revenues includes revenue generated from the collection of backflow charges, plan check fees, construction meters, new account fees, and late fees. These charges are Board approved and are projected based upon historical activity and current economic conditions.

Non-Operating Revenue

Non-Operating Revenue typically includes revenue generated from interest on District banking and investment agreements, leases as well as property tax. As the City of Yorba Linda continues to be a desirable real estate market, property tax revenue to the District is expected to increase.

Expenses & Outlay

The total expenses & outlay (excluding capital projects) budgeted for upcoming FY2023-24 will increase consistently based on historical trends from prior years. The following factors summarize the significant changes from budget to budget:

PFAS Treatment

The District constructed the nation's largest water treatment plant for the removal of PFAS contaminants from drinking water. The treatment plant has influenced operating expenses primarily in material and maintenance from resin and filter replacements.

Variable Water Costs

The District's budgeted Variable Water Costs will increase by approximately 12% in FY2023-24. The change in variable costs from prior budget year is due to increased rates from other municipal entities and power costs. The District's Production Operating Plan is projecting to generate a total demand on the water system of 19,227 acre-feet (AF) this fiscal year – a decrease of 1% from the prior year budgeted demand. To meet the demand on the water system, the operating plan assumes an annual average groundwater allocation of 77%, which is 1% more than budgeted in FY2022-23.

Salaries & Benefits

The District's budget for salary and related expenses will increase by approximately 9% in FY2023-24. The increase is caused from adjustments made to employee's base salaries and other salary related expenses due to the completion and implementation of the 2023 Total Compensation Study and an updated Memorandum of Understanding (MOU). The 2023 Total Compensation Study and Memorandum of Understanding (MOU) effect salaries, CalPERS, Unfunded Actuarial Liability (UAL) obligations and a total increase of employees from 81 to 82 with 81 full-time employees and 2 part-time interns. The

The District has one represented bargaining unit and one unrepresented employee group. The represented bargaining unit, Yorba Linda Water District Employees Association (YLWDEA), negotiated a two-year Memorandum of Understanding (MOU) regarding salaries, wages, hours, and other terms and conditions of employment for FY2024-25. The provisions of the Employee Manual for the District's unrepresented employees mirror the MOU with the bargaining unit.

Salaries include regular wages, overtime, standby pay and certification pay. The Board of Director's approved a 11% base salary increase and maintained the standard 2.5-5% merit increases, subject to annual performance evaluations, for employees who have not reached the top step of their pay range. Other related expenses that are projected to increase includes California Public Employee Retirement System (CalPERS) employer contributions, healthcare, safety footwear allowance, education reimbursement, CalPERS unfunded accrued liability, and other post-employment benefits, Contra pension expense, and 2% deferred compensation match for all participating employees.

The District has three tiers for retirement benefits through the California Public Employees' Retirement System (CalPERS):

Tier 1 applies to District employees hired prior to January 26, 2012 who are enrolled in the 2% at 55-retirement formula with a one-year (12 month) final compensation period. These employees pay the full employee contribution rate, which is 7% of pensionable compensation.

Tier 2 applies to District employees hired between January 26, 2012 and December 31, 2012, and any District employees hired on or after January 1, 2013 who are defined as "classic members" under the Public Employees' Retirement Law are enrolled in the 2% at 60-retirement formula with a one year (12 month) final compensation period. These employees pay the full employee contribution rate, which is 7% of pensionable compensation.

Tier 3 applies to District employees hired on or after January 1, 2013 who are "new members" as defined in the Public Employees' Pension Reform Act of 2013 (PEPRA) are enrolled in the 2.0% at 62 retirement formula with a three year (36 month) final compensation period. Employees may designate the highest 36-month period. These employees pay the full employee contribution rate.

Capital Improvement Plan & Capital Outlay

The District's Capital Improvement Plan (CIP) is historically a five-year planning schedule with each year approved in the corresponding fiscal year's budget. The Yorba Linda Water District is currently reevaluating infrastructure assets to create a more sustainable plan for the future. The District will only present a single year of capital expenditures until the infrastructure reevaluation is finished. For the single year, projects for systems in need of upgraded energy, capacity and or reliability will be prioritized to improve quality and efficiency. Scheduled projects for FY2023-24 total \$12,944,595 for water and \$1,461,405 for sewer. The District's annual resulting Net Position, Debt, Pay-Go and Reserve Funds will fund water and sewer capital infrastructure and outlay.

Debt Service

The District has previously used debt funding to finance large capital projects for water infrastructure. In FY2022-23, the District issued \$35 million to fund water capital replacement projects, refund prior debt issuance and pay off a line of credit. Following the issuance of the 2022A Bonds, the only parity debt outstanding will be the 2017A Bonds. In FY2023-24, the required budgeted debt service obligation is \$4,134,219, which includes principle and interest.

Summary

Under the proposed budget for FY2023-24, the Water Enterprise Fund is budgeted with a negative net position after including depreciation of \$126,578, and the Sewer Enterprise fund is budgeted with a negative net position after including depreciation of \$1,083,127. This does not include projected CIP project expenditures, which will be funded through the aforementioned debt issuance. The rate structures and financial plan adopted for FY2023-24 provides for the establishment of adequate reserve balances, are in full compliance with debt coverage covenants, and fully funds operation and maintenance costs necessary for the District to meet its cost of service and retain its AA+ rating.

External Considerations

Drought Considerations

According to the U.S. Drought Monitor, California is 93%¹ free of drought but is expected to return to above average warmer temperatures. California is now focusing on "Making Conservation a California Way of Life" and is currently continuing efforts to stop water waste. The State Water Board encourages districts to promote conservation and water use efficiency with public outreach, education, water use efficiency surveys and rebate program participation. The California Water Plan contains a set of water use efficiency standards based

¹ <https://www.courthousenews.com/more-than-90-of-california-out-of-historic-drought-as-water-year-ends/>

on population, irrigatable landscape and evapotranspiration rates among other things. The District routinely monitors and responds to the dynamic regulatory climate and reacts appropriately to ensure compliance.

Contaminants of Emerging Concern

Water quality, PFAS, and contaminants of emerging concern continue to be a focus of the District. As the State of California and the United States issue new regulations, the District will implement new programs. The District, in partnership with Orange County Water District, constructed the Nation's largest PFAS Water Treatment Plant to address State regulations and water quality for consumers. The plant is licensed to treat up to 19 million gallons per day and has peaking capacity up to a rate of 25 million gallons per day. The purpose of the water treatment plant is to remove the PFOA/PFAS line of contaminants from the water in compliance with state and federal standards before it enters the distribution system.

Other Legislation and Regulatory Factors

Maintaining compliance with Federal and State regulations is an essential component of District operations. As the legislature creates policy, the District analyzes its implications and possible effects on District operations. As regulatory authorities impose new conditions and requirements, District staff develops new processes and compliance measures as appropriate. The District expects that, with climate change and its global impact, future legislation and regulatory changes will almost certainly effect the daily operations of the District. As such, the District remains engaged in legislative and regulatory affairs on a daily basis and keeps apprised of changes that effect the District's operations.

Notable Accomplishments from FY2022-23

The District made significant progress on major projects in FY2022-23 as follows:

\$35 Million Dollar Debt Issuance

The District completed the debt funding of \$35 million dollars for capital projects that refunded prior debt and will allow for the construction of and replacement of critical infrastructure to the District's water system. It was a coordinated effort between District Municipal Advisors, Bond Counsel and any key staff in preparing for the new debt issuance.

2023 Total Compensation Study and Memorandum of Understanding

The District Completed a compensation study for the first time in 14 years and a new 2-year Memorandum of Understanding (MOU) was adopted by the Board of Directors. The new salary schedule for the District resulting from the study was implemented July 1, 2023.

Fitch Bond Rating

Fitch Ratings affirmed YLWD's AA+ Positive Outlook credit rating in August 2023.

"Taking Care of People" Initiatives

The General Manager instituted "Taking Care of People" initiatives:

- Obtained Anonymous Feedback from Employees
- Formed Subcommittees to address key workforce issues and concerns in the areas of Efficiencies, Training, Employee Recognition, Health and Wellness, and Team Building Employee Events
- Conducted Quarterly Employee Town Hall Meetings
- Instituted Quarterly and Annual Employee Recognition Program

Completed Capital Projects

- BNSF Waterline Crossing Relocation at Weir Canyon
- BNSF Fairbury Intertie
- Gardenia Reservoir Repairs
- Lakeview Reservoir Ground Movement Monitoring Program, Repairs, Irrigation and Landscaping
- Emergency Repair of Bryant Cross Feeder Waterline
- Emergency Repair of waterline at Eastside Circle and Esperanza
- Grandview Ave and Ridge Way Waterline Improvements
- Lakeview Sewer Extension
- FY22-23 Manhole and Valve Box Adjustments
- Stonehaven Water Main

Awards

- American Society of Civil Engineers (ASCE):
 - Awarded ASCE Los Angeles Section ASCE Outstanding Water Project and Project of the Year.
 - Awarded ASCE State of California Outstanding ASCE Water/Wastewater Treatment Project.
- Government Financial Officers Association (GFOA):
 - Distinguished Budget Presentation Award for FY2022-23 Operating Budget
 - Certificate of Achievement for Excellence in Financial Reporting Program for Comprehensive Annual Financial Report FY2021-22
 - Award for Outstanding Achievement in Popular Annual Financial Reporting for Popular Annual Financial Report FY2021-22
 - Awarded the FY2021-22 Triple Crown for Certificate of Achievement for Excellence in Financial Reporting, Popular Annual Financial Reporting Award, and the Distinguished Budget Presentation Award
- California Special Districts Association:
 - District of Distinction Award through 2023
 - District Transparency Award through 2023

Grants

- Through the support of Congresswoman Young Kim and Senator Alex Padilla, the District was awarded a \$500,000 matching funds grant from the U. S. Forest Service for the construction of a new heli-hydrant at the MWDSC Diemer Water Treatment Plant.
- The District has also been awarded a \$300,000 grant from the U. S. Environmental Protection Agency for the Green Crest Lift Station Rehabilitation Project.

Conclusion

The Yorba Linda Water District is committed to taking care of people. This expectation requires that the District operate in an efficient and effective manner, with careful thought given to providing the best services today while preparing for the future. With goals and objectives, best management practices, and the introduction of key performance indicators at all levels of the organization, the District will increase its ability to clearly measure its effectiveness. The budget development process values input from every member of this organization and the community. I am confident that the projects and goals outlined within this document will serve as a resource for executing those efforts.

I would like to thank all the staff for the collaborative efforts put forth in the preparation of this budget. The District has designed a resource that clearly presents its operational plan for FY2023-24. To the Board of Directors, we acknowledge and appreciate their continued support and direction in achieving excellence in financial management and District operations.

Respectfully Submitted,



Mark Toy, P.E. - BC.WRE
General Manager

**Licensed in Arizona and Virginia*

District Profile

Introduction

The Yorba Linda Water District (District/YLWD) is an independent special district, which operates under the authority of Division 12 of the California Water Code. In 1959, the District formed to take possession of the assets and water service responsibilities of the Yorba Linda Water Company, a mutual company formed in 1909.

The District is governed by a five-member Board of Directors, elected at large from within the District's service area. The District's Board of Directors meets monthly. Meetings are publicly noticed and citizens are encouraged to attend. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Yorba Linda Water District employs a full-time staff of 82 employees.

District Services

The District's service area borders Chino Hills State Park to the north and east and the Santa Ana River to the south, encompassing the city of Yorba Linda, and portions of Placentia, Brea, Anaheim, and unincorporated Orange County. The complex system of pipes, valves, pressure control stations, pump stations, fire suppression hydrants/helicopter-hydrants, and reservoirs are strategically located throughout the service area to provide reliable, high-quality drinking water to customers, provide firefighting resources, and transport wastewater to the Orange County Sanitation District's (OCSD) treatment plants in Fountain Valley, California.

The District's service area is known for having larger than average residential lots and a network of horse trails. The City of Yorba Linda's individual median annual income², \$137,011, is approximately 36% greater than the overall individual median annual income, \$100,485 for Orange County³, as reported by 2021 Census data.

The District provides water, sewer, or a combination of both services to residents and businesses within its service area, which includes approximately 14,475 acres of land, comprising 22.6 square miles. The District serves a population of approximately 84,000 and currently provides water service to approximately 25,475 service connections. Residential customers make up approximately 93% of the District's customer base and consume approximately 75% of the water provided annually by the District. The District also provides sewer collection service for approximately 26,000 customer connections.

The District's water supplies come from two sources: local groundwater and imported water. Approximately 77% is projected to come from groundwater basin managed by Orange County Water District (OCWD). OCWD sets a maximum percentage of water that can be pumped from the ground, the Basin Production Percentage (BPP). The remaining 23% is purchased through the Municipal Water District of Orange County [MWDOC]). MWDOC, in turn, purchases water from the State Water Project (Northern California source) and the Colorado River Aqueduct, through the Metropolitan Water District of Southern California (MWD). The cost of imported water to the retail agencies, such as YLWD, is approximately two times the cost of pumping groundwater from local groundwater basin. The imported water is treated at MWD's Diemer Filtration Plant, located on Valley View and Diemer Road in Yorba Linda. The District's current system capacity can store approximately 57 million gallons of water in its reservoirs and produce 45 million gallons per day through its wells and import water connections.

Economic Condition & Outlook

The District's administrative offices are located in the City of Placentia in Orange County. Though the economic condition within the District's service area had experienced some challenges because of the COVID-19

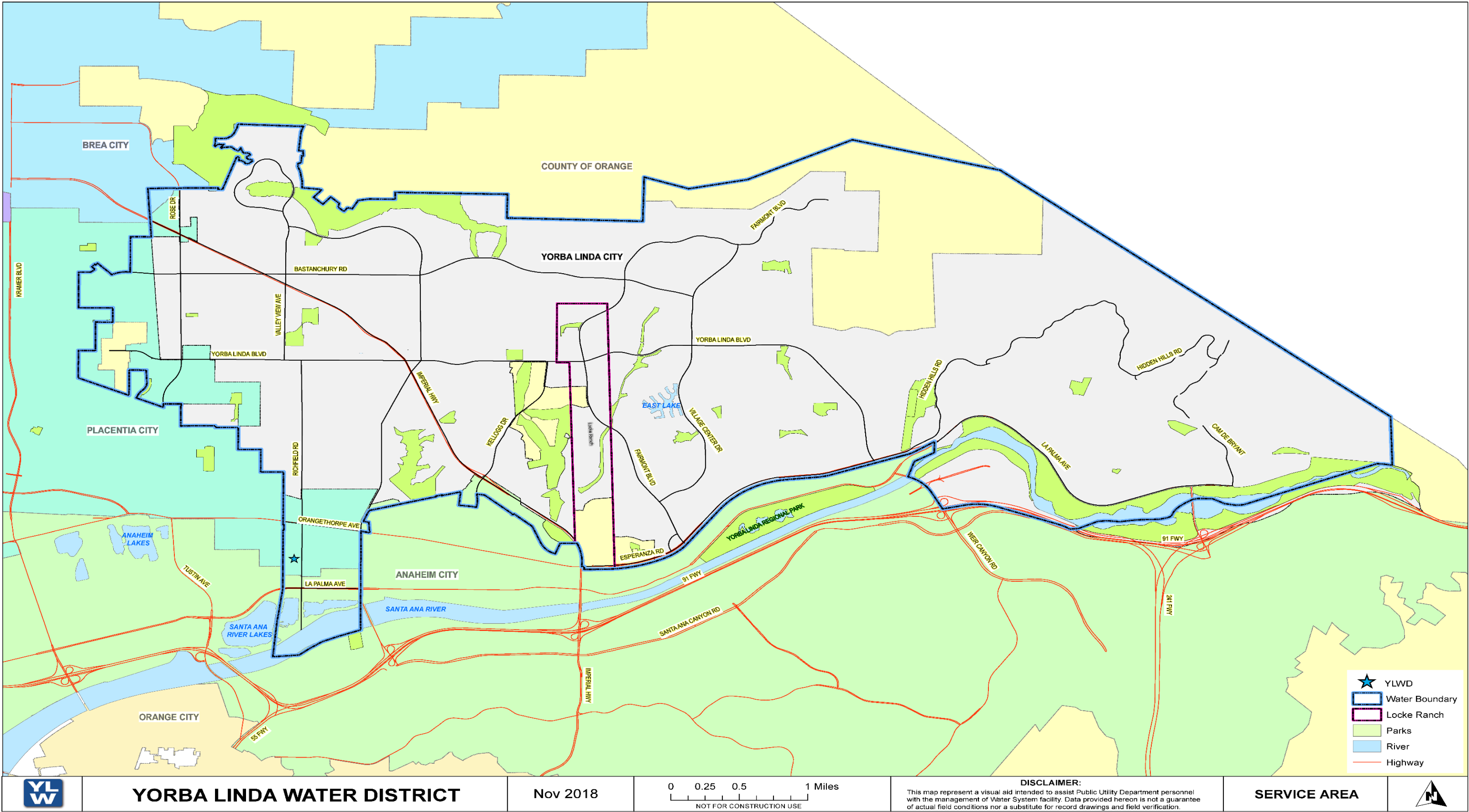
² <https://www.census.gov/quickfacts/fact/table/yorbalindacitycalifornia/AFN120217>

³ <https://www.census.gov/quickfacts/fact/table/orangecountycalifornia/AFN120217>

pandemic, the local economy continues to improve. Wages and housing prices remain strong and unemployment remains low.

The District was awarded the District of Distinction Accreditation by the Special District Leadership Foundation (SDLF) for having sound fiscal management policies and practices in place among other areas of importance in district operations. In addition, SDLF also awarded the District with the Transparency Certificate of Excellence for promoting transparency in the operations and governance of its goals and the General Manager, Mark Toy, with the Recognition in Special District Governance.



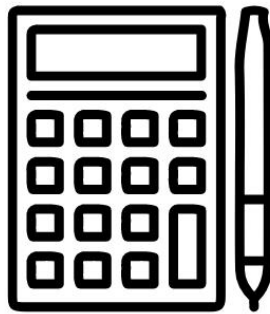


CORE VALUES



INTEGRITY

We demonstrate integrity every day by practicing the highest ethical standards and by ensuring that our actions follow our words.



ACCOUNTABILITY

We acknowledge that both the Board and staff of the District are accountable to the public that we serve, as well as to each other.



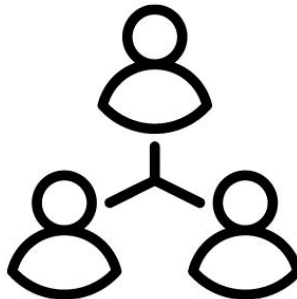
RESPONSIBILITY

We take full responsibility for our actions. We maintain a commitment of courtesy, assessment, and resolution with all customer concerns.



RESPECT

We ensure every voice of the District is treated with dignity and civility; differences are valued and individual abilities and contributions are recognized.



TEAMWORK

We work together by sharing information and resources to achieve common goals.



TRANSPARENCY

We listen to our customers and communicate openly about our policies, processes, and plans for the future.

Strategic Plan and Goals

The District's Strategic Plan identifies five main goals for the District to address. Each goal has its own set of initiatives and strategies that would lead to successful accomplishment. Goals are identified to effectively address challenges and opportunities for improvement that align with the District's core values, and further its mission and vision. Initiatives are high-level concepts or plans for accomplishing the identified goals. Strategies are action steps for achieving the identified initiatives and the identified goals.

The Strategic Plan was updated in May 2018 and will be assessed annually and updated accordingly. The summary is below and the entire Strategic Plan document can be found in Appendix A.

Goals		Initiatives
	Safe & Reliable Water and Sewer Service	1. Work towards service reliability and efficiency 2. Explore service boundary opportunities 3. Maintain and update District security and aesthetics, as needed 4. Address infrastructure needs by updating/implementing 5. Monitor emerging water quality and sewer issues and regulations 6. Provide a sustainable, adequate water supply
	Fiscal Responsibility	1. Maintain fiduciary responsibility 2. Financial Transparency 3. Equitable Rates 4. List sources of funding
	Operational Effectiveness	1. Efficiency 2. Sustainability 3. Emergency Preparedness
	Community Partnership	1. Brand Recognition 2. Public Awareness
	Workforce Engagement	1. Employee Development 2. Employee Relations

BOARD OF DIRECTORS



BRETT R. BARBRE
PRESIDENT



TRUDI DESROCHES
VICE PRESIDENT



J. WAYNE MILLER
DIRECTOR



PHIL HAWKINS
DIRECTOR



TOM LINDSEY
DIRECTOR

MISSION STATEMENT

Yorba Linda Water District will provide reliable water and sewer services to protect public health and the environment, with financial integrity and superior customer service.

VISION STATEMENT

Yorba Linda Water District will accomplish our mission to improve the quality of life for those we serve by:

- Embracing proven technology
- Improving customer service
- Providing efficient and responsive operations
- Ensuring reliable infrastructure



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General Manager
*Licensed in Arizona and Virginia

Douglass Davert
Assistant General Manager

Delia Lugo
Finance Manager

Paige Appel
Budget Analyst

EXECUTIVE MANAGEMENT TEAM



MARK TOY
General Manager



DOUGLASS DAVERT
Assistant General Manager



JOHN DECRISCIO
Operations Manager



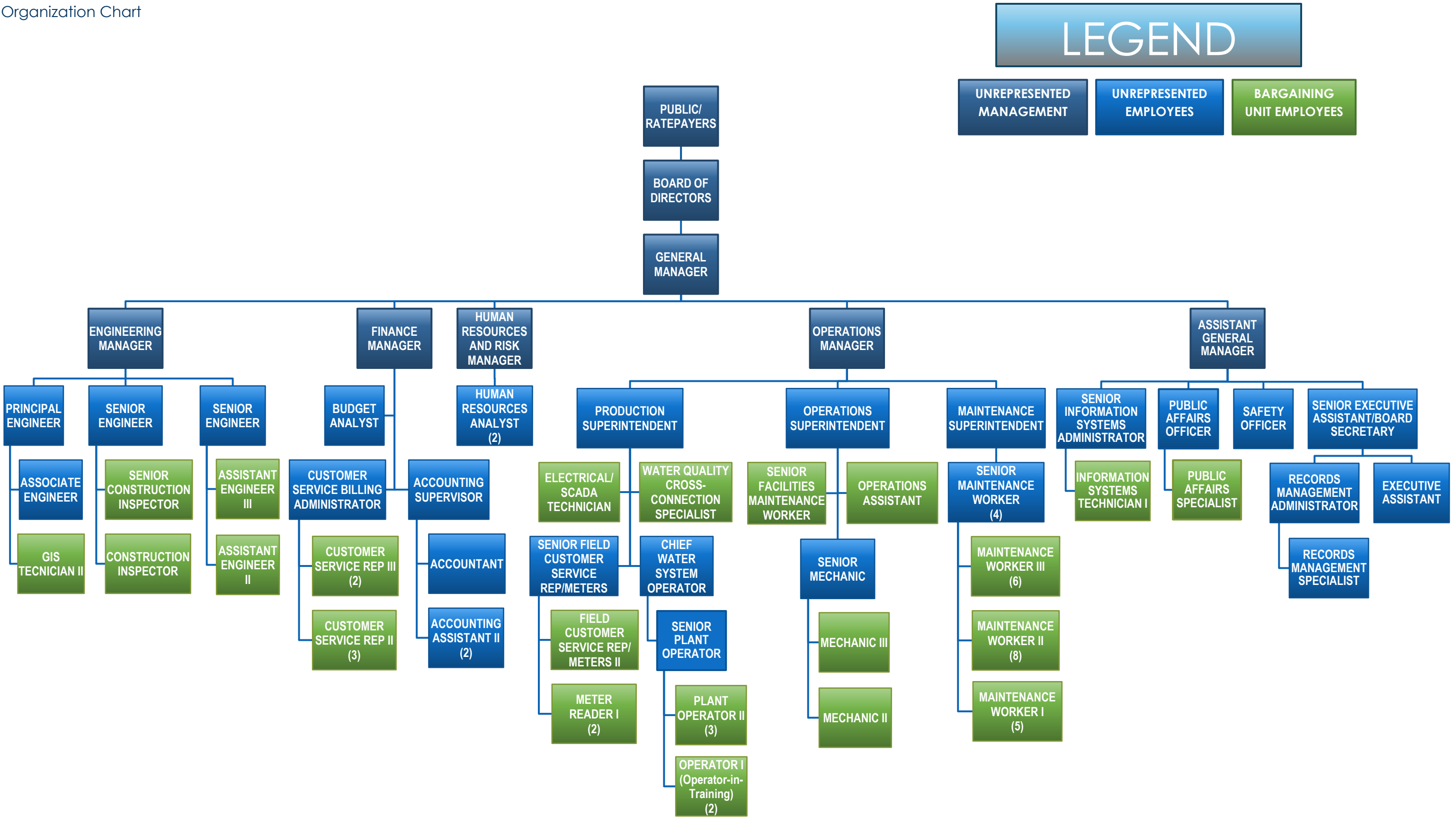
DELIA LUGO
Finance Manager



ROSANNE WESTON
Engineering Manager



GINA KNIGHT
Human Resources/
Risk Manager





Financial Structure, Policy, and Process

FINANCIAL POLICIES
BUDGET PROCESS
BASIS OF BUDGETING
FUND DESCRIPTIONS, STRUCTURE & RELATIONSHIP

Financial Policies

This section includes a brief summary of the District's Operating Budget Policy, Revenue and Expenditure Policy, Reserve Policy, and Investment Policy. These policies, as written, follow best practices as recommended by Government Finance Officers Association (GFOA). Though each financial policy is reviewed annually, only the District's Investment Policy and Reserve Policy are updated and adopted by the Board on an annual basis. The Financial Policies in their entirety can be found in Appendix B.

Operating Budget Policy

The District's budget is developed in accordance with the priorities, which are linked to the District's financial and strategic plans set forth in the District's mission and long-term goals and objectives. These are found in the District's comprehensive master plans, the long-term financial plan, the needs of the community, and federal and state laws.

The District's operating and capital budget is developed on an annual basis. The District's Board of Directors approves operating and capital appropriations. A balanced budget is defined as the budgeted expenditures being less than or equal to budgeted revenue, plus available fund balance.

The accounting for the District is kept on an accrual basis. Revenues are recognized when earned, and expenses are recognized when incurred.

The District is operated as an enterprise fund, an accounting entity which finances and accounts for the acquisition, operation, and maintenance of governmental facilities and services. It is the intention of the District to recover the full cost of providing maintenance, goods, and/or services through the collection of charges and fees approved by the Board in compliance with requirements of Prop 218.

Revenue and Expenditure Policy

Budgeted revenues are estimated conservatively using an objective and analytical approach using historical trends and current information to maintain consistency, reliability, and reasonableness.

The District's expenditures reflect the Board of Directors' and staff's commitment to serve present and future customers with reliable public services. The Board and staff believe that prudent expenditure planning and accountability will ensure fiscal stability. Budgeted expenditures are projected conservatively using an objective and analytical approach as well as certain techniques such as historical trends, current information, and economic indicators to maintain consistency, reliability, and reasonableness.

Debt Management Policy

The District has a commitment to long-term capital financial planning. The Debt Management Policy provides a set of comprehensive guidelines for the structure of debt issuance and articulates policy goals. The policy maintains a diversified debt portfolio that supports the District's financing needs and minimizes the District's cost of funds.

All debt has a basic security structure that is secured by Net Water Revenues. The District may issue short-term and long-term debt using different types of debt. Currently the District has two active debt issuances: Revenue Bonds, Series 2017A and Series 2022A. A capital finance model is maintained to evaluate the impact of the capital program spending, operations and maintenance costs and debt service. The District strives to refinance debt to maximize savings and minimize the cost of funds as market opportunities arise.

Reserve Policy

This policy represents the public affirmation of the Board's commitment to financial prudence, fiscal stability and careful stewardship of community assets.

This policy covers the following:

- Operating Reserve - target level of 25%-50% of annual operating budget for both water and sewer funds and established to cover temporary cash flow deficiencies that occur because of timing differences.
- Emergency Reserve - target level between 5%-10% of the net capital assets for both water and sewer funds and established to provide protection recovery for unplanned events.
- Capital Replacement Reserve - target level of at least 100% of the current and subsequent Fiscal Year capital budget for both water and sewer funds and established to fund general use on capital projects, repairs, and replacements.
- Rate Stabilization Reserve - maximum of 5%-20% of budgeted water sales for the current Fiscal Year and established to assist in smoothing out water rate increases.
- Metropolitan Water District (MWD) Contingency Reserve – target level of an amount equal to the cost of purchasing MWD imported water to meet 100% of demand for one year and established to offset the additional cost of providing water to its customers in the event the District is forced to rely on increased purchases of MWD imported water.
- Conservation Reserve – funding as the net result of administrative penalties assessed, in FY2015-16, less allowed expenditures of each fiscal year and established to provide conservation efforts.
- Employee Liability Reserve – minimum target is the liability incurred from employee paid health benefits budgeted in the fiscal year and established to ensure the complete funding of employees accrued vacation and other compensatory time.

These funds are designated by the District's Board to carry out specific purposes to ensure judicious management of District's financial resources and are used by District's staff as parameters within which the Board expects staff to operate.

The Financial Reserve Policy has three primary goals:

- To preserve the financial stability of the District against present and future uncertainties in an ever-changing environment
- To maintain the District's bond ratings in the capital markets and sustaining debt covenant compliance
- To provide adequate funding to meet the District's short-term and long-term plans and commitments to its customers

All reserve balances are subject to review by the Board of Directors on an annual basis as part of the budget process.

Investment Policy

It is the policy of the District to invest funds in a manner that will provide safety, liquidity, and return on investment while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of the District funds. The policy follows the "prudent investor" standard of the California Government Code Section 53600.3 and is updated and formally adopted by the District on an annual basis.

Budget Process

The budget process begins in January of each year and is the product of a comprehensive team effort from various levels within the organization as shown on the following Budget Calendar. The 2021 Rate Study for the District influences the budget because it contains a long-term financial plan based on the water and sewer rates proposed to the Board. A rate study is conducted every 5 years. If the current adopted rate study no longer supports the significant changes projected, a new rate study may be conducted. The report contains a long-term financial plan for the Water and Sewer Enterprise Funds to ensure financial sufficiency for operating and capital obligations. The rate study report is used as a guideline for the budget.

Each year, the Finance Department prepares expenditure budget worksheets for distribution to key staff. These worksheets give staff the necessary information to project their department's budgets by category. Included in the worksheets are the prior year's actual expenses, current year transactions, and projected current year-end balances. Based on the information provided, and accounting for any changes for anticipated purchases and services, the projected budget amounts from department worksheets are entered into the budget system and compared to last year's budget amounts. Any substantial budget change needs to be justified by the respective departments.

The Human Resources Department reviews the District's classifications and the wages associated with those classifications on an annual basis to ensure the District complies with salary schedules and the Memorandum of Understanding (MOU). The department makes a recommendation to the General Manager if new positions need to be added, changes in job descriptions need to occur, or reclassifications of any position are required. The approved personnel recommendations are entered into the budget system for inclusion in the budget document.

The Engineering and Operations Departments prepare and present a budget of Capital Improvement Projects (CIPs) and Capital Outlay expenditures to the Board of Directors. Based on recommendations from staff, each CIP and Capital Outlay projections will be prioritized based on necessity. The departments will update the future project list and will incorporate capital cost changes due to construction cost increases or a change in the scope of the projects.

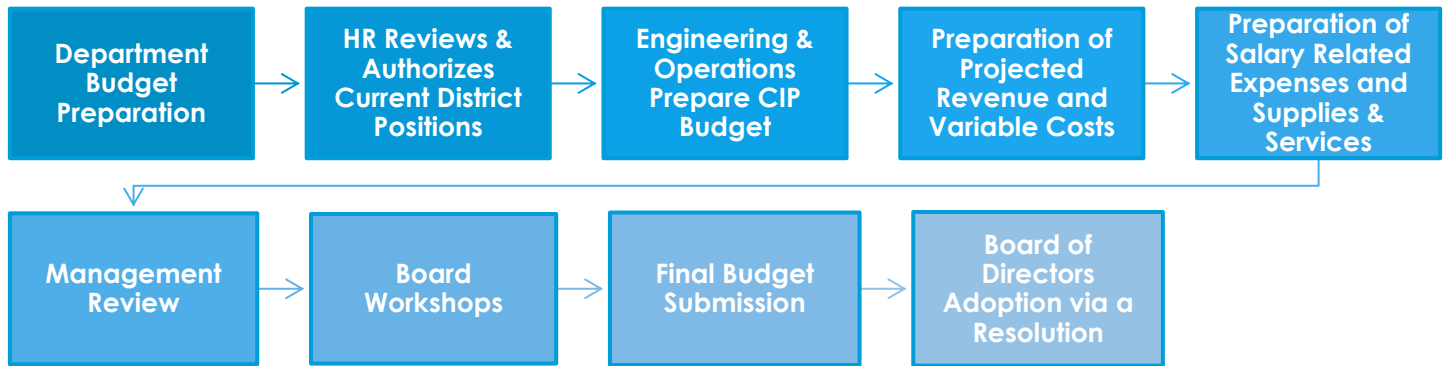
The methodology for projecting revenue takes into account factors such as projected growth, required conservation or other State mandates, historical consumption and weather patterns, in addition to the current economic conditions.

Once all the major budgetary components have been determined, each department presents their projected departmental budget to the General Manager and the Executive Management Team for review. Various Budget Workshops are publicly held where annual program budget projections are presented to the Board of Directors. The Workshop is where the Board and/or the Public provide discussion, review and comments that ensures effective communication and transparency of their fiscal impact on the District. Comments and changes that are recommended by staff and from the Board of Directors are made and included in a full draft budget document that is then presented to the Board of Directors in a public forum for review and comment. Once all approved changes have been incorporated into the draft document, a final budget document called "Financial Summaries" is then presented to the Board of Directors for adoption.

Reviewing and monitoring the budget is an ongoing process. Monthly reports of actual expenses and revenues compared to the budget are developed to provide a method for ongoing review at the department level. A Board adopted Annual Operating Budget is then prepared and submitted to GFOA for review and considered for the Distinguished Budget Presentation award.

If it is apparent that a budget adjustment is needed, management will review the proposed amended budget and present it to the Board of Directors for review, consideration and ratification.

Budget Preparation & Adopted Process



Budget Calendar

As part of the annual budget process, staff prepares a schedule for the development of the Annual Operating Budget. The schedule is distributed to Department Managers and the GM/AGM for their reference in submitting their individual budgets for review, approval, and incorporation into the final budget document. The Budget Calendar for the FY2023-24 Annual Operating and CIP Budget was:

DATE	BOARD/ COMMITTEE	ITEM OF DISCUSSION
January 4, 2023	Staff Meeting	Distribute FY 2023-24 Budget Development Packages to Department Managers
January 19, 2023	Budget Workshop	Meeting with BOD to establish goals and objectives for FY 2023-24 Annual Operating and Capital Budgets
February 1, 2023	Eng/Ops Managers	FY 2023-24 CIP, Capital Outlay and Variable Cost Budgets (V 1.0) due to Finance
February 13, 2023	Executive Staff	Update on Budgeted Positions and Draft Salary Projections for FY 2023-24
February 16, 2023	Budget Workshop	Present Draft FY 2023-24 CIP, Capital Outlay, and Variable Cost Budgets (V 1.0)
March 1, 2023	Department Managers	FY 2023-24 Operating Revenue and Department Supplies & Services Budgets due to Finance (V 1.0)
March 16, 2023	Budget Workshop	Present Draft FY 2023-24 Operating Revenue and Supplies & Services Budgets (V 1.0) and Other Key Updates (V 2.0)
March 22, 2023	Staff Meeting	Discussion on FY 2023-24 Budget updates and Department Performance Measurements (V 1.0)
April 4, 2023	HR and Dept Managers	Draft Salaries and Related Expense Budget (V1.0) and other key updates due to Finance
April 17, 2023	Executive Staff	Discussion on key components of FY 2023-24 Annual Operating and CIP Budget
April 20, 2023	Budget Workshop	Present Draft FY 2023/24 Salaries and Related Expense Budget (V 1.0) and Other Key Updates (V 3.0)
May 10, 2023	Staff Meeting	Update Salaries and Related Expense Budget (V2.0), Overview on presentation of FY 2023-24 Annual Operating and CIP Budget to Board of Directors
May 18, 2023	Budget Workshop/Hearing	Present FY 2023-24 Annual Operating and CIP Budget (Draft Final 4.0)
May 25, 2023	Budget Workshop/Hearing	Present FY 2023-24 Annual Operating and CIP Budget (Draft Final 5.0) to Board of Directors for Adoption GOAL
May 31, 2023	Department Managers	Final Key updates for FY 2023-24 Annual Operating and CIP Budget due to Finance
June 1, 2023	Budget Workshop/Hearing	Present FY 2023/24 Operating and CIP Budget (Final Draft 5.0) for Board of Director Approval

RESOLUTION NO. 2023-13

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE YORBA LINDA WATER DISTRICT
ADOPTING THE OPERATING BUDGET FOR FISCAL YEAR 2023-24
AND RESCINDING RESOLUTION NO. 2022-13**

WHEREAS, the Yorba Linda Water District has prepared a one-year budget for Fiscal Year 2023-24; and

WHEREAS, it is the desire of the Board of Directors to adopt the Budget for Fiscal Year 2023-24, and rescind Resolution No. 2022-13.

NOW THEREFORE BE IT RESOLVED by the Board of Directors of the Yorba Linda Water District as follows:

Section 1. That the Budget for Fiscal Year 2023-24, set forth in Exhibit “A” and attached hereto, is hereby approved and adopted.

Section 2. That the Budget for Fiscal Year 2023-24 is in full force and effect beginning July 1, 2023, and continuing until this Resolution is rescinded by the Board of Directors.

Section 3. That Resolution No. 2022-13 is hereby rescinded effective July 1, 2023.

PASSED AND ADOPTED this 1st day of June 2023 by the following called vote:

AYES: Directors Barbre, DesRoches, Lindsey, and Miller

NOES: None

ABSTAIN: None

ABSENT: Director Hawkins


Brett R. Barbre, President
Yorba Linda Water District

ATTEST:


Annie Alexander, Board Secretary
Yorba Linda Water District

Reviewed as to form by General Counsel:


Andrew B. Gagen, Esq.
Kidman Gagen Law LLP



Basis of Budgeting

The basis of budgeting is kept on an accrual basis, which is the basis of accounting used in the District's audited financial statements. Revenues are recognized when earned and expenses are recognized when incurred. The budgeting for District expenses is on an accrual basis as well.

The District is operated as an enterprise fund, which is an accounting entity that finances and accounts for the acquisition, operation and maintenance of governmental facilities and services. It is the District's practice to recover the cost of service through user-charges, user fees and the receipt of property taxes. Exceptions to Generally Accepted Accounting Principles (GAAP) used for the District's budget presentation are as follows:

- Compensated absence expense reflects the change in related accrued liabilities during the accounting period on the GAAP basis, but for budget purposes, expense includes anticipated leave time to be used and/or cashed by employees during the fiscal year.
- Principal payments on Long-Term Debt are applied to reduce the outstanding liability on a GAAP basis; shown as a current expenditure on a Budget basis.
- Capital Outlay and Capital Construction costs are capitalized and expensed over the useful life of the asset on a GAAP basis; shown as a current expenditure on a Budget basis.
- Depreciation is recorded annually to expense the cost of a capital asset over its useful life on a GAAP basis but is not contemplated on the Budget basis.
- Pension expense is budgeted based on employer contribution rates assigned by the California Public Employee's Retirement System (CalPERS). For financial statement reporting, pension expense is recorded based on the change to the net pension liability in accordance with Governmental Accounting Standards Board Statement No. 68.

Budget Controls

When the Board approves the annual Operating and Capital Budget, budgeted amounts are appropriated and expended within each department.

Subject to the approval of the budget by the Board of Directors, the General Manager has full charge and control of the District's expenditures to ensure that operating and capital expenditures in each fiscal year are within the budgetary guidelines and to ensure that the District's goals and objectives are met.

Developing and monitoring the budget is an ongoing process. Monthly reports of expenses and revenues compared to the adopted budget are developed to provide a method for ongoing review at the department level. The Board is presented unaudited financial statements in the Annual Comprehensive Financial Report (ACFR) format to review, receive and file for each reporting quarter of the fiscal year.

Throughout the fiscal year, Finance and other department managers will review actual results of operating expenditures as compared to the budgeted amounts approved by the Board of Directors in June 2023. The General Manager has the authority to make administrative adjustments to the budget as long as those changes will not have a significant policy impact nor effect the budgeted year-end fund balances. Any significant program changes or service level changes require approval by the Board of Directors. All budget transfers or amendments are documented and tracked within the Finance Department.

Review and adjustments to the capital budget appropriations are also recommended throughout the fiscal year. Project managers may find that some projects contemplated at the beginning of the fiscal year have been delayed or accelerated due to changes in conditions, weather and/or economics, and new projects may be added to meet future demands, goals and objectives, and to ensure compliance with regulations. The Board of Directors approves any recommended changes to the Capital Budget.

The District's Board of Directors approves the funding of proposed positions for a given fiscal year through a Resolution. The General Manager has the authority to set the salary ranges for any positions. The General Manager can reclassify positions when there is a change in the duties and responsibilities of a position. The

General Manager is authorized to use savings from vacant authorized positions to retain contract labor to meet the District's personnel needs. The General Manager is also authorized to fill an approved and budgeted position that is vacated during the term of the budget year with a new employee at an equal or lower classification. Any classification and/or compensation changes are subject to ratification by the Board of Directors at the next available regular Board meeting following the implementation of any classification and/or compensation change.

As defined by the District's Purchasing Policy, the General Manager, Assistant General Manager or the assigned Operations Manager may authorize Emergency expenditures for work, services, and/or supplies where the cost exceeds \$75,000 without prior Board approval. The Board shall be notified of any expenditures for Emergency work, services, and/or supplies exceeding the General Manager's authorization limit at the next regularly scheduled Board meeting.

Cost Allocation

The allocation of costs is derived from cost accounting. Cost accounting is defined as the process of tracking, recording and analyzing costs associated with the products or activities of an organization. The costs of operating expenses including employee wages and benefits are allocated to each department and division, based on actual expenses as tracked by the District's accounting system. Personnel from each department identified a basis for each section by which an allocation percentage could be used. The District's budget is presented with an allocation of 85% to Water and 15% to Sewer Fund. The exceptions are Water Production, Water Operations & Maintenance, and Water Quality sections which are allocated 100% Water Fund. Additionally, the Sewer Operations & Maintenance is allocated 100% Sewer Fund.

Costs associated with capital projects are assigned "Job Numbers". Salaries affiliated with capital projects are allocated to the appropriate CIP accounts based on actual timesheet entries. An overhead of approximately 33% is applied to the allocated salary costs by job number in order to provide a true salary and benefit cost applicable to CIP projects.

Fund Descriptions, Structure & Relationship

Fund Descriptions and Fund Structure

Yorba Linda Water District provides two separate services with distinct enterprise operating funds: water and sewer. Each fund is supported by its own service charges, fees, and other revenues. The water and sewer operating funds are utilized for day-to-day operations and maintenance activities, which occur as actual expenses. Rates that are assessed to customers via Water Sales, Meter Service Charges, Capital Finance Charge, Sewer Service Charges and Sewer Parcel Assessments are the primary revenue sources of these funds. These activities require cash, checks and wire transfers on a regular basis and effect the District's cash flow. The water fund accounts for the costs of pumping/treating groundwater, importing surface water, and delivering the water to customers. The sewer fund accounts for the cost of collecting sewage from residential and commercial properties and transporting it to Orange County Sanitation District's treatment plant.

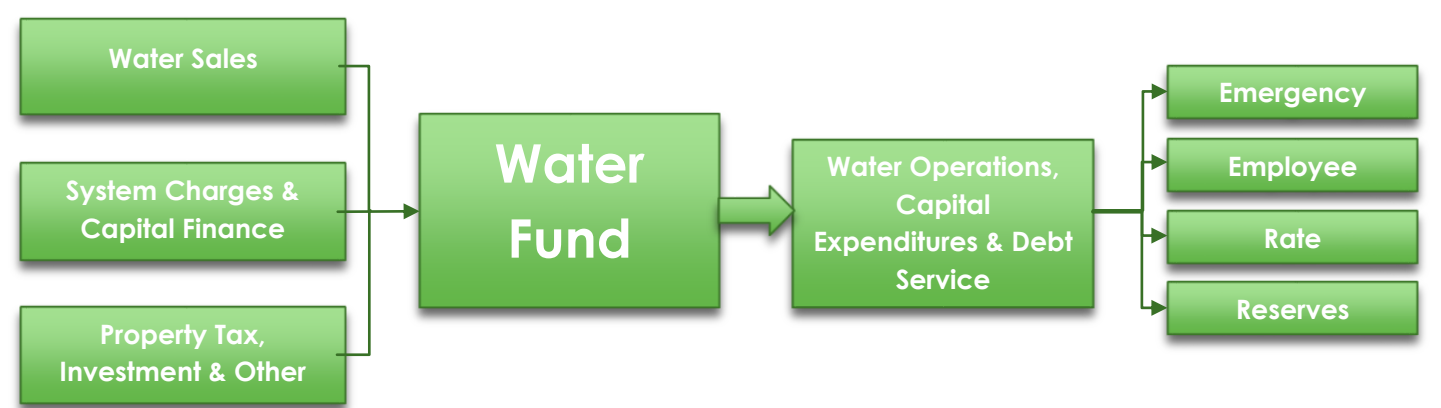
The designated reserve categories include Operating Reserves Water and Sewer Capital Project Funds, Water and Sewer Emergency Funds, and Rate Stabilization. The Emergency Reserves were established to fund unplanned, unbudgeted emergency system repairs related to the water and sewer systems. The Rate Stabilization Reserve was established in FY17 as recommended in the 2015 Water and Wastewater Rate Study and will be used to smooth future fluctuations in water rates, pay for water supplies or pay for other cost that would otherwise be collected from set rates.

There are currently two reserves within the Restricted Reserve category. The Conservation Reserve that holds funds collected from assessed Administrative Penalties, and the Employee Liability Reserve, which covers employee compensatory time payouts, as necessary.

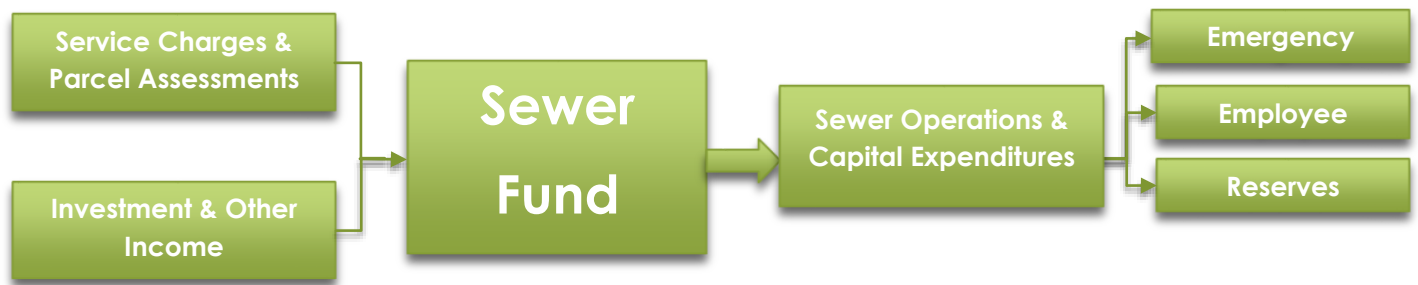
Department and Fund Relationship

Expenses incurred by departments are allocated to the water and sewer funds based on the activity. Departments with activities that fully align with the purpose of one fund or the other are funded 100%; otherwise, the general functions of the District are allocated using an 85/15 split of water and sewer funds, respectively.

Flow of Water Funds



Flow of Sewer Funds





FINANCIAL SUMMARIES

REVENUES & EXPENSES

FUND EQUITY & RESERVES

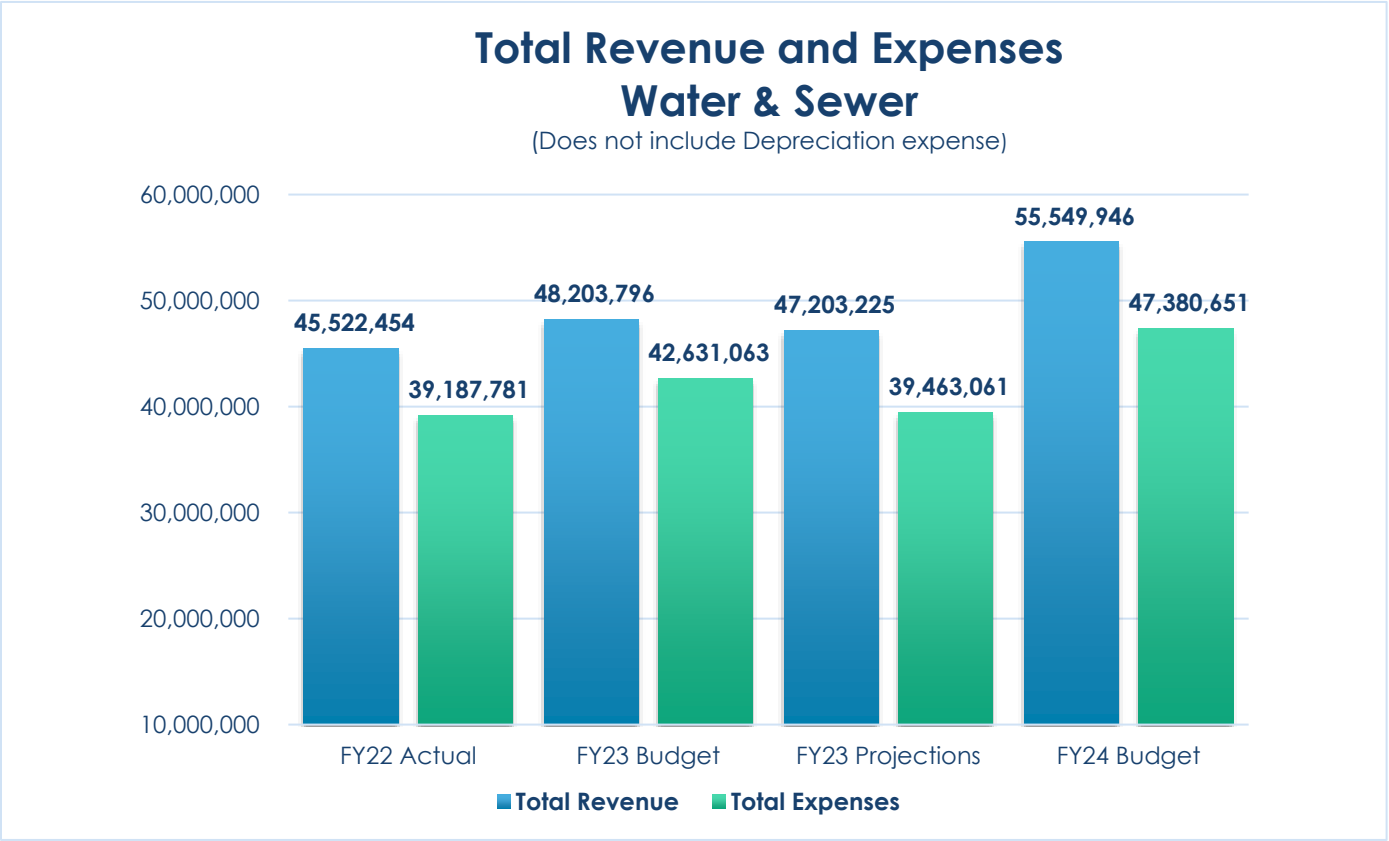
DEBT MANAGEMENT & SERVICE COVERAGE

WATER OPERATING FUND

SEWER OPERATING FUND

FINANCIAL SCHEDULES

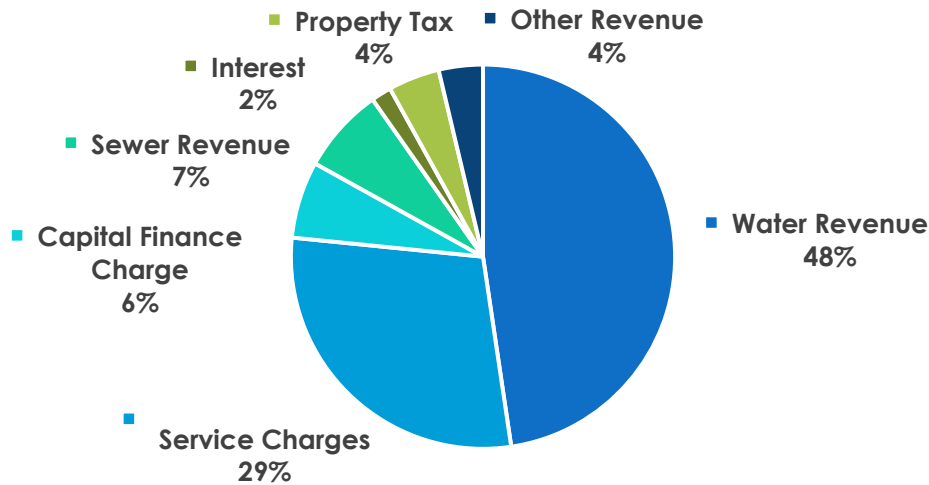
LONG-RANGE FINACIAL PLAN



Revenues

The main sources of Operating Revenue for the District are water and sewer rate revenues. Rate revenue is supplemented by other revenues to fund the total cost of operations and must be supplemented by a variety of other operating and non-operating revenues. Such revenues are generated, with board approval, from fees such as customer service charges, construction meter charges, plan check fees, property tax fees, and rental fees. The Capital Finance Charge is a revenue source collected by the Orange County Treasurer-Tax Collector on annual property tax billings. These charges securitize the District's debt service principle and interest by stabilizing and providing consistent revenue to the District. Effective July 1, 2023, a pass-through charge is added on to the commodity rate to fund the significant increase in water and power costs for the District. Total operating revenues are projected to increase at a rate of approximately 14% as compared to prior year's budget.

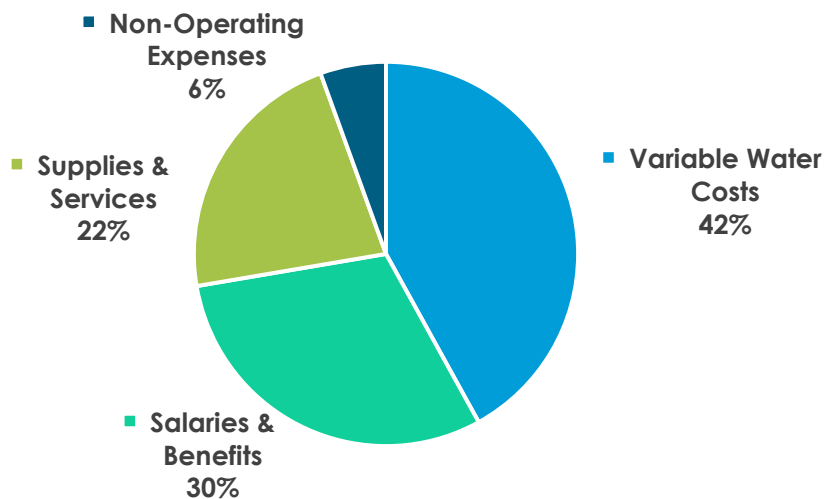
Revenue Categories



Expenses

The main Operating Expenses for the District are Variable Water Costs, Salary Related Expenses, and Supplies & Services. The water costs are dependent on the source of water (groundwater or import) and production demands. Compared to the prior year's budget Variable Water Costs will increase 12%; Salary Related Expenses will increase 9%, and Supplies & Services increases 13%. Total expenses including operating and non-operating expenses increased 11% from prior year's budget.

Expense Categories



Fund Equity & Reserves

The District separates its reserves into unrestricted and restricted funds. The District has determined a minimum target level for each type of fund to retain favorable bond rating and 365 days in cash at the end of each Fiscal Year. Unrestricted reserves are used to fund capital projects, general operating expenditures for specific purposes and emergency response expenditures.

Unrestricted reserves include:

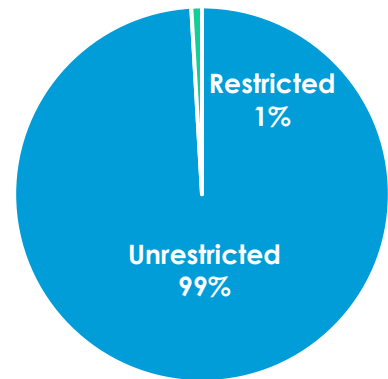
- Operating Reserve
- Emergency Reserve
- Capital Replacement Reserve
- Rate Stabilization Reserve
- Metropolitan Water District Contingency Reserve

Restricted reserves are used to fund expenditures required to satisfy limitations set by external requirements established by creditors, grant agencies or law. Restricted reserves are only permitted to be used for a specific purpose(s).

Restricted reserves include:

- Conservation Reserve
- Employee Liability Reserve

Unrestricted & Restricted Reserves
Allocation Percentage



Reserves/Funding Sources: 5-Year Projections

Funding Sources	Budgeted Balances Ending 6/30/2023	Budgeted Balances Ending 6/30/2024	Budgeted Balances Ending 6/30/2025	Budgeted Balances Ending 6/30/2026	Budgeted Balances Ending 6/30/2027
Water Reserves					
Operating Fund	\$ 23,307,999	\$ 23,307,999	\$ 23,979,314	\$ 26,554,314	\$ 26,554,314
Water Emergency	7,523,970	7,523,970	7,523,970	7,523,970	7,523,970
Water Capital Projects	7,057,480	6,602,281	9,102,281	10,544,446	10,544,446
Rate Stabilization	4,366,506	4,366,506	4,366,506	4,366,506	4,366,506
MWD Reserve	-	-	1,000,000	3,000,000	3,000,000
Employee Liabilities	317,791	317,791	317,791	317,791	317,791
Conservation Reserve	108,764	108,764	108,764	108,764	108,764
Total Water Reserves	\$ 42,682,510	\$ 42,227,311	\$ 46,398,626	\$ 52,415,791	\$ 52,415,791
Sewer Operating Reserves					
Operating Fund	\$ 3,815,340	\$ 3,967,954	\$ 4,126,672	\$ 4,291,739	\$ 4,463,409
Sewer Emergency	2,074,525	2,116,016	2,158,336	2,201,503	2,245,533
Sewer Capital Projects	2,293,118	2,338,980	2,385,760	2,433,475	2,482,145
Total Sewer Reserves	\$ 8,182,983	\$ 8,422,950	\$ 8,670,768	\$ 8,926,717	\$ 9,191,087

Fund Balance: 5-Year Historical

Fiscal Year Ending		Water Fund	Sewer Fund	Total
06/30/20	Net Income (Loss) Before Capital Contributions	(2,187,175)	1,107	(2,186,068)
	Capital Contributions	430,143	599,874	1,030,017
	Net Income (Loss) @ 6/30/2020	(1,757,032)	600,981	(1,156,051)
	Net Position @ 6/30/2020	\$ 120,357,647	\$ 43,922,968	\$ 164,280,615
06/30/21	Net Income (Loss) Before Capital Contributions	(1,189,162)	(1,048,890)	(2,238,052)
	Capital Contributions	1,297,379	754,609	2,051,988
	Net Income (Loss) @ 6/30/2021	108,217	(294,281)	(186,064)
	Net Position @ 6/30/2021	\$ 120,465,864	\$ 43,628,687	\$ 164,094,551

Fund Balance: 5-Year Historical Continued

Fiscal Year Ending		Water Fund	Sewer Fund	Total
06/30/22	Net Income (Loss) Before Capital Contributions	(830,103)	(770,920)	(1,601,023)
	Capital Contributions	176,963	112,649	289,612
	Net Income (Loss) @ 6/30/2022	(653,140)	(658,271)	(1,311,411)
	Net Position @ 6/30/2022	\$ 119,812,724	\$ 42,970,416	\$ 162,783,140
06/30/23	Revenue (Operating):			
	Water Sales	\$ 34,765,754	\$ -	\$ 34,765,754
	Capital Finance Charge	3,300,357	-	3,300,357
	Sewer Revenues	-	3,434,322	3,434,322
	Other Operating Revenue	1,204,799	92,519	1,297,318
	Interest	606,368	134,255	740,623
	Property Taxes	2,351,079	-	2,351,079
	Other Non-Operating Revenue	1,216,777	96,995	1,313,772
	Total Estimated Revenues	43,445,134	3,758,091	47,203,225
	Expenses (Operating):			
	Variable Water Costs	15,832,394	-	15,832,394
	Salary Related Expenses	10,481,360	2,020,626	12,501,986
	Supplies & Services	7,489,166	1,155,581	8,644,747
	Interest on Long Term Debt	2,092,379	-	2,092,379
	Other Expense	388,278	3,277	391,555
	Depreciation	7,524,955	1,513,175	9,038,130
	Total Estimated Expenses	43,808,532	4,692,659	48,501,191
	Estimated Net Income (Loss) Before Capital Contributions	(363,398)	(934,568)	(1,297,966)
	Capital Contributions	25,050,300	416,136	25,466,436
	Estimated Net Income (Loss) @ 6/30/2023	24,686,902	(518,432)	24,168,470
	Estimated Net Position @ 6/30/2023	\$ 144,499,626	\$ 42,451,984	\$ 186,951,610
06/30/24	Revenue (Operating):			
	Water Sales	\$ 42,545,642	\$ -	\$ 42,545,642
	Capital Finance Charge	3,597,389	-	3,597,389
	Sewer Revenues	-	3,993,444	3,993,444
	Other Operating Revenue	1,252,987	74,230	1,327,217
	Interest	780,000	168,000	948,000
	Property Taxes	2,402,796	-	2,402,796
	Other Non-Operating Revenue	718,823	16,635	735,458
	Total Estimated Revenues	51,297,637	4,252,309	55,549,946
	Expenses (Operating):			
	Variable Water Costs	19,891,169	-	19,891,169
	Salary Related Expenses	12,155,919	2,220,753	14,376,672
	Supplies & Services	9,070,383	1,419,383	10,489,766
	Interest on Long Term Debt	2,604,419	-	2,604,419
	Other Expense	12,325	6,300	18,625
	Depreciation	7,690,000	1,689,000	9,379,000
	Total Estimated Expenses	51,424,215	5,335,436	56,759,651
	Estimated Net Income (Loss) Before Capital Contributions	(126,578)	(1,083,127)	(1,209,705)
	Capital Contributions	-	-	-
	Estimated Net Income (Loss) @ 6/30/2024	(126,578)	(1,083,127)	(1,209,705)
	Estimated Net Position @ 6/30/2024	\$ 144,373,048	\$ 41,368,857	\$ 185,741,905

Debt Management & Coverage Ratios

The District is rated as AA+ Positive Outlook credit rating. The District currently has two existing Revenue Bonds Series 2017A and Series 2022A. The Series 2022A debt was issued on July 28, 2022 in the amount of \$35 million over 30 years. The Series 2022A issuance allowed the District to refund the Refunding Revenue Bond Series 2012A issuance with the outstanding balance of \$5.6 million, to pay down the Bank of America line of credit of \$5.7 million, and will enable the District to fund approximately 24 million of new water capital projects. Following issuance of 2022A Bonds, the only parity debt outstanding will be the 2017A Bonds.

The District has a Debt Management Policy, but no legal debt limit. The District's future borrowing capacity is limited by the debt coverage ratio required by existing bond covenants. The ratio is calculated using revenue and expense data pertaining to the Water Fund only. The bond covenants require that the coverage exceed 1.25; however, the District's Debt Management Policy sets a target of 2.25. The District's budgeted ratio is 2.46 for FY2023-24. The District's FY2023-24 budgeted debt service obligations of \$4,134,219 is related to principle and interest. Use of proceeds and the corresponding principal balance of each debt issuance are found below. The debt service requirements for the District's revenue bonds are on the following tables.

Year of Issuance	Use of Proceeds	Principal Balance
2017A Revenue Bond	Revenue Bonds funds are being issued to finance the acquisition and construction of certain capital improvements to the District's water system, to refund all of the currently outstanding 2008 Revenue Certificates of Participation, and to pay certain costs of issuance.	\$23,870,000
2022A Revenue Bond	Revenue Bonds funds are being issued to finance the acquisition and construction of certain capital improvements to the District's water system. Also, to refund the Series 2012A Bonds with the outstanding balance of \$5.63 million, pay the current line of credit of \$5.7 million, and to pay certain costs of issuance.	\$32,310,000

FY24-53 Debt Management

Year	Principal	Interest	TOTAL
2024	\$ 1,525,000	\$ 2,609,219	\$ 4,134,219
2025	1,600,000	2,533,494	4,133,494
2026	1,675,000	2,451,619	4,126,619
2027	1,760,000	2,365,744	4,125,744
2028	1,850,000	2,275,494	4,125,494
2029-2033	10,555,000	10,036,228	20,591,228
2034-2038	13,290,000	7,248,775	20,538,775
2039-2043	7,675,000	4,392,850	12,067,850
2044-2049	7,220,000	3,072,150	10,292,150
2049-2053	9,030,000	604,100	9,634,100
TOTAL	\$ 56,180,000	\$ 37,589,673	\$ 93,769,673

Debt Service Coverage

		FY22 Actual		FY23 Budget		FY23 Projections		FY24 Budget
Revenue	\$	42,009,358	\$	44,538,617	\$	43,445,134	\$	51,297,637
Operating Expenses		35,145,163		37,147,879		33,802,920		41,117,471
Other Expenses		2,440		12,350		388,278		12,325
Total		6,861,755		7,378,388		9,253,936		10,167,841
Debt Service Coverage	\$	\$2,728,919	\$	\$3,543,393	\$	\$3,165,564	\$	\$4,134,219
Ratio		2.51		2.08		2.92		2.46
Per Policy		2.25		2.25		2.25		2.25

Water Operating Fund

Potable water revenues are the largest source of District revenues, with the majority of sales to residential customers. On average in previous years, minimal rain and warmer weather conditions have resulted in significant water consumption demands.

Water consumption demands can be downwardly affected by landscaping changes, water use efficiency awareness, a growing culture of drought sensitivity; state imposed conservation mandates and reduced or increased rainfall precipitation. The water system demand in FY2023-24 of 19,227 acre-feet is budgeted to be approximately 12% more than FY2022-23 of 17,131 acre-feet because the above average rainfall in FY2022-23 affected the total demand for the year.

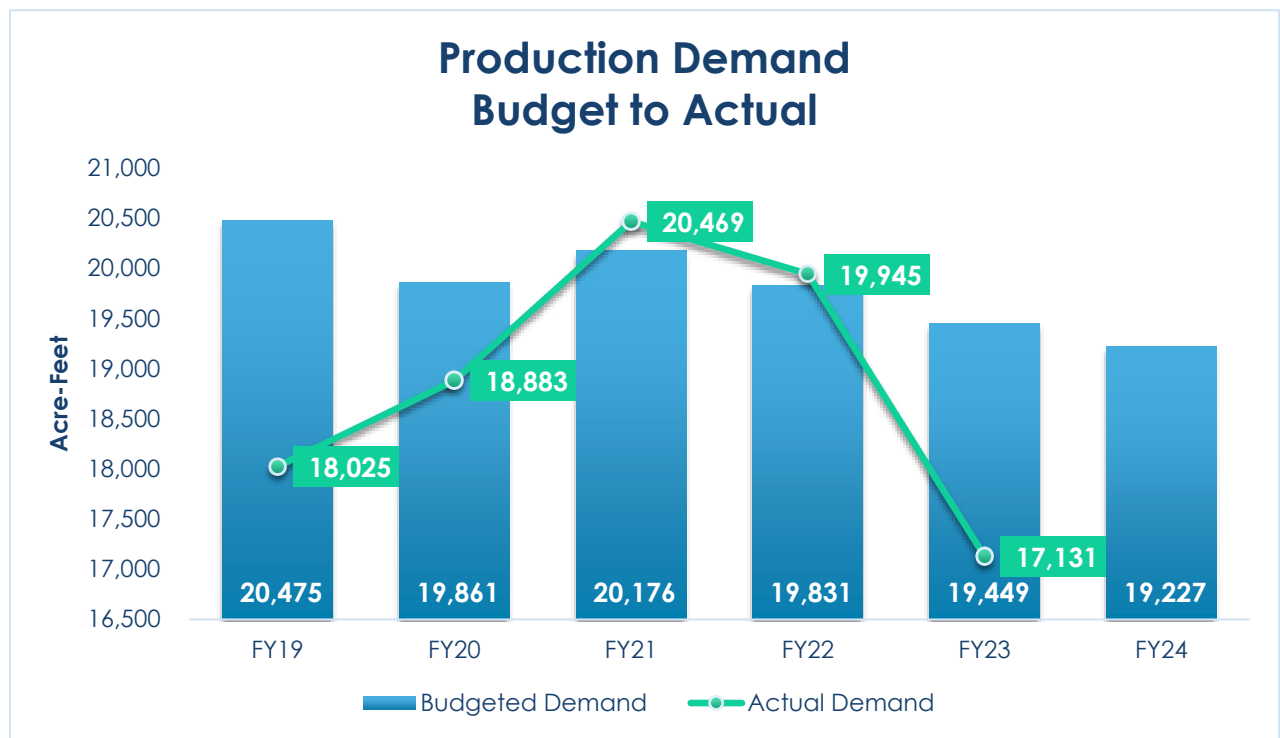
YLWD utilizes a uniform fee rate structure; therefore, water revenues are calculated using a proposed monthly fixed charge per customer connection (based on the size of the metered connection) and the total budgeted annual water purchases, less approximately 8% non-revenue water. The result is then annualized for the budget projection.

Other Operating Revenues, which include but are not limited to, backflow charges, plan check fees, construction meters, new account fees, late fees and other income, are projected based upon historical activity and current economic conditions.

Interest Income for the water-operating fund is projected based on an average yield of ~4.0% on the District's portfolio.

Property Tax Income is projected based on the assumptions of the Orange County Tax Assessor. The District anticipates receiving 98% of its share of the Ad Valorem Tax Revenue, which will result in a 4% increase when compared that of the previous year's proportional share.

Other Non-Operating Revenue, which include but are not limited to, annexation fees, rental income, and other sources, are projected based upon historical activity and current economic conditions.



Sewer Operating Fund

The District's Sewer Revenues are based on the sewer collection services provided to our customers.

Sewer maintenance charges will increase to \$11.97 from \$10.41 per month for single-family residential and commercial customers accounts will have an additional tier charge of \$0.46 (\$0.40 in FY23), whose monthly consumption is 8 units or greater. The sewer maintenance charge of master meter residential customer accounts will increase to \$11.52 from \$10.02 per month. The District will provide sewage collection services for approximately 26,000 sewer service connections.

Other Income Revenues, which include but are not limited to, sewer collection fees and miscellaneous income, are projected based upon the historical activity and current economic conditions.

Interest Income for the sewer operating funds is projected based on an average yield of approximately 0.1% on the District's portfolio.

Financial Schedule [Water & Sewer]

	FY22 Actual	FY23 Budget	FY23 Projections	FY24 Budget
Revenue (Operating)				
Water Revenue (Residential)	\$ 15,861,493	\$ 16,933,387	\$ 14,756,075	\$ 19,683,344
Water Revenue (Commercial & Fire Det.)	1,606,688	1,737,255	1,639,577	2,016,621
Water Revenue (Landscape/Irrigation)	3,839,467	4,046,832	3,640,243	4,769,326
Service Charges	13,358,664	14,720,797	14,729,859	16,076,351
Property Tax - CFC Charges	2,940,151	3,103,900	3,300,357	3,597,389
PFAS Impact Fee	889,401	-	-	-
Sewer Charge Revenue	2,870,431	3,115,771	3,077,368	3,582,947
Sewer Parcel Assessments	333,965	363,158	356,954	410,497
Other Operating Revenue	1,311,232	1,287,829	1,297,318	1,327,217
Total Operating Revenue	43,011,492	45,308,929	42,797,751	51,463,692
Revenue (Non-Operating)				
Interest	179,375	106,925	740,623	948,000
Property Tax	2,157,211	2,095,000	2,351,079	2,402,796
Other Non-Operating Revenue	174,376	692,942	1,313,772	735,458
Total Non-Operating Revenue	2,510,962	2,894,867	4,405,474	4,086,254
Total Revenue	\$ 45,522,454	\$ 48,203,796	\$ 47,203,225	\$ 55,549,946
Expenses (Operating)				
Variable Costs				
Water-Related Costs	\$ 17,635,438	\$ 13,656,768	\$ 11,046,823	\$ 14,576,854
Fixed Costs	1,668,633	1,839,855	1,850,950	2,242,467
Power-Related Costs	1,299,314	2,189,451	2,934,621	3,071,848
Variable Water Costs Related Expenses Total	20,603,385	17,686,074	15,832,394	19,891,169
Salary Related Expenses				
Salary Related Expenses	11,016,220	13,636,809	12,501,986	14,784,672
Reduction for Capital Project Labor	-	(405,000)	-	(408,000)
Salary Related Expenses Total	11,016,220	13,231,809	12,501,986	14,376,672
Supplies & Services				
Board Election	-	137,000	90,206	-
Communications	126,854	193,000	195,555	240,240
Contractual Services	601,462	620,039	651,993	721,531
Data Processing	275,125	416,614	402,790	539,950
District Activities, Emp Recognition	32,157	45,500	49,406	68,495
Dues & Memberships	97,803	97,522	93,536	125,625
Fees & Permits	396,274	467,990	457,431	499,300
Insurance	279,465	434,590	379,300	485,000
Maintenance	1,418,058	1,527,900	1,819,170	2,044,400
Materials	886,544	2,377,300	1,302,394	2,468,792
Non-Capital Equipment	206,427	211,300	231,502	328,100
Office Expense	38,173	42,300	42,936	47,550
Professional Services	1,170,752	1,728,760	1,721,583	1,569,770
Training	40,829	83,150	51,819	75,893
Travel & Conferences	22,631	102,780	45,880	104,720
Uncollectible Accounts	18,114	10,000	25,000	15,000
Utilities	185,453	224,000	382,874	400,000
Vehicle Expenses	501,601	538,550	701,372	755,400
Supplies & Services Sub-Total	6,297,722	9,258,295	8,644,747	10,489,766
Total Operating Expenses	37,917,327	40,176,178	36,979,127	44,757,607
Expenses (Non-Operating)				
Interest Expense	1,249,313	2,436,750	2,092,379	2,604,419
Other Expense	21,141	18,135	391,555	18,625
Total Non-Operating Expenses	1,270,454	2,454,885	2,483,934	2,623,044
Total Expenses	\$ 39,187,781	\$ 42,631,063	\$ 39,463,061	\$ 47,380,651
Net Income Before Capital Contributions				
Net Income Before Capital Contributions	\$ 6,334,673	\$ 5,572,733	\$ 7,740,164	\$ 8,169,295
Capital Contributions	289,612	-	25,466,436	-
Net Income Before Depreciation	6,624,285	5,572,733	33,206,600	8,169,295
Depreciation	7,935,696	9,500,000	9,038,130	9,379,000
Income (Loss)	\$ (1,311,411)	\$ (3,927,267)	\$ 24,168,470	\$ (1,209,705)

Financial Schedule [Water]

	FY22 Actual	FY23 Budget	FY23 Projections	FY24 Budget
Revenue (Operating)				
Water Revenue (Residential)	\$ 15,861,493	\$ 16,933,387	\$ 14,756,075	\$ 19,683,344
Water Revenue (Commercial & Fire Det.)	1,606,688	1,737,255	1,639,577	2,016,621
Water Revenue (Landscape/Irrigation)	3,839,467	4,046,832	3,640,243	4,769,326
Service Charges	13,358,664	14,720,797	14,729,859	16,076,351
Property Tax - CFC Charges	2,940,151	3,103,900	3,300,357	3,597,389
PFAS Impact Fee	889,401	-	-	-
Other Operating Revenue	1,123,730	1,171,574	1,204,799	1,252,987
Total Operating Revenue	39,619,594	41,713,745	39,270,910	47,396,018
Revenue (Non-Operating)				
Interest	143,190	70,200	606,368	780,000
Property Tax	2,157,211	2,095,000	2,351,079	2,402,796
Other Non-Operating Revenue	89,363	659,672	1,216,777	718,823
Total Non-Operating Revenue	2,389,764	2,824,872	4,174,224	3,901,619
Total Revenue	\$ 42,009,358	\$ 44,538,617	\$ 43,445,134	\$ 51,297,637
Expenses (Operating)				
Variable Costs				
Water-Related Costs	\$ 17,635,438	\$ 13,656,768	\$ 11,046,823	\$ 14,576,854
Fixed Costs	1,668,633	1,839,855	1,850,950	2,242,467
Power-Related Costs	1,299,314	2,189,451	2,934,621	3,071,848
Variable Water Costs Related Expenses Total	20,603,385	17,686,074	15,832,394	19,891,169
Salary Related Expenses				
Salary Related Expenses	9,230,304	11,703,642	10,481,360	12,523,119
Reduction for Capital Project Labor		(344,250)		(367,200)
Salary Related Expenses Total	9,230,304	11,359,392	10,481,360	12,155,919
Supplies & Services				
Board Election	-	116,450	76,675	-
Communications	107,981	166,307	169,665	210,004
Contractual Services	534,009	541,358	574,773	634,152
Data Processing	236,946	361,462	346,478	463,532
District Activities, Emp Recognition	27,340	38,677	41,995	58,223
Dues & Memberships	83,144	82,932	79,506	106,833
Fees & Permits	361,468	416,062	410,392	444,853
Insurance	237,545	369,402	322,405	412,250
Maintenance	1,105,701	1,122,055	1,427,186	1,467,855
Materials	829,497	2,313,020	1,226,684	2,383,837
Non-Capital Equipment	148,701	151,105	161,379	253,285
Office Expense	32,447	35,956	36,509	40,418
Professional Services	966,622	1,560,430	1,563,517	1,417,133
Training	29,151	69,748	36,509	62,396
Travel & Conferences	19,310	85,199	38,998	86,462
Uncollectible Accounts	14,700	8,500	21,250	12,750
Utilities	158,342	190,400	325,443	340,000
Vehicle Expenses	418,570	473,350	629,802	676,400
Supplies & Services Sub-Total	5,311,474	8,102,413	7,489,166	9,070,383
Total Operating Expenses	35,145,163	37,147,879	33,802,920	41,117,471
Expenses (Non-Operating)				
Interest Expense	1,249,313	2,436,750	2,092,379	2,604,419
Other Expense	2,440	12,350	388,278	12,325
Total Non-Operating Expenses	1,251,753	2,449,100	2,480,657	2,616,744
Total Expenses	\$ 36,396,916	\$ 39,596,979	\$ 36,283,577	\$ 43,734,215
Net Income Before Capital Contributions	\$ 5,612,442	\$ 4,941,638	\$ 7,161,557	\$ 7,563,422
Capital Contributions	176,963	-	25,050,300	-
Net Income Before Depreciation	5,789,405	4,941,638	32,211,857	7,563,422
Depreciation	6,442,545	8,005,000	7,524,955	7,690,000
Income (Loss)	\$ (653,140)	\$ (3,063,362)	\$ 24,686,902	\$ (126,578)

Financial Schedule [Sewer]

	FY22 Actual	FY23 Budget	FY23 Projections	FY24 Budget
Revenue (Operating)				
Sewer Charge Revenue	\$ 2,870,431	\$ 3,115,771	\$ 3,077,368	\$ 3,582,947
Sewer Parcel Assessments (Locke Ranch)	333,965	363,158	356,954	410,497
Other Operating Revenue	187,502	116,255	92,519	74,230
Total Operating Revenue	3,391,898	3,595,184	3,526,841	4,067,674
Revenue (Non-Operating)				
Interest	36,185	36,725	134,255	168,000
Other Non-Operating Revenue	85,013	33,270	96,995	16,635
Total Non-Operating Revenue	121,198	69,995	231,250	184,635
Total Revenue	\$ 3,513,096	\$ 3,665,179	\$ 3,758,091	\$ 4,252,309
Expenses (Operating)				
Salary Related Expenses	\$ 1,785,916	\$ 1,933,167	\$ 2,020,626	\$ 2,261,553
Reduction for Capital Project Labor		(60,750)		(40,800)
Salary Related Expenses Total	1,785,916	1,872,417	2,020,626	2,220,753
Supplies & Services				
Board Election	-	20,550	13,531	-
Communications	18,873	26,693	25,890	30,236
Contractual Services	67,453	78,681	77,220	87,379
Data Processing	38,179	55,152	56,312	76,418
District Activities, Emp Recognition	4,817	6,823	7,411	10,272
Dues & Memberships	14,659	14,590	14,030	18,792
Fees & Permits	34,806	51,928	47,039	54,447
Insurance	41,920	65,188	56,895	72,750
Maintenance	312,357	405,845	391,984	576,545
Materials	57,047	64,280	75,710	84,955
Non-Capital Equipment	57,726	60,195	70,123	74,815
Office Expense	5,726	6,344	6,427	7,132
Professional Services	204,130	168,330	158,066	152,637
Training	11,678	13,402	15,310	13,497
Travel & Conferences	3,321	17,581	6,882	18,258
Uncollectible Accounts	3,414	1,500	3,750	2,250
Utilities	27,111	33,600	57,431	60,000
Vehicle Expenses	83,031	65,200	71,570	79,000
Supplies & Services Sub-Total	986,248	1,155,882	1,155,581	1,419,383
Total Operating Expenses	2,772,164	3,028,299	3,176,207	3,640,136
Expenses (Non-Operating)				
Other Expense	18,701	5,785	3,277	6,300
Total Non-Operating Expenses	18,701	5,785	3,277	6,300
Total Expenses	\$ 2,790,865	\$ 3,034,084	\$ 3,179,484	\$ 3,646,436
Net Income (Loss) Before Capital Contributions	\$ 722,231	631,095	578,607	605,873
Capital Contributions	112,649	-	416,136	-
Net Income Before Depreciation	834,880	631,095	994,743	605,873
Depreciation	1,493,151	1,495,000	1,513,175	1,689,000
Income (Loss)	\$ (658,271)	\$ (863,905)	\$ (518,432)	\$ (1,083,127)

Long-Range Financial Plan

The District perpetually maintains a five-year Financial Forecast to identify and focus on current and projected economic conditions. The purpose of the forecast is to identify the District's ability over the next five years to continue current services, maintain existing assets and fund new initiatives or acquire new capital assets.

On June 8, 2021, the Board of Directors approved a new 5-year rate structure that does the following:

- A "commodity" rate, comprised of the actual cost of the water (including energy and other costs directly tied to the commodity), is mostly independent from the District's fixed costs. This insulates the District's finances from fluctuations in water demand and conservation mandates.
- A Pass-Through adjustment may be implemented onto the commodity rate if the cost of providing water services increased greater than the allowable rate adjustment approved in the 2021 Rate Study Report. The costs include wholesale water, other wholesale water related charges and power/energy. Provided however, any increase in costs from the assumptions in the 2021 Rate Study shall not exceed 10% per year of the budget year's commodity rate amount.
- A monthly fixed meter charge collected ensures a consistent revenue stream that is unaffected by changes in demand or government mandates.
- A Capital Finance Charge collected per service meter connection on the annual property tax bill for each taxable parcel within the District's service area or by annual manual billing for those public institutions who do not pay property tax. This secures the District's annual debt service obligation, including the principal and interest for long-term, intergenerational capital projects.

The Board of Directors annually reviews and adopts a five-year forecast of Capital Improvement Projects. These investments reflect the Board of Directors commitment to maintain and improve the District's infrastructure, in order to provide citizens, the highest possible service.

The District's Debt Management Policy and Asset Management Plan have a significant impact on the District's water and sewer rates set by the Board of Directors on an annual basis. District annual rates and charges for the water fund shall be set to maintain an annual debt coverage ratio of at least 225% to retain AA/AA+ ratings from bond rating agencies. These policies are measured by the District's reportable net position for each fiscal year end.

In furtherance, the District desires to prefund Net Pension and Other Post Employment Benefit (OPEB) unfunded accrued liability to the extent possible or reasonable. Additionally, another tool established through the 2021 Rate Study Report is to build a reserve account with a balance up to one year's cost of water purchases from Metropolitan Water District. Should the District be faced with another mandate that results in the cessation of groundwater pumping, this reserve fund will offset the increased cost of purchases from Metropolitan without effecting the District's operating budget.

It is also in the District's goals to address the Sewer Fund's net loss position in the following Rate Study Report and evaluate the fund's financial needs. The reason for the net loss position is depreciation expense. Depreciation expense is part of reporting an asset's value over time and it does not take cash to fund the expense.

Long-Range Financial Goals & Assumptions

Goal	Assumptions	Connection to District's Goals
Rates to continue to support the cost of providing service to customers.	The Board of Directors will follow the rate structure on the 2021 Rate Study Report to support future financial plans.	- Safe & Reliable Water and Sewer Service
Maintain an annual debt coverage ratio >225% to retain AA/AA+ bond ratings.	Meet the coverage ratio requirements and strive for rating upgrade from AA+ Stable Outlook to AA+ Positive Outlook at a minimum.	- Fiscal Responsibility
Prefund Net Pension and Other Post Employment Benefit (OPEB)	2021 Rate Study Report will allow the District to start prefund Net Pension and OPEB by FY2023-24.	- Fiscal Responsibility
Build the Metropolitan Water District Contingency Reserve account balance up to one year's cost of import water purchases.	2021 Rate Study Report rates structure will increase revenue to increase the reserve account to one year's cost of water purchases by FY2025-26.	- Safe & Reliable Water and Sewer Service - Fiscal Responsibility

Five Year Financial Forecast [Water & Sewer]

	FY24 Forecast	FY25 Forecast	FY26 Forecast	FY27 Forecast	FY28 Forecast
Revenue (Operating)					
Water Revenue (Residential)	\$ 19,683,344	\$ 21,510,552	\$ 23,399,843	\$ 25,455,073	\$ 27,690,814
Water Revenue (Commercial & Fire Det.)	2,016,621	2,150,765	2,339,980	2,545,840	2,769,813
Water Revenue (Landscape/Irrigation)	4,769,326	5,162,532	5,615,962	6,109,217	6,645,795
Service Charges	16,076,351	17,272,798	18,827,350	20,521,812	22,368,775
Property Taxes - CFC Charges	3,597,389	3,806,991	4,149,621	4,523,086	4,930,164
Sewer Charge Revenue	3,582,947	4,120,347	4,738,399	4,975,319	5,224,085
Sewer Parcel Assessments	410,497	472,072	542,883	570,027	598,528
Other Operating Revenue	1,327,217	1,340,489	1,353,894	1,367,433	1,381,107
Total Operating Revenue	51,463,692	55,836,546	60,967,932	66,067,807	71,609,081
Revenue (Non-Operating)					
Interest	948,000	1,208,549	1,323,104	1,472,243	1,663,451
Property Tax	2,402,796	2,450,852	2,499,869	2,549,866	2,600,864
Other Non-Operating Revenue	735,458	654,522	667,612	680,964	694,584
Total Non-Operating Revenue	4,086,254	4,313,923	4,490,585	4,703,073	4,958,899
Total Revenue	\$ 55,549,946	\$ 60,150,469	\$ 65,458,517	\$ 70,770,879	\$ 76,567,980
Expenses (Operating)					
Variable Water Costs					
Water-Related Costs	\$ 14,576,854	\$ 15,177,413	\$ 15,904,571	\$ 16,666,567	\$ 17,465,070
Fixed Costs	2,242,467	2,347,222	2,441,595	2,540,226	2,643,320
Power-Related Costs	3,071,848	3,355,426	3,558,948	3,775,593	4,006,233
Variable Water Costs Related Expenses Total	19,891,169	20,880,061	21,905,114	22,982,386	24,114,623
PFAS Treatment Costs Owed to OCWD - Resin	-	500,000	500,000	500,000	500,000
Salary Related Expenses	14,376,672	15,526,806	16,768,950	18,110,466	19,559,304
Supplies & Services:					
Board Election	-	110,000	-	121,000	-
Communications	240,240	247,275	257,166	267,453	278,151
Contractual Services	721,531	744,619	774,404	805,381	837,595
Data Processing	539,950	541,725	563,394	585,930	609,368
District Activities, Emp Recognition	68,495	67,932	70,649	73,475	76,414
Dues & Memberships	125,625	126,887	131,963	137,241	142,730
Fees & Permits	499,300	518,812	539,565	561,147	583,593
Insurance	485,000	499,247	519,218	539,986	561,585
Maintenance	2,044,400	1,965,531	2,044,152	2,125,918	2,210,955
Materials	2,468,792	2,548,715	2,650,664	2,756,691	2,866,958
Non-Capital Equipment	328,100	328,523	341,664	355,331	369,544
Office Expense	47,550	48,897	50,852	52,887	55,001
Professional Services	1,569,770	1,730,884	1,722,119	1,791,004	1,862,644
Training	75,893	79,388	82,563	85,865	89,300
Travel & Conferences	104,720	108,936	113,293	117,825	122,538
Uncollectible Accounts	15,000	14,882	15,477	16,097	16,741
Utilities	400,000	406,391	438,902	474,014	511,935
Vehicle Equipment	755,400	773,976	804,935	837,133	870,618
Supplies & Services Sub-Total	10,489,766	10,862,620	11,120,980	11,704,378	12,065,670
Total Operating Expenses	44,757,607	47,269,487	49,795,044	52,797,230	55,739,597
Expenses (Non-Operating)					
Interest Expense	2,604,419	2,533,494	2,451,619	2,365,744	2,275,494
Other Expense	18,625	19,075	19,838	20,632	21,457
Total Non-Operating Expenses	2,623,044	2,552,569	2,471,457	2,386,376	2,296,951
Total Expenses	\$ 47,380,651	\$ 50,322,056	\$ 52,766,501	\$ 55,683,606	\$ 58,536,548
Net Income (Loss) Before Capital Contributions	\$ 8,169,295	\$ 9,828,413	\$ 12,692,016	\$ 15,087,274	\$ 18,031,432
Capital Contributions	-	-	-	-	-
Net Income (Loss) Before Depreciation	8,169,295	9,828,413	12,692,016	15,087,274	18,031,432
Depreciation	9,379,000	9,566,580	9,757,912	9,953,071	10,152,133
Income (Loss)	\$ (1,209,705)	\$ 261,833	\$ 2,934,104	\$ 5,134,203	\$ 7,879,299

Five Year Financial Forecast [Water]

	FY24 Forecast	FY25 Forecast	FY26 Forecast	FY27 Forecast	FY28 Forecast
Revenue (Operating)					
Water Revenue (Residential)	\$ 19,683,344	\$ 21,510,552	\$ 23,399,843	\$ 25,455,073	\$ 27,690,814
Water Revenue (Commercial & Fire Det.)	2,016,621	2,150,765	2,339,980	2,545,840	2,769,813
Water Revenue (Landscape/Irrigation)	4,769,326	5,162,532	5,615,962	6,109,217	6,645,795
Service Charges	16,076,351	17,272,798	18,827,350	20,521,812	22,368,775
Property Taxes - CFC Charges	3,597,389	3,806,991	4,149,621	4,523,086	4,930,164
Other Operating Revenue	1,252,987	1,265,517	1,278,172	1,290,954	1,303,863
Total Operating Revenue	47,396,018	51,169,155	55,610,928	60,445,982	65,709,224
Revenue (Non-Operating)					
Interest	780,000	1,036,946	1,131,140	1,264,099	1,445,963
Property Tax	2,402,796	2,450,852	2,499,869	2,549,866	2,600,864
Other Non-Operating Revenue	718,823	637,388	650,135	663,138	676,401
Total Non-Operating Revenue	3,901,619	4,125,186	4,281,144	4,477,103	4,723,228
Total Revenue	\$ 51,297,637	\$ 55,294,341	\$ 59,892,072	\$ 64,923,085	\$ 70,432,452
Expenses (Operating)					
Variable Water Costs					
Water-Related Costs	\$ 14,576,854	\$ 15,177,413	\$ 15,904,571	\$ 16,666,567	\$ 17,465,070
Fixed Costs	2,242,467	2,347,222	2,441,595	2,540,226	2,643,320
Power-Related Costs	3,071,848	3,355,426	3,558,948	3,775,593	4,006,233
Variable Water Costs Related Expenses Total	19,891,169	20,880,061	21,905,114	22,982,386	24,114,623
PFAS Treatment Costs Owed to OCWD - Resin	-	500,000	500,000	500,000	500,000
Salary Related Expenses	12,155,919	13,128,393	14,178,664	15,312,957	16,537,994
Supplies & Services					
Board Election	-	93,500	-	102,850	-
Communications	210,004	218,404	227,140	236,226	245,675
Contractual Services	634,152	659,518	685,899	713,335	741,868
Data Processing	463,532	482,073	501,356	521,410	542,267
District Activities, Emp Recognition	58,223	60,552	62,974	65,493	68,113
Dues & Memberships	106,833	111,106	115,551	120,173	124,979
Fees & Permits	444,853	462,647	481,153	500,399	520,415
Insurance	412,250	428,740	445,890	463,725	482,274
Maintenance	1,467,855	1,526,569	1,587,632	1,651,137	1,717,183
Materials	2,383,837	2,479,190	2,578,358	2,681,492	2,788,752
Non-Capital Equipment	253,285	263,416	273,953	284,911	296,308
Office Expense	40,418	42,035	43,716	45,465	47,283
Professional Services	1,417,133	1,548,818	1,532,771	1,594,082	1,657,845
Training	62,396	64,892	67,488	70,187	72,994
Travel & Conferences	86,462	89,920	93,517	97,258	101,148
Uncollectible Accounts	12,750	13,260	13,790	14,342	14,916
Utilities	340,000	367,200	396,576	428,302	462,566
Vehicle Equipment	676,400	703,456	731,594	760,858	791,292
Supplies & Services Sub-Total	9,070,383	9,615,296	9,839,358	10,351,645	10,675,878
Total Operating Expenses	41,117,471	44,123,750	46,423,136	49,146,988	51,828,495
Expenses (Non-Operating)					
Interest Expense	2,604,419	2,533,494	2,451,619	2,365,744	2,275,494
Other Expense	12,325	12,818	13,331	13,864	14,419
Total Non-Operating Expenses	2,616,744	2,546,312	2,464,950	2,379,608	2,289,913
Total Expenses	\$ 43,734,215	\$ 46,670,062	\$ 48,888,086	\$ 51,526,596	\$ 54,118,408
Net Income (Loss) Before Capital Contributions	\$ 7,563,422	\$ 8,624,279	\$ 11,003,986	\$ 13,396,489	\$ 16,314,044
Capital Contributions	-	-	-	-	-
Net Income (Loss) Before Depreciation	7,563,422	8,624,279	11,003,986	13,396,489	16,314,044
Depreciation	7,690,000	7,843,800	8,000,676	8,160,690	8,323,904
Income (Loss)	\$ (126,578)	\$ 780,479	\$ 3,003,310	\$ 5,235,799	\$ 7,990,140

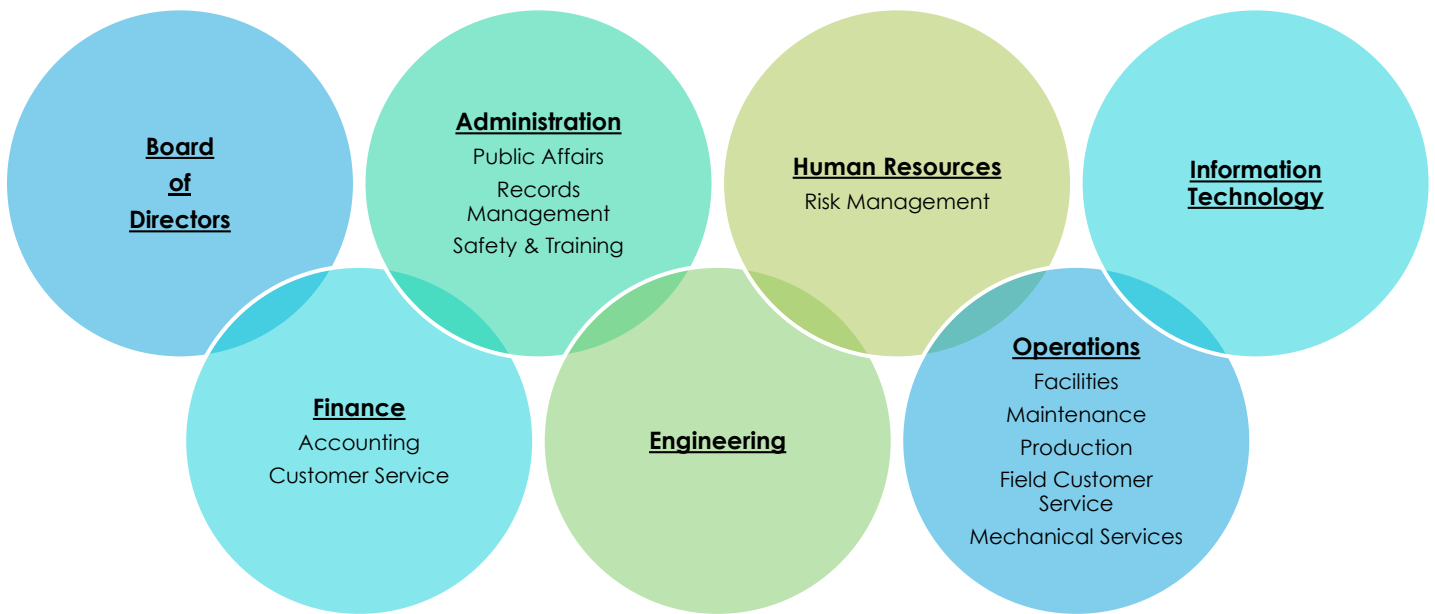
Five Year Financial Forecast [Sewer]

	FY24 Forecast	FY25 Forecast	FY26 Forecast	FY27 Forecast	FY28 Forecast
Revenue (Operating)					
Sewer Charge Revenue	\$ 3,582,947	\$ 4,120,347	\$ 4,738,399	\$ 4,975,319	\$ 5,224,085
Sewer Parcel Assessments	410,497	472,072	542,883	570,027	598,528
Other Operating Revenue	74,230	74,972	75,722	76,479	77,244
Total Operating Revenue	4,067,674	4,667,391	5,357,004	5,621,825	5,899,857
Revenue (Non-Operating)					
Interest	168,000	171,603	191,964	208,144	217,488
Other Non-Operating Revenue	16,635	17,134	17,477	17,826	18,183
Total Non-Operating Revenue	184,635	188,737	209,441	225,970	235,671
Total Revenue	\$ 4,252,309	\$ 4,856,128	\$ 5,566,445	\$ 5,847,795	\$ 6,135,528
Expenses (Operating)					
Salary Related Expenses	\$ 2,220,753	\$ 2,398,413	\$ 2,590,286	\$ 2,797,509	\$ 3,021,310
Supplies & Services					
Board Election	-	16,500	-	18,150	-
Communications	30,236	28,871	30,026	31,227	32,476
Contractual Services	87,379	85,101	88,505	92,046	95,727
Data Processing	76,418	59,652	62,038	64,520	67,101
District Activities, Emp Recognition	10,272	7,380	7,675	7,982	8,301
Dues & Memberships	18,792	15,781	16,412	17,068	17,751
Fees & Permits	54,447	56,165	58,412	60,748	63,178
Insurance	72,750	70,507	73,328	76,261	79,311
Maintenance	576,545	438,962	456,520	474,781	493,772
Materials	84,955	69,525	72,306	75,199	78,206
Non-Capital Equipment	74,815	65,107	67,711	70,420	73,236
Office Expense	7,132	6,862	7,136	7,422	7,718
Professional Services	152,637	182,066	189,348	196,922	204,799
Training	13,497	14,496	15,075	15,678	16,306
Travel & Conferences	18,258	19,016	19,776	20,567	21,390
Uncollectible Accounts	2,250	1,622	1,687	1,755	1,825
Utilities	60,000	39,191	42,326	45,712	49,369
Vehicle Equipment	79,000	70,520	73,341	76,275	79,326
Supplies & Services Sub-Total	1,419,383	1,247,324	1,281,622	1,352,733	1,389,792
Total Operating Expenses	3,640,136	3,645,737	3,871,908	4,150,242	4,411,102
Expenses (Non-Operating)					
Other Expense	6,300	6,257	6,507	6,768	7,038
Total Non-Operating Expenses	6,300	6,257	6,507	6,768	7,038
Total Expenses	\$ 3,646,436	\$ 3,651,994	\$ 3,878,415	\$ 4,157,010	\$ 4,418,140
Net Income (Loss) Before Capital Contributions	\$ 605,873	\$ 1,204,134	\$ 1,688,030	\$ 1,690,785	\$ 1,717,388
Capital Contributions					
Net Income (Loss) Before Depreciation	605,873	1,204,134	1,688,030	1,690,785	1,717,388
Depreciation	1,689,000	1,722,780	1,757,236	1,792,381	1,828,229
Income (Loss)	\$ (1,083,127)	\$ (518,646)	\$ (69,206)	\$ (101,596)	\$ (110,841)



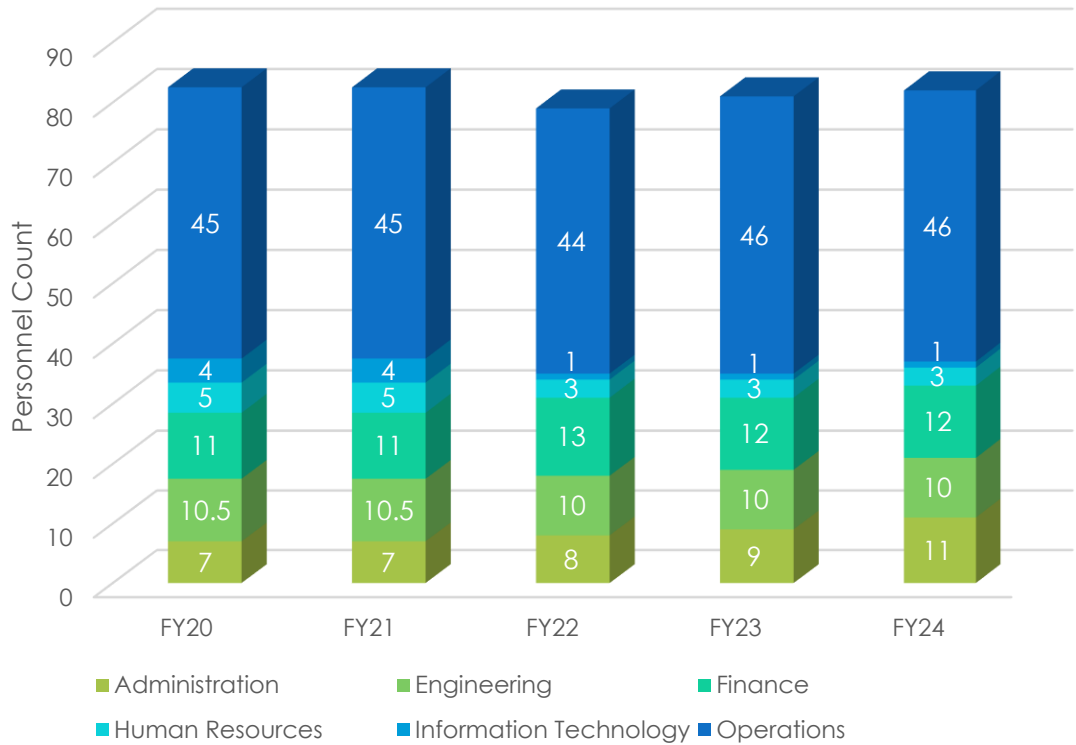
DEPARTMENTAL SUMMARIES

BOARD OF DIRECTORS
ADMINISTRATION DEPARTMENT
FINANCE DEPARTMENT
ENGINEERING DEPARTMENT
OPERATIONS DEPARTMENT
INFORMATION TECHNOLOGY DEPARTMENT
HUMAN RESOURCES DEPARTMENT



Authorized Positions

DEPARTMENT	FY20	FY21	FY22	FY23	FY24
Administration	7.0	7.0	8.0	9.0	11.0
Finance	11.0	11.0	13.0	12.0	12.0
Engineering	10.5	10.5	10.0	10.0	10.0
Operations	45.0	45.0	44.0	46.0	45.0
Information Technology	4.0	4.0	1.0	1.0	1.0
Human Resources	5.0	5.0	3.0	3.0	3.0
District Department Totals	82.5	82.5	79.0	81.0	82.0





DEPARTMENT SUMMARIES

BOARD OF DIRECTORS

Board of Directors

Board of Directors Departmental Budget

	2022 Actuals	2023 Budget	2023 Projections	2024 Budget
Salary Related Expenses				
Salaries	\$ 66,900	\$ 90,000	\$ 58,500	\$ 90,000
Benefits	7,112	9,649	15,467	28,876
Salary Related Expenses Total	\$ 74,012	\$ 99,649	\$ 73,967	\$ 118,876
Supplies & Services				
Board Election	\$ -	\$ 137,000	\$ 90,206	\$ -
District Meetings & Events	827	1,500	1,000	1,500
Dues & Memberships	297	660	300	60
Fees & Permits	1,500	-	-	-
Non Capital Equipment	-	2,000	1,000	1,000
Office Expense	824	800	800	800
Professional Development	3,000	2,400	-	1,000
Professional Services	27,403	33,000	33,000	39,000
Travel & Conferences	9,176	32,350	5,500	29,000
Supplies & Services Total	\$ 43,026	\$ 209,710	\$ 131,806	\$ 72,360





DEPARTMENT SUMMARIES

ADMINISTRATION

Administration Department

Position/Title	FY20	FY21	FY22	FY23	FY24
Assistant General Manager	1	1	1	1	1
Director of Public Affairs	1	1	-	-	-
Executive Assistant	1	1	1	1	1
General Manager	1	1	1	1	1
Information Systems Administrator	1	1	-	-	-
Public Affairs Intern	-	-	-	-	0.5
Public Affairs Officer	-	-	-	-	1
Public Affairs Representative	1	1	-	-	-
Public Affairs Manager	-	-	1	1	-
Public Affairs Specialist	-	-	1	1	1
Records Management Administrator	-	-	1	1	-
Records Management Administrator (Hired prior to 7/1/2023)	-	-	-	-	1
Records Management Specialist	-	-	1	1	1
Safety Officer	-	-	-	-	1
Senior Executive Assistant/Board Secretary	-	-	1	1	-
Senior Executive Assistant/Board Secretary (Hired prior to 7/1/2023)	-	-	-	-	1
Senior Information Systems Administrator	-	-	1	1	-
Senior Information Systems Administrator (Hired prior to 7/1/2023)	-	-	-	-	1
Senior Management Analyst	1	1	-	-	-
Administrative Intern	-	-	-	-	0.5
Total Administration Personnel	7.0	7.0	8.0	9.0	11.0

FY23 to FY24 Changes and Trends: Safety and Training Analyst reclassified to Safety Officer and transferred from Operations; Public Affairs Manager reclassified to Public Affairs Officer; Records Management Administrator reclassified to Records Management Administrator (Hired prior to 7/1/2023); Senior Executive Assistant/Board Secretary reclassified to Senior Executive Assistant/Board Secretary (Hired prior to 7/1/2023); Senior Information Systems Administrator reclassified to Senior Information Systems Administrator (Hired prior to 7/1/2023); Part Time Administrative Intern added; Part Time Public Affairs Intern added.

Administration

Division Description

The Administration Department researches and prepares recommendations for consideration by the Board of Directors on issues facing the District. Vested in this department is the primary responsibility for assuring that Board ordinances, resolutions, and policies are properly administered.

Performance Measures and Achievements

- Positive Outlook and AA+ rating affirmed by Fitch Ratings.
- Finalized issuance of \$35 million revenue bonds at record low-interest rates.
- On boarded a new General Manager.
- General Manager Instituted "Taking Care of People" Initiative
 - Obtained Anonymous Feedback from Employees
 - Formed Subcommittees to Address Key Activities: Efficiencies, Training, Recognition, Health and Wellness, and Team Building
 - Conducted Quarterly Employee Town Halls

- Instituted Quarterly and Annual Recognition of Employees
- General Manager Presented at nine Community and Industry Related Events.
- Conducted PFAS Water Treatment Plant Dedication Ceremony with OCWD
- Engaged with an outside consultant for analysis of district expenses to identify potential cost saving measures (waste & recycling, telecommunications, utilities, treasury services, technology optimization)
- Through the support of Congresswoman Young Kim and Senator Alex Padilla, the District was awarded a \$500,000 matching funds grant from the U. S. Forest Service for the construction of a new heli-hydrant at the MWDSC Diemer Water Treatment Plant.
- Participated in Great Shakeout Statewide Emergency Preparedness Exercise.
- Supported onboarding of new director, Brett Barbre.
- Recognized as Best Utility by Yorba Linda Chamber of Commerce
- Supported Board Formation of New Joint Agency Committee with PYLUSD.
- Completed Total Employee Compensation Study for the entire District.
- Submitted request for federal funding of three pressure regulation stations.
- Awarded \$300,000 grant from the U. S. Environmental Protection Agency for the Green Crest Lift Station Rehabilitation Project.
- YLWD and OCWD Awarded ASCE Region 9 Outstanding Project Award for PFAS WTP.
- General Manager Recognized as AAWRE Board Certified Diplomat.

FY2022-23 Goals Achieved

1. Maintained alignment with the District's strategic plan. This included supporting the Board of Directors' policies and initiatives and seeking their recommendations and direction.
2. Implemented programs and projects at the General Manager's direction. This included developing a comprehensive matrix of District policies, identifying, and prioritizing those that needed to be updated.

Policies that were developed or revised were:

- Conducting Recruitments to Fill Vacant Positions
- COVID-19 Prevention Program
- Employee Recognition
- Encroachments
- Financial Reserves
- Purchasing
- Travel Expense Reimbursement Workplace Violence Prevention

FY2023-24 Goals & Objectives

Goal 1: Maintain Alignment with District's Strategic Plan

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- Support Board of Directors' policies and initiatives.
- Seek Board of Directors' recommendations and direction.
- Implement programs and projects at the General Manager's direction.

Goal 2: Implement Programs and Projects at the General Manager's Direction

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- Maintain matrix of District policies and prioritize those that need to be updated or created.

Key Performance Indicators

Agency Goal	Key Performance Indicators	Target	FY20-21 Achieved	FY21-22 Achieved	FY22-23 Achieved
G2 2C	Post and Distribute Agendas for Regular Board Meetings Minimum of 7 Days in Advance	7+ Days in Advance	12 Days in Advance	12 Days in Advance	7 Days in Advance
G4 2B	Participate in Professional Development Opportunities	6	6 +	6 +	6 +

Public Affairs

Division Description

This division is responsible for the management of all external and internal communications activities and intergovernmental relations. The division directs public and media relations, legislative affairs, and serves as a liaison to local elected officials and community groups. This division oversees the production and distribution of publications and notices to inform the public of District functions, policies, and services. It also coordinates assigned activities with other departments and outside agencies.

Additionally, this division coordinates special events and District participation in water education and community events. This includes water efficiency/conservation activities, organizing, and conducting tours of District facilities for students, youth groups, and the public.

Performance Measures and Achievements

- Conducted a welcome reception for the new General Manager for the public and stakeholders.
- Conducted multiple open houses and community tours of the PFAS Treatment Plant.
- Hosted US congressional representative Young Kim and her staff along with Senator Alex Padilla's staff to review and inspect District infrastructure projects.
- Actively engaged with Placentia and Yorba Linda Chambers of Commerce events/membership/participation (multiple events)
- Instituted new YLWD Branding Standards.
- Shamrock n' Run with Placentia Unified School District REACH Foundation.
- Heli-Hydrant demo for MET staff.
- Secured federal grant of \$350,000 through Representative Young Kim and Senator Alex Padilla for the rebuilding of the Green Crest Sewer Lift Station.
- Collaborated in the filming and production of a water quality video with OCWD.

FY2022-23 Goals Achieved

1. Increased public awareness about the District's events, water quality and sewer issues/regulations by continuing to produce messaging and publications between events and articles.
2. Promote public policy priorities that are in the best interest of the District and customers by meeting with the District's representatives, actively participate with water/sewer organizations and regularly meet with regional agencies.

FY2023-24 Goals & Objectives

Goal 1: Increase public awareness about the District's events, water quality and sewer issues/regulations.

Connects to the District's Strategic Plan Goal: Community Partnership

- Enhance YLWD's visibility and positive recognition through public engagement events.
- Unify YLWD messaging and publications between public documents, articles and website design.

Goal 2: Promote public policy priorities that are in the best interest of the District and customers

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- Meeting with lobbyists, representatives, and regulators at all levels (local/state/federal).
- Actively participate with existing water/sewer organizations on regulatory and emerging issues.
- Regularly meet with regional agencies on water supply issues (conservation, mandates, forecast).
- Take on a leadership role within industry committees.

Key Performance Indicators

Agency Goal	Key Performance Indicators	Target	FY20-21 Achieved	FY21-22 Achieved	FY22-23 Achieved
G4 1A	Post to Social Media 2-3 days a week.	52 weeks	52 weeks	52 weeks	52 weeks
G4 1B	Host YLWD events, tours and presentations.	8 events	5 events*	6 events*	18 events
G4 1C	Sponsor outside district events.	4 events	5 events*	5 events*	5 events*
G4 1C	Serve Water from YLWD Trailer at Community Events.	4 events	5 events*	2 events*	7 events*
G4 2B	Update Website News Section with Articles.	10 articles	11 articles	15 articles	8 articles
G1 5A	Host elected representatives for meetings and tours.	2 meetings	2 meetings	2 meetings	2 meetings

*The District was not able to have events due to COVID-19.

Records Management

Division Description

This division handles the District's records and information as assets and strives to maximize informational value while minimizing risk. This is achieved through information governance initiatives, digital transformation, business process automation, highly responsive and centralized records request management, secure destruction and legacy data remediation, and security awareness.

Performance Measures and Achievements

- Actively managed core-Engineering documents using digital signature software and workflow to automate routing to the District's Enterprise Content Management system (ECM). This included utilizing ECM system workflow to monitor and notify Engineering staff of key events relating to the management of those documents (e.g. developer contracts, will-serve letters, water and sewer connection applications and permits, and insurance certificates).
- Implemented multiple paperless, automated electronic forms and associated workflows for finance and fleet-related forms being used and routed District-wide using the ECM system.
- Digitized 771 fleet vehicle documents containing specifications, purchasing information, DMV documentation, inspections, and certifications. All files were scanned and imported into the ECM system along with the application of pertinent metadata. All digitized files are now available to and searchable by all fleet mechanics and other authorized staff through the web-based ECM system portal.
- Coordinated and conducted annual destruction of paper and electronic records in compliance with the District's retention schedule. This included over 560,000 eligible pages of paper, which were securely shredded on-site.
- Reviewed and scanned/imported 350 District contracts into the ECM system and applied enhanced metadata for ongoing management of associated critical deadlines.

- Managed and fulfilled 200 requests for public records through the District's web-based public records request management software.
- Scanned over 56,000 pages into the ECM system including contracts, vendor insurance forms, vendor payment documentation, check registers, customer service work orders, and safety-related records that are now accessible through the District's web-based ECM system for authorized staff.

FY2022-23 Goals Achieved

1. Facilitated adoption of electronic signature technology with electronic signature software, templates for standard documents, and trained staff on available documents created by the electronic signature program.
2. Reviewed remaining historical contracts for actionable events and input this information into ECM system automated e-mail notification workflow by retrieving physical file folders in the archive center, scanning and importing them into ECM system and assigned event notification workflows for future monitoring.

FY2023-24 Goals & Objectives

Goal 1: Review District's Recorded Documents

Connects to the District's Strategic Plan Goal: Operational Effectiveness

- Review recorded documents in ECM for verification, metadata enhancement, and document quality upgrade.
- This includes more than 1,500 variations of deeds, easements, quitclaim deeds, and agreements.

Goal 2: Review of District's Governing Documents

Connects to the District's Strategic Plan Goal: Operational Effectiveness

- Review and update records retention schedule for improved organization, numeration, and employee usability.
- Review and update the file classification system to more accurately reflect and align with the current organizational structure.
- Align the records retention schedule with the file classification system for more effective implementation and application.

Goal 3: Perform Conservation and Preservation of Historic Documents

Connects to the District's Strategic Plan Goal: Operational Effectiveness

- Industry-standard techniques will be utilized for the District's most fragile historical maps, plans, and drawings, many of which are over 100 years old.

Key Performance Indicators

Agency Goal	Key Performance Indicators	Target	FY20-21 Achieved	FY21-22 Achieved	FY22-23 Achieved
G3 1B	Review Remaining Historical Contracts for Actionable Events*	186 Contracts	600 Contracts	370 Contracts	350 Contracts
G3 1B	Maintain Continual Scanning, Importing, and Archiving of District Records	25,000 Pages	60,000 Pages	52,000 Pages	56,000 Pages
G3 1B	Fulfill and Close Requests for Public Records Within 10 Days	3 Days Avg Response	3 Days Avg Response	3 Days Avg Response	2 Days Avg Response

**This initiative is considered complete and has transitioned into routine maintenance.*

Administration Departmental Budget

	2022 Actuals		2023 Budget		2023 Projections		2024 Budget
Salary Related Expenses							
Salaries	\$	1,267,260	\$	1,351,536	\$	1,278,025	\$ 1,562,716
Benefits		1,252,225		2,385,855		2,238,323	2,356,088
Salary Related Expenses Total	\$	2,519,485	\$	3,737,391	\$	3,516,348	\$ 3,918,804
Supplies & Services							
Communications	\$	34,396	\$	91,750	\$	92,950	\$ 129,440
Contractual Services		6,145		6,064		4,964	4,461
District Meetings & Events		8,015		13,500		13,650	19,995
Dues & Memberships		89,349		85,507		83,847	112,515
Fees & Permits		6,427		1,000		2,000	3,000
Non Capital Equipment		4,339		3,500		3,500	4,000
Office Expense		3,086		1,700		3,400	3,600
Professional Development		2,421		5,500		5,150	6,000
Professional Services		449,110		476,000		540,600	541,000
Travel & Conferences		3,083		48,030		22,880	36,640
Supplies & Services Total	\$	606,371	\$	732,551	\$	772,941	\$ 860,651



DEPARTMENT SUMMARIES

FINANCE

Finance Department

Position/Title	FY20	FY21	FY22	FY23	FY24
Accountant	1	1	1	1	1
Accounting Assistant I	-	-	-	-	-
Accounting Assistant II	2	2	2	2	2
Accounting Supervisor	-	-	-	-	1
Budget Analyst	-	-	1	1	1
Customer Service Representative II	3	3	4	3	3
Customer Service Representative III	2	2	2	2	2
Customer Service Supervisor	-	-	-	-	-
Customer Service Billing Administrator	1	1	1	1	-
Customer Service Billing Administrator (Hired prior to 7/1/2023)	-	-	-	-	1
Finance Manager	1	1	1	1	1
Senior Accountant	1	1	1	1	-
Total Finance Personnel	11.0	11.0	13.0	12.0	12.0

FY23 to FY24 Changes and Trends: Senior Accountant reclassified to Accounting Supervisor; Customer Service Billing Administrator reclassified to Customer Service Billing Administrator (Hired prior to 7/1/2023)

Accounting

Division Description

The Finance Department is dedicated to providing the highest level of service possible. The department continually seeks to implement solutions that utilize the most current technology and tools available. The Finance Department provides a wide level of service in the following divisions: Accounting and Customer Service/Billing.

This Accounting division is responsible for the establishment and maintenance of an effective financial accounting and utility billing system and monitors the District's financial health through accurate accounting and reporting practices conforming to rules set by the Governmental Accounting Standards Board (GASB) and in-depth financial analysis and forecasting. This Division proposes financial policies based on the changing financial landscape for the Board of Directors to consider and adopt.

It is also responsible for all financial related services for the District, which include general ledger accounting, audit, the processing of accounts payable and payroll, banking and cash management, investment functions, job costing, cost accounting, fixed assets, and Capital Improvement Program reporting. This division completes the District's annual financial audit and publishes the Annual Comprehensive Financial Report (ACFR). All duties are performed according to generally accepted accounting practices and procedures.

Performance Measures and Achievements

- The Board of Directors adopted the District's Operating Budget for FY 2022-23 which included rate and charge adjustments as approved at the June 8, 2021 Public Hearing. The effective date is July 1, 2022. This budget document was awarded the GFOA Distinguished Budget Presentation Award.
- Completed an external audit, performed by Lance, Soll & Lunghard, LLP of the District's Financial Statements for the Period Ending June 30, 2022.
- Awarded GFOA's "Certificate of Achievement for Excellence in Financial Reporting" for District's FY2021-22 Annual Comprehensive Financial Report (ACFR).
- Awarded GFOA's Popular Annual Financial Report for FYE 2022.
- District obtained GFOA's Triple Crown Winner status due to being recognized as a government that received GFOA's Certificate of Achievement for Excellence in Financial Reporting, Popular Annual

Financial Reporting Award, and the Distinguished Budget Presentation Award representative of Fiscal Year 2020-22.

- Coordinated efforts with District Municipal Advisors and Management Team in generating needed financial reports and analysis to prepare the “book” for the Fitch Rating surveillance on August 11, 2022. Fitch Ratings Surveillance results: AA+ Positive Outlook, an improvement from an AA+ Stable rating compared with prior year. We anticipate a Fitch Rating surveillance this coming fall due to the resulting upgrade.

FY2022-23 Goals Achieved

1. Obtained a consistent rating from prior year of AA+ Positive Outlook in response to the August 2022 Fitch Ratings surveillance.
2. Obtained “Triple Crown Winner” status from GFOA in regards to District being recognized as a government that received GFOA’s Certificate of Achievement for Excellence in Financial Reporting, Popular Annual Financial Reporting Award, and the Distinguished Budget Presentation Award representative of Fiscal Year 2021-22.
3. Successfully coordinated and completed processes pertaining to new Debt Issuance of \$35 million.

FY2023-24 Goals & Objectives

Goal 1: Receive an upgraded Fitch Rating of AA+ Positive Outlook or higher.

Connects to the District’s Strategic Plan Goal: Fiscal Responsibility

- Coordinate with District Municipal Advisors in preparing pertinent financial and operational reports in support of District fiscal strength.
- Strive for rating upgrade from AA+ Stable Outlook to AA+ Positive Outlook at a minimum.

Goal 2: Successfully complete external audit for fiscal year ending June 30, 2023

Connects to the District’s Strategic Plan Goal: Fiscal Responsibility

- Establish timeline for the completion of tasks to engage external auditing firm to audit year-end financial position of the District resulting in a clean unmodified opinion by the auditors and with no management comments.

Key Performance Indicators

Agency Goal	Key Performance Indicators	Target	FY20-21 Achieved	FY21-22 Achieved	FY22-23 Achieved
G2 1E	Achieve or Exceed Current Bond Ratings (AA/AA+)	≥ AA/AA+	AA (Positive Outlook Upgrade)	AA+ (Stable Outlook Upgrade)	AA+ (Stable Outlook Upgrade)
G2 1C	Debt-Covenant Ratio of 225% at Fiscal Year End	≥ 225%	240%	233%	246%
G2 1D	Minimum of 365 Days of Cash on Hand at Fiscal Year End	365 Days	369	348	430

Customer Service

Division Description

This division is the first point of contact for customers and it provides customer billing services and customer service, especially for the resolution of customer questions and concerns. This Division ensures customers who use the District's services are assessed the proper rates and fees and make appropriate adjustments for customers as needed.

Performance Measures and Achievements

- Successfully secured a new After Hours Answering Service provider, enhancing customer service and communication with District staff, while resulting in a significant cost savings to the District.
- Successful collaboration and communication with the Community Action Partnership of Orange County (CAPOC) have ensured the success of the third-party assistance program and participation in the Low Income Household Water Assistance Program (LIHWAP) for the District's customers in need.
- In collaboration with Records Management staff, third-party backflow testers, and the Customer Service team, we successfully implemented an electronic archiving process for completed backflow test forms, thereby reducing the need for the storage of paper copies.

FY2022-23 Goals Achieved

1. Assess the efficiency of the After Hours Answering Service Contract in effect and submit a recommendation to retain or replace services as listed in Contract Scope of Work.
2. Efficiently incorporate Low Income Household Water Assistance Program (LIHWAP) as an option for financial assistance to eligible District customer account holders.

FY2023-24 Goals & Objectives

Goal 1: Strategically execute a plan to enhance the adoption rate of paperless billing, in an effort to reduce printing and postage costs.

Connects to the District's Strategic Plan Goal: Community Partnership

- Update billing messages to promote paperless billing option.
- Conduct an analysis of customers currently enrolled in auto-pay, however not yet subscribed to paperless billing, and proactively contact each customer to present the option of transitioning to paperless billing.
- Consistently promote paperless registration at the point of new account activation.

Goal 2: Successfully upgrade the Cogsdale Customer Service Management (CSM) module to the newest version, in an effort to maintain efficiency and productivity.

Connects to the District's Strategic Plan Goal: Operational Effectiveness

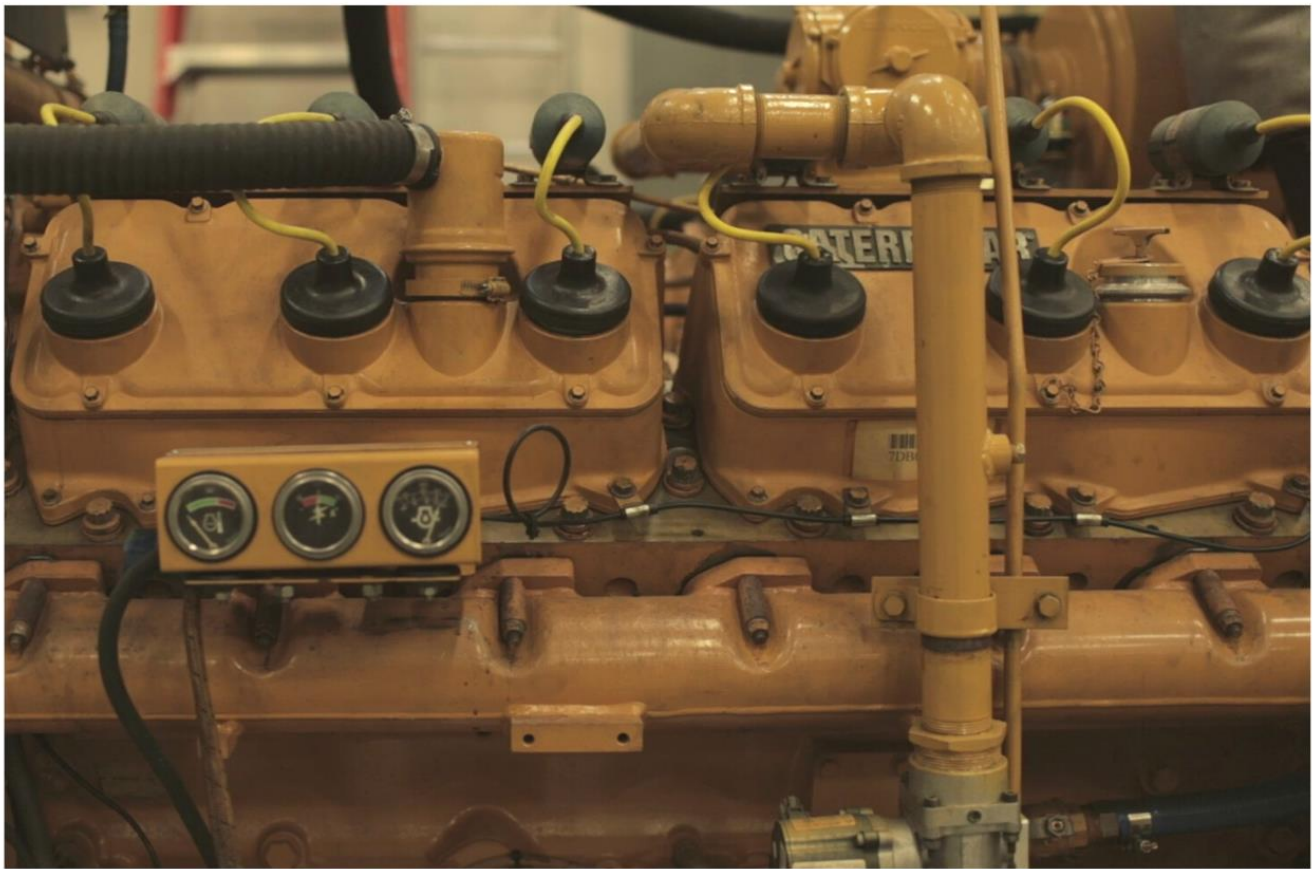
- Review Cogsdale knowledge base articles for upcoming releases, with a focus on case studies and improved functionality.
- Coordinate efforts with the Sr. Information Systems Administrator to develop a pragmatic timeline for the project.
- Collaborate with the Cogsdale team to request a quote and negotiate the fees associated with the implementation of the upgrade.

Key Performance Indicators

Agency Goal	Key Performance Indicators	Target	FY20-21 Achieved	FY21-22 Achieved	FY22-23 Achieved
G4 1A	Post Customer Notice Tags by 10AM (yellow) or 1PM (red)	100%	100%	100%	100%
G4 1A	Customer Phone Call Wait Time	≤ 3 minutes	≤ 3 minutes	≤ 3 minutes	≤ 3 minutes

Finance Departmental Budget

	2022 Actuals	2023 Budget	2023 Projections	2024 Budget
Salary Related Expenses				
Salaries	\$ 1,154,563	\$ 1,197,527	\$ 1,100,115	\$ 1,281,168
Benefits	336,179	352,466	355,304	392,251
Salary Related Expenses Total	\$ 1,490,742	\$ 1,549,993	\$ 1,455,419	\$ 1,673,419
Supplies & Services				
Communications	\$ 87,712	\$ 92,250	\$ 96,057	\$ 98,800
Contractual Services	56,070	59,825	62,444	68,670
District Meetings & Events	576	900	1,380	1,100
Dues & Memberships	665	1,455	1,060	1,370
Fees & Permits	265,735	307,060	284,570	317,516
Maintenance	-	300	300	300
Non Capital Equipment	951	500	250	300
Office Expense	7,356	9,950	8,319	12,450
Professional Development	2,175	6,050	5,825	6,583
Professional Services	61,336	83,200	66,026	84,150
Travel & Conferences	2,630	6,900	6,500	11,830
Uncollectible Accounts	18,114	10,000	25,000	15,000
Supplies & Services Total	\$ 503,320	\$ 578,390	\$ 557,731	\$ 618,069



DEPARTMENT SUMMARIES

ENGINEERING

Engineering Department

Position/Title	FY20	FY21	FY22	FY23	FY24
Assistant Engineer I	-	-	1	1	-
Assistant Engineer II	-	0.5	-	-	1
Assistant Engineer III	-	-	1.5	2	1
Associate Engineer	1	1	-	-	1
Construction Inspector	1	1	1	1	1
Engineering Manager	1	1	1	1	1
Engineering Technician II	2	2	-	-	-
GIS Analyst	1	1	1	1	-
GIS Technician	-	-	-	-	1
Intern	0.5	0.5	-	-	-
Principal Engineer	1	1	1	1	1
Senior Construction Inspector	1	1	1	1	1
Senior Engineer	1	1	2	2	2
Senior Project Manager	1	1	-	-	-
Total Engineering Personnel	10.5	10.5	10.0	10.0	10.0

FY23 to FY24 Changes and Trends: Assistant Engineer I reclassified to Assistant Engineer II; Assistant Engineer III reclassified to Associate Engineer; GIS Analyst reclassified to GIS Technician II.

Engineering

Department Description

District staff designs and manages multiple water and sewer projects each year, some of which may include service connections for new/improved single-lot developments; facilities for new housing and commercial developments; rehabilitation of existing facilities; and design and construction of new capital facilities such as pump stations, pressure-reducing stations, groundwater wells, treatment facilities, and pipelines to improve service.

Each project is set up, files established, monitored and tracked throughout the planning, construction, and startup. When complete, all documentation is compiled and the files are closed.

The Engineering Department provides the following services:

- Project management, planning, design, inspection and construction management of water and wastewater facility maintenance projects and Capital Improvement Projects.
- Project management, design review and inspection of developer water and sewer construction projects.
- Geographic Information System (GIS) mapping.
- Operational support.
- Water and sewer utility locating.
- Development and maintenance of engineering plans, reports, standards, specifications, procedures, ordinances and contractual agreements.
- Administration of Fats, Oils and Grease (FOG) program in coordination with the Operations department.
- Engineering records management of District facilities.

Performance Measures and Achievements

- Completed Water and Wastewater Development Capacity Fee Report and Policy adopted by Board of Directors.
- Executed a multiple year agreement with City of Placentia for manhole and valve box adjustments.
- Awarded ASCE Los Angeles Section ASCE Outstanding Water Project and Project of the Year.
- Awarded ASCE State of California Outstanding ASCE Water/Wastewater Treatment Project
- Engineering and Operations staff presented and conducted tours of YLWD PFAS Water Treatment Plant for UC Riverside Engineering Students, ASCE Younger Member Council Conference, ASCE Orange County and various water agencies.
- Prepared the Declaration of Restricted Covenants Policy.
- Launched the GIS ESRI Dashboards for District Departments for real-time District information.

Processed Items

- 43 Fire Hydrant Flow Tests
- 2,789 USA Dig Alert tickets
- 46 New Meter Setups
- 13 Construction Meters Installed
- 12 Single Sewer Connections & 7 Single Water Connections
- 2,586 ft. of Water Mains & 0 ft. of Sewer Mains
- 70 Water and Sewer service connections inspected
- 110 FOG (Fats, Oils & Greases) permit renewals to food service establishments
- 81 Completed PRA (Public Records Act) requests from the public.
- 27 Development Projects

Projects Completed

- BNSF Waterline Crossing Relocation at Weir Canyon
- BNSF Fairbury Intertie
- Gardenia Reservoir Repairs
- Lakeview Reservoir Ground Movement Monitoring Program, Repairs, Irrigation and Landscaping
- Emergency Repair of Bryant Cross Feeder Waterline
- Emergency Repair of waterline at Eastside Circle and Esperanza
- Grandview Ave and Ridge Way Waterline Improvements
- Lakeview Sewer Extension
- FY22-23 Manhole and Valve Box Adjustments
- Stonehaven Water Main

FY2022-23 Goals Achieved

1. Updated YLWD Sewer Rules and Regulations by collaborating with other District Departments and getting it approved by the Board of Directors.
2. Completed all state regulatory compliance reports.
3. Completed major CIP project BNSF Xing Waterline Replacement at Weir Canyon.

FY2023-24 Goals & Objectives

Goal 1: Complete all state regulatory compliance reports.

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- Certify to State, and Distribute Consumer Confidence Report.
- Submit Electronic Annual Report.
- Submit Water Loss Control Audit.
- Complete Dig Alert ticket markings.

Goal 2: Complete major CIP projects.

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- Hidden Hills Booster Pump Station
- Well 22 Equipping Project
- Imperial Waterline Improvement

Key Performance Indicators

Agency Goal	Key Performance Indicators	Target	FY20-21 Achieved	FY21-22 Achieved	FY22-23 Achieved
G4 1A	Complete Regulatory Compliance Reports on or before due dates	100%	100%	100%	100%
G1 4A	Address Infrastructure needs by updating/implementing the Asset Management Plan	100%	100%	100%	100%
G1 4B	Process, monitor, and track projects annually	100%	100%	100%	100%

Engineering Departmental Budget

	2022 Actuals	2023 Budget	2023 Projections	2024 Budget
Salary Related Expenses				
Salaries	\$ 757,477	\$ 1,186,625	\$ 880,504	\$ 1,325,747
Benefits	154,260	343,128	357,313	380,841
Salary Related Expenses Total	\$ 911,737	\$ 1,529,753	\$ 1,237,817	\$ 1,706,588
Supplies & Services				
Communications	\$ 2,376	\$ 4,000	\$ 4,048	\$ 7,000
Contractual Services	39,934	1,500	-	-
Data Processing	46,530	9,000	7,800	9,500
District Meetings & Events	1,204	1,000	500	1,000
Dues & Memberships	1,728	2,050	1,119	3,230
Fees & Permits	8,651	13,130	11,940	14,284
Maintenance	218,396	488,000	719,946	828,000
Materials	4,036	-	-	-
Non Capital Equipment	159	300	300	300
Office Expense	2,790	1,700	1,700	1,700
Professional Development	6,983	15,000	9,010	12,500
Professional Services	307,115	659,560	637,099	462,620
Travel & Conferences	3,549	2,500	2,500	11,250
Supplies & Services Total	\$ 643,451	\$ 1,197,740	\$ 1,395,962	\$ 1,351,384



DEPARTMENT SUMMARIES

OPERATIONS

Operations Department

Position/Title	FY20	FY21	FY22	FY23	FY24
Chief Water System Operator	-	-	1	1	1
Electrical/SCADA Technician	-	-	1	1	1
Facilities Maintenance Worker	1	1	1	1	-
Field Customer Service Rep./Meters II	1	1	1	1	1
Maintenance Superintendent	1	1	1	1	1
Maintenance Worker I	9	9	5	5	5
Maintenance Worker II	6	6	8	8	8
Maintenance Worker III	5	5	6	6	6
Mechanic II	1	1	1	1	1
Mechanic III	1	1	1	1	1
Meter Reader I	2	2	2	2	2
Operations Assistant	1	1	1	1	1
Operations Manager	1	1	1	1	1
Operations Superintendent	1	1	1	1	1
Plant Operator I (Operator-in-Training)	1	1	1	2	2
Plant Operator II	3	3	3	3	3
Production Superintendent	1	1	-	1	1
Safety & Training Analyst	1	1	1	1	-
Senior Facilities Maintenance Worker (Hired prior to 7/1/2023)	-	-	-	-	1
Senior Field Customer Service Rep./Meters	1	1	1	1	1
Senior Maintenance Worker	4	4	4	4	4
Senior Mechanic	1	1	1	1	1
Senior Plant Operator	1	1	1	1	1
Senior SCADA Technician	1	1	-	-	-
Water Quality Technician II	1	1	1	1	-
Water Quality Cross-Connection Specialist	-	-	-	-	1
Total Operations Personnel	45.0	45.0	44.0	46.0	45.0

FY23 to FY24 Changes and Trends: Facilities Maintenance Worker reclassified to Senior Facilities Maintenance Worker (Hired prior to 7/1/2023); Safety & Training Analyst reclassified to Safety Officer and transferred to Administration; Water Quality Technician II reclassified to Water Quality Cross-Connection Specialist.

Operations Division

Division Description

This division is comprised of facilities maintenance, fleet services, mechanical services, operations office, and warehouse staff. The primary responsibility for this division is to maintain all essential facilities and equipment in an operational manner that extends the useful life of these key assets. This division is also responsible for small to medium capital improvement projects that enhance the Districts operations, such as fire hardening, security systems, engine and fleet replacements, and facility improvements.

Performance Measures and Achievements

- Completed security camera installations at remaining locations and close project.
- Draft specifications and purchase new valve turning vehicle.
- Complete roof repairs for Administration Building and Building #1.
- Support community outreach events in coordination with Public Affairs with Open Houses and PFAS tours.
- Completed the installation of the server room Fire Suppression System.

FY2022-23 Goals Achieved

1. Completed Administration Building air conditioning boiler installation.
2. Completed Bryant Ranch Reservoir site security project by developing a design, approving a contractor, and effectively managing the overall construction of the project.
3. Completed Building 2 kitchen and crews quarters by purchasing appliances and installing required cabinetry.
4. Purchased a Hydro Excavator to remove soil effectively and safely around pipes with pressurized water.

FY2023-24 Goals & Objectives

Goal 1: Procure new vehicles per the vehicle replacement plan.

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- Meet with maintenance staff and develop vehicle specifications and needs early in fiscal year.
- Work with manufacturers and supplies to understand timing and delivery schedules.
- Stay abreast of upcoming fleet rules and pending regulations.

Goal 2: Finalize and permit the server room Fire Suppression System with Placentia Fire Department.

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- Schedule site visit with Placentia Fire review and inspect suppression system and their requirements.
- Test system with provider and contractor to insure proper operations.
- Schedule final site visit and complete permit application with Placentia Fire Department.

Key Performance Indicators

Agency Goal	Key Performance Indicators	Target	FY20-21 Achieved	FY21-22 Achieved	FY22-23 Achieved
G1 3A	Complete all AQMD Stationary Engine testing and maintenance	100%	100%	100%	100%
G1 3A	Complete all vehicle services on schedule	100%	100%	100%	100%

Production Division

Division Description

This division is comprised of Supervisory Control and Data Acquisition (SCADA), plant operations, water quality/backflow program, and meter services. The primary responsibility is to operate and maintain the District wells, PFAS treatment plant, booster pump stations, reservoirs, chemical feed systems, and SCADA systems to protect public health by maintaining sufficient water supplies that meet or exceeds all State/Federal Water Quality Standards.

Performance Measures and Achievements

- Achieved between 77% to 85% groundwater production.
- Conducted state sanitary survey of various district facilities.
- Managed and scheduled regulatory water quality sampling including weekly distribution samples and Highland reservoir blend samples, monthly District Well samples, and Quarterly Title 22 sampling.

SCADA

- Conducted annual Seismic Control equipment at Gardenia, Valley View, Highland, and Hidden Hills reservoirs.
- Completed annual meter calibrations for the entire District.
- Ensured backup power supplies are maintained and operational in case of emergency.

Water Quality and Backflow

- Completed Fire Protection System Backflow device testing for District buildings 1.
- Performed all State required water samples and analysis.
- Met all water quality standards set by the State Regional Water Quality Control Board and US EPA.

Meter

- Managed cycle read data throughout the year for billing and water consumption tracking.
- Completed Meter Replacement Grant project.

FY2022-23 Goals Achieved

1. Brought the Nation's Largest Ion Exchange PFAS Treatment Plant (19MGD) up to maximum operating capacity.
2. Replaced and Programing of new PLC (Programmable Logic Control) at Lakeview Booster Station.
3. Replaced Highland Booster Station flow meter.
4. Conducted state sanitary survey of various district facilities.
5. Conducted efficiency testing with So Cal Edison on district booster pumps.
6. Water quality tests exceeded State and Federal water quality standards.
7. Completed the 2021 Consumer Confidence Report.
8. Concluded the tri-annual lead and copper testing.

FY2023-24 Goals & Objectives

Goal 1: Meet the Basin Production Percentage, (BPP) as set in the budget document.

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- Maintain the wells so that we have sufficient groundwater production capacity.
- Track the groundwater production through SCADA reports.
- Maintain the integrity of the distribution system pumping system.

Goal 2: Develop a program to replace aging meter radio units.

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- Survey existing meter radio age to determine replacement schedule.
- Develop a schedule for replacing MXU's that are over 15 years old.
- Work with the vendor to coordinate delivery of replacement supplies.

Goal 3: Plant Operator Staff Development.

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- Set plans and schedules that allow for staff training and growth opportunities.
- Fill vacant positions with qualified experience staff.
- Promote opportunities for attending conferences and training sessions internally and externally.

Key Performance Indicators

Agency Goal	Key Performance Indicators	Target	FY20-21 Achieved	FY21-22 Achieved	FY22-23 Achieved
G1 6B	Produce groundwater within 2% of the annual budget allocation. Budget groundwater percentage is 7%.	75%	53%	36%	86%
G1 1A	Perform and report all required Water Quality Sampling	100%	100%	100%	100%
G1 1A	Performed video inspections and leak detection at reservoirs.	4	4	3	3

Maintenance Division

Division Description

This division is comprised of four sub-divisions:

1. Leaks – perform repairs and replacements to water mains, water service lines, and meter valve.
2. Valves – performs maintenance, repairs and replacement of the District's main line valves. Assist Engineering with system shutdowns, turn-ons, system flushing, and tie-overs.
3. Fire Hydrant – performs maintenance of fire hydrants, air/vacs, and pressure control valves; implement dead-end flushing, replace stuck meters, respond to customer service calls and fire flows.
4. Collections – performs maintenance and repairs of the sewer collection system.

Under Presidential directive, water and wastewater system operators are classified emergency service workers and must respond to emergency calls at all hours of the day or night. Under the direction of the Water Maintenance Superintendent, California State licensed water and wastewater collection system operators rotate shifts to provide 24-hour emergency standby service to our customers.

FY2022-23 Goals Achieved

1. Completed preventative maintenance of all fire hydrants
2. Completed preventative maintenance on one half of all distribution system valves
3. Completed CCTV (Closed Circuit Television) inspections on 69 miles of sanitary sewer system pipes

FY2023-24 Goals & Objectives

Goal 1: Limit sanitary sewer overflows to one per every 100 miles of sanitary sewer system pipeline

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- CCTV (Closed Circuit Television) 80 miles of sewer system so to identify potential blockage points.
- Clean 160 miles of sanitary sewer system lines for preventative measures.
- Clean all enhanced maintenance areas on an increased maintenance timeline.

Goal 2: Make sure all fire hydrants are operational and ready for service when needed

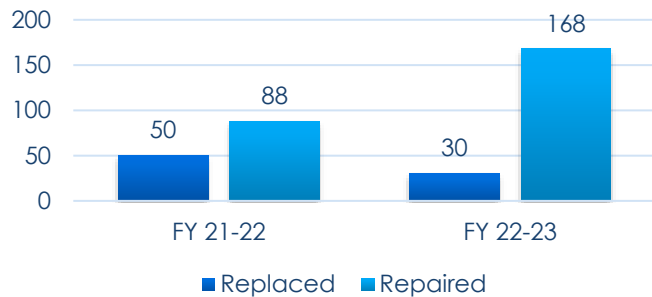
Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Service

- Perform annual maintenance on all fire hydrants at least once per year.
- Perform preventative maintenance on fire hydrants in high fire danger areas 2 times per year.
- Perform fire flow tests on lines as engineering department's request.
- Keep all landscape and hardscape around fire hydrant clear to at least 3 feet radius.

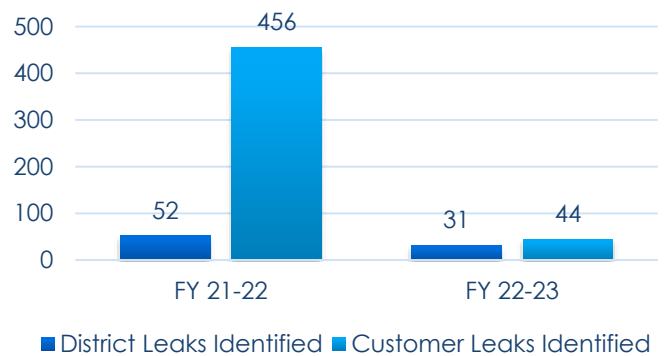
Key Performance Indicators

Agency Goal	Key Performance Indicators	Target	FY20-21 Achieved	FY21-22 Achieved	FY22-23 Achieved
G3 3A	Perform preventative maintenance on all fire hydrants	4,022	4,588	3,416	3,776
G3 3A	Exercise all system valves (5,891 valves)	5,891	5,891	3,696	5,417
G1 5B	Minimize Sanitary Sewer Overflows	<3	3	3	0
G1 5B	Video inspect 25% of sewer system (265 miles, 25% is 66 miles)	66 miles	66 miles	80 miles	69 miles

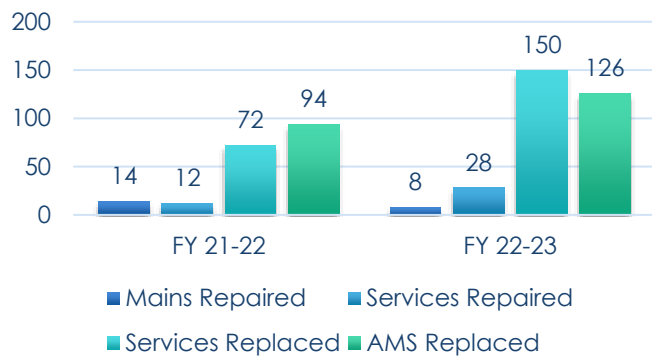
Hydrant Maintenance Work



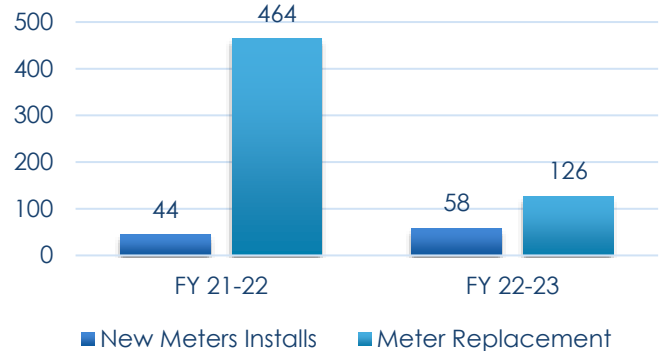
Leak Detection Work



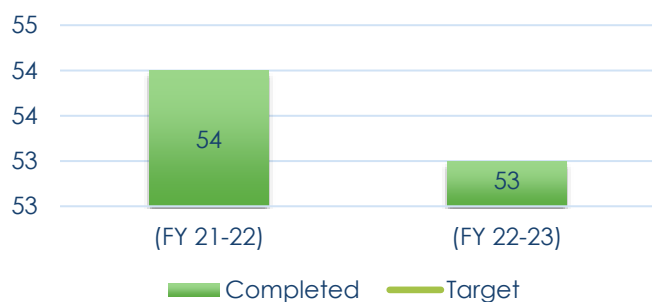
Leak Crew Repair Work



Leak Crew Meter Work



Miles of Sewer Lines Cleaned



Operations Departmental Budget

	2022 Actuals		2023 Budget		2023 Projections		2024 Budget	
Salary Related Expenses								
Salaries	\$	3,918,584	\$	4,455,853	\$	4,098,881	\$	4,765,948
Benefits		1,496,591		1,596,681		1,484,849		1,860,937
Salary Related Expenses Total	\$	5,415,175	\$	6,052,534	\$	5,583,730	\$	6,626,885
Supplies & Services								
Contractual Services	\$	345,169	\$	394,200	\$	398,006	\$	444,400
Data Processing		22,292		-		27,376		30,000
District Meetings & Events		6,806		6,000		10,162		10,000
Dues & Memberships		80		700		60		300
Fees & Permits		113,961		146,800		158,921		164,500
Maintenance		1,190,771		1,029,600		1,088,924		1,206,100
Materials		879,644		2,372,300		1,297,394		2,463,792
Non Capital Equipment		174,471		180,000		201,452		297,500
Office Expense		14,330		17,500		18,317		18,500
Professional Development		23,407		43,200		22,834		39,800
Professional Services		42,541		45,000		55,058		61,000
Travel & Conferences		1,348		2,500		-		5,500
Utilities		100,173		125,000		283,874		301,000
Vehicle Expenses		501,601		538,550		701,372		755,400
Supplies & Services Total	\$	3,416,594	\$	4,901,350	\$	4,263,750	\$	5,797,792



DEPARTMENT SUMMARIES

INFORMATION TECHNOLOGY

Information Technology Department

Position/Title	FY20	FY21	FY22	FY23	FY24
Information Systems Administrator	1	1	-	-	-
Information Systems Technician I	1	1	1	1	1
Information Technology Manager	1	1	-	-	-
Senior Information Systems Administrator	1	1	-	-	-
Total Information Technology Personnel	4.0	4.0	1.0	1.0	1.0

FY23 to FY24 Changes and Trends: None

Information Technology

Department Description

This department manages the infrastructure, security of the network, and maintenance of the District's Information Systems, computer network and databases that allows for effective and efficient integration of computer technologies into the daily business practices of the District. The department provides planning, employee technical training, and coordinating services with contract consultants. Also included is technical support, which assists departments with technology related issues by providing help desk support. It provides user computer installations and configuration, and technical support.

The IT Department is responsible for the Network Infrastructure, Security, Disaster Recovery, colocation, PCs, telephones, cell phones, voice mail, VPN, Help Desk, extensive cameras through the district. It is also responsible for a multitude of software solutions and databases throughout the district.

Performance Measures and Achievements

- Presented an update on District's cyber security measures and initiatives to the Board of Directors.
- Created a Laptop Update Schedule for all District laptops.
- Implemented a Patch Management Program to close security vulnerabilities and optimize performance.
- Upgraded District firewalls to comply with standardization best practice and incorporate additional security.

FY2022-23 Goals Achieved

1. Analyzed and improved cybersecurity measures by providing staff with monthly training, employing outside professionals for a third party analysis and implemented new policies and procedures based on finding.
2. Improved systems for internal and emergency response functions by creating local backups and implement head start servers.

FY2023-24 Goals & Objectives

Goal 1: Analyze and improve Cybersecurity Measures.

Connects to the District's Strategic Plan Goal: Operational Effectiveness

- Contract a third party company to provide multiple network penetration tests to ensure the security measures are properly functioning.
- Review the findings from the penetration tests and implement new policies and procedures based on findings.

Goal 2: Ensure Reliably Technology Infrastructure.

Connects to the District's Strategic Plan Goal: Operational Effectiveness

- Upgrade all server operation systems to comply with Microsoft's server life cycle.
- Increase data storage to accommodate the additional security cameras installed at various District locations.
- Evaluate and increase network infrastructure to mitigate cybersecurity breaches.

Key Performance Indicators

Agency Goal	Key Performance Indicators	Target	FY20-21 Achieved	FY21-22 Achieved	FY22-23 Achieved
G3 1A	Maximize system availability.	99%	99%	99%	99%
G3 2A	Minimize resolution time for help desk issues submitted by staff.	24 Hrs.	48 Hrs.	48 Hrs.	24 Hrs.
G1 3A	Cybersecurity awareness results for phishing email click rate.	3%	5%	6%	2%

Information Technology Departmental Budget

	2022 Actuals	2023 Budget	2023 Projections	2024 Budget
Salary Related Expenses				
Salaries	\$ 83,838	\$ 91,444	\$ 85,974	\$ 98,671
Benefits	28,610	27,219	33,317	29,516
Salary Related Expenses Total	\$ 112,448	\$ 118,663	\$ 119,291	\$ 128,187
Supplies & Services				
Contractual Services	\$ 125,152	\$ 113,450	\$ 133,000	\$ 151,100
Data Processing	206,303	407,614	367,614	500,450
District Meetings & Events	86	200	200	200
Maintenance	8,891	10,000	10,000	10,000
Materials	2,864	5,000	5,000	5,000
Non Capital Equipment	26,507	25,000	25,000	25,000
Office Expense	9,658	10,000	10,000	10,000
Professional Development	2,317	2,500	2,500	3,510
Professional Services	239,482	306,000	306,000	326,000
Utilities	85,280	99,000	99,000	99,000
Supplies & Services Total	\$ 706,540	\$ 978,764	\$ 958,314	\$ 1,130,260



DEPARTMENT SUMMARIES

HUMAN RESOURCES

Human Resources Department

Position/Title	FY19	FY20	FY21	FY22	FY23
Human Resources Analyst	1	1	2	2	2
Human Resources and Risk Manager	1	1	1	1	1
Human Resources Technician	1	1	-	-	-
Records Management Administrator	1	1	-	-	-
Records Management Specialist	1	1	-	-	-
Total Human Resources Personnel	5.0	5.0	3.0	3.0	3.0

FY23 to FY24 Changes and Trends: None

Human Resources Administration

Division Description

This division supports operating departments by providing a wide range of services such as benefits administration, recruitment and selection, classification and compensation, labor and employee relations management as well as the administration of the District's personnel rules, policies and procedures. This Division promotes employee development and the sharpening of employees' skills and knowledge through training programs as well as providing professional growth opportunities. The Division also provides guidance to management, supervisors and employees, which includes employee and supervisory counseling on personnel policies, procedures and practices, providing assistance in the handling of employee grievances and disciplinary actions and implementing new labor contract provisions.

Performance Measures and Achievements

- Arranged all aspects of the annual Health Benefits Fair – including onsite flu shots for employees.
- Coordinated one All-Hands meetings.
- Revised, developed, and implemented rules, policies, and procedures for conducting recruitments to fill vacant positions and employee recognition policy.
- Received \$1,800 ACWA/JPIA Wellness Grant.
- Coordinated a successful Employee Picnic with 80% participation.
- Completed a compensation study for the entire District and brought salaries up to the median market.
- Completed labor negotiations for a 2-year contract term.

Processed Items

- 8 New YLWD Team Members
- 9 Internal Promotions & Reclassifications
- 8 Separations
- 3 Retirements

FY2022-23 Goals Achieved

1. Promoted a positive organizational culture that maintains a supportive and encouraging work environment by hosting a successful benefits fair, provided daily employee events during Water Professional Appreciation week and coordinated an outstanding employee picnic. Additionally, the department used the ACWA JPIA Wellness Grant to fund employee participation in a community fundraising 5K run/walk event and replaced onsite gym equipment.

FY2023-24 Goals & Objectives

Goal 1: Promote a Positive Organizational Culture that Maintains a Supportive and Encouraging Work Environment.

Connects to the District's Strategic Plan Goal: Workforce Engagement

- Identify current and future staffing needs including approaching retirements.

Risk Management

Division Description

This division administers the District's self-insured liability, worker's compensation and loss prevention programs. The District's liability, property and workers' compensation insurance is provided by the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA). The Risk Management Division acts to protect the District's personnel from injury and physical assets from damage as well as the financial consequences of all losses through a program of prevention, avoidance and insurance procurement. The Division is responsible for cost-effective management of tort liability claims filed against the District. It strives to reduce the frequency and severity of claims through proactive risk management efforts and process and bring closure as expeditiously as possible and engages the input of other District departments during the investigation and resolution process.

Performance Measures and Achievements

- Receiving ACWA/-JPIA's "President's Special Recognition Award" for the District's commitment to reducing liability claims.

FY2022-23 Goals Achieved

The goals and objectives from FY2022-23 are scheduled to be completed in FY2023-24.

FY2023-24 Goals & Objectives

Goal 1: Evaluate worker's compensation policy to reduce the amount of claims per year.

Connects to the District's Strategic Plan Goal: Operational Effectiveness

- Staff would continue to provide training on workplace hazards, proper body mechanics, and worksite safety inspections.

Goal 2: Evaluate liability insurance policy to reduce the amount of claims per year.

Connects to the District's Strategic Plan Goal: Operational Effectiveness

- Staff would continue to offer training, regular inspections, and encourage staff awareness to report potential issues.

Key Performance Indicators

Agency Goal	Key Performance Indicators	Target	FY20-21 Achieved	FY21-22 Achieved	FY22-23 Achieved
G5 1A	Recruitment Process from Request to Hire Date (60 Days Max)	60 Days	40 Days	92 Days	62 Days
G5 1A	Employee Turnover (Non-Retirement)	<10%	13%	7%	10%
G5 1A	Timely completion of Employee Performance appraisals	95%	77%	22%	40%
G5 2C	Benefits Fair Participation	80%	70%	72%	73%
G5 1C	Participate in ACWA-JPIA Leadership Program	>1	0	2	0

Human Resources Departmental Budget

	2022 Actuals		2023 Budget		2023 Projections		2024 Budget	
Salary Related Expenses								
Salaries	\$	379,151	\$	418,153	\$	403,924	\$	455,542
Benefits		113,470		130,673		111,490		156,371
Salary Related Expenses Total	\$	492,621	\$	548,826	\$	515,414	\$	611,913
Supplies & Services								
Communications	\$	2,370	\$	5,000	\$	2,500	\$	5,000
Contractual Services		28,992		45,000		53,579		52,900
District Meetings & Events		14,643		22,400		22,514		34,700
Dues & Memberships		5,684		7,150		7,150		8,150
Insurance		279,465		434,590		379,300		485,000
Office Expense		129		650		400		500
Professional Development		526		8,500		6,500		6,500
Professional Services		43,765		126,000		83,800		56,000
Travel & Conferences		2,845		10,500		8,500		10,500
Supplies & Services Total	\$	378,419	\$	659,790	\$	564,243	\$	659,250



CAPITAL EXPENDITURE

Capital Expenditure

Capital expenditures is comprised of Capital Improvement Projects, Repair and Replacement (R&R) Projects, and Vehicle & Capital Equipment Replacements. Yorba Linda Water District is currently reevaluating infrastructure assets in an efficient and cost-effective manner for sustainable management of its infrastructure into the future. The District will only present a single year of capital expenditures until the infrastructure reevaluation is finished. As shown below, the 1-year total expenditure is projected to be \$15,136,000. Details of projects that will start during this annual budget period can be found in the following section under Capital Projects.

PROJECT COST	FY2023-24
Planning & Design	\$ 400,000
Construction (Contract)	13,380,490
Project Management/Inspection	217,510
YLWD Capitalized Labor	408,000
COST TOTAL	\$ 14,406,000

PROJECT FUNDING	FY2023-24
PAY-GO	\$ 1,461,405
Line of Credit	-
Debt Funded	12,944,595
FUNDING TOTAL	\$ 14,406,000

PROJECT NAME	FY2023-24
BNSF Crossing-Veterans Way and S. Highland	\$ 1,336,061
Golden Ave Waterline	305,498
Hidden Hills BPS Upgrades	255,131
Imperial Waterline Improvement	2,938,333
Mountain View Waterline Replacement	598,938
PRS Rehabilitation Project *Based on AMP & Asset Scores	300,000
Timber Ridge BPS Pump Replacement	4,209,634
Waterline Replacement *Based on AMP & Leak History	2,600,000
Well 22 Equipping	5,000
Well Rehabilitation Project	396,000
Total Water Capital Improvement Only	\$ 12,944,595
Green Crest Lift Station Rehab	\$ 400,000
Main Street Sewer Replacement	552,530
Sewer System Rehabilitation and Replacement Project	508,875
Total Sewer Capital Improvement Only	\$ 1,461,405
CAPITAL IMPROVEMENT TOTAL	\$ 14,406,000

CAPITAL OUTLAY	FY2023-24
MWDSC & YLWD Heli-Hydrant	\$ 200,000
Vehicle Replacement	480,000
Security Improvements/Modifications	50,000
CAPITAL OUTLAY TOTAL	\$ 730,000
GRAND TOTAL - CAPITAL IMPROVEMENT & CAPITAL OUTLAY	\$ 15,136,000

BNSF Crossing-Veteran's Village and Highland

Project Description

This Project includes the installation of a new waterline that crosses the BNSF right-of-way, and the replacement of a waterline that crosses the Orange County Flood Control District Atwood Channel south of Veterans Way. The District's existing waterline at Lakeview Avenue is the primary water supply for the District's service area on the south side of Orangethorpe Avenue. Under this Project, the District is proposing to construct a second waterline that will provide water supply redundancy and will enable the District to continue serving water to approximately 200 customers within this service area if the primary water supply pipeline is impacted. This project will include the installation of approximately 840 feet of 10-inch waterlines.

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$12,200

Debt Service
\$1,336,061

Maintenance
N/A

Utilities
N/A

Project Type
Water

Location
Veteran's Village/Highland
and Orangethorpe Ave
Placentia, California

Project Manager
Reza Afshar,
Senior Engineer

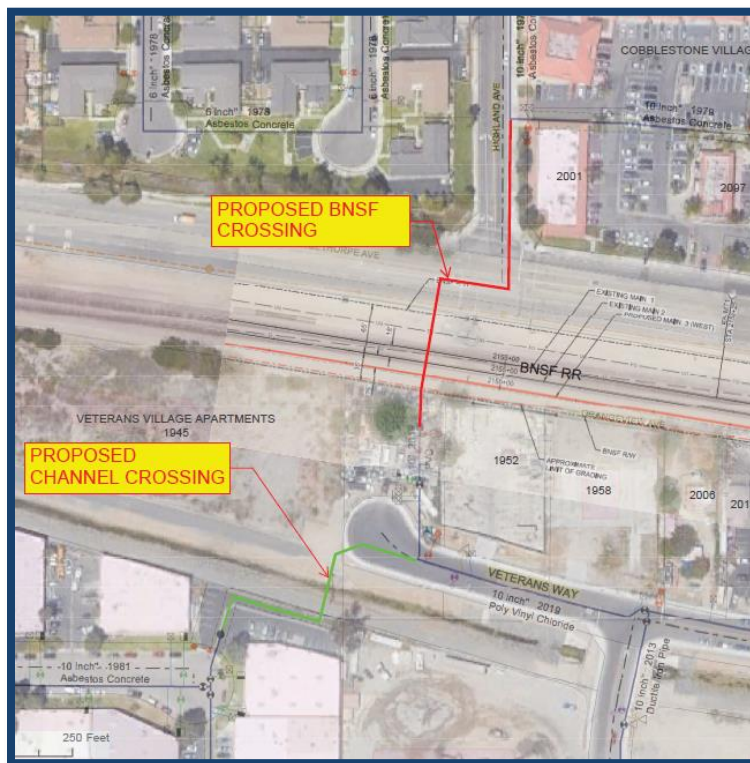
Total Project Cost
\$1,897,589

FY24 Capital Budget
\$1,336,061

Start Date
January 2022

Estimated Completion
November 2023

Capital Requests
Ongoing Project



Project Cost & Funding

PROJECT COST		PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$	399,000	\$	\$	\$	399,000
Land & Land Preparation						
Construction (Contract)		119,761	1,273,861			1,393,622
Project Management/Inspection			50,000			50,000
Equipment/Furnishings						
Materials						
YLWD Labor		42,767	12,200			54,967
Other (Legal, etc.)						
ANNUAL TOTAL	\$	561,528	\$ 1,336,061	\$	\$	1,897,589

PROJECT FUNDING		PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$		\$	\$	\$	
Line of Credit						
Debt Funded		561,528	1,336,061			1,897,589
Grants						
ANNUAL TOTAL	\$	561,528	\$ 1,336,061	\$	\$	1,897,589

Golden Ave Waterline

Project Description

The City of Placentia will be constructing a bridge on Golden Avenue across the Carbon Canyon Creek. The construction of the bridge provides opportunity to District to install a new waterline to create a loop water system and provide water supply resiliency. The project includes installation of 300 Linear Feet of 8-inch PVC waterline to connect together two existing 8-inch waterlines located on east of Carbon Canyon Creek and California Street, located west of Carbon Canyon Creek.

Project Type
Water

Location
Golden Avenue
Placentia, CA

Project Manager
Reza Afshar,
Senior Engineer

Total Project Cost
\$308,081

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$20,000

FY24 Capital Budget
\$305,498

Debt Service
\$305,498

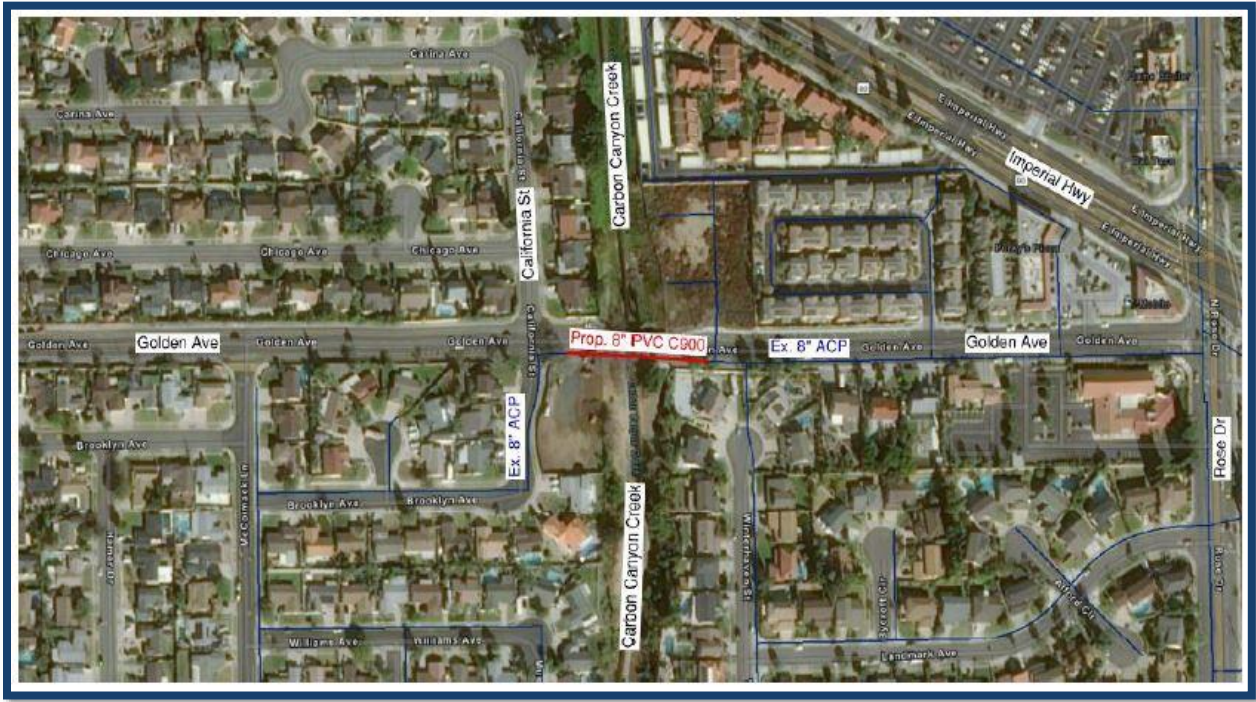
Start Date
July 2023

Maintenance
N/A

Estimated Completion
June 2024

Utilities
N/A

Capital Requests
New Project



Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$	\$	\$	\$	\$
Land & Land Preparation					
Construction (Contract)	2,583	285,498			288,081
Project Management/Inspection					
Equipment/Furnishings					
Materials					
YLWD Labor		20,000			20,000
Other (Legal, etc.)					
ANNUAL TOTAL	\$ 2,583	\$ 305,498	\$	\$	\$ 308,081

PROJECT FUNDING	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	\$	\$	\$	\$
Line of Credit					
Debt Funded	2,583	305,498			308,081
Grants					
ANNUAL TOTAL	\$ 2,583	\$ 305,498	\$	\$	\$ 308,081

Hidden Hills Booster Pump Station

Project Description

This project was initiated due to a new development, Cielo Vista, which will be constructed during FY22 in Yorba Linda. The Developer funded portion will include the replacement of the existing pump at Hidden Hills Booster Pump Station with a larger pump to meet anticipated demands and to increase fire protection. The District funded budget for this project is to make other upgrades and repairs to the site in order to improve security, resiliency, and reliability per America's Water Infrastructure Act of 2018 (AWIA), and to improve operations. The scope of this project includes a security gate and fence around the property, a new CMU retaining wall, a natural gas backup generator, a new flowmeter, and additional paving for site access. The natural gas backup generator can be used in the event of a power outage or electrical power planned shutdown. This will provide increased reliability during fires in the nearby wildfire-prone areas.

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$10,000

Debt Service
\$255,131

Maintenance

Operation costs may be reduced due the more efficient, VFD-equipped pump that will be funded by the Developer. Annual maintenance costs may increase slightly due to the requirements of the new equipment.

Utilities
N/A

Project Type
Water

Location
Hidden Hills Rd
Yorba Linda, California

Project Manager
Ammar Tomeh,
Senior Engineer

Total Project Cost
\$1,442,916

FY24 Capital Budget
\$255,131

Start Date
August 2020

Estimated Completion
September 2023

Capital Requests
Ongoing Project



Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$	\$	\$	\$	\$
Land & Land Preparation					
Construction (Contract)	1,008,991	245,131			1,254,122
Project Management/Inspection	30,600				30,600
Equipment/Furnishings					
Materials					
YLWD Labor	148,194	10,000			158,194
Other (Legal, etc.)					
ANNUAL TOTAL	\$ 1,187,785	\$ 255,131	\$	\$	\$ 1,442,916

PROJECT FUNDING	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	\$	\$	\$	\$
Line of Credit					
Debt Funded	1,187,785	255,131			1,442,916
Grants					
ANNUAL TOTAL	\$ 1,187,785	\$ 255,131	\$	\$	\$ 1,442,916

Imperial Highway Waterline Improvements

Project Description

As part of the District's continuing Rehabilitation & Replacement (R&R) Program to replace or rehabilitate aging infrastructure, waterline improvements are planned for Imperial Highway from Bastanchury Road to Eureka Avenue. The existing waterline is a high priority for rehabilitation and replacement due to age, pipe diameter size and location. This project will include the rehabilitation of approximately 3,600 feet of 18-inch steel water main (installed in 1936), 1,100 feet of 16-inch cast iron water main (installed in 1925), and 900 feet of 14-inch cast iron water main (installed in 1941). The proposed rehabilitation method will be by means of a flexible trenchless lining technology to mitigate disruptions and difficulties involved with construction on a busy principal arterial roadway. This project was identified in the District's 2018 Asset Management Plan. The design and construction are scheduled to be completed in FY24.

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$8,000

Debt Service
\$2,938,333

Maintenance
N/A

Utilities
N/A

Project Type
Water

Location
Imperial Highway
Yorba Linda, California

Project Manager
Ammar Tomeh,
Senior Engineer

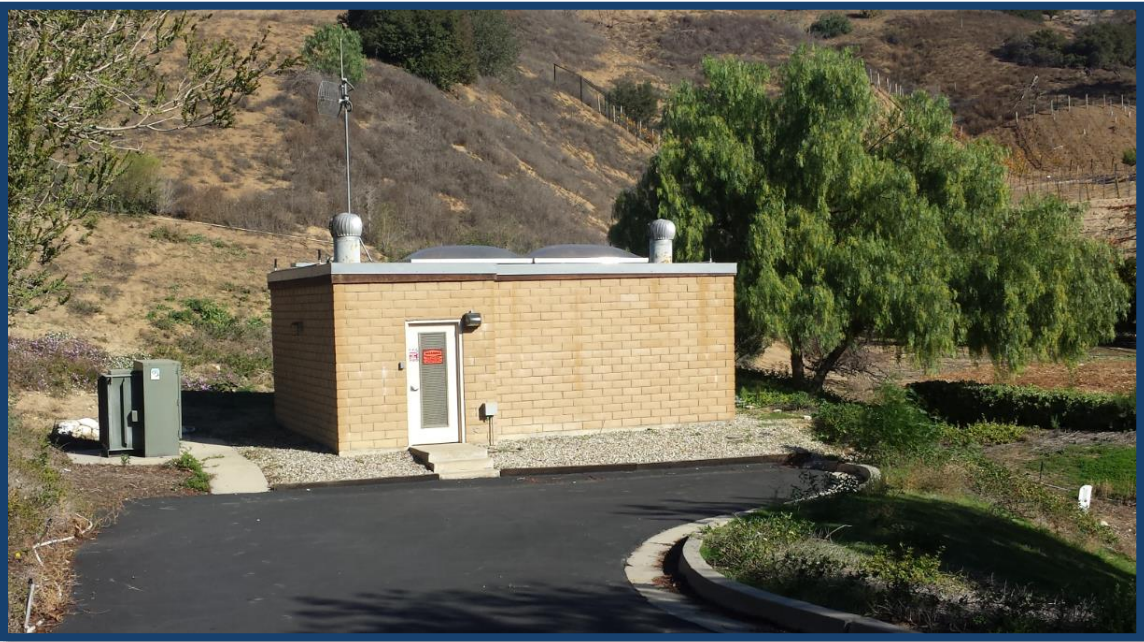
Total Project Cost
\$2,938,333

FY24 Capital Budget
\$2,938,333

Start Date
July 2022

Estimated Completion
June 2024

Capital Requests
New Project



Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$	\$	\$	\$	\$
Land & Land Preparation					
Construction (Contract)	27,845	2,900,488			2,928,333
Project Management/Inspection					
Equipment/Furnishings					
Materials					
YLWD Labor	2,000	8,000			10,000
Other (Legal, etc.)					
ANNUAL TOTAL	\$ 29,845	\$ 2,908,488	\$	\$	\$ 2,938,333

PROJECT FUNDING	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	\$	\$	\$	\$
Line of Credit					
Debt Funded	29,845	2,908,488			2,938,333
Grants					
ANNUAL TOTAL	\$ 29,845	\$ 2,908,488	\$	\$	\$ 2,938,333

Mountain View Waterline Replacement

Project Description

As part of the District's continuing Rehabilitation & Replacement (R&R) Program to replace or rehabilitate aging infrastructure this existing waterline has high consequence of failure and likelihood of failure score due to age (1930s), pipe material (cast iron), frequent pipe breaks, and location. This project includes replacement of 1,200 feet of 10-inch waterline.

Project Type
Water

Location

Mountain View Ave between
Los Altos Dr. and Ohio Street
Yorba Linda, CA

Project Manager
Ammar Tomeh,
Senior Engineer

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$10,000

Total Project Cost
\$800,227

Debt Service
\$598,938

FY24 Capital Budget
\$598,938

Maintenance
N/A

Start Date
April 2023

Utilities
N/A

Estimated Completion
September 2023

Capital Requests
Ongoing Project



Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$	\$	\$	\$	\$
Land & Land Preparation					
Construction (Contract)	161,289	588,938			750,227
Project Management/Inspection					
Equipment/Furnishings					
Materials					
YLWD Labor	40,000	10,000			50,000
Other (Legal, etc.)					
ANNUAL TOTAL	\$ 201,289	\$ 598,938	\$	\$	\$ 800,227

PROJECT FUNDING	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	\$	\$	\$	\$
Line of Credit					
Debt Funded	201,289	598,938			800,227
Grants					
ANNUAL TOTAL	\$ 201,289	\$ 598,938	\$	\$	\$ 800,227

PRS Rehabilitation Project *Based on AMP & Asset Scores

Project Description

Replace Lower Hidden Hills pressure reducing station do to risk of failure, significant corrosion and unsafe vault hatch panels. The pressure reducing station is being replaced via change order to the Hidden Hills BPS project.

Project Type
Water

Location
Hidden Hills Road
Yorba Linda, CA

Project Manager
Ammar Tomeh,
Senior Engineer

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$0

Total Project Cost
\$300,000

Debt Service
\$300,000

FY24 Capital Budget
\$300,000

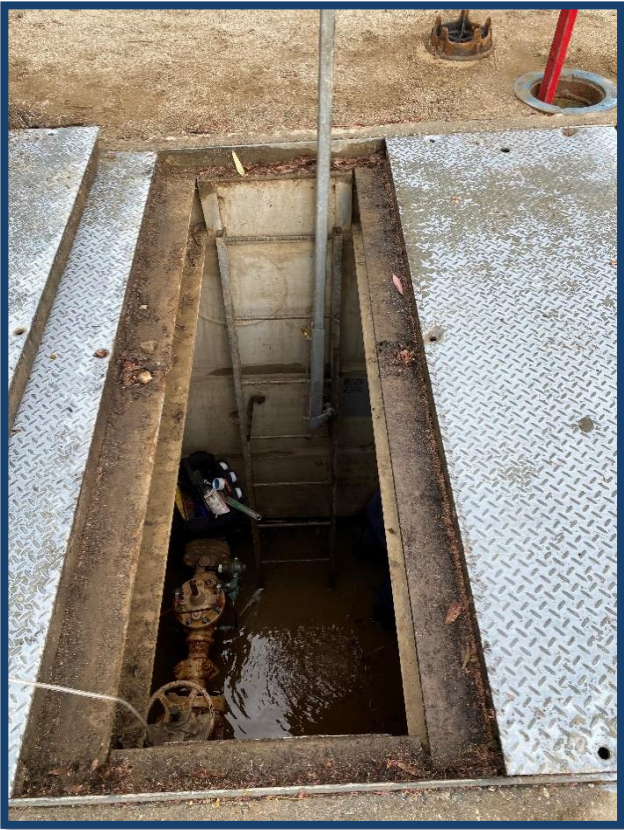
Maintenance
N/A

Start Date
April 2023

Utilities
N/A

Estimated Completion
August 2023

Capital Requests
Ongoing Project



Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$	\$	\$	\$	\$
Land & Land Preparation					
Construction (Contract)		300,000			300,000
Project Management/Inspection					
Equipment/Furnishings					
Materials					
YLWD Labor					
Other (Legal, etc.)					
ANNUAL TOTAL	\$	\$ 300,000	\$	\$	\$ 300,000

PROJECT FUNDING	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	\$	\$	\$	-
Line of Credit					
Debt Funded		300,000			300,000
Grants					
ANNUAL TOTAL	\$	\$ 300,000	\$	\$	\$ 300,000

Timber Ridge Booster Pump Replacement

Project Description

The Timber Ridge Booster Pump Station has three electrical vertical turbine pumps and an existing pump with a natural gas engine that is over 35 years old. The pump is inefficient, beyond its useful life, and replacement parts for the natural gas engine are no longer available. The booster pump station will be replaced by a new pump station that will provide increased water flow and improve the station's pumping efficiency. The proposed pump station will include a new pump station building, three new pumps, a natural gas generator, a new flow meter, electrical instrumentation, and security improvements. This project was identified in the District's 2018 Asset Management Plan.

Project Type
Water

Location
Timber Ridge Road and
Fairmont Blvd
Yorba Linda, California

Project Manager
Ammar Tomeh,
Senior Engineer

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$50,000

Debt Service
\$4,209,634

Maintenance

The rehabilitation will increase efficiency and reliability of the pump station and reduce operation and maintenance costs.

Utilities

Annual utility costs will be less than current costs due to increased efficiency of new pump.

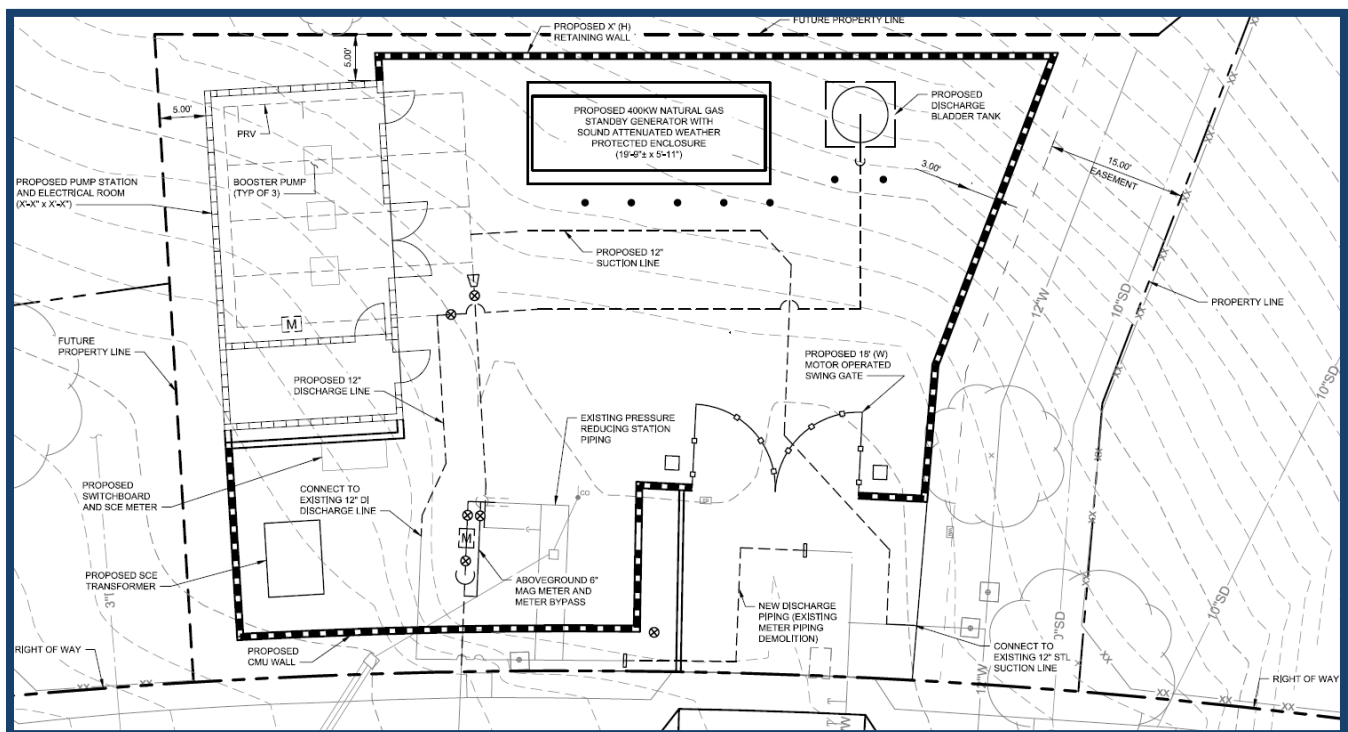
Total Project Cost
\$5,462,842

FY24 Capital Budget
\$4,209,634

Start Date
October 2020

Estimated Completion
June 2024

Capital Requests
Ongoing Project



Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$ 9,045	\$	\$	\$	9,045
Land & Land Preparation					
Construction (Contract)	1,118,483	3,992,124			5,110,607
Project Management/Inspection	23,850	167,510			191,360
Equipment/Furnishings					
Materials					
YLWD Labor	101,830	50,000			151,830
Other (Legal, etc.)					
ANNUAL TOTAL	\$ 1,253,208	\$ 4,209,634	\$	\$	\$ 5,462,842

PROJECT FUNDING	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	\$	\$	\$	
Line of Credit					
Debt Funded	1,253,208	4,209,634			5,462,842
Grants					
ANNUAL TOTAL	\$ 1,253,208	\$ 4,209,634	\$	\$	\$ 5,462,842

Waterline Replacement *Based on AMP & Leak History

Project Description

The Ductile Iron Pipe (DIP) installed in the Camino de Bryant area has experienced numerous pipe breaks. Approximately 4,400 linear feet of DIP will be replaced with PVC pipe under Phase 1 to resolve these issues.

Project Type
Water

Location
Camino De Bryant area –
DIP replacement
Yorba Linda, California

Project Manager
Ammar Tomeh,
Senior Engineer

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$230,000

Debt Service
\$2,600,000

Maintenance
N/A

Utilities
N/A

Total Project Cost
\$2,600,000

FY24 Capital Budget
\$2,600,000

Start Date
June 2023

Estimated Completion
June 2024

Capital Requests
New Project



Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$	\$ 300,000	\$	\$	\$ 300,000
Land & Land Preparation					
Construction (Contract)		2,070,000			2,070,000
Project Management/Inspection					
Equipment/Furnishings					
Materials					
YLWD Labor		230,000			230,000
Other (Legal, etc.)					
ANNUAL TOTAL	\$	\$ 2,600,000	\$	\$	\$ 2,600,000

PROJECT FUNDING	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	\$	\$	\$	
Line of Credit					
Debt Funded		2,600,000			2,600,000
Grants					
ANNUAL TOTAL	\$	\$ 2,600,000	\$	\$	\$ 2,600,000

Well 22 Equipping

Project Description

In FY17-18, the District completed drilling Well No. 22 and in FY19, a consultant completed the plans and specifications for equipping the well. The project was put on hold due to the concerns about PFAS levels in the groundwater basin. The project includes a 2,500 gallons per minute vertical turbine pumping unit and 350-horse power premium efficiency motor. The District is moving forward with the construction of this well now that the construction of the PFAS Water Treatment Plant has been completed, and older, less reliable wells have been taken off-line.

Operating Budget Impact

Salaries & Benefits (Capitalized)

\$5,000

Debt Service

\$5,000

Maintenance

Annual operation and maintenance costs will increase once this project is constructed; however, the District has removed other aged and under-performed wells from service that will likely offset these costs.

Utilities

Annual Utility costs are expected to increase due to the new facility.

Project Type

Water

Location

Fee Santa Ana St,
Anaheim, California

Project Manager

Reza Afshar,
Senior Engineer

Total Project Cost

\$3,100,979

FY24 Capital Budget

\$5,000

Start Date

June 2021

Estimated Completion

July 2023

Capital Requests

Ongoing Project



Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$ 282,599	\$	\$	\$	282,599
Land & Land Preparation					
Construction (Contract)	2,456,790				2,456,790
Project Management/Inspection	110,911				110,911
Equipment/Furnishings					
Materials					
YLWD Labor	245,679	5,000			250,679
Other (Legal, etc.)					
ANNUAL TOTAL	\$ 3,095,979	\$ 5,000	\$	\$	\$ 3,100,979

PROJECT FUNDING	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	\$	\$	\$	
Line of Credit					
Debt Funded	3,095,979	5,000			3,100,979
Grants					
ANNUAL TOTAL	\$ 3,095,979	\$ 5,000	\$	\$	\$ 3,100,979

Well Rehabilitation Project

Project Description

As part of the District's continuing Rehabilitation & Replacement (R&R) Program, the goal of the project is to extend the useful life of each well and increase its efficiency. This project was identified in the District's 2018 Asset Management Plan. All wells are being evaluated for improvements. Wells 7, 12 and 20 will be the wells rehabilitated this year.

Project Type
Water

Location
Well Sites throughout the District

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$20,000

Debt Service
\$396,000

Maintenance
Annual maintenance costs will be reduced. This project will improve the efficiency of the water system assets and increase reliability of the water system. Operation and maintenance costs are likely to reduce overall due to increased efficiency and fewer failures and repairs.

Utilities
Annual utility costs will be less than the current utility costs due to the increased efficiency.

Project Manager
John Brundahl,
Chief Water System Operator

Total Project Cost
\$396,000

FY24 Capital Budget
\$396,000

Start Date
July 2023

Estimated Completion
June 2024

Capital Requests
New Project



Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$	\$	\$	\$	
Land & Land Preparation					
Construction (Contract)		376,000			376,000
Project Management/Inspection					
Equipment/Furnishings					
Materials					
YLWD Labor		20,000			20,000
Other (Legal, etc.)					
ANNUAL TOTAL	\$	\$ 396,000	\$	\$	\$ 396,000

PROJECT FUNDING	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	\$	\$	\$	
Line of Credit					
Debt Funded		396,000			396,000
Grants					
ANNUAL TOTAL	\$	\$ 396,000	\$	\$	\$ 396,000

Green Crest Lift Station Rehabilitation

Project Description

Project includes installation of a new wet well, wet well and valve vault access hatches, two new pumps, a level monitor, piping and appurtenances, a flow meter, an electrical control panel and conduit. New electrical cabinet will allow lift station to be connected to a portable backup emergency generator. District received congressionally directed spending of up to \$300,000 with at least 20% match by the District."

Project Type
Sewer

Location
Green Crest Drive,
Yorba Linda, CA

Project Manager
Reza Afshar,
Senior Engineer

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$5,000

Debt Service
N/A

Maintenance
N/A

Utilities
N/A

Total Project Cost
\$400,000

FY24 Capital Budget
\$400,000

Start Date
June 2023

Estimated Completion
June 2025

Capital Requests
New Project



Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$	\$ 100,000	\$	\$	100,000
Land & Land Preparation					
Construction (Contract)		295,000			295,000
Project Management/Inspection					
Equipment/Furnishings					
Materials					
YLWD Labor		5,000			5,000
Other (Legal, etc.)					
ANNUAL TOTAL	\$	\$ 400,000	\$	\$	400,000

PROJECT FUNDING	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	\$ 400,000	\$	\$	400,000
Line of Credit					
Debt Funded					
Grants					
ANNUAL TOTAL	\$	\$ 400,000	\$	\$	400,000

Main Street and YL Pines Sewer Replacement

Project Description

As part of the District's ongoing Rehabilitation & Replacement (R&R) program, approximately 465 feet of 6-inch sewer line near Main Street in Downtown Yorba Linda was identified for replacement as it has several severe joint offsets, is below the minimum diameter required by the District and is partly inaccessible due to structures that were constructed over the sewer system. The District will utilize the pipe bursting method to replace the existing 6-inch sewer line with an 8-inch sewer line. One manhole will be relocated slightly to improve access to the manhole for maintenance purposes. The proposed sewer line will replace an existing sewer that services the area through an easement located behind the properties. Perpetual and temporary construction easements are to be acquired from the City of Yorba Linda for constructing the replacement sewer.

Project Type
Sewer

Location
Main Street
Yorba Linda, California

Project Manager
Reza Afshar,
Senior Engineer

Total Project Cost
\$596,229

Operating Budget Impact

FY24 Capital Budget
\$552,530

Salaries & Benefits (Capitalized)
\$15,000

Start Date
June 2022

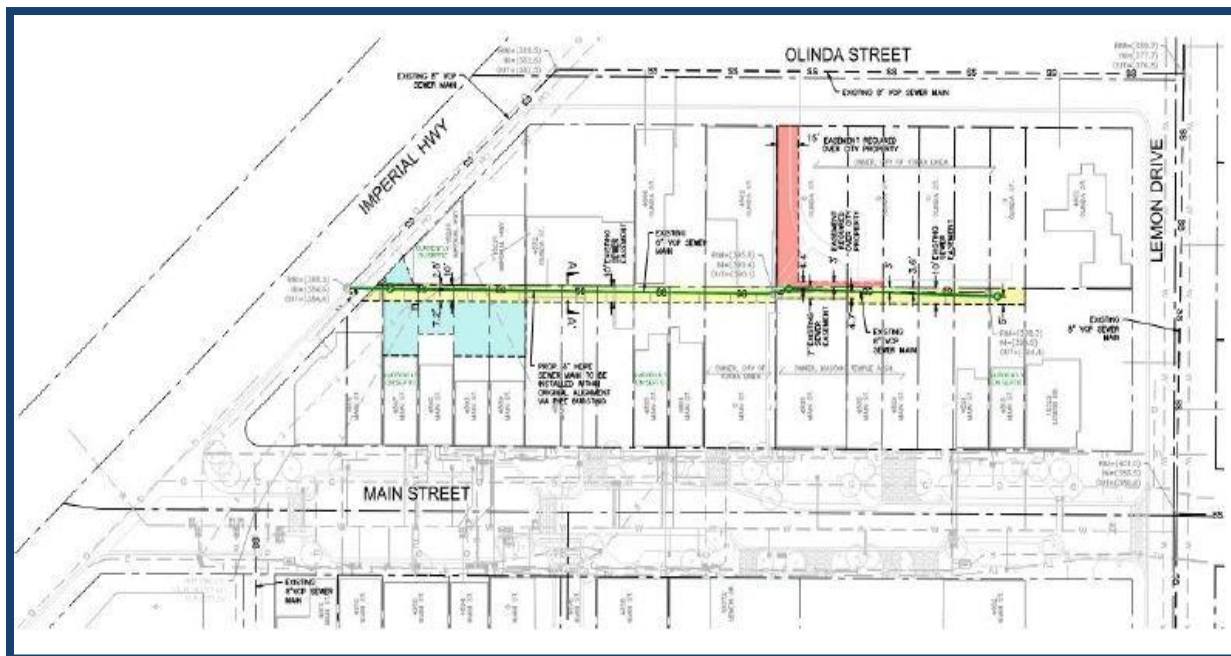
Debt Service
N/A

Estimated Completion
June 2024

Maintenance
Constructing this main will reduce maintenance costs.

Capital Requests
Ongoing Project

Utilities
N/A



Project Cost & Funding

PROJECT COST		PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$		\$		\$	
Land & Land Preparation						
Construction (Contract)		43,699	537,530			581,229
Project Management/Inspection						
Equipment/Furnishings						
Materials						
YLWD Labor			15,000			15,000
Other (Legal, etc.)						
ANNUAL TOTAL	\$	43,699	\$ 552,530	\$	\$	596,229

PROJECT FUNDING		PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	43,699	\$ 552,530	\$	\$	596,229
Line of Credit						
Debt Funded						
Grants						
ANNUAL TOTAL	\$	43,699	\$ 552,530	\$	\$	596,229

Sewer System Rehabilitation & Replacement Project

Project Description

As part of the District's ongoing Rehabilitation & Replacement (R&R) program, approximately 465 feet of 6-inch sewer line near Main Street in Downtown Yorba Linda was identified for replacement as it has several severe joint offsets, is below the minimum diameter required by the District and is partly inaccessible due to structures that were constructed over the sewer system. The District will utilize the pipe bursting method to replace the existing 6-inch sewer line with an 8-inch sewer line. One manhole will be relocated slightly to improve access to the manhole for maintenance purposes. The proposed sewer line will replace an existing sewer that services the area through an easement located behind the properties. Perpetual and temporary construction easements are to be acquired from the City of Yorba Linda for constructing the replacement sewer.

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$20,800

Debt Service
N/A

Maintenance
N/A

Utilities
N/A

Project Type
Sewer

Location
Sewer Lines throughout the District

Project Manager
Reza Afshar,
Senior Engineer

Total Project Cost
\$508,875

FY24 Capital Budget
\$508,875

Start Date
June 2022

Estimated Completion
June 2024

Capital Requests
New Project



Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
Planning & Design	\$	\$	\$	\$	
Land & Land Preparation					
Construction (Contract)		488,075			488,075
Project Management/Inspection					
Equipment/Furnishings					
Materials					
YLWD Labor		20,800			20,800
Other (Legal, etc.)					
ANNUAL TOTAL	\$	\$ 508,875	\$	\$	\$ 508,875

PROJECT FUNDING	PRIOR YEARS	FY2023-24	FY2024-25	FY2025-26	TOTAL
PAY-GO	\$	\$ 508,875	\$	\$	508,875
Line of Credit					
Debt Funded					
Grants					
ANNUAL TOTAL	\$	\$ 508,875	\$	\$	\$ 508,875

List of Acronyms

AAR	After Action Report	GPCD	Gallons per Capita per Day
ACP	Asbestos Cement Pipe	GPM	Gallons per Minute
ACWA	Association of California Water Agencies	GPS	Global Positioning System
ACWA/JPIA	ACWA's Joint Powers Insurance Agency	GSWC	Golden State Water Company
AF/af	Acre-Foot	GW	Ground Water
AFY	Acre-Feet per Year	GWRS	Ground Water Replenishment System
AMP	Asset Management Plan	HP	Horse Power
AMS	Angle Meter Stop	IC	Incident Commander
AGMD	Air Quality Management District	ICS	Incident Command System
ASCE	American Society of Civil Engineers	IRWD	Irvine Ranch Water District
AWWA	American Water Works Association	IW	Import Water
BOD	Board of Directors	KPI	Key Performance Indicators
BEA	Basin Equity Assessment	KW/kW	Kilowatt
BMP	Best Management Practices	kWh	Kilowatt-hour
BPP	Basin Production Percentage	LBCWD	Laguna Beach County Water District
BPS	Booster Pump Station	LEED	Leadership in Energy and Environmental Design
CAFA	Comprehensive Annual Financial Audit	MCL	Maximum Contaminant Level
CAFR	Comprehensive Annual Financial Report	MCWD	Mesa Consolidated Water District
CALFED	California and Federal Bay Delta Program	Met/MWD	Metropolitan Water District of Southern California
CALPERS	California Public Employee Retirement System	MG	Million Gallons
CCR	Consumer Confidence Report	mg/L	Milligrams per Liter
CCF/ccf	Centum Cubic Feet (100 cubic feet)	MGD	Million Gallons per Day
CDPH	California State Department of Public Health	MNWD	Moulton Niguel Water District
CEQA	California Environmental Quality Act	MOA	Memorandum of Agreement
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act	MOU	Memorandum of Understanding
CF/cf	Cubic Feet	MWDOC	Municipal Water District of Orange County
CFR	Code of Federal Regulations	NIMS	National Incident Management System
CFS/cfs	Cubic Feet per Second	NPDES	National Pollutant Discharge Elimination Systems
CIP	Capital Improvement Project/Program	NRP	National Response Plan
CIP	Critical Infrastructure Protection	NWS	National Weather Service
CIWQS	California Integrated Water Quality Systems	OA	Operational Area
CMMS	Computerized Maintenance Management System	OCSD	Orange County Sanitation District
COG	Continuity of Government	OCWD	Orange County Water District
COP	Certificate of Participation	PIP	Performance Improvement Plan
COOP	Continuity of Operations	PPB/ppb	Parts per Billion
CORPS	United States Army Corps of Engineers	PPM/ppm	Parts per Million
CPUC	California Public Utilities Commission	PPT/ppt	Parts per Trillion
CRWUA	Colorado River Water Users Association	PRS	Pressure Reducing Station
CSMFO	California Society of Municipal Finance Officers	PRV	Pressure Reducing Valve
CUWA	California Urban Water Agencies	REOC	Regional Emergency Operations Center
CUWCC	California Urban Water Conservation Council	RFP	Request for Proposal
CWEA	California Water Environment Association	RO	Reverse Osmosis
DIP	Ductile Iron Pipe	RWQCB	Regional Water Quality Control Board
DO	Dissolved Oxygen	SA	Seasonally Adjusted
DSM	Demand-Side Management	SAR	Santa Ana River
DWR	Department of Water Resources	SCADA	Supervisory Control and Data Acquisition System
EMAC	Emergency Management Assistance Compact	SCWD	South Coast Water District
EOC	Emergency Operations Center	SDWA	Safe Drinking Water Act
EOP	Emergency Operations Plan	SEMS	Standardized Emergency Management System
ERP	Emergency Response Plan	SMWD	Santa Margarita Water District
EPA	Environmental Protection Agency	SOC	State Operations Center
ET	Evapotranspiration Rate	SOP	Standard Operating Procedure
ETOR	Employee Time Off Request	SSMP	Sewer System Management Plan
ETWD	El Toro Water District	SSO	Sanitary Sewer Overflow
FDIC	Federal Deposit Insurance Corporation	SWP	State Water Project
FASB	Financial Accounting Standards Board	TCWD	Trabuco Canyon Water District
FEMA	Federal Emergency Management Agency	TDS/tds	Total Dissolved Solids
FOG	Fats, Oils, and Grease	µg/L	Micrograms per Liter
FTE	Full-Time Equivalent	USGS	United States Geological Survey
GAAP	Generally Accepted Accounting Principles	UV	Ultra-Violet light
GASB	Government Accounting Standards Board	UWMP	Urban Water Management Plan
GFOA	Government Finance Officers Association	VCP	Vitrified Clay Pipe
GIS	Geographic Information System	WDR	Waste Discharge Requirements
GPC	Gallons per Capita	WEF	Water Environment Federation
		WTP	Water Treatment Plant

Glossary of Terms

Accrual Basis of Accounting	The basis of accounting under which transaction are recognized when they occur, regardless of the timing of cash receipts and disbursements.
Acre-Foot	The volume of water necessary to cover one acre to a depth of one foot, equal to 435.6 units/ccf or 325,850 gallons.
Appropriation	A funding authorization made by the Board of Directors, which permits the District to incur obligations and to make expenditures of resources.
Aquifer	The geologic formation of sand and gravel where groundwater is stored and can be easily pumped out by wells.
Assets	Resources owned or held by the District that have monetary value.
Balanced Budget	Budgeted revenues are sufficient to cover all budgeted expenditures, principle payments on long-term debt, and minimum funding of all reserve requirements as required by the District's reserve policy.
Bond	A written promise to pay a sum of money on a specific date or dates at a specified interest rate. The interest payments and the repayment of the principal are authorized in a District bond resolution. Common types of bonds are General Obligation (GO) bonds and Certificates of Participation (COPs). These are frequently used for construction of large capital projects such as buildings, reservoirs, pipelines and pump stations.
Brown Act	Ralph M. Brown Act, enacted by the State Legislature governing all meetings of legislative bodies of local agencies
California Society of Municipal Finance Officers (CSMFO)	A statewide organization servicing all California municipal finance professionals whose purpose is to promote excellence in financial management through innovation, continuing education and the professional development of its members.
Capital Budget	The portion of the annual budget that appropriates funds for the purchase of capital equipment items and capital improvements. These expenditures are separated from regular operating items, such as salaries and office supplies.
Capital Equipment	Fixed assets such as vehicles, computers, furniture, technical instruments, equipment, etc. which have a life expectancy of more than 2 years and a value of greater than \$5,000.
Capital Expenditures	Expenditure on an item that meets the District's \$5,000 threshold for capitalization. Also referred to in the Budget as Vehicle and Equipment. (See Capital Equipment)
Capital Improvement	Expenses related to the construction, rehabilitation and modernization of District owned and operated infrastructure.
Capital Replacement	Expenses related to major replacements of existing facilities or systems.
Certificates of Participation (COP)	A long-term debt instrument authorized for construction or acquisition of facilities and equipment.
Conservation	Not wasting, using something wisely.
Debt	An obligation resulting from the borrowing of money or from the purchase of goods and services. These include bonds and accounts payables.
Debt Service	The District's obligation to pay the principal and interest of bonds and other debt instruments according to a predetermined payment schedule.
Deferred Revenue	Revenue that is not recognized in the period in which received because they are not "available" until a subsequent period.
Depreciation	An expense recorded to allocate a tangible asset's cost over its useful life.
Designated	A term that describes assets or equity set aside by action of the Board; as distinguished from assets or equity set aside in conformity with requirements of donors, grantors, or creditors.
Enterprise Fund	Fund established to account for the financing of self-supporting enterprises, such as a utility fund, which render services primarily to the public.
Expenditures/Expenses	A charge incurred, whether paid or unpaid, for operation, maintenance, interest, and other charges presumed to benefit the current fiscal period.
Fiscal Year	A 12-month period of time to which the annual budget applies and at the end of which a government determines its financial position and the results of its operations. The District has specified July 1 to June 30 as its fiscal year.
Fund Balance/Fund Equity	See "Net Assets"
Geographic Information System (GIS)	A system combining computer hardware, software, and geographic data for collecting, storing, analyzing and displaying geographically referenced information.
Generally Accepted Accounting Principles (GAAP)	Accounting and financial reporting standards, conventions, and practices that have authoritative support from standards-setting bodies such as the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).
Governmental Account Standards Board (GASB)	National advisory board of accounting standards for public agencies. The Board identifies procedures, methods and standards for presenting the financial condition of public agencies.

Government Finance Officers Association (GFOA)	National organization whose purpose is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and best practices and promoting their use through education, training, facilitation of member networking, and leadership.
Groundwater Replenishment Assessment	An assessment paid to Orange County Water District (OCWD) based upon the number of acre-feet of groundwater produced by the District.
Infrastructure	The accumulated pipelines and storage facilities of the District, including meters, valves, pumps, filters and other appurtenances, whether constructed by the District or dedicated by private entities.
Interest Income	Earnings from the investment portfolio.
Liabilities	Present obligations of the District arising from past events.
Lines of Credit	A is an arrangement between a financial institution—usually a bank—and a client that establishes the maximum loan amount the customer can borrow. The borrower can access funds from the line of credit at any time as long as they do not exceed the maximum amount (or credit limit) set in the agreement.
Locke Ranch Assessment	Charges for the Locke Ranch sewer system, which was transferred to the District in 1977. The assessment is imposed pursuant to authority in Water Code Section 31101.5 and adopted in accordance with the requirements of law. The current assessment is \$66.00 per year for a residential or equivalent sewer connection and is collected on the Orange County tax roll.
Net Assets	The difference between total assets and total liabilities. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is strengthening or weakening.
Non-Capital Equipment	Hand tools, furniture and equipment costing \$5,000 or less.
Operating Budget	The portion of the budget that pertains to daily operations that provide basic district services. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel and fuel, and does not include purchases of major capital plant or equipment which is budgeted separately in the Capital Budget.
Operating Expenses	All costs associated with the day-to-day business of the District, which are not considered capital improvements or debt repayments.
Purchased Import Water	All imported water obtained from Metropolitan Water District of Southern California (MWD) through the Municipal Water District of Orange County (MWDOC).
QualServe	A voluntary quality improvement program designed exclusively for water and wastewater agencies.
Refunding Revenue Bond	A revenue bond is a long-term municipal debt instrument that is secured by a specified revenue source. A refunding revenue bond is a revenue bond that retires another bond before the first bond matures.
Reserve Fund	The District maintains Reserve Funds per the District's policy for both designated and restricted balances. Designated Reserve Funds are "general use" funds designated by the Board. Restricted Reserve Funds are those that are legally set aside for a particular purpose due to a legal or contractual commitment and cannot be used for any other purpose.
Revenue	Monies that the District receives as income. It includes such items as water sales and sewer fees. Estimated revenues are those expected to be collected during the fiscal year.
Supervisory Control and Data Acquisition (SCADA)	The system that collects operational data from remote units to monitor and control water and wastewater systems and facilities throughout the District service area.
Sewer Fund	The fund established to account for the District's activities of wastewater collection and distribution to Orange County Sanitation District for treatment.
Special District	An independent unit of local government organized to perform a single governmental function or a restricted number of related functions. Yorba Linda Water District is organized as a special district.
Supplies and Services	The cost of items needed to support the accomplishment of the activities in a department's programs.
Uncollectible Accounts	Includes the write-off of unpaid water and sewer charges.
User Charge	A charge levied against users of a service or purchasers of a product.
Variable Water Costs	Water costs based on a set price per unit but that varies on the quantity of units bought or produced. Variable water costs for the District are related to the quantity of import water that the District purchases and the quantity of ground water pumped from the wells.
Vehicle and Equipment Outlay	Purchases of assets, such as vehicles, equipment and furniture, which cost over \$5,000 each and are depreciated over their useful life.
Water Fund	The fund established to account for the District's activities relating to the treatment and distribution of potable drinking water and non-potable water to its customers.



Yorba Linda Water District

YORBA LINDA

STRATEGIC PLAN

WATER DISTRICT

effective
FY19

AMENDMENTS

MISSION

Yorba Linda Water District
will provide reliable water
and sewer services to
protect public health and
the environment with
financial integrity and
superior customer service.



VISION

Yorba Linda Water District
will accomplish our mission
to improve the quality of life
for those we serve by:
Embracing proven
technology, improving
customer satisfaction,
providing efficient and
responsive operations,
and ensuring reliable
infrastructure.



Core Values

INTEGRITY

We demonstrate integrity every day by practicing the highest ethical standards and by ensuring that our actions follow our words.

ACCOUNTABILITY

We acknowledge that both the Board and staff of the District are accountable to the public that we serve, as well as to each other.

RESPONSIBILITY

We take full responsibility for our actions. We maintain a commitment of courtesy, assessment, and resolution with all customer concerns.

TRANSPARENCY

We listen to our customers and communicate openly about our policies, processes, and plans for the future.

TEAMWORK

We work together by sharing information and resources to achieve common goals.

RESPECT

We ensure every voice of the District is treated with dignity and civility; differences are valued and individual abilities and contributions are recognized.

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Introduction

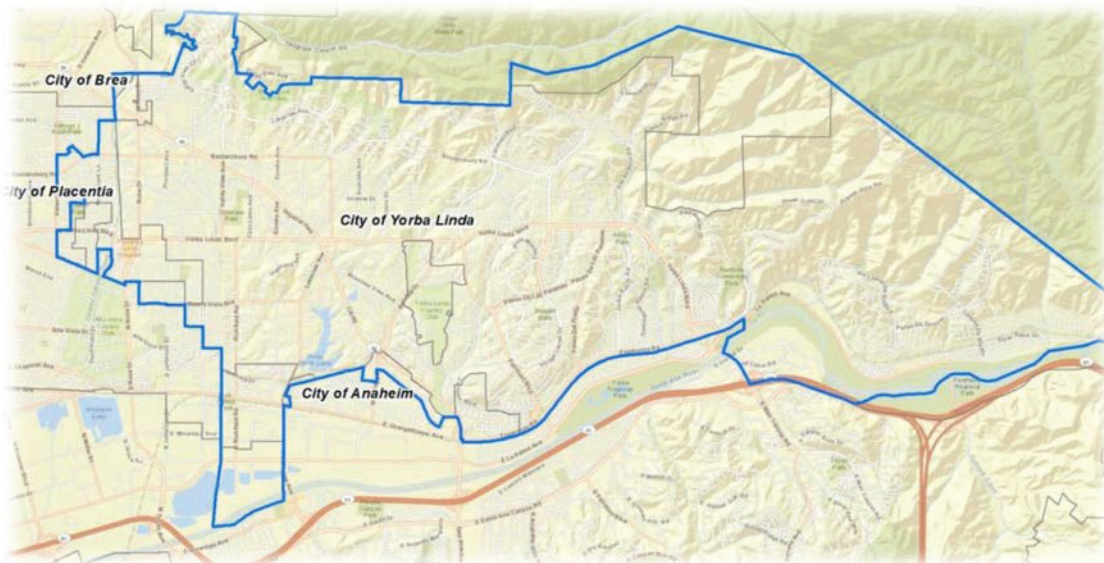
The Yorba Linda Water District (District) is an independent special district serving over 25,000 customer connections within the city of Yorba Linda and portions of Placentia, Brea, Anaheim and unincorporated Orange County. In addition to supplying water to a predominantly residential community, the District is also responsible for maintaining wastewater collection systems in its service area.

Like many other water agencies in California, the District is facing a rapidly changing environment with unprecedented challenges on many fronts. These challenges include uncertain State mandates/regulations that have resulted in unpredictable District revenues; water supply and water quality issues; environmental pressures in the Sacramento-San Joaquin Delta and Colorado River that threaten our imported water supplies; regulatory mandates that impose stringent permanent conservation levels; urgently needed infrastructure maintenance and upgrades; rising operational costs; increasing media scrutiny; and the impending retirement of many highly knowledgeable staff.

To address these challenges, the District developed a strategic plan that can be adopted by the Board of Directors and utilized as a budgeting resource, and for forward planning purposes. The plan will be integrated into the budgetary process to ensure that resources are properly allocated to achieve the goals, initiatives, and strategies set forth in this plan.

The goals, initiatives, and strategies within this plan, established through the process initiated by the Board of Directors at their Strategic Planning Workshops, align with the District's core values, and further its mission and vision.

Stakeholders who participated in this process included all five Board Members, the Executive Management team and staff members with varied levels of experience and expertise from across all District departments.



Strategic Plan Framework

The Strategic Plan identifies five main goals for the District to address. Each goal has its own set of initiatives and strategies that would lead to successful accomplishment.

The Strategic Plan will be assessed annually in May and updated accordingly.



The following five goals were identified as the District's top priorities:



GOAL 1:



The ultimate mission is to provide safe and reliable vital services to the public. Our goal is to maintain all water and wastewater assets for reliable delivery of District services. Effective management of assets involves monitoring condition of assets and associated risk, planning for future financial needs, and anticipating uncertainties or changing levels of service.

Initiative 1: Work towards service reliability and efficiency

A. Evaluate all water sources

- *Develop additional well sites and sources*
- *Research desalination and alternative methodologies*
- *Review raw water usage with Municipal Water District, Orange County (MWD OC)*

Initiative 2: Explore service boundary opportunities

- A. Evaluate feasibility of providing additional water services within the region**
- B. Evaluate feasibility of providing additional wastewater services within the region**
- C. Evaluate feasibility of providing other professional services within the region**
 - *Installation of cellular towers on District properties*

Initiative 3: Maintain and update District security and aesthetics, as needed, for:

- A. Physical and digital securities**
- B. Fire protection**
- C. Landscape maintenance**
- D. Community outreach and involvement**

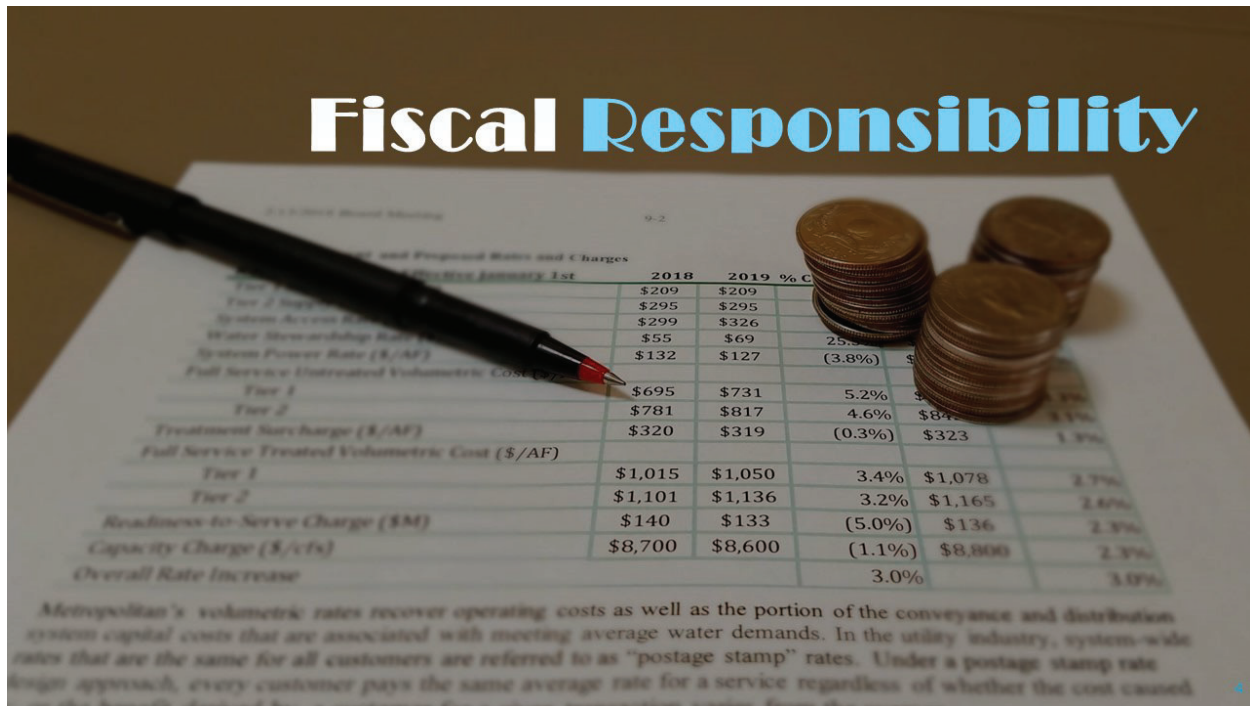
- A. Asset Management Plan (AMP)
- B. Capital Improvement Plan (CIP)
- C. Computerized Maintenance Management System (CMMS)
- D. Best Management Practices (BMPs) to include evaluation of Remaining Useful Life (RUL)

- A. Meet with lobbyists, representatives, and regulators at all levels (local/State/Federal)
- B. Actively participate with existing water/sewer organizations (Association of California Water Agencies, American Water Works Association, California Association of Sanitation Agencies, etc.) on regulatory and emerging issues
- C. Regularly meet with Regional Agencies (Orange County Water District, MWDOC) on water supply issues (conservation, mandates, forecast)
- D. Engage public to address issues with their representatives and maintain community partnerships with cities and organizations
- E. Take on leadership role with industry committees



- A. Develop a conceptual treatment facility plan for Perfluoroalkyl Substances (PFOS), Perfluorooctanoic Acid (PFOA) and emerging contaminants, if necessary
- B. Maintain distribution system and its capability to provide 100% groundwater and/or import water to the entire service area
- C. Develop water shortage contingency plan

GOAL 2:



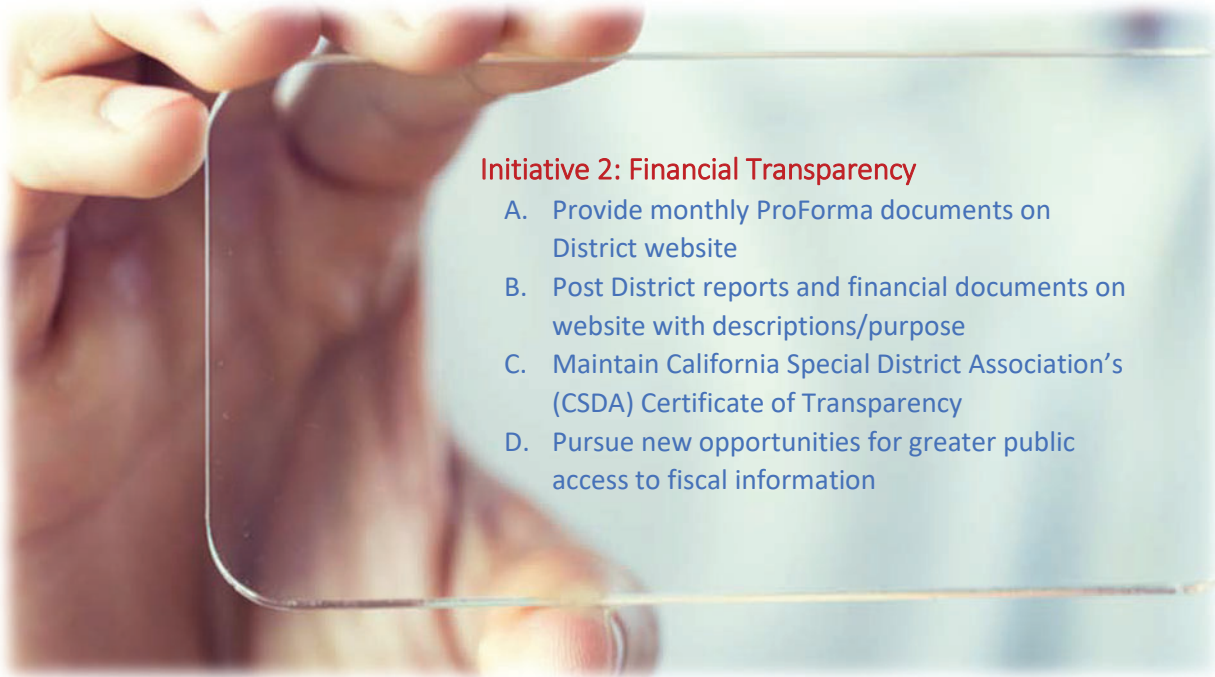
The District strives to maintain financial oversight of all District funds by ensuring conformance with a clear, well-documented budget process and annual financial audit. The District has proven to be a good financial steward and is highly ranked by bond rating agencies. Furthermore, the District holds paramount its duty to demonstrate effective and responsible use of public funds while responding to ever-increasing financial challenges.

The District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, misuse, and to compile sufficient, reliable information for the preparation of the District's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

Initiative 1: Maintain fiduciary responsibility

- A. Comply with Governmental Accounting Standards Board (GASB) regulations
- B. Maintain Government Finance Officers Association (GFOA) Recognition for:
 - Comprehensive Annual Financial Report (CAFR)
 - Annual Operating Budget
- C. Secure a debt covenant ratio greater than 1.25, with preferred rate near/at 2.25
- D. Retain cash on hand of 365+ days at fiscal year-end
- E. Maintain Fitch and Standard & Poor's bond rating of AA or higher

- F. Develop a comprehensive long-term (multi-year) financial plan
- G. Manage reserves by
 - *Reviewing Reserve Policy and funding levels annually*
 - *Analyzing AMP to determine funding for future asset replacement needs*
 - *Ensuring reserves are responsibly funded*



Initiative 2: Financial Transparency

- A. Provide monthly ProForma documents on District website
- B. Post District reports and financial documents on website with descriptions/purpose
- C. Maintain California Special District Association's (CSDA) Certificate of Transparency
- D. Pursue new opportunities for greater public access to fiscal information

Initiative 3: Equitable Rates

- A. Manage expenses to achieve the strategic goals of the District
- B. Regularly assess net position and steps to meet strategic goals
- C. Evaluate rate structures that promote conservation and efficiency
- D. Review and adopt an appropriate fee schedule on an annual basis
- E. Update rate models as part of budget process

Initiative 4: List sources of funding

- A. Identify and develop additional revenue options
- B. Research and obtain grant/low interest loans or Energy Services Company (ESCO) funding for capital projects
- C. Manage cash flow to maximize investment income
- D. Develop an evaluation of debt options; ratio of Pay-Go and debt financing

GOAL 3:



The District has provided reliable and trusted service for more than one hundred years. It recognizes the importance of continual improvements to increase operational effectiveness.

Initiative 1: Efficiency

- A. Evaluate AMI and implementation options to improve the District's operations and allow rate payers to make efficient decisions of their water use
- B. Optimize use of existing technologies (e.g. Computerized Maintenance Management System)
- C. Explore non-traditional approaches to improve operational efficiencies

Initiative 2: Sustainability

- A. Regularly update and consistently implement Asset Management Plan
- B. Address the District's future infrastructure needs
- C. Evaluate and maintain sustainable operations
 - *Energy & Water Use Efficiency*
 - *Staffing*

Initiative 3: Emergency Preparedness

- A. Perform annual fire suppression/fire hydrant checks
- B. Activate semi-annual Emergency Operations Center exercises in preparation for earthquakes, fire, etc.
- C. Strengthen existing emergency operations partnerships (e.g. Energy Companies, Fire Departments, Police Departments, CAL Warning System)
- D. Establish an Emergency Preparedness team with District staff

GOAL 4:



As a public agency, the District is expected to demonstrate the prudent use of public funds. The District's services should provide tangible benefits that are of value to the community. Strengthening existing relationships with key stakeholders, including customers and agency partners, while demonstrating our dedication to transparency in the most professional manner, is paramount.

Initiative 1: Brand Recognition

- A. Provide timely communication, messaging, and strategies
- B. Establish annual tour of District facilities for the community to coincide with Water Awareness Month
- C. Offer sponsorships for community events, water donation, giveaways, etc.

Initiative 2: Public Awareness

- A. Frequently update District website
- B. Publish annual report and infographics; include water usage, cost, reconciliation, investments, projects, etc.
- C. Design and include informative bill inserts
- D. Communicate emerging water quality and sewer issues/regulations

GOAL 5:



The District is known for its highly skilled staff and quality work. In order to retain a highly productive and proficient workforce, maintaining and building on employee engagement in the District will be critical to future success. Greater calls for efficiency and responsiveness will require staff to be flexible and prepared to demonstrate effectiveness and accountability.

Initiative 1: Employee Development

- A. Retain a highly skilled and capable workforce
- B. Provide pathways to training and career progression
- C. Develop management skills
- D. Establish and maintain a comprehensive succession plan (internal promotions)
 - *Review and revise job specifications, as needed*

Initiative 2: Employee Relations

- A. Correlate job satisfaction with annual staff satisfaction survey
- B. Provide mentorship program/internship programs
- C. Honor staff during Water Professionals Appreciation Week (1st Sunday of October to Sunday of the following weekend)
- D. Maintain a strong District culture and ethics as described in the core values of the Strategic Plan.



PURCHASING

Dept/Div:	Finance	Approved By:	Resolution No. 2022-16
Effective Date:	June 14, 2022	Applicability:	Districtwide
Supersedes:	Resolution No. 2021-20	See Also:	N/A

1.0 General Policy

- 1.1** This Yorba Linda Water District Purchasing Policy ("Policy") establishes policies and procedures for the District to (a) bid and purchase services, materials, equipment, and supplies (referred to collectively as "Services and/or Materials"), pursuant to Government Code Section 54201 *et seq.*, and (b) bid and award Public Works projects.
- 1.2** This Policy establishes the Board of Directors' (the "Board") approved policies and procedures regarding the Procurement of Services and Materials and Public Works projects, including expenditure authorization and limits, competitive proposal and bidding requirements, and general Procurement procedures. All purchases of Services or Materials and Public Works projects to be paid by the District must adhere to the authority level and dollar limits of this Policy as set forth in Section 2.0, except as otherwise provided by specific terms and exceptions in this Policy.

2.0 Authorization

- 2.1** By adoption of this Policy, the Board is authorizing the General Manager and other designated representatives to exercise certain duties and responsibilities that are essential for the day-to-day operation of the District.
- 2.2** The General Manager may delegate the Procurement of Services and Materials and Public Works projects to those staff members given specific authority, consistent with the terms of this Policy.
- 2.3** Delegation of purchasing authority may be through the authorized use of Purchasing Cards, Purchase Orders, check requests, or other written authorization. All such purchases will be made in conformity with the policies and procedures prescribed within this Policy.
- 2.4** The Board-established Procurement limits and Contract signatory authorities are listed in Table 1 below. These limits are applicable on a per-expenditure/per-Contract basis, not on an aggregated basis, for unrelated activities.

Table 1

Procurement Limits and Contract Signatory Authority		
Title	Expenditures	Contract Signature Authority
General Manager	Up to \$75,000	\$75,001 and over with Board Authorization; up to \$75,000 without Board Authorization.
Assistant General Manager	Up to \$50,000	Up to \$50,000
Department Managers	Up to \$25,000	Up to \$25,000

Procurement Limits and Contract Signatory Authority (Cont.)		
Title	Expenditures	Contract Signature Authority
Budget Analyst, Customer Service Billing Administrator, Principal Engineer, Records Mgmt Administrator, Senior Accountant, Senior Engineer, Senior Executive Assistant, Senior IS Administrator, Superintendent	Up to \$5,000	None
Administrative Personnel	Up to \$2,000	None

3.0 Definitions

The terms referenced in this policy shall have the meanings as defined below:

- 3.1 Administrative Personnel** – District administrative employees authorized by the General Manager to purchase miscellaneous items, food, and travel in support of District functions includes Executive Assistant, Human Resources Analyst, Operations Lead Staff, and any other administrative position as authorized by the General Manager.
- 3.2 Amendment** – A written change or addition to a legal document which, when properly executed, has the same legal validity of the original document.
- 3.3 Board** – The Board of Directors of Yorba Linda Water District.
- 3.4 Change Order** – A written Amendment modifying the terms of an existing Contract or Purchase Order.
- 3.5 Consultant** – Any person, firm, or entity that provides or offers to provide Professional Services to the District.
- 3.6 Contract** - Written agreement authorizing a contractor, Consultant, supplier, or service provider to provide Services or Materials, or Public Works, in accordance with the material requirements, conditions, or scope of work stated in the Contract.
- 3.7 Contractor** – Any person, firm, or entity that submits a bid, proposal, or Contract in connection with a procurement or service. This term also includes any person who conducts business as an agent or representative of the contractor.
- 3.8 District** – Yorba Linda Water District.
- 3.9 Emergency** – A situation in which unforeseen circumstances present an immediate risk of harm or hazard to real or personal property, the public health, safety, welfare, or District personnel or property, or threaten serious interruption of District operations.
- 3.10 General Manager** – General Manager of the District or the person appointed by the Board to act in the capacity of the General Manager and authorized to administer this Policy on their behalf.
- 3.11 Invitation to Bid** - A formal process for soliciting sealed bids from qualified prospective suppliers or Public Works Contractors.

- 3.12 Multiple Year Contract** - A Contract for the purchase of Services, Materials, or Public Works for (a) a multiple year term or (b) that may contain provisions to extend performance by exercising optional renewal periods. A Multiple Year Contract does not obligate the District beyond the initial award period and shall not provide for a cancellation payment to the Contractor if options are not exercised
- 3.13 Non-Discretionary Purchases** – Payments to utilities, temporary employment services, insurance providers, healthcare providers and national, federal, state, or local agencies that relate to routine obligations and expenses essential to the District's ability to provide service to customers and that have been approved in fiscal year operating or capital budgets.
- 3.14 Non-Professional Services** – Services other than Professional Services, including, but not limited to, supply and maintenance services.
- 3.15 Procurement** - The purchase or lease of Services or Materials, or Public Works.
- 3.16 Procurement Card** - A form of charge card (also referred to as a P-Card or Purchasing Card) that allows for goods to be purchased without using a Purchase Order
- 3.17 Professional Services** – Any type of special service or advice in financial, economic, accounting, engineering, legal or administrative matters by persons specially trained and experienced and competent to perform the special services required. (Gov't Code § 53060.) Such services include but are not limited to architectural; engineering; environmental; financial; land surveying; construction management; audits; training services; legal services; preparation of planning or studies; SCADA integration; technology application development; and personnel, job classification and benefit studies.
- 3.18 Public Works** – As defined by California Public Code Section 22002, are public projects, which include construction, reconstruction, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased, or operated facility. Maintenance work is not considered a public project for purposes of this definition.
- 3.19 Purchase Order (PO)** – An authorization, under a standardized form in which the party designated as the "provider" is to provide Services and Materials for which the District agrees to pay.
- 3.20 Request for Proposal (RFP)** - A solicitation used for the Procurement of Professional Services and Non-Professional Services. Prospective suppliers or Consultants submit proposals based on requested information and are evaluated/awarded based on pre-established criteria.
- 3.21 Request for Quotes (RFQ)** - A solicitation used for Procurement of construction Services or Materials.
- 3.22 Requisition (REQ)** - The procedural method by which departments may request a PO for the purchase of materials, supplies or equipment. Requisitions are entered into the District's ERP system application.
- 3.23 Single Source Purchase** - Procurement where: (a) there is a compelling reason for only one source, a preferred brand, like material, homeland security goods, services, etc., to be procured; or (b) the commodity is unique, including, but not limited to, acquisition of data processing, telecommunications and word processing equipment, goods and services; or (c) the purchase of a specific brand name, make or model is necessary to match existing District equipment or facilitate effective maintenance and support; or (d)

when it is in the best interest of the District to extend or renew a Contract from a previous contract period, based on satisfactory service, reasonable prices, avoidance of start-up costs, avoidance of interruptions to District business, or good business practices. Such a Procurement of \$25,000 or greater must be presented to the Board of Directors at the next regular scheduled meeting.

3.24 Sole Source Purchase - Procurement where only one viable source exists. This is usually due to legal restrictions of patent rights and copyrights, a proprietary process, warranty issues, original equipment, etc. Such a Procurement of \$25,000 or greater must be presented to the Board at the next regular scheduled meeting.

4.0 General Procurement Policies

4.1 Procurement practices shall comply with laws, regulations, and guidelines of the State of California and any other applicable law and provisions of grant or funding contracts, if applicable.

4.2 Any employee/individual affecting any Procurement outside of the policies and procedures established by this Policy and without General Manager or Board authorization to do so, may be subject to disciplinary action and/or termination in accordance with District policies.

4.3 Expenditures and Contract awards must be authorized by the appropriate authorization level indicated in Table 1.

4.3.1 Separating or dividing Contracts into smaller components for the purpose of bringing the cost of one or more Contracts below any specified sum to avoid a requirement in any section of this Policy or any policy incorporated herein is strictly prohibited. Contracts may be divided only to meet unique scheduling of a project or to accommodate necessary time frames. In addition, no specifications shall be drafted in such a manner as to limit competitive bidding or solicitation directly or indirectly to any one specific vendor, or any specific brand, product, thing, or service, except for those items that are approved as exempt from competitive bidding or solicitation requirements as provided in Section 7.1.3.

4.4 Purchase amounts include taxes and the cost of shipping, freight fees, and any other charges billed by the supplier or Contractor for purposes of the authorization limits under this Policy.

4.5 Purchase authorization and expenditure limits in Table 1, and competitive solicitation requirements in Table 2 and as further set forth in this Policy, are on a per purchase/per Contract basis and shall not be applied as an aggregate limit to any vendor, supplier, Contractor or Consultant.

4.6 With the exception of the General Manager, in the absence of an authorized signatory for a given request, authorization will be obtained from the next highest authority in Table 1. In the case where the next highest authority is absent, then authorization will be obtained by an authorized signatory in order of rank and availability.

4.7 The District may use electronic commerce whenever practicable or cost-effective. The District may accept electronic signatures and records in connection with the District Procurement, as permitted by applicable law.

5.0 Procurement Methods

The following methods are available to initiate a purchase request or to pay for Services and Materials or Public Works:

5.1 Requisition/Purchase Order - Staff that require Services and Materials to carry out the defined duties of their positions shall submit Requisitions, in advance, for purchases in accordance with this Policy and other applicable procedures and policies of the District. Staff will generate a Purchase Order from the Requisition.

5.1.1 Complete the Requisition form or Requisition data entry screen to request that Services or Materials are ordered.

5.1.1.1 Allow at least two (2) working days of lead time.

5.1.1.2 Provide complete name and address of selected vendor.

5.1.1.3 Indicate the purpose of the Purchase Order.

5.1.1.4 Describe the Services or Materials clearly and specifically. Include make, model, manufacturer's part number, catalog number or vendor catalog page number, if available. Indicate color, size, or any option required.

5.1.1.5 Indicate the quantity and unit price for each Service or Material.

5.1.1.6 Note whether the Services or Materials are taxable.

5.1.1.7 Note any freight charges.

5.1.1.8 Must indicate a valid General Ledger account number(s), and correct projects number(s).

5.1.1.9 Indicate the date the Services or Materials are needed.

5.1.1.10 Attach any required price quotes and data that supports the requested purchase, if available.

5.1.1.11 Seek appropriate approvals as required in Table 1.

5.1.1.12 Purchases shall not be split to circumvent Contract signatory authorizations as set in Table 2.

5.1.1.13 Submit Purchase Order for processing.

5.1.2 Upon approval and receipt of a fully executed purchase Requisition, the Purchase Order will be systematically assigned the next consecutive number.

5.1.2.1 The original Purchase Order will be given back to the originator or sent to the vendor.

5.1.2.2 A copy of the approved Purchase Order, and any supporting documents, will be forwarded to Accounts Payable for processing.

5.1.2.3 A copy of the approved Purchase Order will be forwarded to the Warehouse pending receipt of goods.

5.1.2.4 An electronic record of the Requisition/Purchase Order will be kept within the purchasing system for historical purposes.

- 5.2 Check Request** - A check request can be used to initiate payment for certain limited Services or Materials without a Purchase Order. Check requests can be used to request payment for Non-Discretionary Purchases, services rendered, subscriptions, membership dues, workshop/seminar/conference registrations, use of facilities, etc.
- 5.3 CAL-Card and Other Procurement Cards** - Designated staff may be assigned a CAL-Card for miscellaneous purchases. Purchases using the CAL-Card are subject to the terms and conditions of the District Cardholder Procurement Card Agreement and any other applicable District procurement card policies or procedures. Professional Services are not to be acquired on CAL-Cards due to lack of insurance and indemnification language associated with these services. CAL-Card limits may be increased for a specific authorized user with the approval of the General Manager subject to the authorization limits as set in Table 1. Use of all other Procurement Cards are subject to the terms of this Policy and to any set terms provided at the time of card issuance to the designated staff and any subsequent Amendments to such terms, and other applicable District policies (Refer to Exhibit A).
- 5.4 Contracts** - Provisions shall be made, either through specifications or procedures established by the District, for verification of the references and financial responsibility of the contracting parties prior to the award of a Contract. After award, all Contracts shall be executed on behalf of the District by the appropriate authorized signatory indicated in Table 1. In no case shall any Contract be made if sufficient funds are not budgeted and appropriated and not available to make payment promptly upon delivery or completion, or in accordance with a progress payment schedule, unless otherwise authorized and approved by the Board or approved by the General Manager as provided for in Section 6.2 (Emergency).
- 5.4.1** Contracts for Non-Professional Services, Professional Services, and Public Works shall be executed when an expenditure exceeds \$5,000 (except in the event of an Emergency).
- 5.4.2** Multiple Year Contracts are allowed when in the best interests of the District as determined, and executed by the General Manager.
- 5.4.2.1** For purposes of Procurement authorization, the dollar value of a Multiple Year Contract shall be the total Contract value, including optional renewal periods. Once initially approved in accordance with the Policy requirements, any optional renewals may then be authorized by the General Manager at the time of renewal, regardless of the dollar amount, provided the pre-priced option is consistent with the terms of the Contract as initially approved.

6.0 Exceptions to Pre-Authorization

- 6.1 Non-Discretionary Purchases** - Do not require Board approval for payment, including those that exceed the General Manager limit of \$75,000. Purchase Orders are not required for Non-Discretionary Purchases that pertain to payments to utilities, insurance providers, health care providers, payroll, and national, federal, state or local agencies that relate to routine obligations and expenses essential to the District's ability to provide service to customers and that have been approved in fiscal year operating budgets.
- 6.2 Emergency Work/Services** - The General Manager, Assistant General Manager, or the assigned Operations or Engineering Manager may authorize Emergency expenditures for work, Services, and/or Supplies where the cost exceeds \$75,000 without prior Board

approval. The Board shall be notified of any expenditures for Emergency work, Services and/or Supplies exceeding the General Manager's authorization limit at the next regularly scheduled Board meeting.

- 6.3 Purchase Requests** - Require no prior authorization or signatory approval under Table 1 to replenish the District's warehouse inventory within established inventory re-order levels.

7.0 Competitive Selection Process

- 7.1 General** - A competitive selection process for Procurement of Services and Materials, and for Public Works projects, is required in accordance with the limits as set forth in Table 2 below (subject to certain exceptions, qualifications or limitations as further set forth below).

Table 2

Competitive Solicitation Process - Requirements	
Purchase Amount	Solicitation Requirement
\$25,000 and under	One Quote
\$25,001 - \$50,000	Two Quotes
\$50,001 - \$75,000	Three Quotes
\$75,001 and over	RFP or RFQ or Invitation to Bid Process Required

7.1.1 Competitive Solicitation - Submission

- 7.1.1.1** All quotes, bids, and proposals must be in writing. An email is acceptable for expenditures of \$75,000 and under.
- 7.1.1.2** RFP, RFQ, and Invitation to Bid submissions must be in writing and be in substantial compliance with terms in the solicitation, or as otherwise required by law, or may be disqualified.
- 7.1.1.3** Quotes, bids, and proposal documentation shall be retained pursuant to the District's record retention policy.

- 7.1.2 Exceptions from Competitive Solicitation Process** - Generally, solicitation of bids or proposals is preferable whenever practicable. In addition to the exceptions stated under Section 7.3.2, the competitive solicitation requirements established in Table 2 may be waived when any of the following criterion is applicable:

- 7.1.2.1** Sole Source Purchases.
- 7.1.2.2** Single Source Purchases.
- 7.1.2.3** Emergency expenditures.
- 7.1.2.4** After a reasonable attempt has been made to obtain competitive quotes/ responses and it has been determined that (a) no additional suppliers/providers/Contractors/Consultants can be located; (b) the District has a lack of response from suppliers/providers/Contractors/Consultants to a competitive solicitation;

or, (c) when sufficient, satisfactory bids/proposals are not received, based on the District's sole discretion.

7.1.2.5 Purchases to replenish the District's warehouse inventory within established inventory re- order levels.

7.1.2.6 As provided by law.

7.1.3 It shall be at the discretion of the General Manager or Assistant General Manager and the initiating Department Manager(s) to determine whether an expenditure meets a criterion listed herein to be exempt from a competitive solicitation, subject to any Board authorization. Such expenditures that meet a criterion will be presented to the Board of Directors at publicly held meeting.

7.2 Public Works - Contracts for Public Works projects shall conform to applicable requirements for Public Works Contracts under State law, including but not limited to requirements relating to (a) listing of subcontractors, (b) posting of a payment bond in an amount not less than 100% of the total Contract amount for all Public Works Contracts over \$25,000, and (c) payment of prevailing wages for all Contracts for Public Works exceeding \$1,000 or as otherwise required by statute.

Unless specifically waived by the District with the approval of the General Manager and District's legal counsel, the District shall require performance bonds for all Public Works Contracts in an amount not less than 100% of the total Contract amount. Public Works Contracts let by an Invitation to Bid may be awarded (a) to the lowest responsive, responsible bidder, and (b) in accordance with (i) State law, (ii) the District's standard Public Works Contract documents, and (iii) Section 11.0 below.

7.3 Professional Services (over \$75,000) - RFPs will be initiated pursuant to the limits set forth in Table 2 when the Contract is anticipated to exceed \$75,000, unless the District's needs mandate uniquely qualified services, in which case only one proposal from a qualified firm may be solicited. Professional Services may be engaged in accordance with California Government Code §4525 et seq., and on the basis of demonstrated competence and qualifications for the types of services to be performed and at fair and reasonable prices to the District.

7.3.1 Professional Engineering Services - The District may request proposals for engineering services when the Contract amount is anticipated to exceed \$25,000, and up to \$75,000. For engineering services anticipated to exceed \$75,000, RFPs will be initiated pursuant to the limits set forth in Table 2.

7.3.2 On Call Engineering Services – The District may solicit RFPs for on-call engineering services and enter agreements for on-call engineering services. Entering into an agreement qualifies Consultant to perform services for the District on a task order basis, but it does not entitle Consultant to any compensation or a right to perform services on any scope of work or particular task order for the District. When the District needs services for task(s), it will submit a scope of work to Consultant requesting task proposals. If Consultant's task proposal is selected by the District, Consultant represents and warrants to District that it is fully qualified and available to perform the services for, and as requested by, the District.

7.3.3 Exceptions from Competitive Solicitation Process – Professional Services - In addition to the exception for "uniquely qualified services" set forth under Section 7.3, the following criteria shall apply as exceptions to the competitive solicitation

requirements set forth under Table 2 for Professional Services where such requirements would otherwise apply:

7.3.3.1 For Professional Services estimated to cost \$25,000 or less, staff may request a proposal from one (1) qualified Consultant.

7.3.3.2 For Public Works projects where the project design is scheduled in phases, the related Professional Services may be negotiated with the Consultant that performed the work for a prior phase, if (a) the Consultant performed satisfactory work on the prior phase(s) in terms of quality, schedule, and estimated design costs and (b) a satisfactory Contract can be negotiated.

7.3.3.3 For Professional Services in which it is impracticable to comply with the selection process because of the unique, exploratory, or experimental nature of the project, staff may request a proposal from one (1) qualified Consultant.

7.4 Rejecting Competitive Responses - In response to an Invitation to Bid, RFQ, or RFP, the District may reject a bid or other response which is in any way incomplete, irregular, amplified, unqualified, conditional, or otherwise not in compliance with the solicitation documents in all material respects and in accordance with law. The District may (a) waive any informality, irregularity, immaterial defects, or technicalities in any bids or other responses received; and/or (b) cancel an Invitation for Bid or RFP/RFQ, or reject all bids or responses for any other reason, which indicates the cancellation or rejection of all bids or responses is (i) in the best interest of the District, and (ii) in accordance with law. Rejection of all bids or responses or cancellation of competitive solicitations, including determinations to re-bid, or re-solicit are subject to the same level of authority which is required to award a Contract as provided under Table 1, and as required by law.

7.5 Awarding Contracts – Consistent with Section 11.0 below, the District reserves the right to award Contracts based upon the best interests of the District as determined by the District in its sole discretion.

8.0 Change Orders

8.1 Change Orders may be issued from time to time as required by changes in the specifications or conditions of a project, services performed, or materials to be issued.

8.1.1 Change Orders – PO Only - Change Orders up to 10% (to a maximum additional \$1,000) of the original PO amount may be issued by the appropriate Department Manager without further approvals. A revised Purchase Order Requisition must be completed and approved at the appropriate authorization levels under Table 1 for any Change Order request exceeding the original amount by more than 10% or the \$1,000 limit.

8.1.2 Change Orders – Formal Contracts and Amendments

8.1.2.1 For Contracts and/or Amendments under \$75,000:

- Change Orders up to 10% of the original Contract amount can be approved by the appropriate authorization levels as outlined in Table 1 up to a maximum total Contract amount of \$75,000 without Board approval.

- Board approval is required for Change Order requests exceeding the original Contract amount by more than 10%, or resulting in a total Contract amount over \$75,000.

8.1.2.2 For Contracts and/or Amendments \$75,001 and over:

- Change Orders up to 10% (to a maximum additional \$75,000) of the original Contract amount can be approved by the appropriate authorization levels as outlined in Table 1 without Board approval.
- Board approval is required for Change Order requests exceeding the original Contract amount by more than 10%, or resulting in a \$75,000 increase.

8.1.3 Change Order Exceeding Limits

A Change Order exceeding the Change Order limits set forth in this article may be authorized by the General Manager prior to Board approval if, in the General Manager's determination, any of the following circumstances exist:

- 8.1.3.1** A delay in Change Order authorization could result in a negative financial impact to the District.
- 8.1.3.2** A delay in Change Order authorization could result in damage to or impairment of the operations of a District facility.
- 8.1.3.3** An Emergency exists which requires immediate work/services.

The Board shall be notified of any Change Order authorization exceeding the General Manager's authorization limit at the next regularly scheduled Board meeting.

9.0 Ethical Procurement Conflict of Interest

- 9.1** Board members, District officers and employees shall not be financially interested in any Contract made by them in their official capacity. (Government Code Sections 1090 and 1091.5). Board Members, District officers, and employees shall not participate in any way to influence a governmental decision in which he/she knows or has reason to know that he/she has a financial interest. (Government Code Section 87100 et seq.)
- 9.2** Any District employee (other than Administrative Personnel not under Designated Positions in the District's Conflict of Interest Code) authorized under this Policy to make or enter into purchases on behalf of the District will complete a Statement of Economic Interests (Form 700) and comply with the District's Conflict of Interest Code.
- 9.3** Confidential or proprietary information must be handled with due care and proper consideration of ethical and legal ramifications and governmental regulations.
- 9.4** Purchasing activities must be performed in accordance with all applicable laws and District policies.
- 9.5** Any employee/individual who violates the standards set forth in this Section may be subject to disciplinary action consistent with District personnel policies.

10.0 Emergency Procurement Procedures

10.1 In the event that the District declares an Emergency, the District may procure the necessary equipment, Services, and Materials in response to that Emergency without following the purchasing procedures prescribed by this Policy.

10.2 General Manager Authority

10.2.1 The Board has authorized the General Manager, or their designee, to approve Emergency Procurements described in Section 10.1.

10.2.2 If the Emergency Procurement exceeds the General Manager's approval authority, the General Manager, or their designee, shall report to the Board, at its next meeting, the reasons justifying why the Emergency did not permit time to comply with the District's purchasing requirements and why the purchase was necessary to respond to the Emergency.

10.3 Board Ratification

10.3.1 After the District makes an Emergency Procurement, it shall make a finding based on substantial evidence set forth in the minutes of its meeting that the Emergency did not permit time to comply with the District's purchasing requirements, and that the purchase was necessary to respond to the Emergency.

10.4 Federally Declared Emergencies; Procurement and Contracting Requirements

10.4.1 In the event of an Emergency declared by the President of the United States, the District must comply with Federal procurement standards as a condition of receiving public assistance funding from the Federal Emergency Management Agency (FEMA) for Contract costs for eligible work. FEMA funding is governed by Title 2 of the Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

10.4.2 Federal Emergency Procurement Procedures

10.4.2.1 Micro Purchases

- Purchases within the micro-purchase threshold (e.g. currently set at purchases of \$3,000 or less but periodically adjusted for inflation) may be awarded without soliciting competitive quotations if the District considers, in its sole discretion, the price to be reasonable.
- To the extent practicable, the District must distribute micro-purchases equitably among qualified suppliers.

10.4.2.2 Small Purchases

- Purchases within the simplified acquisition threshold (e.g. currently set at purchases of \$250,000 or less) shall not be required to be formally bid.
- Price quotations must be received from no less than three (3) sources.

10.4.2.3 Formal Sealed Bidding

- Formal, sealed bidding is required for purchases greater than the simplified acquisition threshold, which is currently set at \$250,000, or as

may be adjusted by the Federal Acquisition Regulation, pursuant to 48 CFR Section 2.101.

- The District must publicly advertise the invitation for Bids and publicly open all bids at the time and place prescribed in the Invitation to Bid.
- Any Contracts awarded pursuant to this procedure may be to the lowest responsible bidder submitting a responsive bid and shall be for a firm fixed price.

10.4.2.4 Solicitation of Competitive Proposals

- When the nature of a Procurement does not lend itself to formal, sealed bidding (e.g. Professional Services), the District may solicit competitive proposals.
- A Request for Proposals (RFP) must be publicly advertised, and the District must solicit proposals from an adequate number of sources. The RFP must identify all evaluation factors and their relative importance; however, the numerical or percentage ratings or weight need not be disclosed.
- Any Contract awarded based on the competitive proposal Procurement process cannot be based exclusively on price or price-related factors.
- If a Contract is awarded, it may be to the responsible firm whose proposal is most advantageous to the District ("best value"), with price and other factors considered.

10.4.3 Federal Emergency Noncompetitive Procurements

10.4.3.1 Contracts may be procured through a noncompetitive proposal only when:

- The item is only available from a single source;
- The public exigency or Emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The District authorizes noncompetitive proposals, as otherwise permitted by the Purchasing Policy; or
- Competition is deemed inadequate after the solicitation of a number of sources.

10.4.4 Federal Emergency Contracting with Small and Minority Firms, Women's Business Enterprises, and Labor Area Surplus Firms

10.4.4.1 The District must conduct all necessary affirmative steps to ensure the use of minority businesses, women's business enterprises, and labor surplus area firms when possible, as set forth in 2 CFR Section 200.321.

10.4.4.2 The District has developed Contract templates that include requirements for bidders to take those affirmative steps to secure involvement by those firms, as outlined in 2 CFR Section 200.321 (b).

10.4.5 Federal Emergency Cost or Price Analysis

10.4.5.1 The District shall perform a cost or price analysis in connection with every Procurement, including Contract modifications, in excess of the simplified acquisition threshold. While the method and degree of analysis depends on the facts surrounding the particular Procurement, the District must, at a minimum, make independent estimates before receiving bids or proposals.

10.4.5.2 The District shall negotiate profit as a separate element of the price for each Contract in which there is no price competition and in all cases where a cost analysis is performed as required by 2 CFR Section 200.323(b).

10.4.6 Federal Emergency Payment Procedures

10.4.6.1 Contracts entered into pursuant to this Section 10.4 shall utilize only fixed-price, cost-reimbursement, or, to a limited extent, time and materials payment methods.

10.4.6.2 Time and Materials (T&M) Contracts

- T&M Contracts should be used rarely, and the use of T&M Contracts should be limited to a reasonable time period (e.g., no more than 70 hours) based on circumstances during which the District cannot define a clear scope of work.
- The District shall only enter into a T&M Contract if all of the following apply:
 - No other Contract was suitable;
 - The contract has a guaranteed maximum price that the Contractor exceeds at its own risk; and
 - The District provides a high degree of oversight to obtain reasonable assurance that the Contractor is using efficient methods and effective cost controls.
- The District must define the scope of work as soon as possible to enable Procurement of a more acceptable type of Contract (i.e., non-T&M).

10.4.6.3 Separate Invoicing

- All purchases made during a proclaimed Emergency shall require separate invoicing from routine (i.e., non-Emergency related) purchases. All invoices shall state the Services or Materials provided and shall specify where the Services or Materials were delivered. All invoices shall specify the location(s) where the Services or Materials were used, if possible. Any invoice which fails to properly identify the Emergency nature of the purchase and provide details as to the date(s) and location(s), as appropriate, shall not be paid until such information is provided by the vendor and re-submitted in correct form.

10.4.6.4 Auditing of Invoices for Debris Removal

- All invoices for debris clearance and removal shall be audited prior to payment to the vendor. Vendors shall be notified of the requirement prior to award of any Contract for debris clearance and/or removal.

Audits shall be in accordance with procedures for debris removal monitoring specified in FEMA's Publication 325, Debris Management Guide.

11.0 County Water District Status

The District is a County Water District and therefore is not mandated by State law to competitively bid any purchases, including those for Public Works projects and/or capital expenditures. (*Associated Builders & Contractors, Golden Gate Chapter, Inc. v. Contra Costa Water District* (1995) 37 Cal.App.4th 468.) The District has discretion to enter into non-bid Contracts for Public Works, to procure Services and Materials, to contract for design-build work, to utilize job-order contracting and to enter into Cooperative Purchasing arrangements for the design, construction, and maintenance of Public Works, or undertake any other form of contracting determined to be in the District's best interest, except as otherwise expressly restricted by law. Notwithstanding this lack of legal mandate and contractual discretion, District staff shall make a good faith effort to support the Competitive Selection Process described in Section 7.

12.0 Policy Revisions

This Policy will be maintained and revised by the General Manager or their designated representatives in consultation with the District's legal counsel, subject to approval by the Board. This Policy will be reviewed regularly and revisions will occur whenever applicable Federal, State, or local regulations change or otherwise as the need arises and in the discretion of the Board.

EXHIBIT A PROCUREMENT CARD POLICY

1.0 Purpose

The Procurement Card Program was developed to allow designated full-time regular employees the capability to purchase, with predefined spending limits, certain types of items directly from the merchant thus reducing the cost associated with low-value purchasing activity. The purpose of this policy is to identify the conditions in which employees will be issued a Procurement Card and the rules for its use.

2.0 General Information

Authorization to use this Card is restricted to the CARDHOLDER ONLY and MAY NOT BE USED FOR PERSONAL PURCHASES.

- 2.1** Employees will not use District Procurement Cards for personal expenses even if the intent is to reimburse the District later.
- 2.2** Procurement Cards must **not** be used for purchases when the cardholder has personal interest in the merchant or knowledge that a purchase would create a conflict of interest.
- 2.3** Before receiving a Procurement Card, employees will sign a "Cardholder Procurement Card Agreement" and receive a copy of the Policies and Procedures setting forth their obligations under this program.
- 2.4** The Procurement Card is supplemented to the procurement process. As with other procurement methods the following conditions must be met when using the Procurement Card:
 - 2.4.1** The Procurement Card should be used whenever possible in lieu of petty cash or low dollar Requisitions from point of sale vendors.
 - 2.4.2** Purchases shall not be split to circumvent transaction limits as set in Table 1 of this Procurement Policy.
 - 2.4.3** Each single purchase may be comprised of multiple items, but the total including tax and freight cannot exceed the single purchase dollar limit on the Procurement Card.
 - 2.4.4** Every purchase using the Procurement Card must adhere to all provisions of the Procurement Policy.

3.0 Procurement Card Role Definitions

- 3.1 Cardholder** – The cardholder is the District employee whose name appears on the Procurement card.
- 3.2 Approver:** The Approver is the person who is responsible for reviewing the charges for a group of cardholders to ensure that purchases are appropriate and allowed.
- 3.3 Program Administrator:** The Program Administrator provides overall administration and oversight of the Procurement Card program.

4.0 Responsibilities

- 4.1 Cardholders:** Cardholders Safeguard the Procurement Card, provide itemized receipts for all transactions, allocate the transactions, and sign off on the transactions in a timely basis.
- 4.2 Approvers:** Approvers review transactions of cardholders for adherence to policies and procedures, ensure that all transactions are properly coded, and all disputed charges are correctly reported.
- 4.3** The **Cardholder** and **Approver** are required to review and approve the individual cardholder transactions and submit to Accounts Payable within the established time frame specified by Finance Manager. This is critical to allow Accounts Payable to make payment within specified time limits.
- 4.4** Failure to meet approval deadlines can result in the following:
 - 4.4.1** First Failure – Verbal/electronic warning.
 - 4.4.2** Second Failure – Written warning and notification to the appropriate Department Manager and possible suspension of card privileges.
 - 4.4.3** Third Failure – Suspension of card privileges. Restoration of card privileges requires approval by the Finance Manager.

5.0 Procurement Audits

To ensure the continued success of the Procurement Card Program, periodic, random audits will be performed by the Finance Department. The purpose of the audits will be to ensure the cardholders are adhering to established policies and procedures.

6.0 Use of Procurement Card for Travel and Meals

Procurement cards may be used for approved travel in accordance with the District's travel policy.

7.0 Card Restrictions

The Procurement Card is not to be used for services of any kind, leases, or repairs excluding auto when traveling, due to insurance requirements and the complexity of IRS 1099 reporting. Department Managers may apply additional restrictions on card use. It is the responsibility of the cardholder to know what their department's restrictions are.

8.0 Misuse of a Procurement Card

- 8.1** The following situations are a few examples of "misuse" of a Procurement Card:
 - 8.1.1** Purchases using the Procurement Card for personal benefit of the employee.
 - 8.1.2** Assignment or transfer of an individual Procurement Card to an unauthorized person.
 - 8.1.3** Purchases from family, friends or relatives where there is personal gain or a conflict of interest, perceived or real.

8.2 Any variance, misuse, and/or violation of the policy and processes set forth will be considered improper use of the card. This may result in card cancellation, disciplinary action, up to and including termination.

9.0 Return of Merchandise

In the event the cardholder determines that an item must be returned for any reason, the item and credit card receipt must be returned to the merchant/vendor as soon as possible. **At no time is the cardholder allowed to accept a store gift card or cash in lieu of a credit adjustment to the Procurement Card.** Cardholder is responsible for allocating and signing off on both the purchase and the credit transactions in a timely manner.

10.0 Disputes

All transactions should be monitored for validity and disputed transactions must be reported to the Program Administrator. To process a dispute, consult the Program Administrator.

11.0 Lost or Stolen Cards

When a Procurement Card is lost or stolen during normal business hours the Cardholder must notify their Approver and the Program Administrator immediately. If it is after hours the Cardholder must notify the issuing bank directly.

12.0 Separation, Transfer or Revocation of Card Privileges

Upon leaving the District, transferring to another Department or loss of Procurement Card privileges, the Cardholder must return their Procurement Card to Human Resources. Concurrent with surrendering the card, the cardholder must deliver documentation to their supervisor of all outstanding transactions.

The General Manager, Assistant General Manager, or Department Managers have absolute discretion to suspend or revoke a Cardholder's privileges at any time and for any reason.

CAPITAL ASSET INVESTMENT AND MANAGEMENT

Dept/Div:	Finance	Approved By:	Resolution No. 2021-21
Effective Date:	July 1, 2021	Applicability:	Districtwide
Supersedes:	N/A	See Also:	N/A

1.0 General Policy

- 1.1** The Yorba Linda Water District ("District") Capital Asset Investment and Management Policy (this "Policy") establishes policies and procedures for the efficient planning of District capital related needs and expenditures.
- 1.2** This Policy will ensure sound fiscal and capital planning and requires effective leadership and cooperation of the District's Management Team ("Team"). The responsibility for overseeing the Capital Asset Investment process shall rest with the District Board of Directors ("Board") and General Manager ("GM").
- 1.3** Capital assets, and their functionality, have a major impact on the District's ability to effectively and efficiently deliver services. The purpose of this policy is to provide guidelines for the Team to complete a comprehensive process that allocates limited resources in capital asset investment and management decisions. This policy shall apply to all funds under budgetary and fiscal control from the Board.

2.0 Authorization

The Board is responsible for legislation, policy formulation, and overall direction setting of the District. This includes the approval of financial policies which establish and direct the operations of the District. The General Manager is responsible for the carrying out of policy directives from the Board and managing the day-to-day operations of the District. The Team is to objectively analyze capital proposals and make recommendations to the General Manager and Board on the annual Capital Budget ("CB") and ongoing Capital Improvement Plan ("CIP").

3.0 Definitions

The terms referenced in this policy shall have the meanings as defined below:

- 3.1 Asset Management Plan (AMP)** – An Asset Management Plan is a tactical plan for managing an organization's infrastructure and other assets to deliver an agreed standard of service.
- 3.2 Board** – The Board of Directors of the Yorba Linda Water District.
- 3.3 Capital Asset** – A purchased or constructed asset costing in excess of \$5,000 with a life expectancy of five (5) years or more.
- 3.4 Capital Budget (CB)** – Is the first year of the CIP intended to accurately reflect a fiscal year's anticipation appropriation for capital projects and other capital related expenditures.
- 3.5 Capital Improvement Plan (CIP)** - Is a short-range plan, usually four to ten years, which identifies capital projects and equipment purchases, provides a planning schedule and identifies options for financing the plan.
- 3.6 Capital Outlay** – Capital assets such as vehicles and equipment having a value greater than \$5,000 with a life expectancy of five (5) years or more.

- 3.7 Capital Project** – A capital asset project identified as new construction, expansion, renovation, or replacement project within the District.
- 3.8 Debt** – An obligation to repay borrowed money from a financial institution, investors, etc.
- 3.9 District** – The Yorba Linda Water District.
- 3.10 Financing** – Refers to the method of paying for an asset, including debt financing.
- 3.11 Funding** – District revenue that pays for or offsets the cost of an asset or supports repayment of debt that finances the asset.
- 3.12 General Manager** – General Manager of the District or the person appointed by the Board to act in the capacity of the General Manager and authorized to administer this Policy on his/her behalf.
- 3.13 Grant Funding** – Federal or State funds awarded to the District for a particular purpose.
- 3.14 Pay-as-You-Go Financing (Pay-Go)** - The use of currently available cash resources to pay for capital investments.
- 3.15 Renewal and Replacement (R&R)** – Existing capital assets renovated or replaced which extends the useful life of the asset greater than one year and cost of \$5,000.

4.0 General Capital Asset Planning

- 4.1** The Team will review the AMP, unplanned R&R of existing infrastructure, and Capital Outlay requests to determine capital asset requirements to develop the District's CIP.
- 4.2** The Team will perform an assessment to identify criteria to help differentiate between the merits of each capital asset and develop the most effective and efficient CIP listing. This will enable the Team to prioritize projects on an objective basis.
- 4.3** Upon establishing the CIP, the Team will determine the appropriate funding strategy for each listed capital asset.

5.0 Capital Funding Strategy

- 5.1** The financial resources for the CIP will be through three primary methods: Pay-As-You-GO, Debt financing, and Grant funding. Guidelines are provided below to assist in selecting one of these primary methods.
 - 5.1.1** Factors which favor Pay-As-You-GO financing include circumstances where:
 - 5.1.1.1** The project can be adequately funded from available current revenues and reserves;
 - 5.1.1.2** The project can be completed in an acceptable timeframe given the available revenues;
 - 5.1.1.3** Additional Debt levels could adversely affect the District's credit rating or repayment sources; or
 - 5.1.1.4** Market conditions are unstable or suggest difficulties in obtaining Debt.

5.1.2 Factors which favor long-term Debt financing include circumstances where:

- 5.1.2.1** Revenues available for Debt issues are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating, which can be maintained;
- 5.1.2.2** Market conditions present favorable interest rates and demand for District Debt financing;
- 5.1.2.3** A project is immediately required to meet or relieve capacity needs or comply with mandates or regulations by state or federal government and current revenues and reserves are insufficient to fund project costs;
- 5.1.2.4** The life of the project or asset financed is five years or longer; or
- 5.1.2.5** Those expected to benefit from the project or asset include generations in years to come (intergenerational).

5.1.3 Factors which favor Grant funding include circumstances where:

- 5.1.3.1** State and/or federal grant funding programs are accepting applications for qualifying capital assets included in the District's CIP; or
- 5.1.3.2** The time constraints between the grant application and potentially being awarded the grant funds are strategically planned within the CIP's time line;

5.2 Once the proper financing options have been determined, the Team will present the five-year CIP to the General Manager and Board for review and approval.**6.0 Additional Conditions/Criteria**

Goals and objectives stated within the District's Debt Management Policy and Strategic Master Plan prompt the Team to develop budgets where the District's Year-End Financial Statements result in a positive Net Position, a year-end debt covenant ratio of at least 225 and a minimum of 365 days in cash calculation. The Team shall propose appropriate rates and charges during the annual budget process to cover the District's cost of service, annual debt service obligations, CB and appropriately fund reserves for future CIP. Ensuring these stated objectives are met, the District will maintain its "AA" bond rating.



Yorba Linda Water District

Policies and Procedures

Policy No.: 3010-003
Adoption Method: Resolution No. 2019-XX
Effective Date: June 25, 2019
Last Revised: June 5, 2018
Prepared By: Delia Lugo, Finance Manager
Applicability: District Wide

POLICY: DEBT MANAGEMENT

1.1 INTRODUCTION

1.2 Purpose and Overview

In its publication entitled Best Practice Debt Management Policy, the Government Finance Officers Association (GFOA) states that Debt management policies are written guidelines, allowances, and restrictions that guide debt issuance practices of Board adopted issuance processes, management of a debt portfolio, and adherence to state and federal laws and regulations. A debt management policy should improve the quality of decisions, and articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital financial planning. The Yorba Linda Water District Debt Management Policy as set forth herein provides a set of comprehensive guidelines for the issuance and management of the District's debt portfolio. Adherence to the policy is essential to ensure the District maintains a diversified debt portfolio that supports the District's financing needs and minimizes the District's cost of funds.

1.3 Roles and Responsibilities

Finance Manager - The primary responsibility for debt management rests with the Finance Manager. The Finance Manager shall:

- Provide for the issuance of District debt at the lowest possible cost and risk;
- Determine the available debt capacity of the District;
- Provide for the issuance of District debt at appropriate intervals and in reasonable amounts as required to fund approved and budgeted capital expenditures;
- Recommend to the District's Board of Directors (the "Board") the method and manner of sale of District debt;
- Monitor opportunities to refund debt and recommend such refunding as appropriate to reduce costs or to achieve other policy objectives;
- Comply with all Internal Revenue Service (IRS), Municipal Securities Rulemaking Board (MSRB), Securities and Exchange Commission (SEC), and California Debt Investment Advisory Commission ("CDIAC") rules and regulations governing the issuance of debt;

- Maintain a current database with all outstanding debt;
- Provide for the timely payment of principal and interest on all debt;
- Comply with all terms and conditions, including continuing disclosure, required by the legal documents governing the debt issued;
- Submit to the Board all recommendations to issue debt in accordance with this Policy;
- Distribute to appropriate repositories information regarding the District's financial condition and affairs at such times and in the form required by law, regulation and general practice;
- Provide for the frequent distribution of pertinent information to the rating agencies;
- Apply and promote prudent fiscal practices; and
- To ensure that proceeds of any debt issued in accordance with its governing documents and this Policy no disbursements shall be made without the approval of the Finance Manager and General Manager. The draw request shall be provided to the District by the project engineer with the consent of the District's inspector. Approval shall only be provided when the Finance Manager is in receipt of an appropriate certification from the construction project manager with supporting invoices from suppliers and / or contractors evidencing appropriate expenses in connection with the project.

In the case of an issue of bonds the proceeds of which will be used by a governmental entity other than the District, the District may rely upon a certification by such other governmental entity that it has adopted the policies described in SB 1029.

The District shall also comply with Government Code Section 5852.1 by disclosing specified good faith estimates in a public meeting prior to the authorization of the issuance of bonds.

2.1 LEGAL GOVERNING PRINCIPLES

In the issuance and management of debt, the District shall comply with all legal constraints and conditions imposed by federal, state and local law. The following section highlights the key governing documents and certain debt limitations.

2.2 Governing Law

County Water District Law – The District was established in 1959 as a county water district under the County Water District Law, Division 12 of the Water Code of the State of California, as the successor to a private water company that was incorporated in or about 1909, for purposes of supplying water for domestic, irrigation, sanitation, industrial, commercial, recreation and fire suppression use.

Federal Tax Law – The District shall issue and manage debt in accordance with the limitations and constraints imposed by federal tax law, to maximize its ability to sell tax-exempt debt. Such constraints include, but are not limited to, private activity tests, review of eligible projects, spend-down tests, and arbitrage rebate limitations.

Securities Law – The District shall comply with the requirements of federal and state securities laws in offering District debt and the District shall comply with securities law requirements in providing ongoing disclosure to the securities markets.

2.3 Governing Legal Documents

Indenture – The District's debt issuance is further governed in part by the Indenture of Trust, adopted September 8, 2016 of which constitutes the "Indenture." The Indenture establishes the basic security structure of debt issued by the District that is secured by Net Water Revenues. Key terms and conditions include, but are not limited to, the definition of pledged revenues, the rate covenant and the additional bonds test. A copy of the Indenture can be found in Appendix B. The District shall comply with all limitations imposed under the Indenture, so long as such Indenture is in full force and effect.

2.4 Permitted Debt by Type

The District may legally issue both short-term and long-term debt, using the debt instruments described below. The Finance Manager, in consultation with the District's General Counsel, Bond Counsel, and Municipal Advisor shall determine the most appropriate instrument for funding purposes.

General Obligation Bonds – The District is empowered, under California law, to levy taxes on all taxable property within its boundaries for the purpose of paying its voter-approved general obligation bonds and, subject to certain limitations.

Certificates of Participation – Certificates of Participation (COP) provide debt financing through a lease, installment sale agreement or contract of indebtedness and typically do not require voter approval. Board action is sufficient to legally authorize a COP issue. The District shall pledge net revenues to the repayment of its COPs, under the terms and conditions specified in the Indenture.

JPA Revenue Bonds – As an alternative to COPs, the District may obtain financing through the issuance of Debt by a joint exercise of powers agency with such Debt payable from amounts paid by the District under a lease, installment sale agreement, or contract of indebtedness.

Commercial Paper – The District may issue short-term revenue certificates, including commercial paper and extendable commercial paper. Board action is sufficient to legally authorize a commercial paper issue. The District's commercial paper is secured by net revenues. Voter approval is not required to issue commercial paper.

Lines of credit - The District may enter into financing arrangements providing for a source of funds that can be readily accessed by the District for capital or operational needs. Board action is sufficient to legally authorize the establishment of a line of credit. Voter approval is not required to establish or access a lien of credit.

Variable Rate Debt – The District is authorized to issue variable rate debt including, but not limited to, public market indexed notes, indexed notes or loans placed directly with financial institutions and other alternative variable rate and market access products as well as traditional variable rate demand obligations backed by bank liquidity facilities. Prior to the issuance of variable rate debt, the savings and other possible advantages compared to a fixed rate borrowing will be evaluated and a comparative analysis presented to the Board of Directors as part of the approval process.

Refunding Revenue Bonds – The District is authorized to issue refunding revenue bonds to refund outstanding District indebtedness pursuant to the State of California local agency refunding revenue bond law (Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California).

Loans – The District is authorized to enter into loans, installment payment obligations, or other similar funding structures secured by a prudent source, or sources of repayment.

Assessment Bonds – The District is authorized to issue assessment bonds pursuant to the Improvement Bond Act of 1915, subject to requirements imposed by Proposition 218. Such bonds are typically repaid from assessments collected within an assessment district formed pursuant to the Municipal Improvement Act of 1913. Assessments are levies of charges on real property to pay for projects or services that specifically benefit that parcel of property.

Special Tax Bonds – Issued by community facilities districts (“CFDs”) formed by the District pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, will be used to finance capital costs and projects identified within the proceedings under which the applicable CFD was formed.

Other Obligations – There may be special circumstances when other forms of financing are appropriately utilized by the District. The District will evaluate such proposed transactions on a case-by-case basis. Such other forms include, but are not limited to, grant anticipation notes and judgment or settlement obligation bonds.

2.5 Limitations on Debt Issuance

Short-Term Debt – The District’s short-term debt shall not exceed 30 percent of its total debt at the time of issuance. The calculation of short-term debt shall include any variable rate obligations, the authorized amount of commercial paper, any notes/bonds with a maturity equal to or less than five years.

Variable Rate Debt – The Finance Manager will consult with the District’s Municipal Advisor to determine appropriate parameters for the issuance of variable rate debt and may rely on rating agency standard’s and other industry standards for establishing prudent financial goals and establishing the amount of variable rate debt to be issued.

Subordinate Lien Long-Term Debt - The District’s subordinate lien debt, for which net revenues are pledged, shall be limited to that amount for which current and projected revenues generate overall debt service coverage of at least 100 percent.

Senior Lien Long-Term Debt – The District’s senior lien long-term debt, for which net revenues are pledged, shall be limited to that amount for which current and projected revenues generate a senior lien debt service coverage of at least 125 percent. The calculation of debt service shall not include General Obligation Bonds, Assessment Bonds, or Special Tax Bonds to which revenue sources other than pledged revenues, as defined in the Indenture,

are pledged. It should be noted that the District will target to issue debt to attempt to meet the senior lien debt service coverage target of 225 percent in keeping with its prudent financial management practices and to maintain credit ratings aligned with rating agency methodologies.

2.6 Purpose for Borrowing

The District shall issue debt solely for the purpose of financing the cost of design, engineering acquisition, and/or construction of water and wastewater system improvements in furtherance of the District's Capital Improvement Program (CIP). Additionally, the District may, subject to Federal tax code limitations, include operational expenses in any debt issuance.

2.7 Ethical Standards Governing Conduct

Members of the District, the Board and its consultants, service providers, and underwriters shall adhere to standards of conduct as stipulated by the California Political Reform Act, as applicable. All debt financing participants shall maintain the highest standards of professional conduct at all times, in accordance with:

- MSRB Rules, including Rule G-37 and G-42 shall be followed at all times;
- Debt financing participants will assist the District staff in achieving its goals and objectives as defined in this Debt Management Policy; and
- All debt financing participants shall make cooperation with the District staff their highest priority.

2.8 Use of Derivatives

The use of derivative products can, among other things, increase District financial flexibility and provide opportunities for interest rate savings or enhanced investment yields. Careful monitoring of such products is required to preserve District credit strength and budget flexibility. Swaps will not be used to speculate on perceived movements in interest rates. Before the District enters into any derivative product associated with debt, the Board shall adopt an interest rate swap policy.

3.1 INTEGRATION OF CAPITAL PLANNING AND DEBT ACTIVITIES

3.2 Evaluating Capital Improvement Program Spending

The District shall develop and maintain a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and debt service on its financial condition. To that end, the Finance Manager shall oversee the ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

- Five years of historic and projected cash flows;
- Five years of historic and projected capital expenditures;
- Five years of historic and projected operating costs;
- Five years of historic and projected fund balances for any funds established by the District's then-adopted Reserve Fund
- Five years of historic and projected debt service coverage;
- The most efficient mix of funding sources (long-term debt; short-term debt, and cash);
- Projected revenue requirements; and
- Projected rates and charges.

4.1 PROCUREMENT AND EVALUATION OF PROFESSIONAL SERVICES

4.2 Appointment of Service Providers – The Finance Manager may solicit from time to time bids, quotes or proposals, including sole source proposals for the following services on an as needed basis:

- Municipal Advisor – Service provider that ensures the District complies with all financial management procedures and policies and ensures successful closing for bond transactions.
- Bond Counsel – Service provider that drafts appropriate documentation to ensure successful and timely closing and create valid and legally binding security for bond issues, and provide appropriate advice and taking appropriate actions to ensure legal validity of bond issues under state and federal laws as applicable.

5.1 TRANSACTION-SPECIFIC POLICIES

5.2 Method of Sale – The Finance Manager shall determine the most appropriate form of sale of its debt. In making a recommendation to the Board the Finance Manager may consult with the District's Municipal Advisor and Bond Counsel and may take into account, among other things, the type and tenor of the proposed debt; the District's credit ratings; the amount of funding necessary; the timing of the needed funds; local and national economic conditions; and general bond market conditions.

5.3 Competitive Bid Method - When necessary to minimize the costs and risks of any District borrowing, the Finance Manager may submit to the Board a request to sell bonds on a competitive basis. Such bids may take the form of hand-delivered or electronically transmitted offers to purchase the bonds. Any competitive sale of District debt will require approval of the Board. District debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost to the District provided the bid conforms to the official notice of sale.

5.4 Negotiated Bid Method – A negotiated bond issue will provide for the sale of debt by negotiating the terms and conditions of the sale, including price, interest rates, credit facilities, underwriter or remarketing fees, and commissions. Examples of such sales include:

- Variable rate demand obligations;
- An issue of debt so large that the number of potential bidders would be too limited to provide the District with truly competitive bids;
- An issue requiring the ability to react quickly to sudden changes in interest rates (e.g. refunding bonds);
- An issue requiring intensive marketing efforts to establish investor acceptance;
- An issue of debt with specialized distribution requirements; and
- An issue of debt sold during a period of extreme market disruption or volatility.

If bonds are sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees, and underwriting spreads and timing of sale. The District, with the assistance of its Municipal Advisor, shall evaluate the terms offered by the underwriting team. Guidelines with respect to price, interest rates, fees, and underwriting spreads shall be based on prevailing terms and conditions in the marketplace for comparable issuers, credit ratings, tenor and paramount.

If more than one underwriter is included in the negotiated sale of debt, the District shall establish appropriate levels of liability, participation and priority of orders. Such levels shall be based upon District policy with regards to the underwriting responsibility among the team members, the desired allocation of total fees, and the desired distribution of bonds. Guidelines for establishing liability, participation, and priority of orders shall be based on prevailing terms and conditions in the marketplace for comparable issuers.

The District shall, with the assistance of its Municipal Advisor, oversee the bond allocation process. The bond allocation process shall be managed by the lead underwriter, with the following requirements:

- The bonds are allocated fairly among members of the underwriting team, consistent with the previously negotiated terms and conditions;
- The allocation process complies with all MSRB regulations governing order priorities and allocations;
- The lead underwriter shall submit to the Finance Manager a complete and timely account of all orders, allocations, and underwriting activities with the investor names identified as appropriate.

The Finance Manager Services shall require a post-sale analysis and reporting for each negotiated bond sale. The Municipal Advisor or the lead underwriter may perform such analysis. A post-sale analysis will include, but not be limited to:

- Summary of the pricing, including copies of the actual pricing wires;
- Results of comparable bond sales in the market at the time of the District's pricing;
- Detailed information on orders and allocation of bonds, by underwriting firm;
- Detailed information on final designations earned by each underwriter; and
- Summary of total compensation received by each underwriter.

STRUCTURAL ELEMENTS

5.5 Pledge of Revenues – The District's pledge of revenues shall be determined for each debt issue depending upon the debt instrument:

- *General Obligation Bonds* of the District shall be repaid from voter-approved property taxes on property within the jurisdiction of the District.
- *Certificates of Participation* of the District shall be repaid from net revenues, as defined in the Indenture.
- *Revenue Bonds* of the District shall be repaid from net revenues, as defined in the Indenture.
- *Loans* of the District may be repaid from net revenues of the water and or wastewater systems, or other financially prudent sources of repayment.
- *Assessment Bonds* of the District shall be repaid levies or charges collected within an assessment district formed by the District pursuant to the Municipal Improvement Act of 1913.
- *Special Tax Bonds* of the District shall be payable from net special taxes collected in applicable taxing jurisdiction as a result of the levy of special taxes.

5.6 Maturity – The District may issue tax-exempt debt with an average life equal to, but no greater than 125% of, the average life of the assets being financed. The final maturity of the debt should be no longer than 40 years absent

compelling circumstances or facts. Factors to be considered when determining the final maturity of debt include: the average useful life of the assets being financed, relative level of interest rates, intergenerational equity and the year-to-year differential in interest rates.

5.7 Maturity Structure – The District's long-term debt may include serial and term bonds. Other maturity structures may also be considered if they are consistent with prudent financial management practices.

5.8 Coupon Structure – Debt may include par, discount and premium. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures taking into consideration market conditions and opportunities. For variable rate debt, the variable rate may be based on one of a number of commonly used interest rate indices and the index will be determined at the time of pricing.

5.9 Debt Service Structure – Debt service may be structured primarily on an approximate level (combined annual principal and interest) basis. Certain individual bond issues, such as refunding bonds, may have debt service that is not level. However, on an aggregate basis, debt service should be structured primarily on a level basis.

5.10 Redemption Features – In order to preserve flexibility and refinancing opportunities, District debt will generally be issued with call provisions. The District may consider calls that are shorter than traditional and/or non-call debt when warranted by market conditions and opportunities. For each transaction, the District will evaluate the efficiency of call provision alternatives.

5.11 Credit Enhancement – The District shall competitively procure credit enhancement for an original sale of bonds if the Finance Manager, in consultation with the Municipal Advisor and the senior underwriter, determines that it is cost effective to do so. The Finance Manager may in consultation with the Municipal Advisor and the senior underwriter determine that due to certain circumstances a sole source procurement process may be more advantageous than a competitive process.

5.12 Senior/Subordinate Lien – The District may utilize both a senior and a subordinate lien structure. The choice of lien will be determined based on such factors as overall cost of debt, impact on debt service, impact on rates, and marketing considerations.

5.13 Debt Service Reserve Funds – The District shall provide for debt service reserve funds to secure District debt when necessary.

6.1 COMMUNICATION AND DISCLOSURE

6.2 Rating Agencies

The District shall maintain its strong ratings through prudent fiscal management and consistent communications with the rating analysts. The Finance Manager shall manage relationships with the rating analysts assigned to the District's credit, using both informal and formal methods to disseminate information. Communication with the rating agencies may include one or more of the following:

- Full disclosure on an annual basis of the financial condition of the District;

- A formal presentation, at least annually or as becomes necessary to the rating agencies, covering economic, financial, operational, and other issues that impact the District's credit;
- Timely disclosure of major financial events that impact the District's credit;
- Timely dissemination of the Comprehensive Annual Financial Report, following its acceptance by the District's Board;
- Full and timely distribution of any documents pertaining to the sale of bonds; and
- Periodic tours of the water system operations, as appropriate.

6.3 Bond Insurers

The Finance Manager shall manage relationships with the bond insurers, to the extent any Debt is so insured, by providing appropriate information. Communication with other bond insurers shall be undertaken when the Finance Manager, with the assistance of the District's Municipal Advisor, determines that credit enhancement is cost effective for a proposed bond issue.

Disclosure Reports – The District shall comply with its disclosure undertakings and make disclosure reports readily available to market participants through the Electronic Municipal Market Access website.

Web Site – The District may use its website as a tool for providing timely information to investors.

7.1 REFUNDING POLICIES

The District shall strive to refinance debt to maximize savings and minimize the cost of funds as market opportunities arise. A net present value analysis will be prepared that identifies the economic effects of any refunding to be proposed to the Board. The District shall target a 3% net present value savings for current and 5% for advance refunding transactions. Upon the advice of the Finance Manager, with the assistance of the Municipal Advisor and Counsel, the District will consider undertaking refundings for other than economic purposes, such as to restructure debt, change the type of debt instruments being used, or to retire a bond issue and indenture in order to remove undesirable covenants.

7.2 Savings Thresholds – Minimum savings thresholds have been established to help guide the economic analysis of refunding bonds. The minimum savings guidelines are applicable on a maturity-by-maturity basis and are expressed as a percentage of refunded bond par calculated by dividing the expected net present value savings generated by the proposed refunding by the par amount of refunded bonds. At the recommendation of the Finance Manager, with the assistance of the Municipal Advisor, the District may complete a refunding for net present values savings equal to the target specified above on an aggregate bond issue basis rather than a maturity by maturity basis. Generally, the District shall only refund bonds to generate debt service savings of the specified minimum savings set forth in the previous paragraph can be achieved.

7.3 Coupon on Refunded Bond – The Finance Manager may take into consideration whether the coupon on the refunded bond is significantly higher or lower than the most common outstanding bond coupons of approximately five percent.

- 7.4 General Interest Rate Environment** – The Finance Manager may take into consideration whether the available refunding bond interest rates are generally high or generally low relative to long-term averages of historical rates.
- 7.5 General Interest Rate Outlook** – The Finance Manager may take into consideration the general outlook for future interest rates, as derived from economic forecasts, market forecasts, implied forward rates, or other sources.
- 7.6 Debt Management Considerations** – The Finance Manager may take into consideration debt management issues such as cost and staff efficiencies associated with combining multiple refunding bond issues or combining refunding and new money bond issues.
- 7.7 Call Date** – The Finance Manager may take into consideration the amount of time between the pricing/closing date of the refunding Debt and the call date of the Debt to be refunded.
- 7.8 Final Maturity Date** – The Finance Manager may take into consideration the amount of time remaining until the final maturity of the Debt to be refunded.

8.1 REINVESTMENT OF PROCEEDS

- 8.2 General** – The District shall comply with all applicable Federal, State, and contractual restrictions regarding the use and investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of some invested funds, as well as restrictions on the time period during over which some bond proceeds may be invested. To the extent that a bond issue is credit enhanced, the District shall adhere to the investment guidelines of the credit enhancement provider.
- 8.3 Requirements of Indenture** – The District will comply with all terms and conditions of the appropriate legal documents related to the Debt. Such limitations shall include, but not be limited to Investments in the Indenture.

9.10 CREATION AND MAINTENANCE OF FUNDS

The District maintains a number of different funds integral to the long-range financial planning process. Each of these funds is held for a specific purpose and can generally be categorized as either an operating, capital or debt reserve fund. The District will comply with all requirements and limitations created under its Reserve Policy.

10.1 COMPLIANCE

10.2 Arbitrage Liability Management

The District shall minimize the cost of arbitrage rebate and yield restrictions while strictly complying with tax law. Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the District shall solicit the advice of bond counsel and other qualified experts about arbitrage rebate calculations. The District shall contract with a qualified third-party for preparation of the arbitrage rebate calculation.

The District shall maintain an internal system for tracking expenditure of bond proceeds and investment earnings. The expenditure of bond proceeds shall be tracked in the financial accounting system by issue. Investment may be pooled for financial accounting purposes and for investment purposes. When investment of bond proceeds are co-mingled with other investments, the District shall adhere to IRS rules on accounting allocations.

10.3 Post-Issuance Tax Compliance

The District has adopted Written Procedures to Ensure Compliance with Requirements for Tax-Exempt Bonds. The District shall comply with such procedures to maintain the tax-exempt status of District debt obligations or to maintain eligibility for direct pay subsidy payments, as applicable.

10.4 Continuing Disclosure

The District shall comply with the requirements of each Continuing Disclosure Certificate entered into at the time of a sale of bonds. Annual information provided by the District shall mirror the information in any District offering statement at the time of a primary offering. Annual financial information will be sent by the District or its designated consultant, within the time required under the Continuing Disclosure Certificate to the EMMA System. This shall include:

- Comprehensive Annual Financial Report of the District; and
- Updated tables from the Official Statement, as detailed in the Continuing Disclosure Certificate.

In addition to annual disclosure, the District shall provide ongoing information about certain enumerated events, as defined by regulation, to the EMMA System.

The District may engage a firm to assist it in ensuring timely completion and filing of annual reports and in identifying, and making timely filings with respect to, the occurrence of reportable enumerated events.

In addition, the District's Continuing Disclosure Agreements entered into after February 27, 2019 call for the District to notify investors of the incurrence of any "financial obligation," if material, and the District will be obligated to disclose defaults on, acceleration of and certain other information with respect to any "financial obligation" regardless of when the financial obligation was incurred.

Rule 15c2-12 provides a general definition of a "financial obligation." While the impetus for the obligation to disclose information about financial obligations was a perception by the SEC and others that municipal issuers were increasingly entering into bank or other private placement debt, Rule 15c2-12 defines "financial obligation" more broadly to include "a debt obligation, derivative instrument or a guarantee of either a debt obligation or a derivative instrument."

To date, the SEC has provided limited guidance on the specific application of the definition of "financial obligation." The SEC has suggested that a key concept is that a "financial obligation" involves the borrowing of money. In public comments, representatives of the SEC have declined to provide a definition of a "guarantee," but they did indicate that the SEC will not look to state law definitions of a "guarantee" or "debt."

As described in detail below, the District will need to monitor agreements or other obligations entered into by the District, and any modifications to such agreements or other obligations, to determine whether they constitute “financial obligations” under Rule 15c2-12 and, if material, need to be disclosed on to investors.

In addition, if the District entity receives a notice of default or an event of default or of an acceleration, termination event, modifications of or other similar event on any agreement or other obligation, the District will need to determine whether such obligation constitutes a “financial obligation” (regardless of when originally incurred) and whether such default or other event reflects financial difficulty (i.e., reduction in overall liquidity, creditworthiness or debt owner’s rights).

Types of agreement or other obligations which are likely to be “financial obligations” under Rule 15c2-12 include:

- a. Bank loans or other obligations which are privately placed;
- b. Letters of credit, including letters of credit which are provided to third parties to secure the District’s obligation to pay or perform;
- c. Capital leases for property, facilities or equipment; and
- d. Agreements which guarantee the payment or performance obligations of a third party (regardless of whether the agreements constitute guarantees under California law).

Types of agreements which could be a “financial obligation” under Rule 15c2-12 include:

- a. Payment agreements which obligate the District to pay a share of another public agency’s debt service (for example, an agreement with a joint powers agency whereby the District, agrees to pay a share of the joint powers agency’s bonds, notes or other obligations);
- b. Service contracts with a public agency or a private party pursuant to which the District is obligated to pay a share of such public agency’s or private party’s debt service obligation (for example, certain types of public-private partnership arrangements);
- c. Agreements pursuant to which the District is obligated to pay amounts expressly tied to another party’s debt service obligations, regardless of whether service is provided or not;
- d. Agreements which include a rate component that expressly passes through debt service or capital obligation of the other party; and
- e. Agreements the payments under which are not characterized as an operation and maintenance expenses for accounting purposes if such agreements could be characterized as the borrowing of money.

The District General Counsel and/or Finance Manager will notify the District’s bond counsel and/or disclosure counsel of the receipt by the District of any default, event of acceleration, termination event, modification of terms (only if material or reflecting financial difficulties), or other similar events (collectively, Potentially Reportable Events) under any agreement or obligation to which the District is a party and which may be a “financial obligation” as discussed above. Such notice should be provided by the General Counsel or the Finance Manager as soon as the General Counsel or Finance Manager receives notice from District staff, consultants or external parties of such event or receives direct written notice of such event so that the City can determine, with the assistance of bond counsel and/or disclosure counsel, whether notice of such Potentially Reportable Event is required to be filed on EMMA pursuant

to Rule 15c2-12. If filing on EMMA is required, the filing is due within 10 business days of such Potentially Reportable Event to comply with the applicable Continuing Disclosure Agreement.

The Finance Manager will catalog the execution by the District of any agreement or other obligation which might constitute a “financial obligation” for purposes of Rule 15c2-12 and which is entered into after February 27, 2019. Amendments to existing agreements or financial obligations which relate to covenants, events of default, remedies, priority rights, or other similar terms should be reported to the District’s bond counsel and/or disclosure counsel as soon as notice of amendment requests is received by District staff, consultants, or external parties of such event. Such notice is necessary so that the District can determine, with the assistance of bond counsel and/or disclosure counsel, whether such agreement or other obligation constitutes a material “financial obligation” for purposes of Rule 15c2-12. If such agreement or other obligation is determined to be a material “financial obligation” or a material amendment to a “financial obligation” described above, notice thereof would be required to be filed on EMMA within 10 business days of execution or incurrence.

10.5 Legal Covenants

The District shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

11.1 DEBT DATABASE MANAGEMENT

The District shall maintain complete information on its outstanding debt portfolio, in a spreadsheet or database program format. The information in the database shall include, but not be limited to, the following:

- Issue Name
- Initial Issue Par Amount
- Dated Date of the Issue
- Principal Maturity Amounts
- Coupon Rate by Maturity
- Amount Outstanding
- Call Provisions
- Purpose of the Issue
- Credit Enhancer, if any
- Competitive or Negotiated Sale
- Names of Underwriting Team Members

The District shall use the debt database for the following purposes:

- Generate reports
- Gross annual debt service
- Net annual debt service
- Refunding Analyses
- Output to Fund Accounting System

FINANCIAL RESERVES

Dept/Div:	Finance	Approved By:	Resolution No. 2023-14
Effective Date:	July 1, 2023	Applicability:	District Wide
Supersedes:	Resolution No. 2022-15	See Also:	N/A

1.0 General Policy

Maintaining adequate reserves is an essential part of sound financial management. The Yorba Linda Water District Board of Directors realizes the importance of reserves in providing reliable service to its customers, well-maintained infrastructure for current and future customers, financing capital projects as well as capital repair and replacement, and the ability to respond to changing circumstances. Interest derived from reserve balances shall be credited to the reserve account from which it was earned.

2.0 Categories

Yorba Linda Water District (YLWD or District) shall accumulate, maintain and segregate its reserve funds into the following categories:

- Board Designated Unrestricted Reserves; and
- Board Designated Restricted Reserves.

3.0 Scope

This policy will assist the Board of Directors in establishing:

- Minimum and Maximum Funding Levels, with target goals as a percentage of maximum funding level for each reserve fund, unless otherwise noted;
- Requirements for the use of reserve funds; and
- Periodic review requirements for each reserve.

4.0 Periodic Review

Staff and the YLWD Board shall review the reserve balances and targets annually as a part of the annual budget process. The Finance Staff will continue to review all reserve and investment balances monthly, with a quarterly report going to the full Board. Any changes must be approved by resolution of the District Board of Directors. Changes can include, but are not limited to, establishment of additional reserve funds, changes in reserve target levels, and changes in types of reserve categories.

5.0 Designated Unrestricted and Restricted Reserves**5.1 Board Designated Unrestricted Reserves**

These are reserve funds earmarked for the purpose of funding such items as new capital facilities, repair or replacement of existing facilities, and general operating reserves

designated for a specific purpose and use by the Board of Directors. All reserves in this category will be funded at least to the recommended minimum level. As a means for the

District to retain its AA+ ratings, the targeted total reserve balance is 365 days in cash at the end of the fiscal year.

5.1.1 Operating Reserve.

5.1.1.1 Definition and Purpose – Established to cover temporary cash flow deficiencies that occur as a result of timing differences between the receipt of operating revenue and expenditure requirements and unexpected expenditures occurring as a result of doing business.

5.1.1.2 Funding Level – The District's current funding levels will be a minimum of 25% and a maximum of 50% of the annual operating budget, including interest expense, for both the water and sewer funds. In the event this fund falls below its minimum funding level, the Board will act to restore the balance above the minimum funding level within twelve (12) months from the date that the fund fell below the minimum level.

Levels	Water	Sewer
Minimum	25%	25%
Maximum	50%	50%

Levels	Water	Sewer
Minimum	\$10,020,705	\$928,497
Maximum	\$20,041,411	\$1,856,995

5.1.1.3 Events or Conditions Prompting the Use of the Operating Reserve – This reserve may be utilized as needed to pay outstanding operating expenditures prior to the receipt of anticipated operating revenues.

5.1.2 Emergency Reserve

5.1.2.1 Definition and Purpose – Established to provide protection recovery to the District and its customers for losses arising from an unplanned event or circumstance (i.e. fires, earthquakes or financial emergencies). The reserve level combined with YLWD's existing insurance policies should adequately protect YLWD and its customers in the event of a loss.

5.1.2.2 Funding Level – Established at a minimum level equal to 5% and a maximum level equal to 10% of the net capital assets for both the District's water and sewer funds. In the event this fund falls below its minimum funding level, the Board will act to restore the balance above the minimum funding level within twelve (12) months from the date that the fund fell below the minimum level.

Levels	Water	Sewer
Minimum	5%	5%
Maximum	10%	10%

Levels	Water	Sewer
Minimum	\$5,378,680	\$1,883,232
Maximum	\$10,757,359	\$3,766,463

- 5.1.2.3** Events or Conditions Prompting the Use of the Emergency Reserve – This reserve shall be utilized to cover unexpected losses experienced by the District as a result of a disaster or other unexpected loss. Any reimbursement received by the District from insurance companies as a result of a submitted claim shall be deposited back into the reserve as replenishment for the loss.

5.1.3 Capital Replacement Reserve

- 5.1.3.1** Definition and Purpose – Established to provide funding for general use on capital projects as well as capital repair and replacement funding as the District's infrastructure deteriorates over its expected useful life. In addition, funding is to provide for non-scheduled capital asset repair and replacement and other capital related expenses.

- 5.1.3.2** Funding Level – The minimum target level for each reserve fund is the current Fiscal Year capital budget and the maximum is the current year plus 100% of the subsequent Fiscal Year capital budget. The target levels in these reserve funds will fluctuate depending on the capital improvement plan and timing of the projects. Therefore, no target level will be established. In the event these fund falls below the minimum funding level, the Board will act to restore the balance above the minimum funding level within twelve (12) months from the date that the fund fell below the minimum level.

Levels	Water	Sewer
Minimum	\$12,944,595	\$1,461,405

- 5.1.3.3** Events or Conditions Prompting the Use of the Capital Replacement Reserve – Through the annual budget process, staff shall recommend anticipated asset replacement and capital improvement projects. The Board of Directors shall take action to approve recommended project appropriations from the capital replacement reserve. Should unplanned replacement be necessary during any fiscal year, the Board of Directors may take action to amend the budget and appropriate needed funds as required.

5.1.4 Rate Stabilization Reserve

- 5.1.4.1** Definition and Purpose – Established to assist in smoothing out water rate increases. This reserve is governed by the District's bond covenants and funds deposited into this reserve are treated as operating revenues in the fiscal year designated by the District and will be treated as such in fiscal years of such designation for the purposes of computing the District's debt service coverage ratio.

- 5.1.4.2** Funding Level – Established at a minimum level of 5% and maximum level of 20% of budgeted water sales for the current fiscal year. The Board of Directors have the option of funding the Rate Stabilization Reserve at a lower level.

Levels	Water
Minimum	5%
Maximum	20%

Levels	Water
Minimum	\$2,369,801
Maximum	\$9,479,204

- 5.1.4.3** Events or Conditions Prompting the Use of the Rate Stabilization Reserve – The reserve can be used during any year where other revenues are not sufficient to meet the required debt service coverage ratio or when the maximum level in the reserve is reached.

5.1.5 Metropolitan Water District (“MWD”) Contingency Reserve

- 5.1.5.1** Definition and Purpose – Imported water purchased from MWD is approximately double the cost of groundwater at current rates, and MWD rates may fluctuate more in the future. While imported water is always a part of the YLWD portfolio, YLWD budgets using groundwater for approximately 75% or more of its supply and budgets using imported water from MWD for approximately 25% or less of its supply. However, in extreme circumstances, YLWD may be, and has been, forced to rely 100% on MWD imported water at significant and unbudgeted additional expense. The MWD Contingency Reserve is established as a means to offset the additional cost of providing water to its customers in the event the District is forced to rely on increased purchases of MWD imported water due to an interruption in the groundwater supply. While identified for this purpose, this reserve fund shall be unrestricted.

- 5.1.5.2** Funding Level – The MWD Contingency Reserve shall be funded in an amount equal to the cost of purchasing MWD imported water to meet 100% of the demand required to serve YLWD customers for one full year. This reserve fund shall be initially funded and accumulated over a period of ten (10) years from adoption and shall be supplemented each year thereafter to adjust for annual increases in MWD rates. The projected amount (2024 dollars) of funding to establish this reserve fund over 10 years is approximately \$20,000,000. It is anticipated that the annual transfers to this reserve fund will adjust each fiscal year to account for inflation and any increases in the MWD rates during this funding period.

Levels	Water
Target	\$2,000,000

- 5.1.5.3** Events or Conditions Prompting the Use of the MWD Contingency Reserve – While unrestricted, the reserve may be used during any fiscal year where the District is forced to purchase imported water due to an interruption in

the ground water supply or related circumstance necessitating increased purchases of MWD imported water.

5.2 Board Designated Restricted Reserves

These are funds held to either satisfy limitations set by external requirements established by creditors, grant agencies or law, or to only be used for a specific purpose. Examples include stipulated bond covenants and reserves held with a fiscal agent.

5.2.1 Conservation Reserve

5.2.1.1 Definition and Purpose – Established to provide funding for District-wide conservation efforts.

5.2.1.2 Funding Level – Funding shall be established as the net result of administrative penalties assessed less allowed expenditures of each fiscal year.

Levels	Water
Minimum	\$0
Maximum	\$108,936

5.2.1.3 Events or Conditions Prompting the Use of the Conservation Reserve – This reserve may be used to fund district-wide conservation efforts in relation to, but not limited to, salary and related, maintenance, and material expenses for leak detection, conservation efforts, and other allowable expenses outside the normal cost of service for each fiscal year.

5.2.2 Employee Liability Reserve

5.2.2.1 Definition and Purpose – The purpose is to cover employees' accrued vacation and other compensatory time and to ensure the complete funding associated with the liability incurred for employees whom have met the requirements necessary for district paid health benefits at retirement.

5.2.2.2 Funding Level – Funding for FY24 shall be established at a minimum target level of \$316,919.

Levels	Water	Sewer
Target	\$269,664	\$47,255

5.2.2.3 Events or Conditions Prompting the Use of the Employee Liabilities Reserve – This reserve may be used in the event that operating funds are not adequate to meet vacation, compensatory and sick time paid out or retiree medical cost obligations within the current year.



Yorba Linda Water District

Policies and Procedures

Policy No.: 3010-004
Adoption Method: Resolution No. 18-12
Effective Date: July 1, 2018
Last Revised: July 1, 2017
Prepared By: Delia Lugo, Finance Manager
Applicability: District Wide

POLICY: PUBLIC FUNDS INVESTMENT

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1.0 POLICY

- 1.1** It is the policy of the Yorba Linda Water District ("District") to invest public funds in a manner which ensures the safety and preservation of capital while meeting reasonably anticipated operating expenditure needs, achieving a reasonable rate of return and conforming to all state and local statutes governing the investment of public funds.
- 1.2** The purpose of this policy is to provide guidelines for the prudent investment of funds of the District and to outline the policies for maximizing the efficiency of the District's cash management. The District's goal is to enhance the economic status of the District consistent with the prudent protection of the District's investments. This investment policy has been prepared in conformance with all pertinent existing laws of the State of California.

2.0 SCOPE

- 2.1** This Investment Policy applies to all funds and investment activities of the District, except for the proceeds from capital project financing instruments, which are invested in accordance with provisions of their specific documents. These funds are accounted for as Enterprise Funds and are identified in the District's Comprehensive Annual Financial Report.

3.0 DELEGATION OF AUTHORITY

- 3.1** The authority of the Board of Directors to invest funds is derived from Section 53601 of the California Government Code ("CGC"). Section 53607 of the CGC grants the Board of Directors the authority to delegate that authority, for a one-year period, to the District's Treasurer. Therefore, management responsibility for the investment program is hereby delegated to the District's Treasurer, who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures in the absence of the Treasurer. The Treasurer shall establish procedures for the management of investment activities, including the activities of staff consistent with this Policy.
- 3.2** The Treasurer may retain the services of an outside investment advisor or manager as approved by the Board to assist with the District's investment program. Any investment advisor selected shall make all investment decisions and transactions in strict accordance with State law, and this Policy.

4.0 INVESTMENT OBJECTIVES

- 4.1** The primary objectives, in priority order, of the District's investment activities shall be:
 - 4.1.1 Safety:** Safety and preservation of principal is the foremost objective of the investment program. Investments shall be selected in a manner that seeks to ensure the preservation of capital in the District's overall portfolio. This will be accomplished through a program of diversification and maturity limitations, more fully described in Section 13, in order that potential losses on individual

securities do not exceed the income generated from the remainder of the portfolio.

4.1.2 Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated. Securities should mature concurrent with cash needs to meet anticipated demands.

4.1.3 Return on Investments: The District's investment portfolio shall be designed with the objective of attaining the best yield or returns on investments, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives.

5.0 PRUDENCE

5.1 The standard of prudence to be used by the designated representative shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. The meaning of the standard of prudent investor is explained in CGC Section 53600.3, which states that "when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

5.2 The Treasurer and delegated investment officers, acting in accordance with District procedures and the Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

5.3 Investments shall be made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

6.0 ETHICS AND CONFLICTS OF INTEREST

6.1 Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the District's General Manager any material financial interests in financial institutions that conduct business with the District's boundaries, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District.

7.0 AUTHORIZED BROKER/DEALERS

7.1 The Treasurer will maintain a list of authorized broker/dealers and financial institutions that are approved for investment purposes. Broker/dealers will be selected for credit worthiness and must be authorized to provide investment services in the State of California. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15(C)3-1 (uniform net capital rule). No public deposit will be made by the broker/dealer except in a qualified public depository as established by the established state laws. Before a financial institution or broker/dealer is used, they are subject to investigation and approval by the Treasurer or his/her designated representative, and must submit the following:

7.1.1 Certification of having read and understood this investment policy resolution and agreeing to comply with the District’s investment policy;

7.1.2 Proof of Federal Investment Regulatory Authority certification;

7.1.3 Proof of State of California registration;

7.1.4 Audited financial statements for the institution’s three (3) most recent fiscal years;

7.1.5 References of other public-sector clients that similar services are provided to.

7.2 If a third party investment advisor is authorized to conduct investment transactions on the District’s behalf, the investment advisor may use their own list of approved independent broker/dealers and financial institutions. The investment advisor’s approved list must be made available to the District upon request.

8.0 AUTHORIZED INVESTMENTS

8.1 The District is provided a broad spectrum of eligible investments under the CGC Sections 53601 et seq. Authorized investments shall also include, in accordance with CGC section 16429.1 et seq., investments into the Local Agency Investment Fund (LAIF) and the Orange County Treasurer’s Commingled Investment Pool in accordance with CGC section 53684. Within the investments permitted by the CGC, the District seeks to further restrict eligible investment to the investments listed in Section 8.3 below. Percentage holding limits listed in this section apply at the time the security is purchased. Ratings, where shown, specify the minimum credit rating category required at purchased without regard to +/- or 1,2,3 modifiers, if any.

8.2 The purchase of any investment permitted by the CGC, but not listed as an authorized investment in this Policy is prohibited without the prior approval of the Board of Directors.

8.3 Within the context of these limitations, the following investments are authorized:

TABLE 1

Permitted Investments*/ Deposits	CA Government Code % of Portfolio Limits / Maturity Limits	YLWD % of Portfolio Limits / Maturity Limits
Bank Deposits [#]	No % limit, 5 years	No % limit, 5 years
CD Placement Service [#]	30% limit, 5 years	30% limit, 5 years
Local Agency Investment Fund (LAIF) [^]	No % or maturity limit	No % or maturity limit
County Pooled Investment Funds [^]	No % or maturity limit	No % or maturity limit
Joint Powers Authority Funds (CalTRUST & CAMP) [^]	No % or maturity limit	No % or maturity limit
U.S. Treasury Obligations	No % limit, 5 years	No % limit, 5 years
U.S. Agency Obligations	No % limit, 5 years	No % limit, 5 years
Negotiable Certificates of Deposit [#]	30% portfolio, 5 years	30% portfolio, 5 years
Money Market Funds*	20%, 10% per issuer, no limit	20%, 10% per issuer, no limit
Medium-Term (or Corporate) Notes*	30% portfolio, 5 years	30% portfolio, 5 years
Bankers Acceptances*	40%, 30% per issuer, 180 days	10% max, 5% per issuer, 180 days
Commercial Paper*	25%, 10% per issuer, 270 days	25% max, 5% per issuer, 270 days

* See Appendix A for more detailed descriptions and additional restrictions.

[^] See Section 10.0 for additional restrictions.

[#] See Section 11.0 for additional restrictions.

9.0 REVIEW OF INVESTMENT PORTFOLIO

- 9.1** The securities held by the District must be in compliance with Section 8 Authorized Investments at the time of purchase. The Treasurer shall at least quarterly review the portfolio to verify that all securities are in compliance with Section 8 Authorized Investments. In the event a security held by the District is subject to a credit rating change that brings it below the minimum credit ratings specified in Appendix A Authorized Investments, the Treasurer should notify the Board of Directors of the change. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security.

10.0 INVESTMENT POOLS

- 10.1** A thorough investigation of any investment pool or mutual fund is required prior to investing, and on a continual basis. The investigation will, at a minimum, obtain the following information:

- 10.1.1** A description of eligible investment securities, and a written statement of investment policy and objectives;
- 10.1.2** A description of interest calculations and how it is distributed, and how gains and losses are treated;
- 10.1.3** A description of how the securities are safeguarded (included the settlement processes), and how often the securities are priced and the program audited;
- 10.1.4** A description of who may invest in the program, how often and what size deposit and withdrawal are allowed;
- 10.1.5** A schedule for receiving statements and portfolio listings;
- 10.1.6** Are reserves, retained earnings, etc. utilized by the pool/fund;
- 10.1.7** A fee schedule and when and how it is assessed;
- 10.1.8** Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds;

11.0 COLLATERALIZATION

- 11.1 Bank Deposits:** Under provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging eligible securities with a value of 110% of principal and accrued interest. State law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits.
- 11.2 Waiver of Security:** The Treasurer, at his/her discretion and in accordance with CGC section 53653, may waive security for the portion of any deposits as is insured pursuant to federal law.

12.0 SAFEKEEPING AND CUSTODY

- 12.1** All security transactions entered into by the District shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts. The only exception to the foregoing shall be depository accounts and securities purchases made with (i) local government investment pools, and (ii) money market mutual funds, since those purchased securities are not deliverable.

13.0 DIVERSIFICATION AND MAXIMUM MATURITIES

- 13.1** The District will diversify its investments by security type and institution. With the exception of U.S. Treasuries, U.S. Agency Securities, FDIC Insured Certificates of Deposit and authorized pools, no more than 30% of the District's total investment portfolio will be invested in a single security type or with a single financial institution.
- 13.2** To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow and approved in advance by the Board of Directors, the District will not directly invest in securities maturing more than 5 years from the date of purchase.

14.0 INTERNAL CONTROLS

- 14.1** The external auditors will annually review the investments and general activities associated with the investment program. This review will provide internal control by assuring compliance with the Investment Policy and District policies and procedures.

15.0 PERFORMANCE STANDARDS

- 15.1** The investment portfolio will be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.
- 15.2** The performance of the District's investment portfolio will be evaluated and compared to an appropriate benchmark in order to assess the success of the investment portfolio relative to the District's Safety, Liquidity and Return on Investments objectives. This review will be conducted annually by the District Treasurer.

16.0 REPORTING

- 16.1** Subject to CGC sections 53607 and 53646(b), the Treasurer will provide monthly and quarterly investment reports to the Board of Directors which provide a clear picture of the status of the current investment portfolio. The reports shall comply with the reporting requirements of CGC sections 53607 and 53646(b), respectively.

17.0 INVESTMENT POLICY ADOPTION

- 17.1** The District's Investment Policy will be adopted by resolution of the Board of Directors. The policy will be reviewed on an annual basis and modification, if any, must be approved by the Board of Directors.

APPENDIX A

DESCRIPTION OF AUTHORIZED INVESTMENTS AND RESTRICTIONS

The following descriptions of authorized investments, maximum maturities and limits are included here to assist in the administration of this policy.

1) BANK DEPOSITS

The District may make bank deposits in accordance with California Government Code section 53630 *et seq.*, which requires collateral. Per California Government Code Section, there are three classes of deposits: (a) inactive deposits, (b) active deposits and (c) interest-bearing active deposits. The collateral requirements apply to both active deposits (checking and savings accounts) and inactive deposits (non-negotiable time certificates of deposit). The maximum maturity shall be five years. No limit will be placed on the percentage total invested in this category.

2) CD PLACEMENT SERVICE – Government Code Sections 53601.8 and 53653.8

The District may invest in collateralized certificates of deposits in accordance with the requirements in California Government Code Sections 53601.8 and 53635.8. Purchases of certificates of deposit pursuant to Government Code Sections 53601.8, 53653.8, and 53601 shall not, in total, exceed 30 percent of District's investment portfolio. The maximum maturity is limited to five years.

3) THE STATE LOCAL AGENCY INVESTMENT FUND (LAIF) – Government Code Section 16429.1

The LAIF is a special fund in the California State Treasury and an investment alternative for California's local governments and special districts created and governed pursuant to CGC Section 16429.1 *et seq.* and managed by the State Treasurer's Office. The District, with the consent of the Board of Directors, is authorized to remit money not required for the District's immediate need, to the State Treasurer for deposit in this fund for the purpose of investment. Principal may be withdrawn on one day's notice. The fees charged by LAIF are limited by statute. Investment of District funds in LAIF shall be subject to investigation and due diligence prior to investing, and on a continual basis to a level of review described in Section 10 Investment Pools. No limit will be placed on the percentage total in this category.

4) ORANGE COUNTY TREASURER'S COMMINGLED INVESTMENT POOL (OCCIP) – Government Code Section 53684

The OCCIP is a money market investment pool managed by the Orange County Treasurer's Office. OCCIP is more fully described in the glossary at Appendix B. The District has no funds invested in OCCIP at this time. Investment of District funds in OCCIP would be subject to investigation and due diligence prior to investing, and on a continual basis to a level of review described in Section 10 Investment Pools. There is no maturity limit. No limit will be placed on the percentage total in this category.

5) THE INVESTMENT TRUST OF CALIFORNIA (CALTRUST) – Government Code Section 53601(p)

The Investment Trust of California (CalTRUST) is a local government investment pool organized as a joint powers authority pursuant to California Government

Code Section 6509.7. Wells Capital Management, a wholly-owned subsidiary of Wells Fargo, is the portfolio manager for each of the CalTRUST funds. Investment of District funds in CalTRUST shall be subject to investigation and due diligence prior to investing, and on a continual basis to a level of review described in Section 10 Investment Pools. No limit will be placed on the percentage total in this category.

6) CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP) – Government Code Section 53601(p)

The Trust is currently governed by a Board of five Trustees, all of whom are officials or employees of Public Agencies. The Trustees are responsible for setting overall policies and procedures for the Trust. The Program's Investment Adviser and Administrator is Public Financial Management, Inc. The amounts deposited in this category shall be limited to bond proceeds and are to be invested for the purpose of arbitrage management only. The District has no funds invested in CAMP at this time. Investment of District funds in OCCIP would be subject to investigation and due diligence prior to investing, and on a continual basis to a level of review described in Section 10 Investment Pools. Proceeds may be invested in the Treasury Portfolio and/or the Money Market Portfolio. There is no maturity limit. No limit will be placed on the percentage total in this category.

7) U.S. TREASURY OBLIGATIONS – Government Code Section 53601(b)

United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. The maximum maturity shall be limited to five years. No limit will be placed on the percentage total invested in this category.

8) U.S. AGENCY OBLIGATIONS – Government Code Section 53601(f)

Federal agency or United States government-sponsored enterprise senior debt obligations, participations, mortgaged-backed securities or other instruments, including those issued by or fully guaranteed as to principal and interest by Federal agencies or United States government-sponsored enterprises. Examples of these securities include Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Bank. The maximum maturity shall be limited to five years with no limit placed on the percentage total in this investment category.

9) NEGOTIABLE CERTIFICATES OF DEPOSIT – Government Code Section 53601(i)

Investments are limited to deposits issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank.

Individual investments shall be limited to Federal Deposit Insurance Corporation-insured limits of \$250,000. Purchases of certificates of deposit pursuant to Government Code Sections 53601.8, 53653.8, and 53601 shall not, in total, exceed 30 percent of District's investment portfolio. The maximum maturity is limited to five years.

10) MONEY MARKET FUNDS – Government Code Section 53601(l)(2)

Shares of a beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission.

The company shall have met either of the following criteria: (A) attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized rating services and (B) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). There is no maturity limit. A maximum of 20 percent of the portfolio may be invested in this category, and a maximum of 10 percent of the portfolio may be invested in any single issuer.

If the District has funds invested in a money market fund, a copy of the fund's information statement shall be maintained on file. In addition, the Treasurer should review the fund's summary holdings on a quarterly basis.

11) MEDIUM-TERM (OR CORPORATE) NOTES – Government Code Section 53601(k)

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less. The corporation must be domestic, the notes must be domestic and the notes must be issued in the United States. The corporation must be rated A or its equivalent or better by a nationally recognized rating service. The maximum maturity is limited to five years and the maximum percentage allowable for investment is 30 percent of the investment portfolio in the aggregate.

12) BANKERS' ACCEPTANCES – Government Code Section 53601 (g)

Bankers' acceptances, otherwise known as bills of exchange or time drafts, are drawn on and accepted by a commercial bank. Purchases are limited to bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System. Eligible bankers' acceptances are restricted to issuing financial institutions with a short-term debt rating of at least "A-1" or its equivalent by a nationally recognized rating service. The maximum term may not exceed 180 days and the maximum percentage allowable for investment is 10 percent of the portfolio in the aggregate, and 5% for an individual issuer.

13) COMMERCIAL PAPER – Government Code Section 53601(h)

Commercial paper rated the highest ranking or of the highest letter and number ratings as provided for by a nationally recognized rating service. The entity that issues the commercial paper shall meet either of the following two sets of criteria: (1) The corporation shall be organized and operating within the United States, shall have total assets in excess of \$500,000,000, and shall have debt, other than commercial paper, if any, that is rated A or higher by a nationally recognized rating service. (2) The corporation shall be organized within the United States as a special purpose corporation, trust, or limited liability company, has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond; has commercial paper that is rated "A-1" or higher, or equivalent by a nationally recognized statistical-rating organization. Eligible commercial paper may not exceed 270 days' maturity and may not represent more than the 25 percent of the investment portfolio in the aggregate, and 5% for an individual issuer.

APPENDIX B

GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report of the District. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value (*e.g., U.S. Treasury Bills.*)

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, *e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.*

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per entity.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15(C)3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, and derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.



Yorba Linda Water District

Policies and Procedures

Policy No.: 3010-008
Adoption Method: Resolution No. 18-14
Effective Date: June 5, 2018
Last Revised: October 24, 2017
Prepared By: Delia Lugo, Finance Manager
Applicability: District Wide

POLICY: PENSION RATE STABILIZATION PROGRAM AND OTHER POST-EMPLOYMENT FUNDING

1.0 GENERAL POLICY

The purpose of this Pension Rate Stabilization Program (PRSB) and Other Post-Employment Benefits (OPEB) Funding Policy ("Policy") is to establish a methodology and a process for funding current and future costs associated with the District's contractual obligations to provide pension and retiree medical benefits as set forth in the District's personnel rules and regulations.

2.0 ADOPTION AND IMPLEMENTATION

District Board of Directors are responsible for adopting the Pension Rate Stabilization Program (PRSP) and Other Post-Employment Benefits (OPEB) Funding Policy and for approving any significant revision. The General Manager, or his/her designee, is responsible for developing administrative procedures, as needed, to implement the Policy. In this role, the General Manager, or his/her designee, is authorized to make minor administrative changes in the Policy as long as they are intended to carry out the purpose of this Policy and will not have any significant policy impact. The Board of Directors will review and approve this policy via resolution, as needed, to ensure it meets the current and future needs of the District.

3.0 INITIAL SETUP

The District shall establish an Internal Revenue Service Code Section 115 approved irrevocable trust to achieve a higher rate of return on investments than that earned on the pooled investment portfolio or the Local Agency Investment Fund. Once the District transfers funds into such a trust, they can only be utilized for payment of employee pension or OPEB costs. After the trust is set up with Public Agency Retirement Services (PARS), funds will be transferred over to the new combination Pension/OPEB Trust and shall be allocated entirely to the PRSP OPEB account.

The following outlines the governance and administration of the proposed Trust:

- District Board of Directors have the authority to establish the Trust and define policies for the administration of the Trust funds.
- District General Manager and staff have overall responsibility for the Trust funds and will develop and manage procedures in accordance with the District Board of Director's adopted policies.
- Trust Administrator, PARS, keeps plan documents current to ensure that they reflect the substantive plan and provides ongoing consulting, reporting and plan accounting records.
- Trustee, currently US Bank, will be the plan's trustee and custodian and will safeguard the assets in the Trust, hold the investment securities for safekeeping and make disbursements on request.
- Investment Manager, currently Highmark Capital Management, will recommend investment portfolio allocations based upon the Pension/OPEB Trust Funds' adopted investment policies and manage those assets accordingly.

4.0 TRUST ADMINISTRATOR

Public Agency Retirement Services (PARS) has established a multiemployer irrevocable trust in compliance with the requirements of Section 115 of the Internal Revenue Code. While it is a multi-employer trust, each employer's contributions benefit only its own employees. There is no sharing of either liability or investment earnings, and separate employer accounts are maintained. PARS serves as the administrator of the Trust

5.0 TRUSTEE

Any contributions made to the program are held and invested by a trustee. The trustee duties include:

- Safeguarding assets for the benefit of retirees;
- Providing oversight protection of the investments;
- Custodian of the assets
- Disbursing funds to pay for pension costs and/or retiree healthcare premiums

6.0 INVESTMENT MANAGER

Investment Manager assists the District with selecting investment strategy depending on what rate of return the District expects to earn and level of risk tolerance the District is willing to take. Investment Manager provides annual review of the investment portfolio and asset allocation as well as takes on fiduciary responsibility for the District's pension and OPEB assets management.

7.0 ASSET ALLOCATION INVESTMENT STRATEGY

PARS provides flexibility to the District in the selection of the investment strategy for its funds in the Trust, giving the District control on target yield and level of risk on its investments. Within the Trust, the District has the option of pre-funding either or both of the Pension and OPEB accounts. In either case, the District has the ability to select one of five Investment Options that best suits its desired or

expected return on its investments in the Trust. Each Investment Option allocates the assets in varying investment combinations of equity, fixed income, and cash. With each Investment Option, as the expected rate of return increases so does the assumed risk.

The Asset Allocation Strategies and the corresponding Investment Options currently available are:

Strategy	Equity	Fixed Income	Cash
Conservative	5% - 20%	60% - 95%	0% - 20%
Moderately	20% - 40%	50% - 80%	0% - 20%
Moderate	40% - 60%	40% - 60%	0% - 20%
Balanced	50% - 70%	30% - 50%	0% - 20%
Capital Appreciation	65% - 80%	10% - 30%	0% - 20%

The District General Manager, or his/her designee, in coordination with the District Treasurer and Investment Manager will select the most appropriate investment option for each account (Pension and OPEB) in the Trust.

This Policy recognizes that there will be investment market place volatility and that actual economic and demographic experience will differ from assumed experience. Accordingly, this Policy is intended to provide flexibility to smooth such volatility and experience in a reasonable, systematic and financially sound manner. The selected investment strategy will be reviewed by the Board annually

8.0 ANNUAL CONTRIBUTIONS

In order to establish realistic and appropriate thresholds for annual contributions, the District adopts the following requirement for contributions to be proportionate between Water and Sewer Funds in any given fiscal year:

Program	Fiscal Year	Minimum	Maximum
Pension Liability	FY19 – FY28	\$436,713	\$1,105,248
OPEB Liability	FY19	\$224,700	\$587,339
OPEB Liability	FY20	\$251,700	\$601,939
OPEB Liability	FY21	\$254,400	\$628,939
OPEB Liability	FY22	\$268,900	\$631,639
OPEB Liability	FY23	\$277,200	\$646,139

Note: FY18 OPEB Obligation (Benefit to Retirees) was \$257,706, as determined by the actuarial valuation report prepared in accordance with the Governmental Accounting Standards Board Statement No. 75. Per North Bay Pensions LLC's Valuation of Retiree Health Benefits Report of GASB 75 Actuarial Valuation Report of July 1, 2017, if the District funds OPEB component of the Trust at the listed levels, the OPEB Trust would be 90% funded by FY23.

9.0 ANNUAL WITHDRAWALS

The purpose of this Pension Rate Stabilization Program (PRSB) and Other Post- Employment Benefits (OPEB) Funding Policy ("Policy") is to establish a methodology and a process for funding current and future costs associated with the District's contractual obligations to provide pension and retiree medical benefits as set forth in the District's personnel rules and regulations.

	Minimum	Maximum
Pension	\$0	CalPERS Annual Required Contribution
OPEB	\$0	Annual OPEB Obligation

10.0 ACTUARIAL TERM DEFINITIONS

Normal Cost

The District incurs an annual pension retirement obligation for current employees and an OPEB retirement obligation for current employees hired on or prior to December 8, 2011. The ongoing cost for pension and OPEB earned by current employees during the current year is referred to as the “normal” cost.

Actuarial Present Value of Projected Benefit Payments (APVPBP)

The actuarial valuation calculates an actuarial present value of projected benefit payments (APVPBP) as of the valuation date. The APVPBP represents the amount the District would theoretically need to set aside at this time to fully fund all future benefits for former and existing employees.

Total OPEB Liability (TOL)

The TOL is the portion of the APVPBP which has been “earned” by employees based on past year of service (i.e. benefits allocated to past years of service).

Plan Fiduciary Net Position (FNP)

The FNP is equal to the value of assets that have been accumulated in an irrevocable trust for the benefits, plus the remaining unrecognized deferred outflows and inflows of resources relating to OPEB.

Net OPEB Liability or Asset (NOL)

The NOL is the excess of the Total OPEB Liability over the FNP. At the end of each fiscal year, beginning June 30, 2018, the District must show a liability equal to the NOL.