

ANNUAL BUDGET

Fiscal Year
2024-25



**Yorba Linda
Water District**
California

Table of Contents

INTRODUCTION & OVERVIEW	2
GENERAL MANAGER'S MESSAGE	3
DISTRICT PROFILE	10
CORE VALUES	13
STRATEGIC PLAN AND GOALS	14
FINANCIAL STRUCTURE, POLICY, AND PROCESS.....	18
FINANCIAL PROCESSES & POLICIES	19
BUDGET PROCESS	21
BASIS OF BUDGETING	25
FUND DESCRIPTIONS, STRUCTURE & RELATIONSHIP	27
FINANCIAL SUMMARIES	28
REVENUES & EXPENSES	29
FUND EQUITY & RESERVES	32
DEBT MANAGEMENT & COVERAGE RATIOS.....	34
WATER OPERATING FUND	35
SEWER OPERATING FUND.....	36
FINANCIAL SCHEDULES	36
LONG-RANGE FINANCIAL PLAN	40
DEPARTMENTAL SUMMARIES.....	45
BOARD OF DIRECTORS	47
ADMINISTRATION DEPARTMENT	49
FINANCE DEPARTMENT	56
ENGINEERING DEPARTMENT	61
OPERATIONS DEPARTMENT.....	65
INFORMATION TECHNOLOGY DEPARTMENT	72
HUMAN RESOURCES DEPARTMENT	75
CAPITAL EXPENDITURE.....	79
LIST OF ACRONYMS	90
GLOSSARY OF TERMS	91
APPENDIX A: STRATEGIC PLAN	93
APPENDIX B: FINANCIAL POLICIES.....	106



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 2024-25.

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 execution of the District's mission. The budget provides clear direction for sound financial management, service to the community, efficient operations, achievable goals and objectives, and 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' Strategic Plan. This effort follows a process that targets goals and initiatives while considering all operational needs. Each phase of the budget development process was presented to the Board of Directors at a series of public meetings to foster discussion, receive input from members of the community, and to ensure transparency and accountability.

Strategic Planning Efforts

On April 11, 2024, the Board of Directors adopted YLWD's 2024 Strategic Plan through a comprehensive process that included the Board of Directors, executive management, staff, and the public. This resulted in the creation of a blueprint applicable to all positions within the organization, which empowers the staff to provide exceptional and effective public service. The Strategic Plan, attached as Appendix A, provides a complete list of agency goals and initiatives.

District-wide Goals and Objectives

The Board of Directors establish and/or revalidate District-wide goals and initiatives annually which are then communicated to the General Manager for staff implementation. Priorities for FY2024-25 are consistent with efforts of recent years, with an emphasis on the following:

- Safe and Reliable Water and Sewer Services
- Fiscal Responsibility
- Operational Effectiveness
- Community Partnerships
- Workforce Engagement

Revenue and Expenditure Projections

Anticipated revenue and expense projections are presented to understand the District's available financial resources and obligations for the fiscal year. These projections include Board of Director approved rates and charges and considers a number of external factors such as fluctuations in demand, state mandates that affect District operation and finances, the state of the overall economy, and other similar variables. Expenditure projections are established in accordance with the District's stated goals, historical trends, and with consideration of external forces such as cost increases for materials, supplies, labor and energy, and an assumed overall rate of inflation of 4%. This information is presented from the District-wide perspective, and 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 on a monthly basis. Each quarter, the budget and expenses (to date) are reviewed internally, and formal budget adjustment recommendations are presented to the Board of Directors for consideration. This ongoing and consistent process smooths out any anomalies that arise during the budget year.

Budget Summary

The budget for FY2024-25 reflects YLWD's commitment to allocating anticipated resources to meet the needs of District stakeholders. Operating expenses incurred by the District are allocated to the water and sewer funds based on the assumed benefit of 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 FY2024-25:

Revenues

Rates & Charges

The District's 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 outlines the rates and charges adopted annually through the budget process by the Board of Directors. The new rates were adopted by the Board of Directors for FY2024-25 on May 30, 2024, and will be effective July 1, 2024, in accordance with the 2021 Rate Study Report.

Water Revenue from Consumption

A significant portion of the District's water fund revenue is generated based on customer water use. This portion of revenue is known as the commodity rate on a per unit basis. Budgeting water consumption revenues requires an assessment of historical trends and consideration of external factors, including precipitation and drought predictions, that impact water consumption. For FY2024-25 Budget projected annual water consumption is 7.56 million centum cubic feet (CCF) or 17,353 acre-feet (AF), which is a 3% decrease from the prior budget year.

The increase in water consumption revenue is the result of an approved 9% adjustment on the commodity rate of \$3.43 plus a calculated pass-through of \$0.34 as allowed by the rate study. The "pass-through," which cannot exceed 10% of the commodity rate approved by the Board in any given year, allows the District to recover unanticipated increases in utility and water supply costs that rise above the projections in the rate study as explained below. Total revenue from consumption is expected to be approximately \$28.4 million. The following details describe the Board of Director's approved 5-year rate structure for consumption rates:

- A "commodity" rate, comprised of the actual cost of the water (including energy and other costs directly tied to the commodity), is primarily 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 added 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 based on the assumptions developed in the 2021 Rate Study shall not exceed 10% of the Board's approved commodity rate for each fiscal year.

Water Revenue from Fixed Charges

The District's water fund revenue is also generated through fixed charges from a monthly meter fee and an annual Capital Finance Charge of which both are increased by the approved 9% adjustment, generating approximately \$21.4 million in revenue. The following details describe to the Board of Director's approved 5-year rate structure for fixed charges:

- A monthly fixed Meter Charge, per water service connection, ensures a consistent revenue stream that is unaffected by changes in demand or government mandates.
- A fixed Capital Finance Charge collected per water service meter connection on the annual property tax bill for each taxable parcel within the District's service area. Those public institutions who do not pay property tax and meter connections at parcels not yet reported on county records receive a manual invoice. This charge secures the District's annual debt service obligation for long-term, intergenerational capital projects (debt financed projects).

Sewer Revenue

Rates & Charges

The sewer fund revenue is expected to increase by the District's Board of Directors approved rate adjustment of 15% effective July 1, 2024. 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 include revenue generated from the collection of customer service and developer fees, backflow charges, construction meters fees, capacity fees, 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 investment activities, lease agreements, as well as property tax apportionments received from the County of Orange. As the City of Yorba Linda continues to be a desirable real estate market, property tax revenue is expected to increase slightly.

Expenses & Outlay

The total expenses & outlay (excluding capital projects) budgeted for upcoming FY2024-25 will increase based on analysis of historical trends, projections of activity and uses, and an assumed average increase in costs of approximately 4%. The following factors summarize the significant changes between budget years:

PFAS Treatment

The District, in partnership with Orange County Water District, constructed the nation's largest ion-exchange water treatment plant for the removal of PFAS contaminants from drinking water. The treatment plant has influenced operating expenses primarily in material purchases of resin, filter replacements, and maintenance costs.

Variable Water Costs

The District's budgeted Variable Water Costs will increase by approximately 3% in FY2024-25. The change in variable costs from the 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 18,679 acre-feet (AF) this fiscal year – a decrease of 3% from the prior year budgeted demand. To meet the demand on the water system, the operating plan assumes an annual average groundwater allocation of 85%, which is approximately 8% more than budgeted in FY2023-24.

Salaries & Benefits

Salaries include regular wages, overtime, standby pay and certification pay. The District's budget for Salary and Related Expenses will increase by approximately 6% in FY2024-25. This budget increase is the direct result of adhering to the negotiated terms of the two-year Memorandum of Understanding (MOU) adopted by the Board of Directors in May 2023, and the total number of employees has increased from 81 to 82 with 81 full-time employees and 2 part-time interns.

As part of the adopted two-year Memorandum of Understanding (MOU), FY2024-25 employee base salaries will increase by a 4% COLA and employees are also eligible to receive merit increases up to 5% 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 include California Public Employee Retirement System (CalPERS) employer contributions and related pension expenses, healthcare, safety footwear allowance, education reimbursement, CalPERS unfunded accrued liability, up to a 2% deferred compensation match for all participating employees and other post-employment benefits.

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, which is 7% of pensionable compensation.

Capital Improvement Plan & Capital Outlay

The District's Capital Improvement Plan (CIP) is a five-year planning schedule with each year approved in the corresponding fiscal year's budget. The Yorba Linda Water District has reevaluated infrastructure assets and created the 2023 Water Master Plan to provide a more sustainable plan for the future. Projects for systems in need of upgraded energy, capacity and reliability, as well as in the fire protection categories will be prioritized to improve quality and efficiency. Scheduled capital projects and outlay for FY2024-25 total \$8,962,500 for the water and sewer funds combined. Of these total projected capital costs, approximately \$6.7 million will be funded from bond proceeds for the water fund.

The Yorba Linda Water District continues to work with State and Federal agencies and elected leaders to secure grants to be used for capital projects. The District has been successful in these efforts in prior fiscal years and is aggressively pursuing grant funding for the coming years as well.

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. Current outstanding debt includes the 2022A Bonds and the 2017A Bonds. In FY2024-25, Total outstanding bonded indebtedness is \$54.7 million, and the required annual debt service obligation is \$4,133,494, which includes principal and interest. This debt service is funded through the Capital Finance Charge referenced previously.

Summary

Under the proposed budget for FY2024-25, the Water Enterprise Fund is budgeted with a positive net position after including depreciation of \$3,915,333, and the Sewer Enterprise fund is budgeted with a negative net position after including depreciation of \$273,068. These resulting net positions do not include projected CIP or capital outlay project expenditures. The rate structures and financial plan adopted for FY2024-25 provide for the establishment of adequate reserve balances, compliance with debt coverage covenants, and fully fund 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 free¹ 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 focuses on three intersecting themes: addressing climate urgency, strengthening watershed resilience, and achieving equity in water management. 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 federal government 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 water treatment plant is permitted 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 District's 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 accordingly to ensure compliance. The District anticipates future legislation, and regulatory changes will almost certainly affect the daily operations of the District. As such, the District remains engaged routinely in legislative and regulatory affairs and keeps apprised of changes that affect the District's operations.

¹ <https://www.courthousenews.com/with-may-storm-snow-returns-to-now-drought-free-california/>

Notable Accomplishments from FY2023-24

The District made significant progress on major projects in FY2023-24 as follows:

2023 Water Master Plan

The District completed the 2023 Water Master Plan as a fundamental pillar of its vision, aiming to enhance fire protection, modernize District infrastructure, optimize system performance, and meet the evolving needs of customers. The key objectives were to evaluate infrastructure needs, economic water supply, future demands, system redundancy, operational optimization, and capital improvement. Through planning and analysis, the CIP sets the stage for capital investments that will result in improved reliability, efficiency, and sustainability of the water supply. The analysis showed with various infrastructure enhancements and improvements, the District can reliably achieve a groundwater production target of 85% of total water demand, improve on maximum day and fire flow demands, increase storage system capabilities, and ensure compliance with all water quality standards.

Based on the findings of the Water Master Plan, 71 capital projects were identified to meet overall goals and initiatives stated above at a total cost of approximately \$144.5 million, equating to 10-year CIP with an average annual CIP cost of approximately \$15 million. As such, staff has diligently and strategically prioritized capital projects over the next five years to enhance the water system and meet District goals and initiatives. The 2023 Water Master Plan will be used as a guide for CIP planning and ensure infrastructure needs are being met for the future needs of our customers.

Readers can view the 2023 Water Master Plan at <https://www.ylwd.com/about/transparency/>.

Fitch Bond Rating

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

"Taking Care of People" Initiatives

The General Manager continues to institute "Taking Care of People" (TCOP) initiatives by:

- Obtaining Annual Anonymous Feedback from Employees.
- Forming new TCOP subcommittees to foster a positive, innovative organizational climate, recognizing the importance of employee health, wellness, and safety. TCOP subcommittees include Facilities, Wellness and Events, Employee Development, Information Technology, and Hybrid Work Schedule.
- Conducting Quarterly Employee Town Halls to inform the workforce.
- Formal Recognition of Employees – Employee of the Quarter, and Employee of the Year.

Completed Capital Projects

- BNSF Waterline Crossing at Veterans Way
- Well 22 Equipping
- Imperial Highway Waterline Lining
- Mountain View Waterline Replacement
- Lower Hidden Hills Pressure Regulating Station
- FY23-24 Manhole and Valve Box Adjustments
- Elk Mountain Booster Pump Station Leak Repair
- Box Canyon Waterline Leak Repair
- Main Street Sewer Replacement
- Camino de Bryant Waterline Replacement Phase I

Awards

- Association of California Cities Orange County (ACC-OC):
 - Awarded ACC-OC Golden Hub of Innovation Community Safety and Resilience Excellence Award for Wells Fargo Heli-hydrant and Landing Zone
- Government Financial Officers Association (GFOA):
 - Distinguished Budget Presentation Award for FY2023-24 Operating Budget
 - Certificate of Achievement for Excellence in Financial Reporting Program for Comprehensive Annual Financial Report FY2022-23
 - Award for Outstanding Achievement in Popular Annual Financial Reporting for Popular Annual Financial Report FY2022-23
 - Awarded the FY2022-23 Triple Crown status for earning the 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

Conclusion

The Yorba Linda Water District is committed to providing reliable water and sewer services to protect public health and the environment with financial integrity and superior customer service. This requires that the District operates in an efficient and effective manner, with careful thought given to providing the best services today while preparing for the future. Using a strategic plan, implementing best management practices, and monitoring key performance indicators at all levels of the organization, the 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, ensuring reliable infrastructure, and assuring fiscal accuracy and transparency. The budget development process values input from every member of this organization and the community it serves. I am confident that the goals and initiatives outlined within this document will serve as a resource for executing those efforts.

I would like to thank the entire 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 FY2024-25. 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
General Manager

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 and 2 part-time interns.

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 transmission mains, water treatment plant, 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, 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 of \$148,325 is approximately 36% greater than the overall individual median annual income of \$109,361 for Orange County³, as reported by 2023 Census data.

The District provides water, sewer, or a combination of both services to a population of approximately 84,000 residents and businesses within its service area of 14,475 acres of land, comprising 22.6 square miles. The District currently provides water service to approximately 25,558 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 supply comes from two sources: local groundwater and imported water. Approximately 85% is projected to come from the 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 15% 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 has the capacity to store approximately 57 million gallons of water in its reservoirs and produce 45 million gallons per day through its wells and import water connections.

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

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

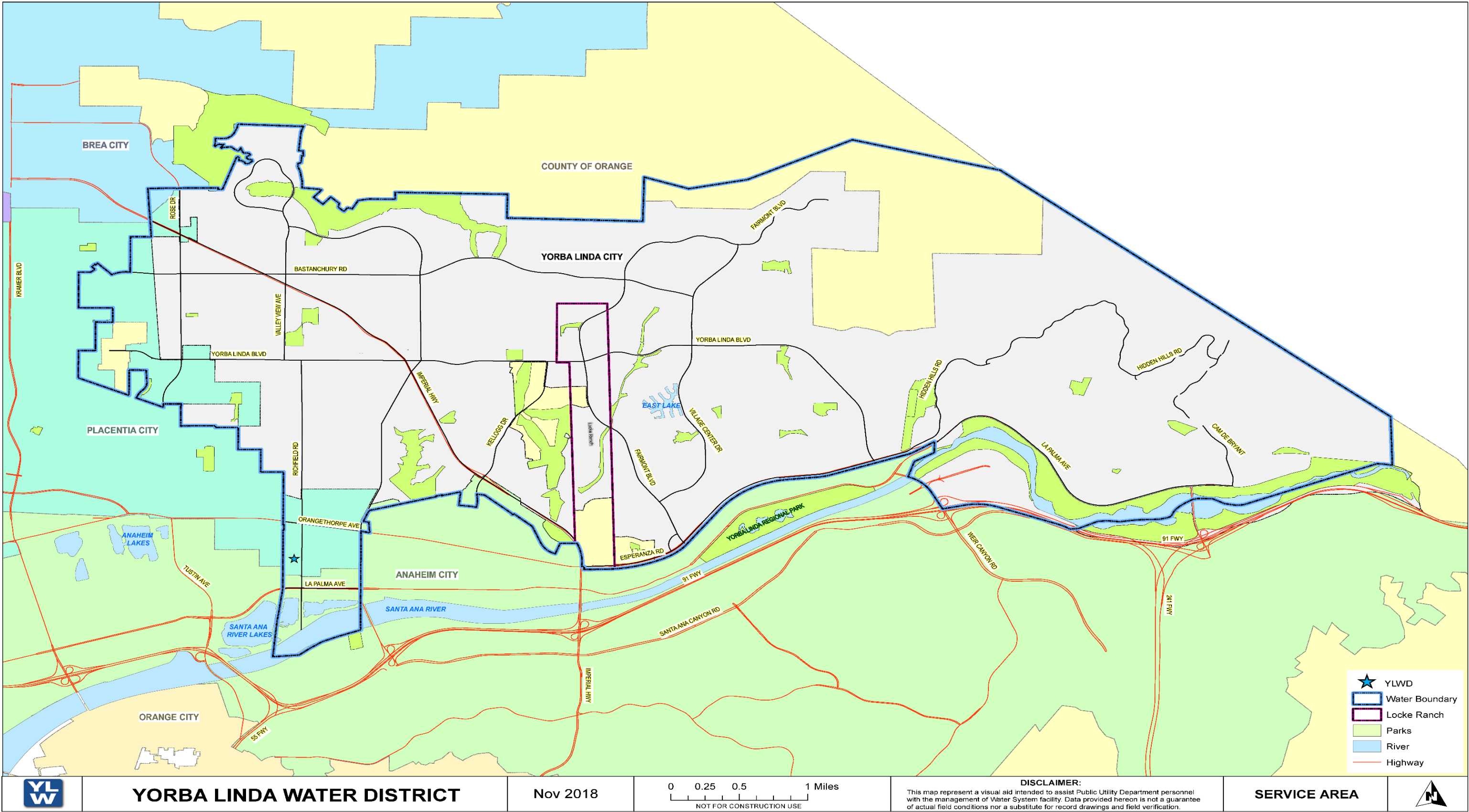
Economic Condition & Outlook

The District's administrative offices are located in the City of Placentia in Orange County. Wages and housing prices remain strong and unemployment remains low. As reported in a 2024 article published by SafeWise⁴, the City of Yorba Linda ranks third as one of the safest cities to live in Southern California.

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.



⁴ <https://www.safewise.com/blog/safest-cities-california/>

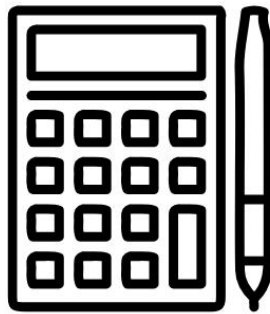


CORE VALUES



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.



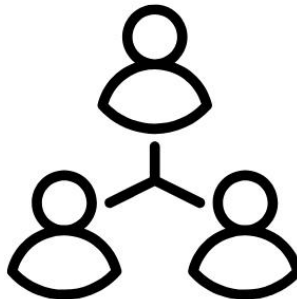
RESPONSIBILITY

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 serving as a roadmap for how the District will respond to challenges and optimize the equitable use of water to continually adapt in changing environments. 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 goals.

The Strategic Plan was updated in April 2024 and will be assessed annually and updated accordingly. A summary goals and initiatives are below with the entire Strategic Plan document as Appendix A at the end of this document.

Goals		Initiatives
	Safe & Reliable Water and Sewer Service	1. Water Supply 2. Regulations/Legislation 3. System Reliability and Efficiency 4. Security/Aesthetics 5. Services/Partnerships
	Fiscal Responsibility	1. Fiduciary Responsibility 2. Financial Transparency 3. Balanced Budget and Equitable Rates
	Operational Effectiveness	1. Efficiency 2. Sustainability 3. Emergency Preparedness
	Community Partnerships	1. Brand Recognition 2. Public Awareness & Engagement 3. Local, State & Federal Engagements
	Workforce Engagement	1. People 2. Training & Development 3. Facilities & Equipment

BOARD OF DIRECTORS



TRUDI DESROCHES
PRESIDENT



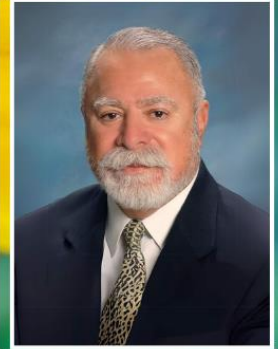
TOM LINDSEY
VICE PRESIDENT



BRETT R. BARBRE
DIRECTOR



PHIL HAWKINS
DIRECTOR



GENE HERNANDEZ
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



Contact Information

1717 E. Miraloma Avenue
Placentia, CA 92870
Phone: (714) 701-3000
Fax: (714) 701-3108
www.ylwd.com
info@ylwd.com



[WWW.INSTAGRAM.COM/YORBALINDAWATERDISTRICT](https://www.instagram.com/YORBALINDAWATERDISTRICT)
[WWW.INSTAGRAM.COM/YLWDFINANCE](https://www.instagram.com/YLWDFINANCE)



[WWW.FACEBOOK.COM/YORBALINDAWATERDISTRICT](https://www.facebook.com/YORBALINDAWATERDISTRICT)



[WWW.TWITTER.COM/YLWD](https://www.twitter.com/YLWD)



Budget Team

Mark Toy
General Manager

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



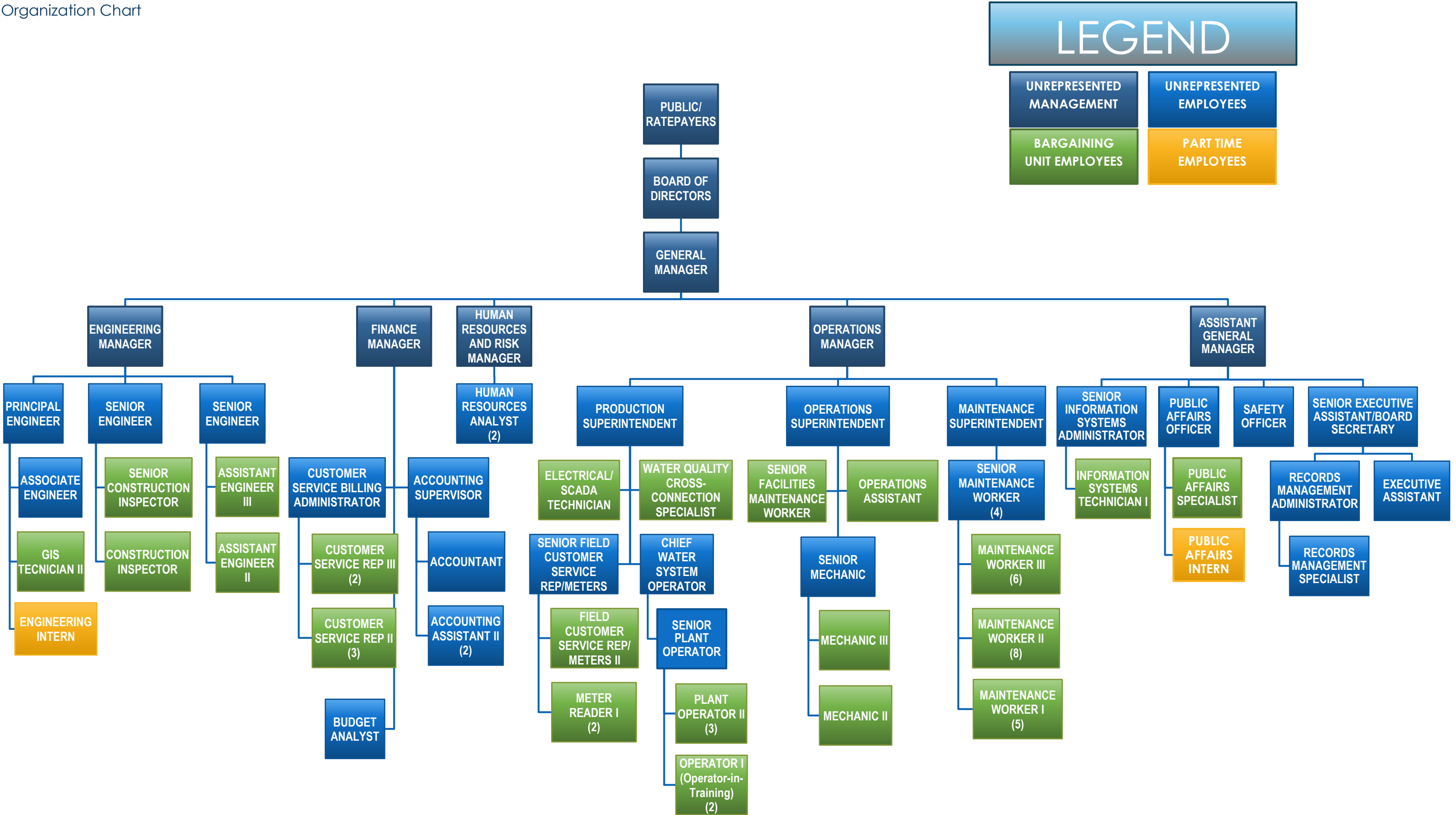
DELIA LUGO
Finance Manager



ROSANNE WESTON
Engineering Manager



LORI THOMPSON
Human Resources Manager





Financial Structure, Policy, and Process

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

Financial Processes & Policies

This section includes a brief summary of the District's Operating Budget Process, Revenue and Expenditure projection processes, Debt Management Policy, Reserve Policy, and Investment Policy. These processes and 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 via resolution by the Board on an annual basis. The Financial Policies in their entirety can be found in Appendix B.

Operating Budget Process

The District's budget is developed in accordance with the goals and objectives of the Board of Directors, which are linked to the District's financial and strategic plans set forth in the District's mission and long-term goals and objectives.

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 when revenue is equal to or greater than the total planned expenses, which is a sign of good financial planning and management.

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 by enterprise funds, 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 Process

Budgeted revenues are estimated conservatively using an objective and analytical approach of 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 debt portfolio that supports the District's financing needs and minimizes the District's cost of funds.

The water enterprise fund 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 instruments. 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 - minimum target level is 1.5 years of budgeted capital improvement projects and capital outlay plus current Fiscal Year depreciation. The maximum target level is 3 years of budgeted capital improvement projects and capital outlay plus 3 times the current year's depreciation to fund future capital projects.
- 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.
- Conservation Reserve – Funding shall be established as the net result of administrative penalties assessed less allowed expenditures of each fiscal year.
- Employee Liability Reserve – minimum target is the liability incurred from employee' 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 sustain 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 annually updated and reviewed before 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 process 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 expense 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 is in compliance 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 positions are required. The authorized 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 and goals. 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.

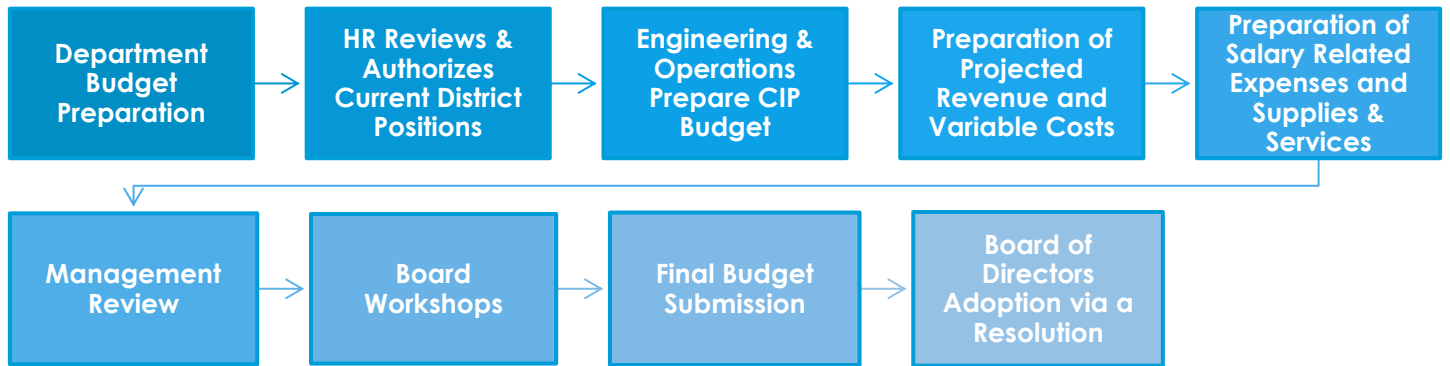
The methodology for projecting revenue takes into account factors such as projected growth, consumption, weather patterns, rates and required conservation or other State mandates, in addition to the current and anticipated economic conditions.

Once all the major budgetary components have been determined, each department manager presents their projected departmental budget to the General Manager and the Executive Management Team for review and discussion. Various budget workshops are publicly held where annual program budget projections are presented to the Board of Directors. The workshops are 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 publicly 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 budget amendment 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 FY2024-25 Annual Operating and CIP Budget was:

DATE	BOARD/ COMMITTEE	ITEM OF DISCUSSION
January 2, 2024	Department Managers	Distribute FY 2024-25 Budget Development Packages to Department Managers
January 23, 2024	Executive Staff	Discussion on budget development processes
January 24, 2024	Staff Meeting	Status updates on FY 2024-25 CIP, Capital Outlay, Salary Related, and Variable Cost Budgets
January 29, 2024	Eng & Ops Managers	FY 2024-25 CIP, Capital Outlay, Salary Related, and Variable Cost Budgets due to Finance
February 20, 2024	Executive Staff	Discussion on CIP, Capital Outlay, Salary Related, and Variable Cost Budgets
February 22, 2024	Budget Workshop	Meeting with BOD to establish goals and objectives for FY 2024-25 Operating and Capital Budgets. Present Draft FY 2024-25 CIP, Capital Outlay, Salary Related, and Variable Cost Budgets (V 1.0)"
February 28, 2024	Staff Meeting	Status updates on FY 2024-25 Revenue, Supplies & Services, Non-Operating & Other Updates
March 4, 2024	Department Managers	FY 2024-25 Revenue, Supplies & Services, Non-Operating & Other Updates due to Finance
March 26, 2024	Executive Staff	Discussion on Revenue, Supplies & Services, Non-Operating & Other Updates
March 27, 2024	Staff Meeting	Status updates for FY 2024-25 Debt Service, Reserves and Other Key Updates
March 28, 2024	Budget Workshop	Present Draft FY 2024-25 Revenue, Supplies & Services, Non-Operating (V 1.0) & Other Updates (V 2.0)
April 1, 2024	Department Managers	FY2024-25 Debt Service, Reserves and Other Key Updates due to Finance
April 23, 2024	Executive Staff	Discussion on Debt Service, Reserves and Other Key Updates
April 24, 2024	Staff Meeting	Status updates for FY 2024-25 Operating and CIP Budget
April 25, 2024	Budget Workshop	Present Draft FY 2024-25 Debt Service, Reserves and Other Key Updates (V 3.0)
April 29, 2024	Department Managers	FY 2024-25 Operating and CIP Budget Updates due to Finance
May 20, 2024	Department Managers	Final updates for FY 2024-25 Operating and CIP Budget due to Finance
May 21, 2024	Executive Staff	Discussion on Updates for Operating and CIP Budget
May 30, 2024	Budget Workshop/Hearing	Present FY 2024-25 Operating and CIP Budget (Final Draft 4.0) to Board of Directors for Adoption

RESOLUTION NO. 2024-12

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE YORBA LINDA WATER DISTRICT
ADOPTING THE OPERATING BUDGET FOR FISCAL YEAR 2024-25
AND RESCINDING RESOLUTION NO. 2023-13**

WHEREAS, the Yorba Linda Water District has prepared a one-year budget for Fiscal Year 2024-25; and

WHEREAS, it is the desire of the Board of Directors to adopt the Budget for Fiscal Year 2024-25, and rescind Resolution No. 2023-13.

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 2024-25, set forth in Exhibit "A" and attached hereto, is hereby approved and adopted.

Section 2. That the Budget for Fiscal Year 2024-25 is in full force and effect beginning July 1, 2024, and continuing until this Resolution is rescinded by the Board of Directors.

Section 3. That Resolution No. 2023-13 is hereby rescinded effective July 1, 2024.

PASSED AND ADOPTED this 30th day of May 2024 by the following called vote:

AYES: Directors Barbre, DesRoches, Hawkins, Hernandez, and Lindsey
NOES: None
ABSTAIN: None
ABSENT: None


Trudi DesRoches, 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, the Finance Manager and other department managers will review actual results of operating expenditures as compared to the budgeted amounts approved by the Board of Directors. 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 via a resolution. The General Manager has the authority to set the salary ranges for any position and 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 \$100,000 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. 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 based on the calculated overhead rate is applied to the allocated salary costs by job number 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 affect 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 for both water and sewer include Operating, Capital Projects, and Emergency. The Emergency Reserves were established to fund unplanned, unbudgeted emergency system repairs related to the water and sewer systems. The Rate Stabilization reserve is designated for water only. 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

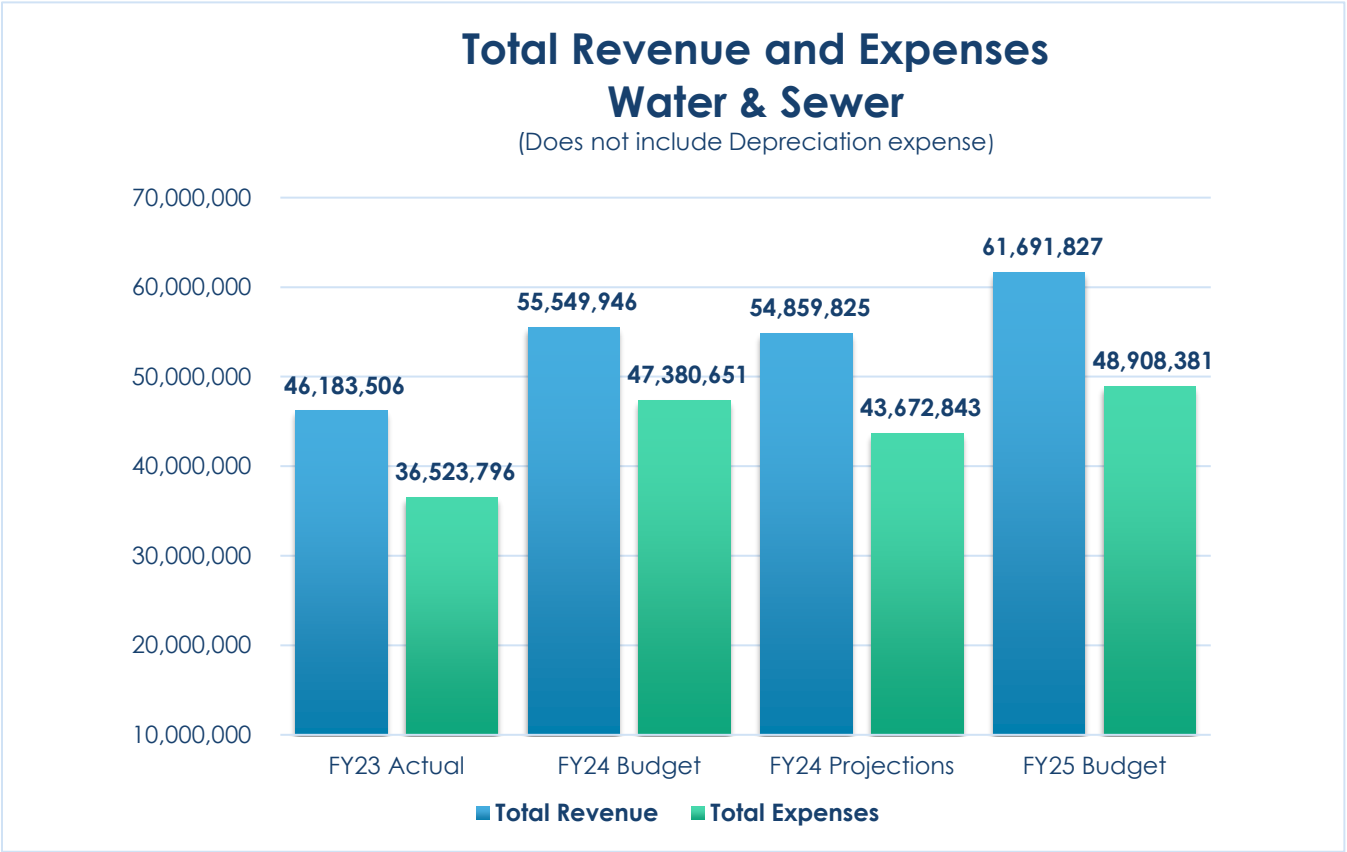
Expenses incurred by departments are allocated to the water and sewer funds based on the activity. Departments with activities that fully align with the purpose of one fund or the other are funded 100%; otherwise, the general functions of the District are allocated using an 85/15 split of water and sewer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

Flow of Water Funds



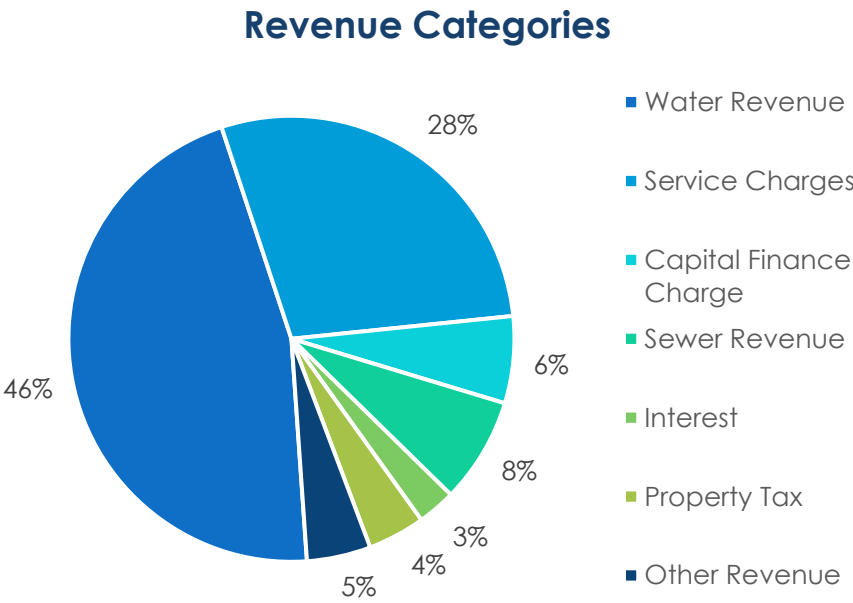
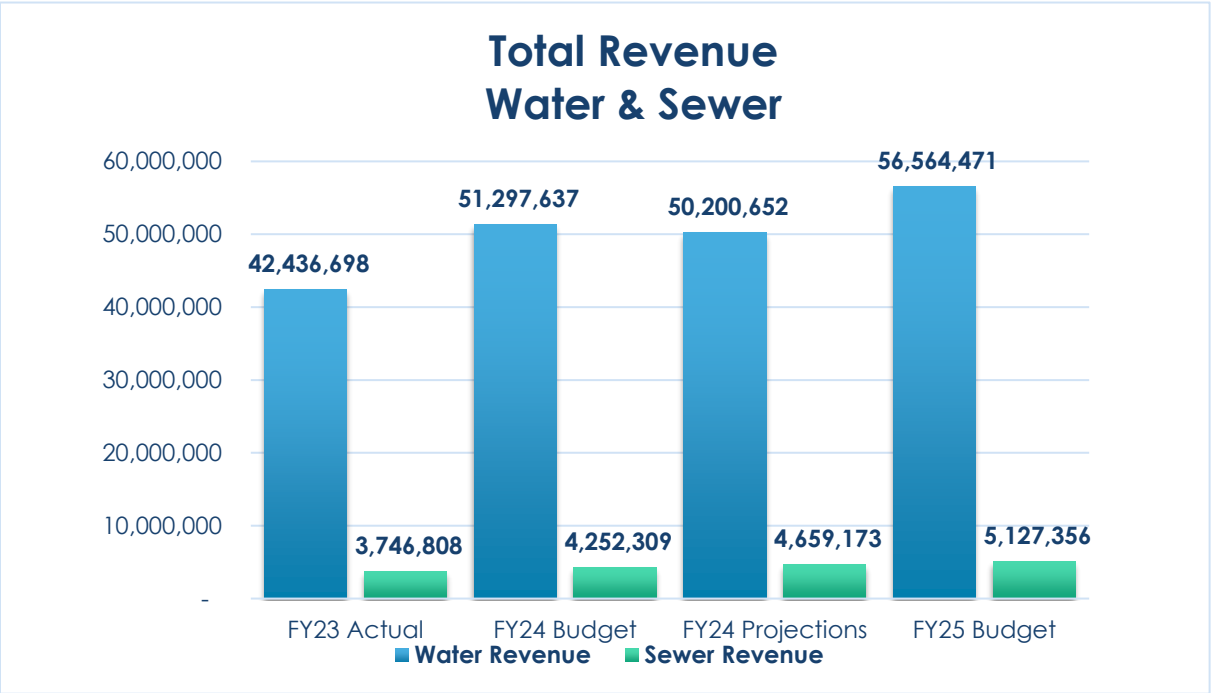
Flow of Sewer Funds





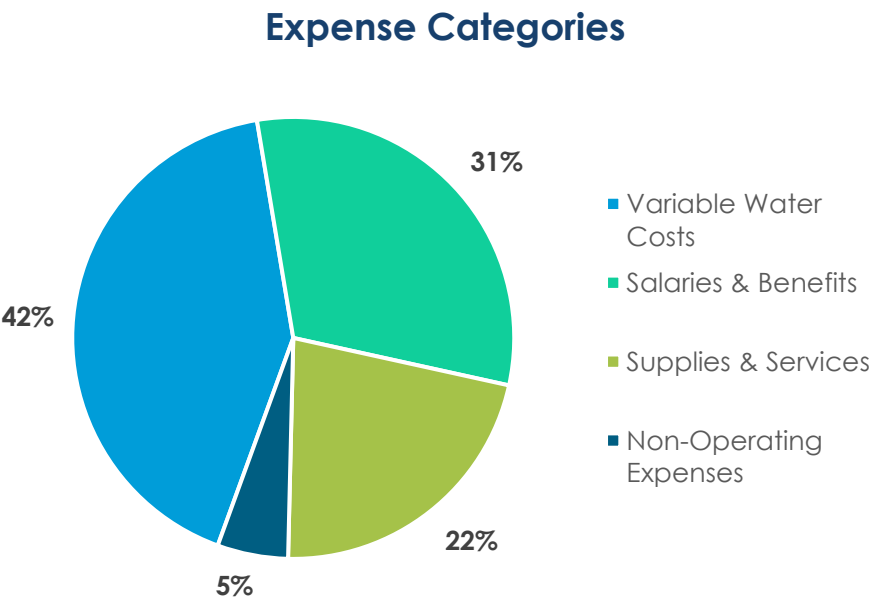
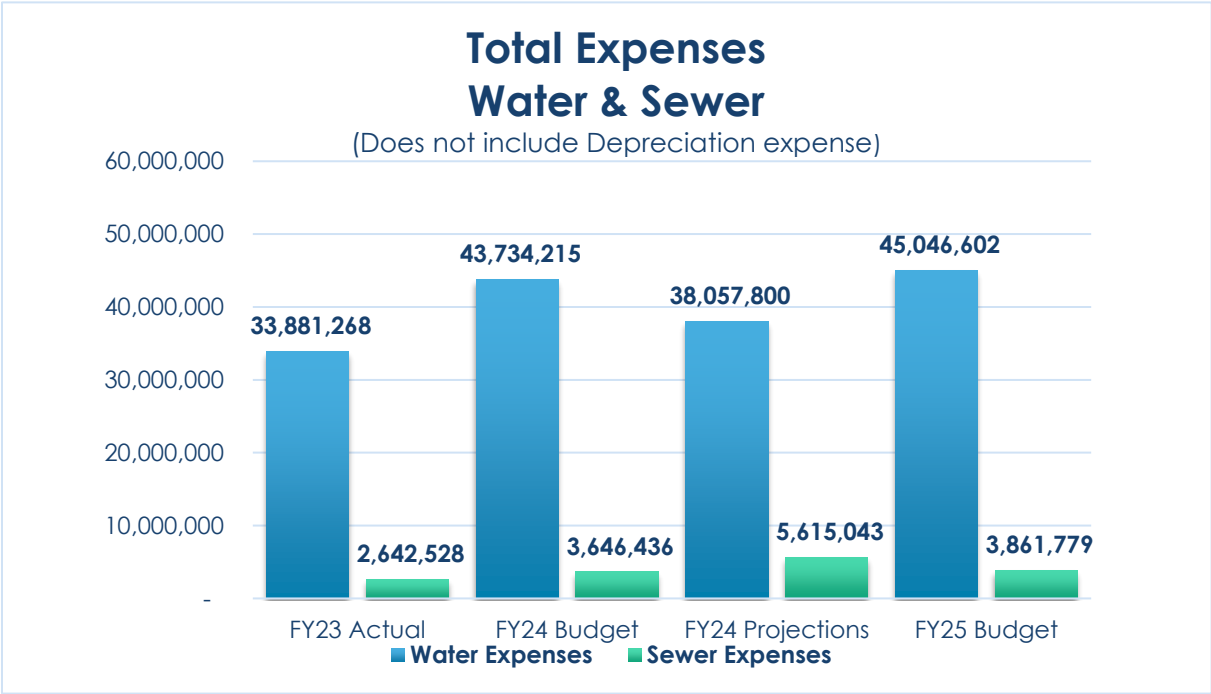
Revenues

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 of Director approval, from fees such as customer service charges, construction meter charges, capacity fees, property taxes , 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 principal and interest by stabilizing and providing consistent revenue to the District. Effective July 1, 2024, 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 11% as compared to prior year's budget.



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 3%; Salary Related Expenses will increase 6%, and Supplies & Services increases 2%. Total expenses including operating and non-operating expenses increased 4% from prior year's budget.



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:

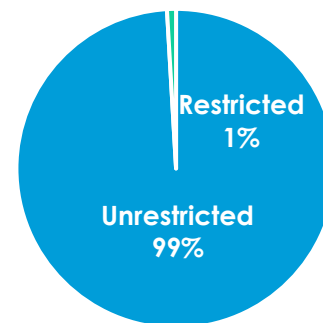
- Operating Reserve
- Emergency Reserve
- Capital Replacement Reserve
- Rate Stabilization Reserve

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 06/30/2024	Budgeted Balances Ending 06/30/2025	Budgeted Balances Ending 06/30/2026	Budgeted Balances Ending 06/30/2027	Budgeted Balances Ending 06/30/2028	Budgeted Balances Ending 06/30/2029
Water Reserves						
Operating Fund	\$24,885,780	\$22,516,599	\$24,317,927	\$26,263,361	\$28,364,430	\$30,633,584
Water Emergency	7,696,776	7,696,776	8,312,518	8,977,519	9,695,721	10,471,379
Water Capital Projects	6,715,405	11,502,410	16,973,570	20,146,041	21,139,287	22,716,098
Rate Stabilization	4,496,672	9,967,233	10,266,250	10,574,238	10,891,465	11,218,209
Employee Liabilities	276,160	303,776	334,154	367,569	404,326	444,759
Conservation Reserve	73,801	53,801	33,801	13,801	-	-
Total Water Reserves	\$44,144,594	\$52,040,595	\$60,238,220	\$66,342,529	\$70,495,229	\$75,484,029
Sewer Operating Reserves						
Operating Fund	\$2,974,088	\$1,927,827	\$2,004,940	\$2,085,138	\$2,168,544	\$2,255,286
Sewer Emergency	2,131,348	3,661,936	3,808,413	3,960,750	4,119,180	4,283,947
Sewer Capital Projects	2,611,283	653,123	928,457	808,744	680,564	1,034,916
Employee Liabilities	48,734	44,446	46,224	48,073	49,996	51,996
Total Sewer Reserves	\$7,765,453	\$6,287,332	\$6,788,034	\$6,902,705	\$7,018,284	\$7,626,145

Fund Balance: 5-Year Historical

Fiscal Year Ending		Water Fund	Sewer Fund	Total
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	Net Income (Loss) Before Capital Contributions	\$988,892	(\$423,969)	\$564,923
	Capital Contributions	25,606,815	416,136	26,022,951
	Net Income (Loss) @ 6/30/2023	26,595,707	(7,833)	26,587,874
	Net Position @ 6/30/2023	\$146,408,431	\$42,962,583	\$189,371,014
06/30/24	Revenue (Operating):			
	Water Sales	\$38,839,442	\$ -	\$38,839,442
	Capital Finance Charge	3,526,631	-	3,526,631
	Sewer Revenues	-	\$3,961,410	3,961,410
	Other Operating Revenue	1,763,201	219,520	1,982,721
	Interest	2,147,904	443,203	2,591,107
	Property Taxes	2,423,323	-	2,423,323
	Other Non-Operating Revenue	1,500,151	35,040	1,535,191
	Total Estimated Revenues	50,200,652	4,659,173	54,859,825
	Expenses (Operating):			
	Variable Water Costs	16,900,164	-	16,900,164
	Salary Related Expenses	11,409,282	2,115,363	13,524,645
	Supplies & Services	7,512,674	1,342,057	8,854,731
	Interest on Long Term Debt	2,208,138	-	2,208,138
	Other Expense	27,542	2,157,623	2,185,165
	Depreciation	7,714,774	1,323,005	9,037,779
	Total Estimated Expenses	45,772,574	6,938,048	52,710,622
	Estimated Net Income (Loss) Before Capital Contributions	4,428,078	(2,278,875)	2,149,203
	Capital Contributions	402,460	546,200	948,660
	Estimated Net Income (Loss) @ 6/30/2024	4,830,538	(1,732,675)	3,097,863
	Estimated Net Position @ 6/30/2024	\$151,238,969	\$41,229,908	\$192,468,877
06/30/25	Revenue (Operating):			
	Water Sales	\$45,945,922	\$ -	\$45,945,922
	Capital Finance Charge	3,890,245	-	3,890,245
	Sewer Revenues	-	4,721,438	4,721,438
	Other Operating Revenue	1,892,435	102,814	1,995,249
	Interest	1,444,000	266,000	1,710,000
	Property Taxes	2,564,511	0	2,564,511
	Other Non-Operating Revenue	827,358	37,104	864,462
	Total Estimated Revenues	56,564,471	5,127,356	61,691,827
	Expenses (Operating):			
	Variable Water Costs	20,448,201	-	20,448,201
	Salary Related Expenses	12,769,585	2,432,411	15,201,996
	Supplies & Services	9,301,917	1,423,243	10,725,160
	Interest on Long Term Debt	2,513,494	-	2,513,494
	Other Expense	13,405	6,125	19,530
	Depreciation	7,602,536	1,538,645	9,141,181
	Total Estimated Expenses	52,649,138	5,400,424	58,049,562
	Estimated Net Income (Loss) Before Capital Contributions	3,915,333	(273,068)	3,642,265
	Capital Contributions	-	-	-
	Estimated Net Income (Loss) @ 6/30/2025	3,915,333	(273,068)	3,642,265
	Estimated Net Position @ 6/30/2025	\$155,154,302	\$40,956,840	\$196,111,142

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 3.39 for FY2024-25. The District's FY2024-25 budgeted debt service obligations of \$4,133,494 is related to principal 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.	\$22,825,000
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.	\$31,830,000

FY25-53 Debt Management

Year	Principal	Interest	TOTAL
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	1,940,000	2,180,744	4,120,744
2030-2034	11,015,000	9,563,834	20,578,834
2035-2039	13,960,000	6,569,350	20,529,350
2040-2044	5,910,000	4,053,500	9,963,500
2045-2049	7,580,000	2,382,575	9,962,575
2050-2053	7,365,000	604,100	7,969,100
TOTAL	\$ 54,655,000	\$ 34,980,454	\$ 89,635,454

Debt Service Coverage

	FY23 Actual	FY24 Budget	FY24 Projections	FY25 Budget
Revenue	\$42,436,698	\$51,297,637	\$50,200,652	\$56,564,471
Expenses	31,472,842	41,129,796	35,849,662	42,533,108
Total	\$10,963,856	\$10,167,841	\$14,350,990	\$14,031,363
Debt Service	\$3,165,564	\$4,134,219	\$4,134,219	\$4,133,494
Ratio	3.46	2.46	3.47	3.39
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 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 consumption budgeted for FY2024-25 is 7.56 million centum cubic feet (CCF) or 17,353 acre-feet (AF) which is approximately 3% less than FY2023-24 budgeted 7.77 million centum cubic feet (CCF) or 17,852 acre-feet (AF).

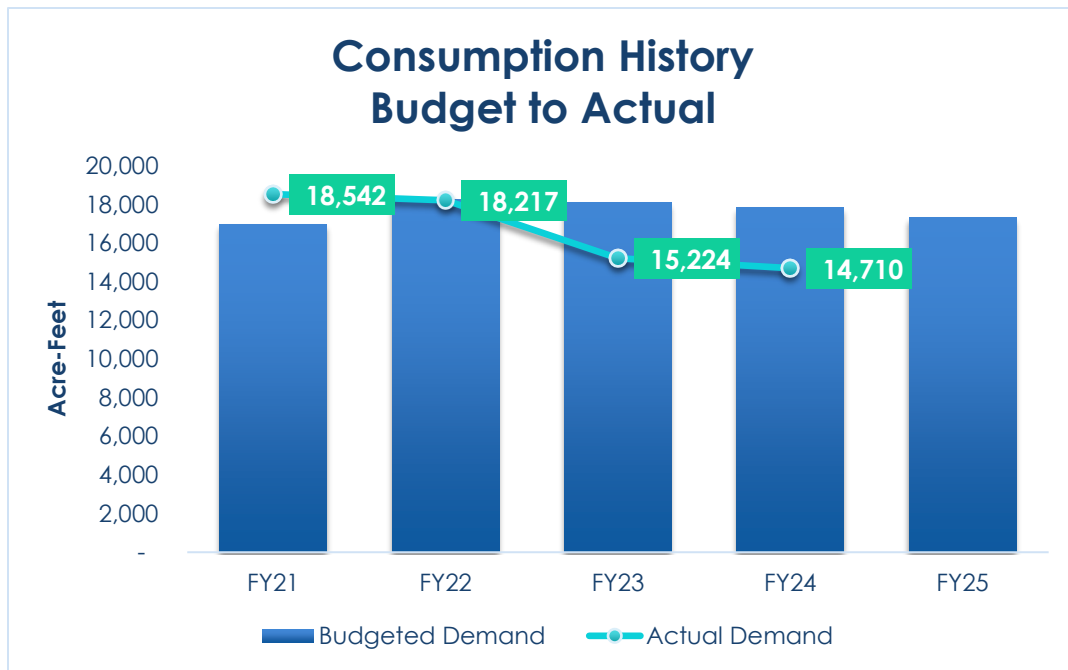
YLWD utilizes a uniform fee rate structure; therefore, water revenues are calculated using a proposed monthly fixed charge per customer connection (based on the size of the metered connection) and the total budgeted annual water purchases, less approximately 7% non-revenue water. The result is then annualized for the budget projection.

Other Operating Revenues, which include but are not limited to, backflow charges, capacity 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 approximately 4% 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 7% increase when compared that of the previous budget 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 \$13.77 from \$11.97 per month for single-family residential and commercial customers accounts will have an additional tier charge of \$0.53 (\$0.46 in FY24), whose monthly consumption is 8 units or greater. The sewer maintenance charge of master meter residential customer accounts will increase to \$13.25 from \$11.52 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 4% on the District's portfolio.

Financial Schedule [Water & Sewer]

	FY23 Actual	FY24 Budget	FY24 Projections	FY25 Budget
Revenue (Operating):				
Water Revenue (Residential)	\$14,291,853	\$19,683,344	\$17,332,568	\$21,143,937
Water Revenue (Commercial & Fire Det.)	1,593,082	2,016,621	1,884,552	2,223,697
Water Revenue (Landscape/Irrigation)	3,145,517	4,769,326	3,622,962	5,031,573
Service Charges	14,642,515	16,076,351	15,999,360	17,546,715
Property Tax - CFC Charges	3,207,414	3,597,389	3,526,631	3,890,245
Sewer Charge Revenue	3,097,015	3,582,947	3,547,049	4,252,641
Sewer Parcel Assessments	356,187	410,497	414,361	468,797
Other Operating Revenue	1,273,957	1,327,217	1,982,721	1,995,249
Total Operating Revenue	41,607,540	51,463,692	48,310,204	56,552,854
Revenue (Non-Operating):				
Interest	1,279,458	948,000	2,591,107	1,710,000
Property Tax	2,323,369	2,402,796	2,423,323	2,564,511
Other Non-Operating Revenue	973,139	735,458	1,535,191	864,462
Total Non-Operating Revenue	4,575,966	4,086,254	6,549,621	5,138,973
Total Revenue	\$46,183,506	\$55,549,946	\$54,859,825	\$61,691,827
Expenses (Operating):				
Variable Costs				
Water-Related Costs	\$11,192,524	\$14,576,854	\$11,689,983	\$14,533,463
Fixed Costs	1,155,753	2,242,467	2,206,922	2,410,903
Power-Related Costs	2,960,152	3,071,848	3,003,259	3,503,835
Variable Water Costs Total	15,308,429	19,891,169	16,900,164	20,448,201
Salary Related Expenses	10,348,225	14,784,672	13,524,645	15,746,996
Reduction for Capital Project Labor	-	(408,000)	-	(545,000)
Salary Related Expenses Total	10,348,225	14,376,672	13,524,645	15,201,996
Supplies & Services:				
Board Election	90,206	-	-	120,000
Communications	192,175	240,240	198,067	279,940
Contractual Services	687,006	721,531	644,972	878,414
District Activities, Emp Recognition	90,982	125,625	99,263	125,960
Dues & Memberships	489,718	499,300	471,177	469,464
Fees & Permits	368,631	485,000	465,035	525,000
Insurance	1,754,990	2,044,400	2,066,407	2,023,300
Maintenance	1,219,609	2,468,792	1,815,319	2,070,150
Materials	294,696	328,100	283,246	323,300
Non-Capital Equipment	46,817	47,550	44,110	49,250
Office Expense	1,348,430	1,569,770	1,395,360	2,097,146
Professional Services	299,156	539,950	307,873	523,946
Software Licenses	38,513	68,495	42,920	69,895
Training	46,776	75,893	45,496	74,375
Travel & Conferences	34,666	104,720	73,034	131,170
Uncollectible Accounts	27,654	15,000	12,127	15,000
Utilities	202,863	400,000	228,234	236,000
Vehicle Expenses	867,783	755,400	662,091	712,850
Supplies & Services Total	8,100,671	10,489,766	8,854,731	10,725,160
Total Operating Expenses	33,757,325	44,757,607	39,279,540	46,375,357
Expenses (Non-Operating):				
Interest Expense	2,408,426	2,604,419	2,208,138	2,513,494
Other Expense	358,045	18,625	2,185,165	19,530
Total Non-Operating Expenses	2,766,471	2,623,044	4,393,303	2,533,024
Total Expenses	\$36,523,796	\$47,380,651	\$43,672,843	\$48,908,381
Net Position Before Capital Contributions	\$9,659,710	\$8,169,295	\$11,186,982	\$12,783,446
Capital Contributions	26,022,951	-	948,660	-
Net Position Before Depreciation	35,682,661	8,169,295	12,135,642	12,783,446
Depreciation	9,094,787	9,379,000	9,037,779	9,141,181
Net Position (Loss)	\$26,587,874	(\$1,209,705)	\$3,097,863	\$3,642,265

Financial Schedule [Water]

	FY23 Actual	FY24 Budget	FY24 Projections	FY25 Budget
Revenue (Operating):				
Water Revenue (Residential)	\$14,291,853	\$19,683,344	\$17,332,568	\$21,143,937
Water Revenue (Commercial & Fire Det.)	1,593,082	2,016,621	1,884,552	2,223,697
Water Revenue (Landscape/Irrigation)	3,145,517	4,769,326	3,622,962	5,031,573
Service Charges	14,642,515	16,076,351	15,999,360	17,546,715
Property Taxes - CFC Charges	3,207,414	3,597,389	3,526,631	3,890,245
Other Operating Revenue	1,221,674	1,252,987	1,763,201	1,892,435
Total Operating Revenue	38,102,055	47,396,018	44,129,274	51,728,602
Revenue (Non-Operating):				
Interest	1,089,073	780,000	2,147,904	1,444,000
Property Taxes	2,323,369	2,402,796	2,423,323	2,564,511
Other Non-Operating Revenue	922,201	718,823	1,500,151	827,358
Total Non-Operating Revenue	4,334,643	3,901,619	6,071,378	4,835,869
Total Revenue	\$42,436,698	\$51,297,637	\$50,200,652	\$56,564,471
Expenses (Operating):				
Variable Water Costs				
Water-Related Costs	\$11,192,524	\$14,576,854	\$11,689,983	\$14,533,463
Fixed Costs	1,155,753	2,242,467	2,206,922	2,410,903
Power-Related Costs	2,960,152	3,071,848	3,003,259	3,503,835
Variable Water Costs Total	15,308,429	19,891,169	16,900,164	20,448,201
Salary Related Expenses	8,782,887	12,523,119	11,409,282	13,214,585
Reduction for Capital Project Labor	-	(367,200)	-	(445,000)
Salary Related Expenses Total	8,782,887	12,155,919	11,409,282	12,769,585
Supplies & Services				
Board Election	76,675	-	-	102,000
Communications	169,888	210,004	163,203	243,749
Contractual Services	605,226	634,152	557,950	771,552
District Activities, Emp Recognition	33,389	58,223	34,249	59,411
Dues & Memberships	77,334	106,833	80,663	107,144
Fees & Permits	439,482	444,853	412,894	424,035
Insurance	313,336	412,250	396,935	446,250
Maintenance	1,390,045	1,467,855	1,537,053	1,481,505
Materials	1,155,195	2,383,837	1,729,042	2,000,925
Non-Capital Equipment	223,343	253,285	208,370	232,605
Office Expense	40,192	40,418	36,978	41,863
Professional Services	1,210,760	1,417,133	1,241,494	1,939,789
Software Licenses	243,630	463,532	242,665	449,854
Training	34,139	62,396	30,982	54,939
Travel & Conferences	29,864	86,462	55,594	104,696
Uncollectible Accounts	22,286	12,750	9,877	12,750
Utilities	175,020	340,000	191,634	200,600
Vehicle Expenses	767,933	676,400	583,091	628,250
Supplies & Services Sub-Total	7,007,737	9,070,383	7,512,674	9,301,917
Total Operating Expenses	31,099,053	41,117,471	35,822,120	42,519,703
Expenses (Non-Operating)				
Interest on Long Term Debt	2,408,426	2,604,419	2,208,138	2,513,494
Other Expense	373,789	12,325	27,542	13,405
Total Non-Operating Expenses	2,782,215	2,616,744	2,235,680	2,526,899
Total Expenses	\$33,881,268	\$43,734,215	\$38,057,800	\$45,046,602
Net Position Before Capital Contributions	\$8,555,430	\$7,563,422	\$12,142,852	\$11,517,869
Capital Contributions	25,606,815	-	402,460	-
Net Position Before Depreciation	34,162,245	7,563,422	12,545,312	11,517,869
Depreciation	7,566,538	7,690,000	7,714,774	7,602,536
Net Position (Loss)	\$26,595,707	(\$126,578)	\$4,830,538	\$3,915,333

Financial Schedule [Sewer]

	FY23 Actual	FY24 Budget	FY24 Projections	FY25 Budget
Revenue (Operating):				
Sewer Charge Revenue	\$3,097,015	\$3,582,947	\$3,547,049	\$4,252,641
Sewer Parcel Assessments (Locke Ranch)	356,187	410,497	414,361	468,797
Other Operating Revenue	52,283	74,230	219,520	102,814
Total Operating Revenue	3,505,485	4,067,674	4,180,930	4,824,252
Revenue (Non-Operating):				
Interest	190,385	168,000	443,203	266,000
Other Non-Operating Revenue	50,938	16,635	35,040	37,104
Total Non-Operating Revenue	241,323	184,635	478,243	303,104
Total Revenue	\$3,746,808	\$4,252,309	\$4,659,173	\$5,127,356
Expenses (Operating):				
Salary Related Expenses	1,565,338	2,261,553	2,115,363	2,532,411
Reduction for Capital Project Labor	-	(40,800)	-	(100,000)
Salary Related Expenses Total	1,565,338	2,220,753	2,115,363	2,432,411
Supplies & Services				
Board Election	13,531	-	-	18,000
Communications	22,287	30,236	34,864	36,191
Contractual Services	81,780	87,379	87,022	106,862
District Activities, Emp Recognition	5,124	10,272	8,671	10,484
Dues & Memberships	13,648	18,792	18,600	18,816
Fees & Permits	50,236	54,447	58,283	45,429
Insurance	55,295	72,750	68,100	78,750
Maintenance	364,945	576,545	529,354	541,795
Materials	64,414	84,955	86,277	69,225
Non-Capital Equipment	71,353	74,815	74,876	90,695
Office Expense	6,625	7,132	7,132	7,387
Professional Services	137,670	152,637	153,866	157,357
Software Licenses	55,526	76,418	65,208	74,092
Training	12,637	13,497	14,514	19,436
Travel & Conferences	4,802	18,258	17,440	26,474
Uncollectible Accounts	5,368	2,250	2,250	2,250
Utilities	27,843	60,000	36,600	35,400
Vehicle Expenses	99,850	79,000	79,000	84,600
Supplies & Services Sub-Total	1,092,934	1,419,383	1,342,057	1,423,243
Total Operating Expenses	2,658,272	3,640,136	3,457,420	3,855,654
Expenses (Non-Operating):				
Other Expense	(15,744)	6,300	2,157,623	6,125
Total Non-Operating Expenses	(15,744)	6,300	2,157,623	6,125
Total Expenses	\$2,642,528	\$3,646,436	\$5,615,043	\$3,861,779
Net Position Before Capital Contributions	\$1,104,280	\$605,873	(\$955,870)	\$1,265,577
Capital Contributions	416,136	-	546,200	-
Net Position Before Depreciation	1,520,416	605,873	(409,670)	1,265,577
Depreciation	1,528,249	1,689,000	1,323,005	1,538,645
Net Position (Loss)	(\$7,833)	(\$1,083,127)	(\$1,732,675)	(\$273,068)

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+ 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+ 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
Build the Capital Reserves to support the cost of current and future CIP and Outlay using the 2023 Water Master Plan as a guide.	2021 Rate Study Report rates structure will increase revenue to increase the reserve account.	- Safe & Reliable Water and Sewer Service - Fiscal Responsibility

Five Year Financial Forecast [Water & Sewer]

	FY25 Projections	FY26 Projections	FY27 Projections	FY28 Projections	FY29 Projections
Revenue (Operating):					
Water Revenue (Residential)	\$21,143,937	\$22,952,699	\$23,148,126	\$25,231,457	\$27,502,288
Water Revenue (Commercial & Fire Det.)	2,223,697	2,459,032	2,492,645	2,716,983	2,961,512
Water Revenue (Landscape/Irrigation)	5,031,573	5,574,009	5,621,468	6,127,400	6,678,866
Service Charges	17,546,715	16,756,544	18,264,633	19,908,450	21,700,211
Property Taxes - CFC Charges	3,890,245	3,695,508	4,028,104	4,390,633	4,785,790
Sewer Charge Revenue	4,252,641	5,621,801	6,465,071	7,434,832	8,550,057
Sewer Parcel Assessments	468,797	624,645	718,342	826,092	950,006
Other Operating Revenue	1,995,249	2,114,964	2,183,700	2,254,671	2,327,948
Total Operating Revenue	56,552,854	59,799,202	62,922,089	68,890,518	75,456,678
Revenue (Non-Operating):					
Interest	1,710,000	2,489,375	2,299,328	2,412,302	2,528,149
Property Taxes	2,564,511	2,615,801	2,668,117	2,721,480	2,775,909
Other Non-Operating Revenue	864,462	873,107	881,838	890,656	899,563
Total Non-Operating Revenue	5,138,973	5,978,283	5,849,283	6,024,438	6,203,621
Total Revenue	\$61,691,827	\$65,777,485	\$68,771,372	\$74,914,956	\$81,660,299
Expenses (Operating):					
Variable Water Costs					
Water-Related Costs	\$14,533,463	\$16,168,798	\$17,677,415	\$19,419,768	\$20,771,862
Fixed Costs	2,410,903	2,704,672	2,928,592	3,256,237	3,627,189
Power-Related Costs	3,503,835	3,875,372	4,223,179	4,603,605	5,020,063
Variable Water Costs Total	20,448,201	22,748,842	24,829,186	27,279,610	29,419,114
Salary Related Expenses Total	15,201,996	16,874,215	18,224,152	19,682,085	21,256,651
Supplies & Services					
Board Election	120,000	-	126,000	-	132,300
Communications	279,940	293,937	308,634	324,066	340,268
Contractual Services	878,414	922,335	968,451	1,016,874	1,067,717
District Activities, Emp Recognition	69,895	73,390	77,060	80,913	84,957
Dues & Memberships	125,960	132,258	138,871	145,815	153,105
Fees & Permits	469,464	492,937	517,584	543,464	570,636
Insurance	525,000	551,251	578,813	607,753	638,141
Maintenance	2,023,300	2,124,465	2,230,688	2,342,222	2,459,334
Materials	2,070,150	2,173,657	2,282,341	2,396,458	2,516,280
Non-Capital Equipment	323,300	339,465	356,438	374,260	392,973
Office Expense	49,250	51,712	54,298	57,013	59,864
Professional Services	2,097,146	2,202,003	2,312,103	2,427,708	2,549,094
Software Licenses	523,946	550,144	577,650	606,533	636,859
Training	74,375	78,094	81,998	86,099	90,404
Travel & Conferences	131,170	137,729	144,615	151,846	159,438
Uncollectible Accounts	15,000	15,751	16,538	17,365	18,233
Utilities	236,000	283,200	339,840	407,808	530,151
Vehicle Expenses	712,850	748,493	785,918	825,213	866,474
Supplies & Services Total	10,725,160	11,170,821	11,897,840	12,411,410	13,266,228
Total Operating Expenses	46,375,357	50,793,878	54,951,178	59,373,105	63,941,993
Expenses (Non-Operating)					
Interest Expense	2,513,494	2,451,619	2,365,744	2,275,494	2,180,744
Other Expense	19,530	20,506	21,532	22,608	23,739
Total Non-Operating Expenses	2,533,024	2,472,125	2,387,276	2,298,102	2,204,483
Total Expenses	\$48,908,381	\$53,266,003	\$57,338,454	\$61,671,207	\$66,146,476
Net Position (Loss) Before Capital Contributions	\$12,783,446	\$12,511,482	\$11,432,918	\$13,243,749	\$15,513,823
Capital Contributions	-	-	-	-	-
Net Position (Loss) Before Depreciation	12,783,446	12,511,482	11,432,918	13,243,749	15,513,823
Depreciation	9,141,181	9,324,005	9,510,485	9,700,695	9,894,708
Net Position (Loss)	\$3,642,265	\$3,187,477	\$1,922,433	\$3,543,054	\$5,619,115

Five Year Financial Forecast [Water]

	FY25 Projections	FY26 Projections	FY27 Projections	FY28 Projections	FY29 Projections
Revenue (Operating):					
Water Revenue (Residential)	\$21,143,937	\$22,952,699	\$23,148,126	\$25,231,457	\$27,502,288
Water Revenue (Commercial & Fire Det.)	2,223,697	2,459,032	2,492,645	2,716,983	2,961,512
Water Revenue (Landscape/Irrigation)	5,031,573	5,574,009	5,621,468	6,127,400	6,678,866
Service Charges	17,546,715	16,756,544	18,264,633	19,908,450	21,700,211
Property Taxes - CFC Charges	3,890,245	3,695,508	4,028,104	4,390,633	4,785,790
Other Operating Revenue	1,892,435	2,005,981	2,071,175	2,138,489	2,207,990
Total Operating Revenue	51,728,602	53,443,773	55,626,151	60,513,412	65,836,657
Revenue (Non-Operating):					
Interest	1,444,000	2,158,385	2,005,682	2,105,996	2,158,981
Property Taxes	2,564,511	2,615,801	2,668,117	2,721,480	2,775,909
Other Non-Operating Revenue	827,358	835,632	843,988	852,428	860,952
Total Non-Operating Revenue	4,835,869	5,609,818	5,517,787	5,679,904	5,795,842
Total Revenue	\$56,564,471	\$59,053,591	\$61,143,938	\$66,193,316	\$71,632,499
Expenses (Operating):					
Variable Water Costs					
Water-Related Costs	\$14,533,463	\$16,168,798	\$17,677,415	\$19,419,768	\$20,771,862
Fixed Costs	2,410,903	2,704,672	2,928,592	3,256,237	3,627,189
Power-Related Costs	3,503,835	3,875,372	4,223,179	4,603,605	5,020,063
Variable Water Costs Total	20,448,201	22,748,842	24,829,186	27,279,610	29,419,114
 Salary Related Expenses Total	 12,769,585	 14,174,239	 15,308,178	 16,532,833	 17,855,459
 Supplies & Services	 	 	 	 	
Board Election	102,000	-	107,100	-	112,455
Communications	243,749	255,936	268,733	282,170	296,278
Contractual Services	771,552	810,130	850,636	893,168	937,826
District Activities, Emp Recognition	59,411	62,382	65,501	68,776	72,214
Dues & Memberships	107,144	112,501	118,126	124,033	130,234
Fees & Permits	424,035	445,237	467,499	490,874	515,417
Insurance	446,250	468,563	491,991	516,590	542,420
Maintenance	1,481,505	1,555,580	1,633,359	1,715,027	1,800,779
Materials	2,000,925	2,100,971	2,206,020	2,316,321	2,432,137
Non-Capital Equipment	232,605	244,235	256,447	269,269	282,733
Office Expense	41,863	43,956	46,154	48,462	50,885
Professional Services	1,939,789	2,036,778	2,138,617	2,245,548	2,357,826
Software Licenses	449,854	472,347	495,964	520,762	546,800
Training	54,939	57,686	60,570	63,599	66,779
Travel & Conferences	104,696	109,931	115,427	121,199	127,259
Uncollectible Accounts	12,750	13,388	14,057	14,760	15,498
Utilities	200,600	240,720	288,864	346,637	450,628
Vehicle Expenses	628,250	659,663	692,646	727,278	763,642
Supplies & Services Total	9,301,917	9,690,004	10,317,711	10,764,473	11,501,810
Total Operating Expenses	42,519,703	46,613,085	50,455,075	54,576,916	58,776,383
Expenses (Non-Operating)					
Interest Expense	2,513,494	2,451,619	2,365,744	2,275,494	2,180,744
Other Expense	13,405	14,075	14,779	15,518	16,294
Total Non-Operating Expenses	2,526,899	2,465,694	2,380,523	2,291,012	2,197,038
Total Expenses	\$45,046,602	\$49,078,779	\$52,835,598	\$56,867,928	\$60,973,421
Net Position (Loss) Before Capital Contributions	\$11,517,869	\$9,974,812	\$8,308,340	\$9,325,388	\$10,659,078
Capital Contributions	-	-	-	-	-
Net Position (Loss) Before Depreciation	11,517,869	9,974,812	8,308,340	9,325,388	10,659,078
Depreciation	7,602,536	7,754,587	7,909,679	8,067,873	8,229,230
Net Position (Loss)	\$3,915,333	\$2,220,225	\$398,661	\$1,257,515	\$2,429,848

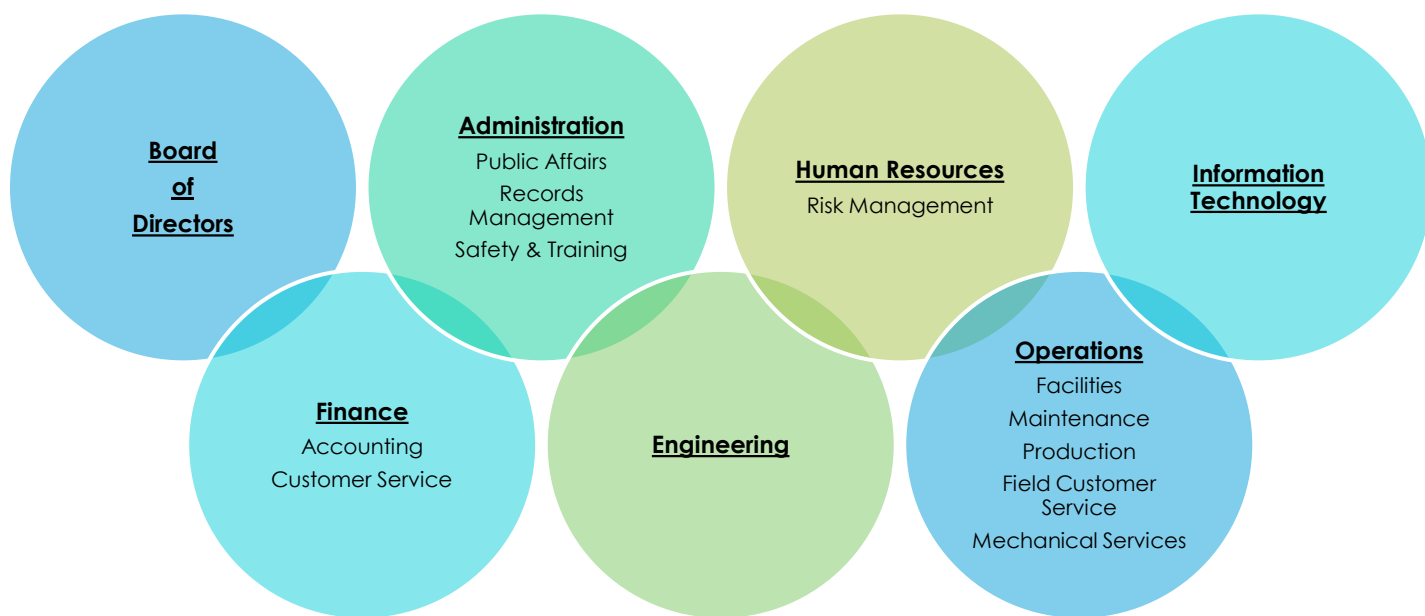
Five Year Financial Forecast [Sewer]

	FY25 Projections	FY26 Projections	FY27 Projections	FY28 Projections	FY29 Projections
Revenue (Operating):					
Sewer Charge Revenue	\$4,252,641	\$5,621,801	\$6,465,071	\$7,434,832	\$8,550,057
Sewer Parcel Assessments (Locke Ranch)	468,797	624,645	718,342	826,092	950,006
Other Operating Revenue	102,814	108,983	112,525	116,182	119,958
Total Operating Revenue	4,824,252	6,355,429	7,295,938	8,377,106	9,620,021
Revenue (Non-Operating):					
Interest	266,000	330,990	293,646	306,306	369,168
Other Non-Operating Revenue	37,104	37,475	37,850	38,228	38,611
Total Non-Operating Revenue	303,104	368,465	331,496	344,534	407,779
Total Revenue	\$5,127,356	\$6,723,894	\$7,627,434	\$8,721,640	\$10,027,800
Expenses (Operating):					
Salary Related Expenses Total	2,432,411	2,699,976	2,915,974	3,149,252	3,401,192
Supplies & Services					
Board Election	18,000	-	18,900	-	19,845
Communications	36,191	38,001	39,901	41,896	43,990
Contractual Services	106,862	112,205	117,815	123,706	129,891
District Activities, Emp Recognition	10,484	11,008	11,559	12,137	12,743
Dues & Memberships	18,816	19,757	20,745	21,782	22,871
Fees & Permits	45,429	47,700	50,085	52,590	55,219
Insurance	78,750	82,688	86,822	91,163	95,721
Maintenance	541,795	568,885	597,329	627,195	658,555
Materials	69,225	72,686	76,321	80,137	84,143
Non-Capital Equipment	90,695	95,230	99,991	104,991	110,240
Office Expense	7,387	7,756	8,144	8,551	8,979
Professional Services	157,357	165,225	173,486	182,160	191,268
Software Licenses	74,092	77,797	81,686	85,771	90,059
Training	19,436	20,408	21,428	22,500	23,625
Travel & Conferences	26,474	27,798	29,188	30,647	32,179
Uncollectible Accounts	2,250	2,363	2,481	2,605	2,735
Utilities	35,400	42,480	50,976	61,171	79,523
Vehicle Expenses	84,600	88,830	93,272	97,935	102,832
Supplies & Services Total	1,423,243	1,480,817	1,580,129	1,646,937	1,764,418
Total Operating Expenses	3,855,654	4,180,793	4,496,103	4,796,189	5,165,610
Expenses (Non-Operating)					
Other Expense	6,125	6,431	6,753	7,090	7,445
Total Non-Operating Expenses	6,125	6,431	6,753	7,090	7,445
Total Expenses	\$3,861,779	\$4,187,224	\$4,502,856	\$4,803,279	\$5,173,055
Net Position (Loss) Before Capital Contributions	\$1,265,577	\$2,536,670	\$3,124,578	\$3,918,361	\$4,854,745
Capital Contributions	-	-	-	-	-
Net Position (Loss) Before Depreciation	1,265,577	2,536,670	3,124,578	3,918,361	4,854,745
Depreciation	1,538,645	1,569,418	1,600,806	1,632,822	1,665,478
Net Position (Loss)	(\$273,068)	\$967,252	\$1,523,772	\$2,285,539	\$3,189,267



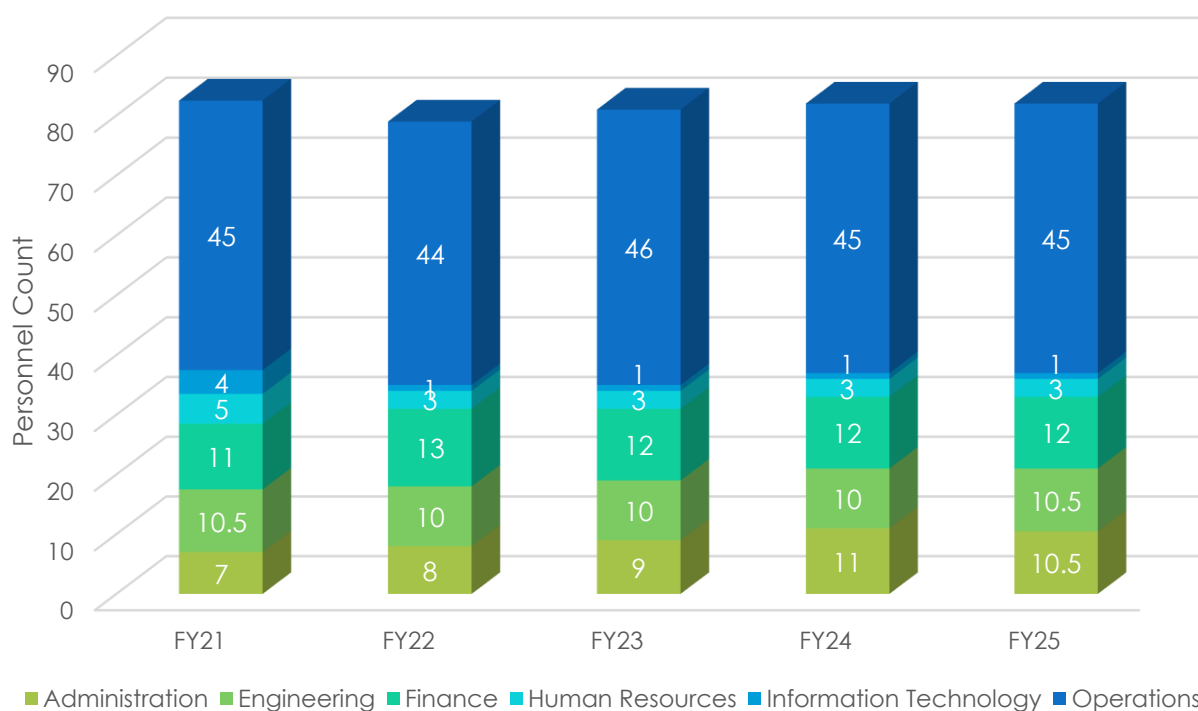
DEPARTMENTAL SUMMARIES

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



Authorized Positions

DEPARTMENT	FY21	FY22	FY23	FY24	FY25
Administration	7.0	8.0	9.0	11.0	10.5
Finance	11.0	13.0	12.0	12.0	12.0
Engineering	10.5	10.0	10.0	10.0	10.5
Operations	45.0	44.0	46.0	45.0	45.0
Information Technology	4.0	1.0	1.0	1.0	1.0
Human Resources	5.0	3.0	3.0	3.0	3.0
District Department Totals	82.5	79.0	81.0	82.0	82.0





DEPARTMENT SUMMARIES

BOARD OF DIRECTORS

Board of Directors

Board of Directors Departmental Budget

	FY23 Actual	FY24 Budget	FY24 Projections	FY25 Budget
Salary Related Expenses				
Salaries	\$ 63,601	\$ 90,000	\$ 55,500	\$ 90,000
Benefits	17,788	28,876	25,894	49,936
Salary Related Expenses Total	\$ 81,389	\$ 118,876	\$ 81,394	\$ 139,936
Supplies & Services				
Board Election	\$ 90,206	\$ -	\$ -	\$ 120,000
District Meetings & Events	759	1,500	1,500	3,000
Dues & Memberships	-	60	60	60
Non Capital Equipment	-	1,000	1,000	2,000
Office Expense	473	800	800	1,000
Professional Services	32,495	39,000	39,000	39,000
Training	-	1,000	1,000	1,000
Travel & Conferences	5,217	29,000	29,000	37,100
Supplies & Services Total	\$ 129,150	\$ 72,360	\$ 72,360	\$ 203,160





DEPARTMENT SUMMARIES

ADMINISTRATION

Administration Department

Position/Title	FY21	FY22	FY23	FY24	FY25
Administrative Assistant	-	-	-	-	1
Assistant General Manager	1	1	1	1	1
Director of Public Affairs	1	-	-	-	-
Executive Assistant	1	1	1	1	-
General Manager	1	1	1	1	1
Information Systems Administrator	1	-	-	-	-
Public Affairs Intern	-	-	-	0.5	0.5
Public Affairs Officer	-	-	-	1	1
Public Affairs Representative	1	-	-	-	-
Public Affairs Manager	-	1	1	-	-
Public Affairs Specialist	-	1	1	1	1
Records Management Administrator	-	1	1	-	-
Records Management Administrator (Hired prior to 7/1/2023)	-	-	-	1	1
Records Management Specialist	-	1	1	1	1
Safety Officer	-	-	-	1	1
Senior Executive Assistant/Board Secretary	-	1	1	-	-
Senior Executive Assistant/Board Secretary (Hired prior to 7/1/2023)	-	-	-	1	1
Senior Information Systems Administrator	-	1	1	-	-
Senior Information Systems Administrator (Hired prior to 7/1/2023)	-	-	-	1	1
Senior Management Analyst	1	-	-	-	-
Administrative Intern	-	-	-	0.5	-
Total Administration Personnel	7.0	8.0	9.0	11.0	10.5

FY24 to FY25 Changes and Trends: Executive Assistant reclassified to Administrative Assistant; Administrative Intern reclassified to Engineering intern and transferred to Engineering.

Administration

Division Description

The Administration division 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

- AA+ Positive Outlook rating affirmed by Fitch Ratings.
- Submitted request for federal funding for a new groundwater well.
- Supported onboarding of new director, Gene Hernandez.
- General Manager Continued "Taking Care of People" Initiative
 - Obtained Annual Anonymous Feedback from Employees
 - Formed New Subcommittees to Address Key Activities: Facilities, Wellness and Events, Employee Development, Information Technology, and Hybrid Work Schedule
 - Conducted Quarterly Employee Town Halls
 - Conducted Quarterly and Annual Recognition of Employees
- Instituted speakers bureau to enhance community partnerships and employee relations.
- General Manager presented at over fifteen community and industry related events.

- Participated in multiple emergency preparedness tabletop exercises and wildfire preparedness community outreach meetings.
- Conducted dedication ceremony of Well No. 22.
- Conducted re-dedication ceremony of PFAS Water Treatment Plant in honor of former Director J. Wayne Miller, PhD.
- Featured in article published in Municipal Water Leader.
- First agency to be highlighted in MWDOC's "Agency Spotlight".
- Received ACC-OC Golden Hub of Innovation Community Safety and Resilience Excellence Award for Wells Fargo Heli-hydrant and Landing Zone.
- General Manager served on the ACWA Federal Affairs Committee and as the ACWA Region 10 Federal Affairs Committee liaison.
- General Manager renewed designation as AAWRE Board Certified Water Resources Engineer.
- Created a new District 2024 Strategic Plan by collaborating closely between staff and Board of Directors to provide future goals and objectives.

FY2023-24 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:
 - Discontinuation of Residential Water Service for Non-Payment
 - Employee Cross Training Program
 - Employee Recognition Program
 - Employee Wellness Reimbursement Program
 - Encroachments Policy
 - Financial Reserves Policy
 - Memorandum of Understanding Between YLWD and YLWDEA for FY2024-25
 - Personnel Manual for Unrepresented Employees for FY2024-25
 - Public Funds Investment Policy
 - Purchasing Policy
 - Rules and Regulations for Water and Sewer Service

FY2024-25 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 – Regulation/Legislation

- 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 – Regulation/Legislation

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

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY24-25 Target	FY21-22 Achieved	FY22-23 Achieved	FY23-24 Achieved
G2 2B	Post and Distribute Agendas for Regular Board Meetings Minimum of 7 Days in Advance	7+ Days in Advance	12 Days in Advance	7 Days in Advance	7 Days in Advance
G4 2B	Participate in Professional Development Opportunities	6	6 +	6 +	6 +

Public Affairs

Division Description

The Public Affairs 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

- Hosted multiple PFAS Treatment Plant Tours for the community and for groups from New Mexico, Colorado, South Korea, and Washington D.C.
- Hosted a PFAS Treatment Plant Tour for American Water Works Association's ACE 24 Conference attendees.
- Hosted multiple PFAS Treatment Plant Tours and Career Roundtables for high school students from Placentia Yorba Linda Unified School District and for Mayor Campbell's Young Civic Leaders Academy.
- Hosted multiple Heli-Hydrant Tours and Demonstrations for community groups including a tour led by a YLWD Director.
- Participated as a "Featured Project" at Love Yorba Linda's community-wide beautification event.
- Coordinated and hosted a Dedication Ceremony re-naming YLWD's PFAS Treatment Plant with over 80 staff and local dignitaries in attendance.
- Coordinated and hosted a Dedication Ceremony for Well 22 with over 40 staff and local dignitaries in attendance.
- Participated in the Placentia Unified School District REACH Foundation's Shamrock 'n Run.

FY2023-24 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.

FY2024-25 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 – Public Awareness & Engagement

- Coordinate and host a successful YLWD Open House event for our customers and community to learn about the District and the services we provide.
- Coordinate and host multiple Director-led Infrastructure Tours for our customers and community members to learn about the value of water and infrastructure investments.

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: Community Partnership – Local, State & Federal Engagements

- 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

Strategic Plan Reference	Key Performance Indicators	FY24-25 Target	FY21-22 Achieved	FY22-23 Achieved	FY23-24 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	6 events	18 events	26 events
G4 1C	Sponsor outside district events.	4 events	5 events	5 events	9 events
G4 1C	Serve Water from YLWD Trailer at Community Events.	4 events	2 events	7 events	5 events
G4 2A	Update Website News Section with Articles.	10 articles	15 articles	8 articles	21 articles
G1 2C	Host elected representatives for meetings and tours.	2 meetings	2 meetings	2 meetings	4 meetings

Records Management

Division Description

The Records Management 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

- Increased utilization of digital business process automation which improves routing documents through approvals and notifications, and readily accessible storage in enterprise content management system (ECMS). The types of documents include contracts, employee policies, new vendor, project number requests, vehicle inspection and repair requests.
- Enhanced digitization, centralization, and access to records and documentation which included the importation of reconciliations, fleet equipment files, permits, invoices, and manuals.
- Reviewed then archived or destroyed if eligible, over 20 years of electronic files on departmental share drives as part of the Legacy File Clean-Up and Retention Compliance program and policy.
 - Engineering: 18.9 GB (16,465 files) archived; and 40.63 GB (26,975 eligible files) destroyed.
 - Operations: 13.3 GB (1,134 files) archived; and 13.3 GB (11,346 eligible files) destroyed.

FY2023-24 Goals Achieved

1. Reviewed District's recorded documents in ECM for verification, metadata enhancement, and document quality upgrade which includes more than 1,500 variations of deeds, easements, quitclaim deeds, and agreements.
2. Reviewed and updated records retention schedule, file classification system, and align the records retention schedule with the file classification system for improved implementation and classification.
3. Performed conservation and preservation of 100-year-old District historical documents with industry-standard techniques.

FY2024-25 Goals & Objectives

Goal 1: Provide staff training regarding proper information governance.

Connects to the District's Strategic Plan Goal: Workforce Engagement – Training & Development

- Conduct new employee training with new staff.
- Conduct annual training with staff.
- Reinforce applications of governance through regular interaction and follow-up.

Goal 2: Revise the District records retention schedule for improved navigation, access and expansion.

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

- Re-number the entire records retention schedule that is consecutively numbered in intervals that allow for future expansion.
- Create a cross-walk of old retention codes to new retention codes, including consolidations of codes and deletions of codes.
- Have records management consultant review records retention schedule for proper application of regulatory requirements for applicable retention codes bring into compliance with myriad government regulatory codes.
- Make updated changes to Laserfiche electronic record database and the SQL physical records database.

Goal 3: Import Engineering's "as-built" drawings and integrate Laserfiche database configuration with GIS via structured query connector.

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

- Connect Laserfiche "as-built" template to synchronize with GIS fields to align with the assets in GIS.
- Import all engineering as-builts, applying global metadata to all as-builts as applicable.
- Re-folder and assign record-specific metadata for 570 as-built sets.

Goal 4: Facilitate and promote increased use of electronic forms to increase efficiency and enhance audit compliance utilizing automated workflows and greater access to staff via District-issued mobile devices.

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

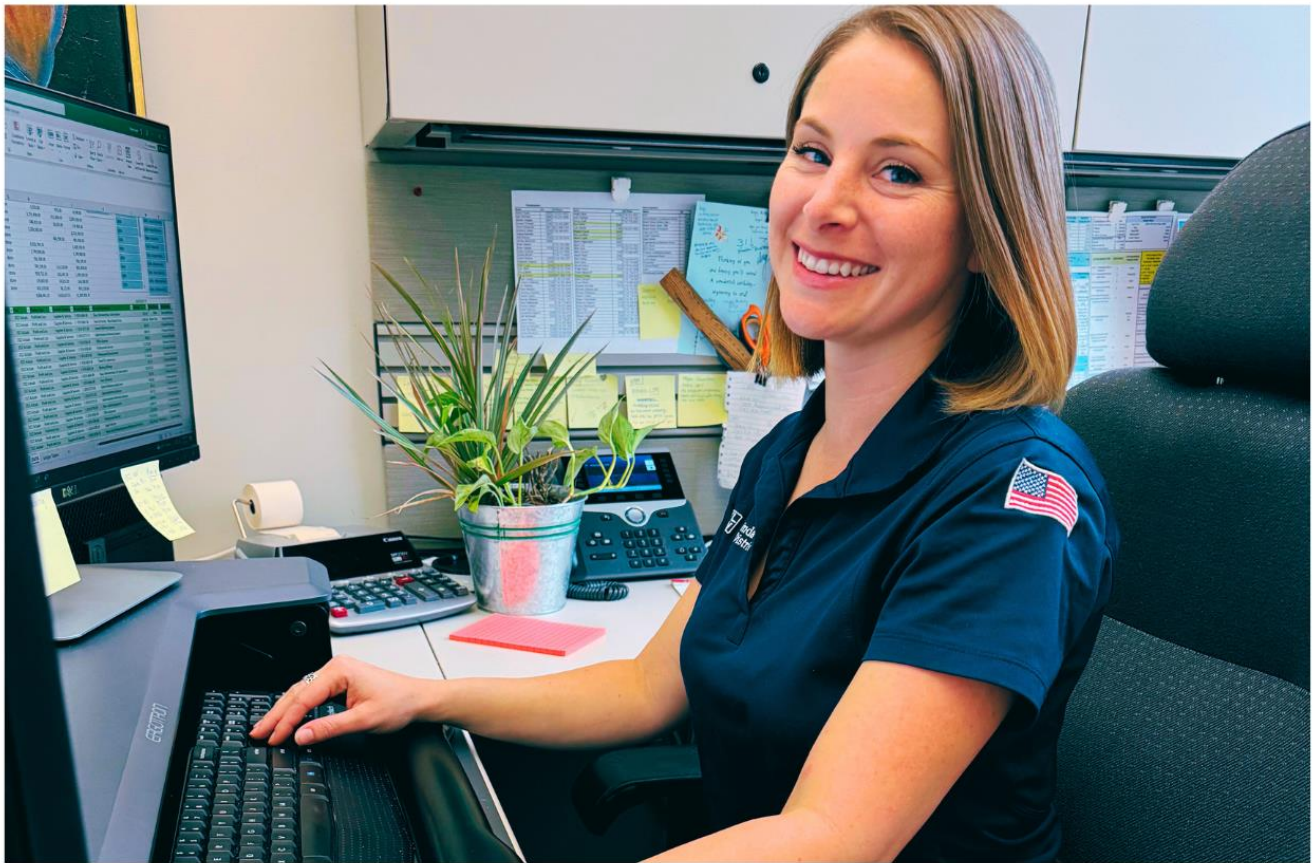
- Provide electronic forms and workflows to be implemented in respective departments and District-wide to ensure consistent, efficient, visible processing and monitoring while reducing staff workload and processing time.
- Work with departments to customize forms and workflows that align with departmental needs including routing, approvals, distribution, storage and classification which provide transparency and unburdens end-users.

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY24-25 Target	FY21-22 Achieved	FY22-23 Achieved	FY23-24 Achieved
G3 1A	Review Remaining Historical Contracts for Actionable Events	186 Contracts	370 Contracts	350 Contracts	105 Contracts 850 Easements 125 Quitclaim Deeds
G3 1A	Maintain Continual Scanning, Importing, and Archiving of District Records	25,000 Pages	52,000 Pages	56,000 Pages	55,000 Pages
G3 1A	Fulfill and Close Requests for Public Records Within 10 Days	3 Days Avg Response	3 Days Avg Response	2 Days Avg Response	2 Days Avg Response

Administration Departmental Budget

	FY23 Actual	FY24 Budget	FY24 Projections	FY25 Budget
Salary Related Expenses				
Salaries	\$ 1,265,532	\$ 1,562,716	\$ 1,426,159	\$ 1,583,196
Benefits	349,743	2,356,088	2,453,218	2,328,779
Salary Related Expenses Total	\$ 1,615,275	\$ 3,918,804	\$ 3,879,377	\$ 3,911,975
Supplies & Services				
Communications	\$ 89,098	\$ 129,440	\$ 130,292	\$ 131,940
Contractual Services	2,827	4,461	4,461	5,240
District Meetings & Events	8,677	19,995	21,434	33,995
Dues & Memberships	84,282	112,515	113,235	113,785
Fees & Permits	3,304	3,000	3,000	3,000
Non Capital Equipment	3,931	4,000	4,000	4,500
Office Expense	4,084	3,600	3,600	5,500
Professional Services	449,167	541,000	549,697	541,500
Training	2,083	6,000	3,000	7,000
Travel & Conferences	15,614	36,640	36,640	44,490
Supplies & Services Total	\$ 663,067	\$ 860,651	\$ 869,359	\$ 890,950



DEPARTMENT SUMMARIES

FINANCE

Finance Department

Position/Title	FY21	FY22	FY23	FY24	FY25
Accountant	1	1	1	1	1
Accounting Assistant I	-	-	-	-	-
Accounting Assistant II	2	2	2	2	2
Accounting Supervisor	-	-	-	1	1
Budget Analyst	-	1	1	1	1
Customer Service Representative II	3	4	3	3	3
Customer Service Representative III	2	2	2	2	2
Customer Service Supervisor	-	-	-	-	-
Customer Service Billing Administrator	1	1	1	-	-
Customer Service Billing Administrator (Hired prior to 7/1/2023)	-	-	-	1	1
Finance Manager	1	1	1	1	1
Senior Accountant	1	1	1	-	-
Total Finance Personnel	11.0	13.0	12.0	12.0	12.0

FY23 to FY24 Changes and Trends: None

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.

The 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 2023-24 which included rate and charge adjustments as approved at the June 8, 2021 Public Hearing. The effective date is July 1, 2023. 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, 2023.
- Awarded GFOA's "Certificate of Achievement for Excellence in Financial Reporting" for District's FY2022-23 Annual Comprehensive Financial Report (ACFR).
- Awarded GFOA's Popular Annual Financial Report for FY2022-23.
- 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 2022-23.

- 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 in August 2023. 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.

FY2023-24 Goals Achieved

1. Obtained an upgraded rating to AA+ Positive Outlook from prior year of AA+ Stable Outlook in response to the August 2023 Fitch Ratings surveillance.
2. Obtained “Triple Crown Winner” status from GFOA in regard 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 2022-23.
3. Successfully coordinated and completed a new 2024 Strategic Plan document.

FY2024-25 Goals & Objectives

Goal 1: Maintain an upgraded Fitch Ratings, a Standard & Poor’s rating, of a AA+ Positive Outlook or higher.

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

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

Goal 2: Successfully complete external audit for fiscal year ending June 30, 2024.

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

Goal 3: Effectively evaluate efficiencies of existing Enterprise Resource Planning (ERP) System or software system.

- Coordinate with District IT department and software consultant, Cogsdale, to evaluate essential functions such as workflow, customer relations, reporting, etc.
- Collaborate with IT department and software consultant to obtain a quote for the consolidated software system analysis and/or a new software system to meet the needs of the District.

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY24-25 Target	FY21-22 Achieved	FY22-23 Achieved	FY23-24 Achieved
G2 1B	Achieve or Exceed Current Bond Ratings (AA+/AAA)	≥ AA+/AAA	AA+ (Stable Outlook Upgrade)	AA+ (Stable Outlook Upgrade)	AA+ (Positive Outlook Upgrade)
G2 1B	Debt-Covenant Ratio of 225% at Fiscal Year End	≥ 225%	233%	246%	339%
G2 1B	Minimum of 365 Days of Cash on Hand at Fiscal Year End	365 Days	348	430	444

Customer Service

Division Description

The Customer Service 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.

FY2023-24 Goals Achieved

1. Assessed the efficiency of the After Hours Answering Service Contract and obtained a new service provider with an enhanced scope of work control as listed in Contract Scope of Work.
2. Efficiently incorporated Low Income Household Water Assistance Program (LIHWAP) as an option for financial assistance to eligible District customer account holders.

FY2024-25 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 – Public Awareness & Engagement

- 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, to maintain efficiency and productivity.

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

- Review Cogsdale knowledge base articles for upcoming releases, with a focus on case studies and improved functionality.
- Coordinate efforts with the Finance Manager and 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

Strategic Plan Reference	Key Performance Indicators	FY24-25 Target	FY21-22 Achieved	FY22-23 Achieved	FY23-24 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

	FY23 Actual	FY24 Budget	FY24 Projections	FY25 Budget
Salary Related Expenses				
Salaries	\$ 1,118,326	\$ 1,281,168	\$ 1,269,134	\$ 1,355,829
Benefits	322,684	392,251	431,968	451,529
Salary Related Expenses Total	\$ 1,441,010	\$ 1,673,419	\$ 1,701,102	\$ 1,807,358
Supplies & Services				
Communications	\$ 99,523	\$ 98,800	\$ 98,800	\$ 106,000
Contractual Services	64,417	68,670	68,670	70,001
District Meetings & Events	1,565	1,100	1,100	1,100
Dues & Memberships	980	1,370	1,370	1,410
Fees & Permits	298,606	317,516	343,000	257,964
Maintenance	-	300	300	300
Non Capital Equipment	-	300	300	300
Office Expense	9,424	12,450	12,450	13,550
Professional Services	54,727	84,150	84,150	152,950
Training	6,308	6,583	6,583	8,500
Travel & Conferences	4,238	11,830	11,830	13,830
Uncollectible Accounts	27,654	15,000	15,000	15,000
Supplies & Services Total	\$ 567,442	\$ 618,069	\$ 643,553	\$ 640,905



DEPARTMENT SUMMARIES

ENGINEERING

Engineering Department

Position/Title	FY21	FY22	FY23	FY24	FY25
Assistant Engineer I	-	1	1	-	-
Assistant Engineer II	0.5	-	-	1	1
Assistant Engineer III	-	1.5	2	1	1
Associate Engineer	1	-	-	1	1
Construction Inspector	1	1	1	1	1
Engineering Manager	1	1	1	1	1
Engineering Technician II	2	-	-	-	-
GIS Analyst	1	1	1	-	-
GIS Technician	-	-	-	1	1
Intern	0.5	-	-	-	0.5
Principal Engineer	1	1	1	1	1
Senior Construction Inspector	1	1	1	1	1
Senior Engineer	1	2	2	2	2
Senior Project Manager	1	-	-	-	-
Total Engineering Personnel	10.5	10.0	10.0	10.0	10.5

FY24 to FY25 Changes and Trends: Administrative Intern reclassified to Engineering intern and transferred from Administration.

Engineering

Department Description

The Engineering department 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.
- 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

- 47 Fire Hydrant Flow Tests
- 1,916 USA Dig Alert tickets
- 22 New Meter Setups
- 13 Construction Meters installed
- 15 Single Sewer Connections & 10 Single Water Connections
- 15,535 ft. of Water Mains & 4,445 ft. of Sewer Mains inspected
- 70 Water and Sewer service connections inspected
- 103 FOG (Fats, Oils & Greases) permit renewals to food service establishments
- 71 Completed PRA (Public Records Act) requests from the public.
- 27 Development Projects

Projects Completed

- BNSF Waterline Crossing at Veterans Way
- Well 22 Equipping
- Imperial Highway Waterline
- Mountain View Waterline Replacement
- Lower Hidden Hills Pressure Regulating Station
- FY23-24 Manhole and Valve Box Adjustments
- Elk Mountain Booster Pump Station Leak Repair
- Box Canyon Waterline Leak Repair
- Main Street Sewer Replacement
- Camino de Bryant Waterline Replacement Phase I

FY2023-24 Goals Achieved

1. Completed all state regulatory compliance reports.
2. Completed major CIP projects Well 22 Equipping Project, and Imperial Waterline Improvement.

FY2024-25 Goals & Objectives

Goal 1: Complete all state regulatory compliance reports.

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

- 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: Operational Effectiveness - Sustainability

- Timber Ridge Booster Pump Station
- Camino de Bryant Waterline Replacement Phase 2
- Well 5 Rehabilitation
- Well 19 Rehabilitation

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY24-25 Target	FY21-22 Achieved	FY22-23 Achieved	FY23-24 Achieved
G1 2A	Complete Regulatory Compliance Reports on or before due dates	100%	100%	100%	100%
G3 2A	Address Infrastructure needs by updating/implementing the Asset Management Plant	100%	100%	100%	100%
G1 3A	Process, monitor, and track projects annually	100%	100%	100%	100%

Engineering Departmental Budget

	FY23 Actual	FY24 Budget	FY24 Projections	FY25 Budget
Salary Related Expenses				
Salaries	\$ 848,663	\$ 1,325,747	\$ 853,761	\$ 1,446,135
Benefits	212,993	380,841	392,500	451,580
Salary Related Expenses Total	\$ 1,061,656	\$ 1,706,588	\$ 1,246,261	\$ 1,897,715
Supplies & Services				
Communications	\$ 1,048	\$ 7,000	\$ 7,000	\$ 7,000
District Meetings & Events	735	1,000	1,084	1,000
Dues & Memberships	630	3,230	3,230	4,105
Fees & Permits	23,933	14,284	14,368	8,000
Maintenance	602,164	828,000	623,000	916,000
Materials	10,135	-	2,204	-
Non Capital Equipment	-	300	300	200
Office Expense	1,821	1,700	1,700	1,700
Professional Services	447,489	462,620	503,500	1,006,696
Software Licenses	21,156	9,500	10,200	9,900
Training	5,716	12,500	12,500	7,075
Travel & Conferences	640	11,250	11,250	12,750
Supplies & Services Total	\$ 1,115,467	\$ 1,351,384	\$ 1,190,336	\$ 1,974,426



DEPARTMENT SUMMARIES

OPERATIONS

Operations Department

Position/Title	FY21	FY22	FY23	FY24	FY25
Chief Water System Operator	-	1	1	1	1
Electrical/SCADA Technician	-	1	1	1	1
Facilities Maintenance Worker	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	5	5	5	5
Maintenance Worker II	6	8	8	8	8
Maintenance Worker III	5	6	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	2	2	2
Plant Operator II	3	3	3	3	3
Production Superintendent	1	-	1	1	1
Safety & Training Analyst	1	1	1	-	-
Senior Facilities Maintenance Worker (Hired prior to 7/1/2023)	-	-	-	1	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	-	-	-	-
Water Quality Technician II	1	1	1	-	-
Water Quality Cross-Connection Specialist	-	-	-	1	1
Total Operations Personnel	45.0	44.0	46.0	45.0	45.0

FY24 to FY25 Changes and Trends: None

Operations & Maintenance Division

Division Description

The Operations 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 District's operations, such as fire hardening, security systems, engine and fleet replacements, and facility improvements.

The Maintenance 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.

Performance Measures and Achievements

- Completed preventative maintenance on one half of all distribution system valves.
- Completed CCTV (Closed Circuit Television) inspections on 64 miles of sanitary sewer system pipes.
- The district responded and resolved 2 Sanitary Sewer Overflows, (SSO).
- Completed Administration Building air conditioning boiler installation and required maintenance.
- Completed security camera project by developing a design, approving a contractor, and effectively managing the overall construction of the project.

FY2023-24 Goals Achieved

1. Procured essential new vehicles per the vehicle replacement plan, met with maintenance staff to develop a vehicle specific 10-year replacement plan and stayed up to date on fleet rules and regulations.
2. Finalized and permitted a Fire Suppression System for the service room with Placentia Fire Department by reviewing the suppression system requirements, initiate proper testing of operations and complete final permit application.

FY2024-25 Goals & Objectives

Goal 1: Procure new vehicles per vehicle replacement plan in compliance with new AQMD, Zero Emission Vehicle, (ZEV) Rules.

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

- 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 AQMD fleet rules and pending regulations.

Goal 2: Complete updates to facilities to maintain a healthy and positive work environment.

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

- Update Locker Room for field maintenance staff.
- Update office spaces as needed to meet ergonomic and comfortable office spaces.
- Update outdoor and lunch break areas to provide a healthy comfortable area to take breaks.

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY24-25 Target	FY21-22 Achieved	FY22-23 Achieved	FY23-24 Achieved
G3 3B	Perform preventative maintenance on all fire hydrants	4,022	3,416	3,776	4,029
G3 3B	Exercise all system valves (5,891 valves)	5,891	3,696	5,417	6,583
G1 5B	Minimize Sanitary Sewer Overflows	<3	3	0	2
G1 5B	Video inspect 25% of sewer system (265 miles, 25% is 66 miles)	66 miles	80 miles	69 miles	65 miles

Production Division

Division Description

The Production 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

- Produced an annual 86% groundwater production, 11% higher than the adopted FY2023-24 Operating Budget goal of 75% groundwater.
- Conducted state sanitary survey of various district facilities and received a positive report from the State Sanitary Engineer.
- Updated Backflow Program to meet new State backflow regulations.
- Met all State Water Quality performance standards.
- Water quality tests exceeded State and Federal water quality standards as results are reflected in the annual 2023 Consumer Confidence Report.

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

- Updated Backflow Program to meet new State backflow regulations.
- 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.

FY2023-24 Goals Achieved

1. Maximize Groundwater Production, Production ended the FY2023-24 with 86% Groundwater Production.
2. Developed and completed the replacement of aging meter radio units throughout the District's remaining walking routes thus converting them into driving routes for better efficiency and accuracy.
3. Developed Plant Operator Staff positions with training and growth opportunities by attending AWWA Conferences and enrolling in AWWA Leadership training. Production is fully staffed with qualified operators.

FY2024-25 Goals & Objectives

Goal 1: Meet the Basin Production Percentage (BPP) 85%, as set in the budget document.

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

- Operate the wells with efficiency for a sufficient groundwater production capacity.
- Monitor groundwater production through SCADA reports.
- Perform necessary maintenance on wells and distribution pumping facilities to minimize unplanned shutdowns.

Goal 2: Plant Operator Staff Development.

Connects to the District's Strategic Plan Goal: Workforce Engagement – Training & Development

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

Goal 3: Update Cross Connection Control Program to meet new State mandates on hazard contamination of water systems.

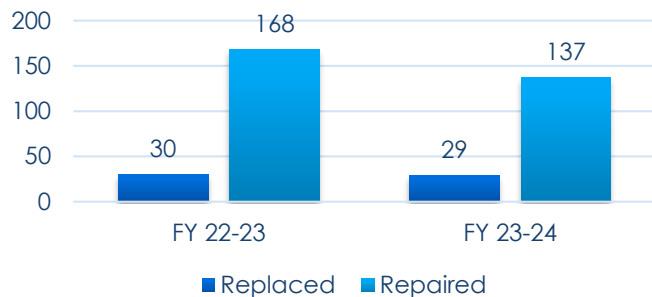
Connects to the District's Strategic Plan Goal: Workforce Engagement – Facilities & Equipment

- Review backflow assemblies and water-using equipment to continue to protect the water system from various hazards and contamination.
- Identify new State mandated rules and regulations and provide adequate staffing needs.
- Develop and get final approval for the District Cross Connection Control Program.

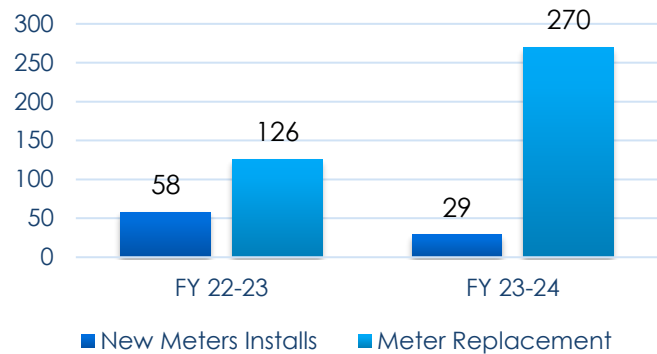
Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY24-25 Target	FY21-22 Achieved	FY22-23 Achieved	FY23-24 Achieved
G1 1A	Produce groundwater within 2% of the annual budget allocation. Budget groundwater percentage is 7%.	75%	36%	86%	86%
G1 2A	Perform and report all required Water Quality Sampling	100%	100%	100%	100%
G1 3B	Performed video inspections and leak detection at reservoirs.	4	3	3	5

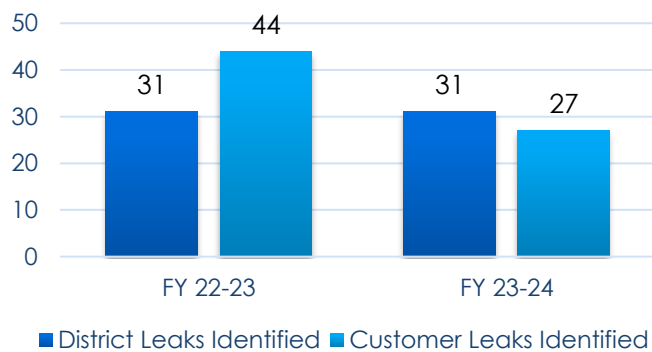
Hydrant Maintenance Work



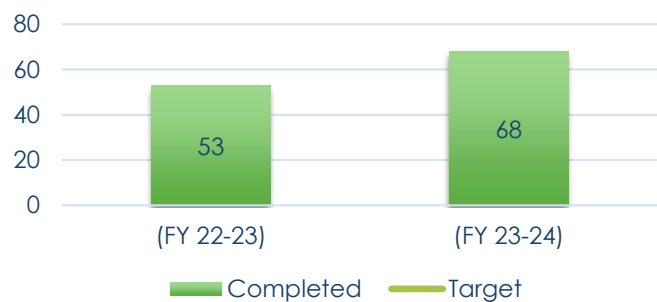
Leak Crew Meter Work



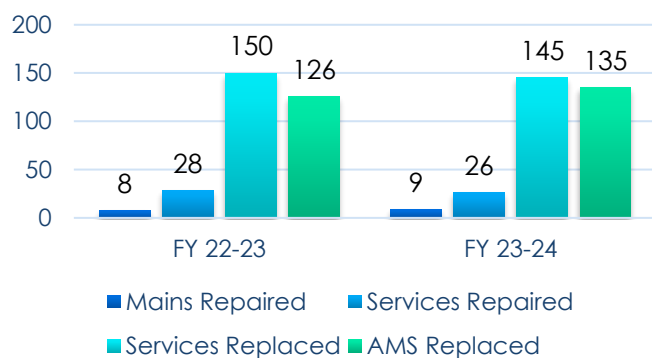
Leak Detection Work



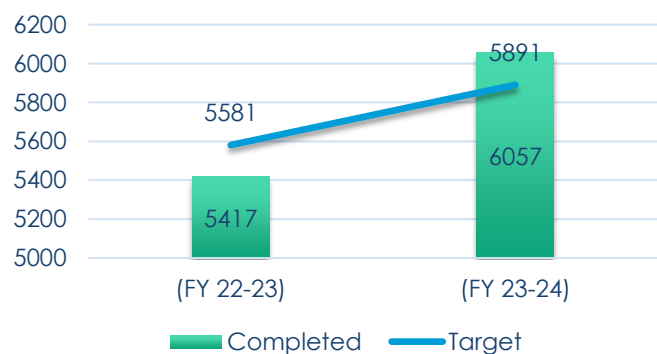
Miles of Sewer Lines Cleaned



Leak Crew Repair Work



Valve Turning



Operations Departmental Budget

	FY23 Actual	FY24 Budget	FY24 Projections	FY25 Budget
Salary Related Expenses				
Salaries	\$ 4,118,582	\$ 4,765,948	\$ 4,428,230	\$ 5,146,279
Benefits	1,421,324	1,860,937	1,775,653	2,113,513
Salary Related Expenses Total	\$ 5,539,906	\$ 6,626,885	\$ 6,203,883	\$ 7,259,792
Supplies & Services				
Contractual Services	\$ 466,397	\$ 444,400	\$ 445,849	\$ 499,000
District Meetings & Events	6,578	10,000	10,000	5,500
Dues & Memberships	31	300	300	300
Fees & Permits	163,875	164,500	167,898	200,500
Maintenance	1,148,233	1,206,100	1,250,437	1,097,000
Materials	1,209,142	2,463,792	2,208,118	2,065,150
Non Capital Equipment	255,827	297,500	297,908	218,500
Office Expense	19,090	18,500	18,500	17,000
Professional Services	65,305	61,000	72,204	46,000
Software Licenses	13,688	30,000	30,000	30,000
Training	28,587	39,800	41,742	40,300
Travel & Conferences	677	5,500	5,596	12,500
Utilities	127,370	301,000	158,000	151,000
Vehicle Expenses	867,783	755,400	760,173	712,850
Supplies & Services Total	\$ 4,372,583	\$ 5,797,792	\$ 5,466,725	\$ 5,095,600



DEPARTMENT SUMMARIES

INFORMATION TECHNOLOGY

Information Technology Department

Position/Title	FY21	FY22	FY23	FY24	FY25
Information Systems Administrator	1	-	-	-	-
Information Systems Technician I	1	1	1	1	1
Information Technology Manager	1	-	-	-	-
Senior Information Systems Administrator	1	-	-	-	-
Total Information Technology Personnel	4.0	1.0	1.0	1.0	1.0

FY24 to FY25 Changes and Trends: None

Information Technology

Department Description

The Information Technology 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

- Achieving 99.9% network uptime to ensure continuous connectivity and minimize disruptions.
- Regular maintenance schedules and prompt resolution of technical issues to enhance system reliability.
- Conducted comprehensive staff training programs on cybersecurity awareness and best practices.

FY2023-24 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. Implemented Cyber Vulnerability Scanning providing a continuous feedback loop allowing for early detections and adaptation to new threats.
2. Improved systems for internal and emergency response functions by creating local backups and implement head start servers.

FY2024-25 Goals & Objectives

Goal 1: Analyze and Improve Cybersecurity Measures.

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Services – Security/Aesthetics

- Continue to provide multiple network penetration tests to identify vulnerabilities, assess impact, and enhance system defenses.
- Evaluate and increase network infrastructure to mitigate cybersecurity breaches.

Goal 2: Ensure Reliability of Technology Infrastructure.

Connects to the District's Strategic Plan Goal: Safe & Reliable Water and Sewer Services – System Reliability and Efficiency

- 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.

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY24-25 Target	FY21-22 Achieved	FY22-23 Achieved	FY23-24 Achieved
G3 1A	Maximize system availability.	99%	99%	99%	99%
G3 2D	Minimize resolution time for help desk issues submitted by staff.	24 Hrs.	48 Hrs.	24 Hrs.	48 Hrs.
G1 4B	Cybersecurity awareness results for phishing email click rate.	3%	6%	2%	3%

Information Technology Departmental Budget

	FY23 Actual	FY24 Budget	FY24 Projections	FY25 Budget
Salary Related Expenses				
Salaries	\$ 85,972	\$ 98,671	\$ 90,598	\$ 102,618
Benefits	28,865	29,516	36,011	31,178
Salary Related Expenses Total	\$ 114,837	\$ 128,187	\$ 126,609	\$ 133,796
Supplies & Services				
Contractual Services	\$ 116,806	\$ 151,100	\$ 154,973	\$ 145,778
District Meetings & Events	184	200	200	400
Maintenance	4,593	10,000	10,000	10,000
Materials	332	5,000	5,000	5,000
Non Capital Equipment	34,938	25,000	25,000	97,800
Office Expense	11,310	10,000	10,000	10,000
Professional Services	237,540	326,000	326,000	255,000
Software Licenses	264,312	500,450	425,021	484,046
Training	-	3,510	3,510	4,000
Utilities	75,493	99,000	86,000	85,000
Supplies & Services Total	\$ 745,508	\$ 1,130,260	\$ 1,045,704	\$ 1,097,024



DEPARTMENT SUMMARIES

HUMAN RESOURCES

Human Resources Department

Position/Title	FY20	FY21	FY22	FY23	FY25
Human Resources Analyst	1	2	2	2	2
Human Resources and Risk Manager	1	1	1	1	1
Human Resources Technician	1	-	-	-	-
Records Management Administrator	1	-	-	-	-
Records Management Specialist	1	-	-	-	-
Total Human Resources Personnel	5.0	3.0	3.0	3.0	3.0

FY24 to FY25 Changes and Trends: None

Human Resources Department

Department Description

The Human Resources department provides benefits, recruitment and selection, classification and compensation, labor and employee relations, and administration of the District's human resources policies and procedures. The department promotes employee development through training programs and professional growth opportunities. It also provides guidance related to performance management, employee relations and disciplinary matters to management, supervisors and employees throughout the organization, and oversees the implementation of labor contract provisions.

The department administers the District's liability, property, workers' compensation and loss prevention programs provided by the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA). It protects the District's personnel from injury, physical assets from damage and the financial consequences of losses through a program of prevention, risk transfer and insurance procurement. The department 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.

Performance Measures and Achievements

- Arranged all aspects of the annual Health Benefits Fair – including onsite flu shots for employees.
- Revised, developed, and implemented rules, policies, and procedures for Harassment-Discrimination-Retaliation Prevention, Wellness Reimbursement, Employee Recognition Program, and Employee Cross-Training Program.
- Received \$2,000 ACWA/JPIA Wellness Grant.
- Coordinated a successful Employee Picnic with 80% participation.
- Receiving ACWA/-JPIA's "President's Special Recognition Award" for the District's commitment to reducing liability claims.

Processed Items

- 12 New YLWD Team Members
- 2 Internal Promotions & Reclassifications
- 4 Separations
- 2 Retirements

FY2023-24 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 longevity screenings and a 10-week wellness challenge.
2. Evaluated and renewed worker's compensation policy. Staff have been provided training on workplace hazards, proper body mechanics, and worksite safety inspections such as a work place violence prevention training and a ADA compliance bootcamp.
3. Evaluated liability insurance policy to reduce the amount of claims by continuing to offer training, regular inspections, and encourage staff awareness to report potential issues including a risk assessment analysis with ACWA/JPIA.

FY2024-25 Goals & Objectives

Goal 1: Improve districtwide performance management programs and platform.

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

- Review existing performance management program to identify opportunities for improvement.
- Evaluate a variety of performance management platforms to determine best organizational fit.

Goal 2: Complete comprehensive classification and compensation study.

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

- Engage professional consulting firm to complete comprehensive analysis of all district classifications.
- Collaborate with all stakeholders to ensure understanding and participation in the evaluation process.

Goal 3: Enhance leadership development, management and supervisor training opportunities.

Connects to the District's Strategic Plan Goal: Workforce Engagement – Training & Development

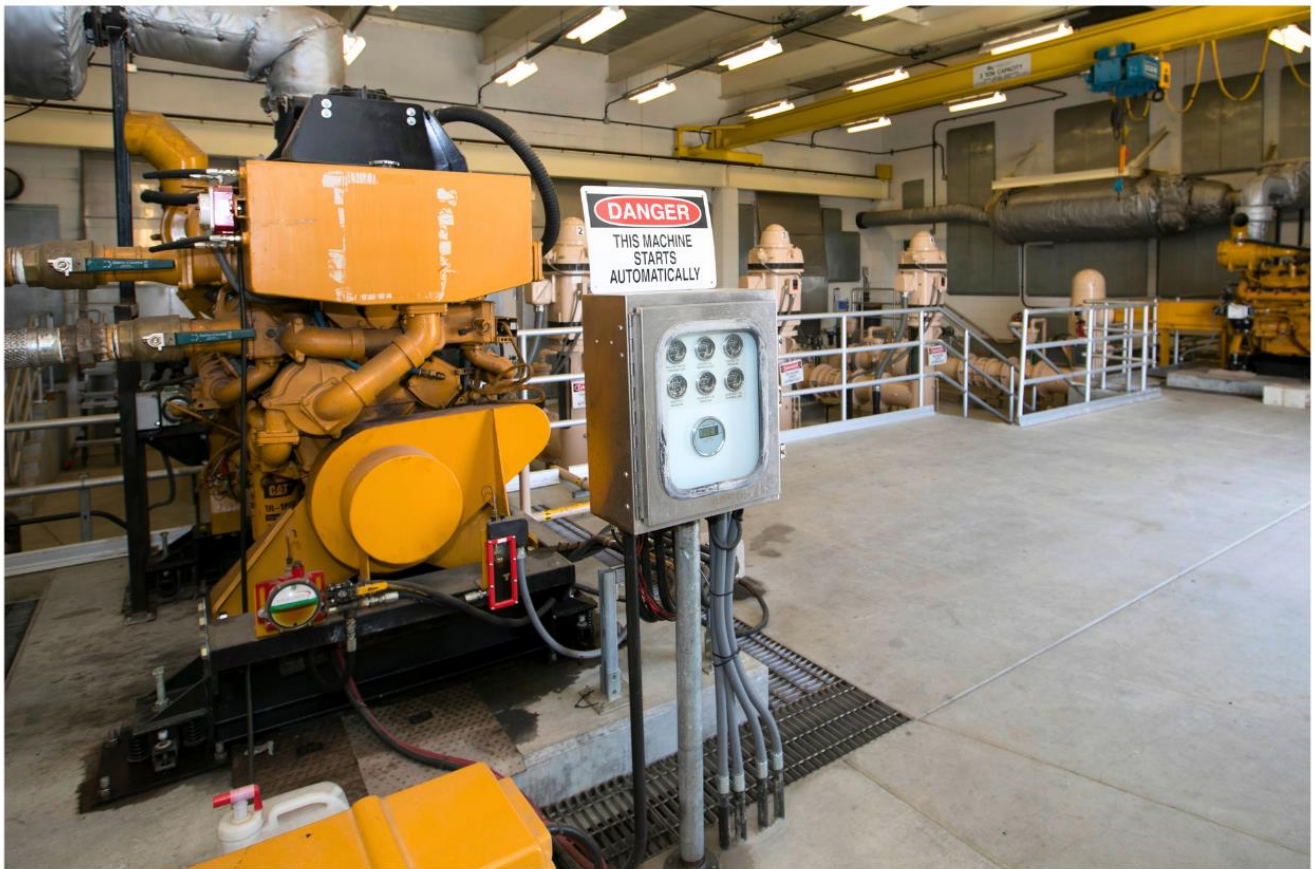
- Develop partnerships with educational institutions to expand training opportunities at all levels.
- Evaluate on-demand training resources to encourage employee and supervisor driven development plans.

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY24-25 Target	FY21-22 Achieved	FY22-23 Achieved	FY23-24 Achieved
G5 1A	Recruitment Process from Request to Hire Date (60 Days Max)	60 Days	92 Days	62 Days	60 Days
G5 1A	Employee Turnover (Non-Retirement)	<10%	7%	10%	5%
G5 1A	Timely completion of Employee Performance appraisals	95%	22%	40%	55%
G5 1A	Benefits Fair Participation	80%	72%	73%	80%
G5 2A	Participate in ACWA-JPIA Leadership Program	>1	2	0	1

Human Resources Departmental Budget

	FY23 Actual	FY24 Budget	FY24 Projections	FY25 Budget
Salary Related Expenses				
Salaries	\$ 401,683	\$ 455,542	\$ 382,655	\$ 452,927
Benefits	92,469	156,371	116,675	143,497
Salary Related Expenses Total	\$ 494,152	\$ 611,913	\$ 499,330	\$ 596,424
Supplies & Services				
Communications	\$ 2,506	\$ 5,000	\$ 35,000	\$ 35,000
Contractual Services	36,559	52,900	44,000	158,395
District Meetings & Events	20,015	34,700	22,500	24,900
Dues & Memberships	5,059	8,150	6,150	6,300
Insurance	368,631	485,000	454,000	525,000
Office Expense	615	500	500	500
Professional Services	61,707	56,000	53,500	56,000
Training	4,082	6,500	3,000	6,500
Travel & Conferences	8,280	10,500	5,048	10,500
Supplies & Services Total	\$ 507,454	\$ 659,250	\$ 623,698	\$ 823,095



CAPITAL EXPENDITURE

Capital Expenditure

Capital expenditures is comprised of Capital Improvement Projects, Repair and Replacement (R&R) Projects, and Vehicle & Capital Equipment Replacements. As shown below, the current budget year's total expenditure is projected to be \$8,962,500. Details of projects that will start during this annual budget period can be found in the this section.

PROJECT FUNDING	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29	TOTAL
PAY-GO	\$2,220,500	\$4,541,500	\$5,561,700	\$6,413,300	\$10,348,500	\$29,085,500
Debt Funded	6,742,000	1,250,000	850,000	-	-	8,842,000
ANNUAL CAPITAL IMPROVEMENT FUNDING TOTAL	\$8,962,500	\$5,791,500	\$6,411,700	\$6,413,300	\$10,348,500	\$37,927,500
PROJECT NAME	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29	TOTAL
Pressure Regulating Station Projects						
PRS Replacement Program	\$1,150,000	\$ -	\$ -	\$ -	\$ -	\$1,150,000
Waterline Projects	4,600,000	250,000	750,000	300,000	300,000	6,200,000
Golden Avenue Waterline	308,000	-	-	-	-	308,000
Reservoir Projects	-	-	-	-	-	-
Fairmont Reservoir Rehab	390,000	650,000	-	-	-	1,040,000
Little Canyon Reservoir Valve	-	225,000	-	-	-	225,000
Booster Pump Station Projects	-	-	-	-	-	-
Timber Ridge BPS	372,000	-	-	-	-	372,000
Lakeview BPS Rehab & Generator	-	-	-	150,000	500,000	650,000
Box Canyon BPS Improvements	-	-	-	-	-	-
Yorba Linda BPS Rehab & Generator	-	-	150,000	650,000	500,000	1,300,000
Santiago BPS Rehab & Generator	200,000	1,000,000	800,000	-	-	2,000,000
Well Projects	-	-	-	-	-	-
Well Rehabilitation (No. 1, 18)	420,000	-	-	-	-	420,000
Well Rehabilitation (No. 10, 21 & 12)	-	420,000	200,000	-	-	620,000
Well 23 Drilling & Equipping	-	424,500	897,700	2,127,800	6,703,000	10,153,000
Well VFD Upgrades	70,000	580,000	325,000	-	-	975,000
Total Water CIP	\$7,510,000	\$3,549,500	\$3,122,700	\$3,227,800	\$8,003,000	\$25,413,000
Sewer Main Projects						
Buena Vista Sewer Main Improvements	\$ -	\$ -	\$ -	\$1,130,500	\$1,130,500	\$2,261,000
Kellogg Dr Sewer Main Upsize	-	822,000	2,874,000	330,000	-	4,026,000
Sewer System Rehabilitation & Replacement Projects	-	-	-	-	-	-
FY25-26 Sewer CIPP Rehab Project	-	400,000	-	-	-	400,000
FY27-28 Sewer CIPP Rehab Project	-	-	-	500,000	-	500,000
Lift Station Projects	-	-	-	-	-	-
Green Crest Sewer Lift Station (\$300k Grant)	700,000	-	-	-	-	700,000
Total Sewer CIP	\$700,000	\$1,222,000	\$2,874,000	\$1,960,500	\$1,130,500	\$7,887,000
CAPITAL IMPROVEMENT TOTAL	\$8,210,000	\$4,771,500	\$5,996,700	\$5,188,300	\$9,133,500	\$33,300,000
CAPITAL OUTLAY	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29	TOTAL
Building 2 Upgrades - Locker Rooms	\$150,000	\$ -	\$ -	\$ -	\$ -	\$150,000
Network Switches	36,000	-	-	-	-	36,000
Replace Car Wash	74,500	-	-	-	-	74,500
Replace Light Tower	35,000	-	-	-	-	35,000
Plotter	7,000	-	-	-	-	7,000
Vehicle Replacements	450,000	1,020,000	415,000	1,225,000	1,215,000	4,325,000
CAPITAL OUTLAY TOTAL	\$752,500	\$1,020,000	\$415,000	\$1,225,000	\$1,215,000	\$4,627,500
GRAND TOTAL – CAPITAL IMPROVEMENT & CAPITAL OUTLAY	\$8,962,500	\$5,791,500	\$6,411,700	\$6,413,300	\$10,348,500	\$37,927,500

PRS Rehabilitation Projects

Project Description

Pressure regulating stations stabilize pressure zones by regulating the amount of pressure in the entire system and maintain full flexibility for transferring water throughout the District's service area. Unregulated pressure can cause to the water system. Pressure regulating stations are also critical for fighting fires by maintaining the appropriate firefighting flows. YLWD's service area has various elevations, and as a result, the District needs to maintain multiple pressure reducing stations.

The District identified multiple pressure regulating stations (PRS') that require replacement due to operation and maintenance issues. The PRS' to be replaced include: Applecreek PRS, Paseo del Prado PRS, Willowbrook PRS, and Stone Canyon PRS. These projects were included in the District's 2023 Water Master Plan Update and the 2018 Asset Management Plan.

Project Type
Water

Locations
Yorba Linda, CA
Anaheim, CA
County of Orange, CA

Project Manager
Ethan Nakano,
Associate Engineer

Total Project Cost
\$1,150,000

Operating Budget Impact

FY25 Capital Budget
\$1,150,000

Salaries & Benefits (Capitalized)
\$10,000

Start Date
July 2024

Debt Service
\$300,000

Estimated Completion
June 2025

Maintenance
PRS maintenance costs are expected to decrease.

Capital Requests
Ongoing Project

Utilities
N/A

PRS Rehabilitation Projects

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
Professional Services	\$ -	\$315,000	\$ -	\$ -	\$315,000
Construction (Contract)		825,000			825,000
YLWD Labor		10,000			10,000
ANNUAL TOTAL	\$ -	\$1,150,000	\$ -	\$ -	\$1,150,000

PROJECT FUNDING	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
PAY-GO	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Funded		1,150,000			1,150,000
Grants					
ANNUAL TOTAL	\$ -	\$1,150,000	\$ -	\$ -	\$1,150,000

Waterline Projects

Project Description

The District identified existing waterlines that require replacement to enhance fire flow capabilities as part of the December 2023 Water Master Plan Update. Pipeline diameters will be upsized to provide more water capacity. These projects (FF-4, FF-7, FF-11 and FF-12) include the replacement of 5,000 feet of waterlines on Mandarin Ln, Shinnyo-En, Villa Terrace, Vallecito Lane, Avolinda Drive, Camela Street, Via del Agua, Via del Puente, Via del Cerro and Via Tomas.

Approximately 1,800 feet of a 1986 16-inch cement-mortar lined and coated steel pipe will be rehabilitated to address pipeline deterioration detected through a visual inspection of the pipe interior. The section of pipeline to be rehabilitated runs from Via Lomas de Yorba West and Copper Canyon Road and along a steep ridge line to Avenida de Michelle. This project (Box Canyon 16-inch Waterline) will also include piping improvements that will enable the District to shut down and investigate the condition of a parallel 24-inch pipe that was installed in the same year as the 16-inch waterline, by the same contractor.

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$20,000

Debt Service
\$1,300,000

Maintenance
Maintenance costs are expected to decrease for the Box Canyon 16-inch Waterline.

Utilities
N/A

Project Type
Water

Location
Various Streets
Yorba Linda, California

Project Manager
Reza Afshar
Principal Engineer
Ethan Nakano
Associate Engineer

Total Project Cost
\$6,200,000

FY25 Capital Budget
\$4,600,000

Start Date
July 2024

Estimated Completion
June 2029

Capital Requests
Ongoing Projects

Waterline Replacement *Based on AMP & Leak History

Project Cost & Funding

PROJECT COST	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29	TOTAL
Professional Services	\$690,000	\$10,000	\$30,000	\$13,000	\$13,000	\$756,000
Construction (Contract)	3,880,000	220,000	660,000	262,000	262,000	5,284,000
YLWD Labor	30,000	20,000	60,000	25,000	25,000	160,000
ANNUAL TOTAL	\$4,600,000	\$250,000	\$750,000	\$300,000	\$300,000	\$6,200,000

PROJECT FUNDING	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29	TOTAL
PAY-GO	\$ -	\$ -	\$ -	\$300,000	\$300,000	\$600,000
Debt Funded	4,600,000	250,000	750,000			5,600,000
Grants						
ANNUAL TOTAL	\$4,600,000	\$250,000	\$750,000	\$300,000	\$300,000	\$6,200,000

Golden Ave Waterline

Project Description

The City of Placentia will be constructing a new bridge on Golden Avenue across the Carbon Canyon Creek. The City put the bridge project on hold from 2022 until 2024, which has delayed the District's waterline project. The construction of the bridge will enable the District to install a new waterline across the bridge to create a looped water system and provide water supply resiliency. The project includes installation of 300 Linear Feet of 8-inch PVC waterline to connect two existing 8-inch waterlines on either side of Carbon Canyon Creek.

Project Type
Water

Location
Golden Avenue
Placentia, CA

Project Manager
Ethan Nakano
Associate Engineer

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$45,000

Total Project Cost
\$324,000

Debt Service
\$0

FY25 Capital Budget
\$308,000

Maintenance
N/A

Start Date
July 2023

Utilities
N/A

Estimated Completion
June 2025

Capital Requests
Ongoing Project

Golden Ave Waterline

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
Professional Services	\$ -	\$10,000	\$ -	\$ -	\$10,000
Construction (Contract)	16,000	253,000			269,000
YLWD Labor		45,000			45,000
ANNUAL TOTAL	\$16,000	\$308,000	\$ -	\$ -	\$324,000

PROJECT FUNDING	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
PAY-GO	\$16,000	\$308,000	\$ -	\$ -	\$324,000
Debt Funded					
Grants					
ANNUAL TOTAL	\$16,000	\$308,000	\$ -	\$ -	\$324,000

Fairmont Reservoir Rehabilitation

Project Description

The Fairmont Reservoir is approximately 50 years old and recent diver inspections have shown that the reservoir requires rehabilitation to extend its useful life. This reservoir provides water storage of 7.5 million gallons to efficiently manage water to customers. This reservoir provides water service to nearly 4,400 parcels, consisting of residential, commercial and industrial customers in the second largest District area. This project was included in the District's 2023 Water Master Plan Update and the 2018 Asset Management Plan.

Project Type
Water

Locations
Yorba Linda, CA

Project Manager
Rosanne Weston
Engineering Manager

Total Project Cost
\$1,040,000

Operating Budget Impact

FY25 Capital Budget
\$1,040,000

Salaries & Benefits (Capitalized)
\$0

Start Date
July 2024

Debt Service
\$390,000

Estimated Completion
June 2026

Maintenance
Reservoir maintenance costs are expected to decrease.

Capital Requests
New Project

Utilities
N/A

Fairmont Reservoir Rehabilitation

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
Professional Services	\$ -	\$200,000	\$30,000	\$ -	\$230,000
Construction (Contract)		180,000	610,000		790,000
YLWD Labor		10,000	10,000		20,000
ANNUAL TOTAL	\$ -	\$390,000	\$650,000	\$ -	\$1,040,000

PROJECT FUNDING	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
PAY-GO	\$ -	\$390,000	\$650,000	\$ -	\$1,040,000
Debt Funded					
Grants					
ANNUAL TOTAL	\$ -	\$390,000	\$650,000	\$ -	\$1,040,000

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
Rosanne Weston
Engineering Manager

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$10,000

Debt Service
\$2,700,000

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 station.

Total Project Cost
\$5,408,637

FY25 Capital Budget
\$372,000

Start Date
October 2020

Estimated Completion
April 2025

Capital Requests
Ongoing Project

Timber Ridge Booster Pump Replacement

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
Professional Services	\$1,382,594	\$20,000	\$ -	\$ -	\$1,402,594
Construction (Contract)	3,542,387	342,000			3,884,387
YLWD Labor	111,656	10,000			121,656
ANNUAL TOTAL	\$5,036,637	\$372,000	\$ -	\$ -	\$5,408,637

PROJECT FUNDING	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
PAY-GO	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Funded	5,036,637	372,000			5,408,637
Grants					
ANNUAL TOTAL	\$5,036,637	\$372,000	\$ -	\$ -	\$5,408,637

Santiago Booster Pump Rehabilitation

Project Description

The Santiago Booster Pump Station is located in a Very High Fire Hazard Severity Zone. The pump station will be rehabilitated for fire resiliency and to improve operation and maintenance. A natural gas driven pump will be replaced with a vertical electrically driven pump. A natural gas backup generator will be installed, and site improvements will also be implemented. This project was included in the District's 2023 Water Master Plan Update and the 2018 Asset Management Plan.

Project Type
Water

Location
Green Crest Drive
Yorba Linda, California

Project Manager
Rosanne Weston
Engineering Manager

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$5,000

Total Project Cost
\$2,000,000

Debt Service
\$0

FY25 Capital Budget
\$200,000

Maintenance

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

Start Date
September 2024

Utilities

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

Estimated Completion
June 2027

Capital Requests
New Project

Santiago Booster Pump Rehabilitation

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
Professional Services	\$ -	\$195,000	\$280,000	\$40,000	\$515,000
Construction (Contract)			705,000	745,000	1,450,000
YLWD Labor		5,000	15,000	15,000	35,000
ANNUAL TOTAL	\$ -	\$200,000	\$1,000,000	\$800,000	\$2,000,000

PROJECT FUNDING	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
PAY-GO	\$ -	\$ -	\$ -	700,000	700,000
Debt Funded		200,000	1,000,000	100,000	1,300,000
Grants					
ANNUAL TOTAL	\$ -	\$200,000	\$1,000,000	\$800,000	\$2,000,000

Well 1 and Well 18 Rehabilitation

Project Description

As part of the District's continuing Rehabilitation & Replacement (R&R) Program, wells are being rehabilitated to extend their useful life, improve efficiency and restore capacity. Wells pump groundwater from the Orange County basin into the District's system and allows for maximum use of groundwater which is less expensive than import water. These wells were included in the District's 2023 Water Master Plan Update and the 2018 Asset Management Plan.

Project Type
Water

Location
District Headquarters,
Placentia, California

Project Manager
Reza Afshar,
Principal Engineer

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$20,000

Total Project Cost
\$420,000

Debt Service
\$420,000

FY25 Capital Budget
\$420,000

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.

Start Date
July 2024

Estimated Completion
June 2025

Utilities

Annual Utility costs are expected to decrease due to the efficiency improvements.

Capital Requests
New Project

Well 1 and Well 18 Rehabilitation

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
Professional Services	\$ -	\$40,000	\$ -	\$ -	\$40,000
Construction (Contract)		360,000			360,000
YLWD Labor		20,000			20,000
ANNUAL TOTAL	\$ -	\$420,000	\$ -	\$ -	\$420,000

PROJECT FUNDING	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
PAY-GO	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Funded		420,000			420,000
Grants					
ANNUAL TOTAL	\$ -	\$420,000	\$ -	\$ -	\$420,000

Well VFD Upgrades (Wells No. 20, 21, 22)

Project Description

Variable Frequency Drives are used for adjusting water flow or pressure to the actual demand needed. Improvements to be made to Wells 20, 21, and 22 include the addition of variable frequency drives (VFDs) to improve wellfield operations. It allows for the wells to work efficiently in collaboration to reduce costs, pump maximum groundwater and keep up with demand, 8 to 22 million gallons per day. This project was included in the District's 2023 Water Master Plan Update.

Project Type
Water

Location
District Headquarters,
Placentia, California

Project Manager
Reza Afshar,
Principal Engineer

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$5,000

Total Project Cost
\$975,000

Debt Service
\$0

FY25 Capital Budget
\$70,000

Maintenance
N/A

Start Date
October 2024

Utilities
Annual Utility costs are expected to decrease due to the efficiency improvements.

Estimated Completion
June 2027

Capital Requests
New Project

Well VFD Upgrades (Wells No. 20, 21, 22)

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
Professional Services	\$ -	\$65,000	\$75,000	\$25,000	\$165,000
Construction (Contract)			490,000	290,000	780,000
YLWD Labor		5,000	15,000	10,000	30,000
ANNUAL TOTAL	\$ -	\$70,000	\$580,000	\$325,000	\$975,000

PROJECT FUNDING	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
PAY-GO	\$ -	\$70,000	\$580,000	\$325,000	\$975,000
Debt Funded					
Grants					
ANNUAL TOTAL	\$ -	\$70,000	\$580,000	\$325,000	\$975,000

Green Crest Lift Station Rehabilitation

Project Description

The existing sewer lift station is at the end of its useful life and requires replacement. The new pump station will include a new wet well, valve vault improvements, two new pumps, a level monitor, piping and appurtenances, and an electrical control panel and conduit. The new electrical cabinet will allow the lift station to be connected to a portable backup emergency generator. The 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
Rosanne Weston,
Engineering Manager

Operating Budget Impact

Total Project Cost
\$1,000,000

Salaries & Benefits (Capitalized)
\$30,000

FY25 Capital Budget
\$700,000

Debt Service
N/A

Start Date
July 2024

Maintenance
Maintenance costs are expected to decrease.

Estimated Completion
June 2025

Utilities
N/A

Capital Requests
New Project

Green Crest Lift Station Rehabilitation

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
Professional Services	\$ -	\$160,000	\$ -	\$ -	\$160,000
Construction (Contract)		810,000			810,000
YLWD Labor		30,000			30,000
ANNUAL TOTAL	\$ -	\$1,000,000	\$ -	\$ -	\$1,000,000

PROJECT FUNDING	PRIOR YEARS	FY2024-25	FY2025-26	FY2026-27	TOTAL
PAY-GO	\$ -	\$700,000	\$ -	\$ -	\$700,000
Debt Funded					
Grants		300,000			300,000
ANNUAL TOTAL	\$ -	\$1,000,000	\$ -	\$ -	\$1,000,000

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
AQMD	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, principal payments on long-term debt, and minimum funding of all reserve requirements as required by the District's reserve policy.
Bargaining Unit Employee	a group of employees with similar job duties and titles who are represented by a labor union in collective bargaining and other dealings with management.
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.
Unrepresented Employees	an Employee in the classified or unclassified service who is not represented by any of the District's recognized labor organizations.
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**

STRATEGIC PLAN

2024



PFAS Treatment Plant

TABLE OF CONTENTS

Introduction	3
GOAL 1: SAFE & RELIABLE WATER AND SEWER SERVICES	6
Initiative 1: Water Supply	6
Initiative 2: Regulations/Legislation	6
Initiative 3: System Reliability and Efficiency	6
Initiative 4: Security/Aesthetics	6
Initiative 5: Services/Partnerships	7
GOAL 2: FISCAL RESPONSIBILITY	8
Initiative 1: Fiduciary Responsibility	8
Initiative 2: Financial Transparency	8
Initiative 3: Balanced Budget and Equitable Rates	9
GOAL 3: OPERATIONAL EFFECTIVENESS	10
Initiative 1: Efficiency	10
Initiative 2: Sustainability	11
Initiative 3: Emergency Preparedness	11
GOAL 4: COMMUNITY PARTNERSHIPS	12
Initiative 1: Brand Recognition	12
Initiative 2: Public Awareness & Engagement	12
Initiative 3: Local, State & Federal Engagements	12
GOAL 5: WORKFORCE ENGAGEMENT	13
Initiative 1: People	13
Initiative 2: Training & Development	13
Initiative 3: Facilities & Equipment	13

INTRODUCTION

The Yorba Linda Water District is an independent special district serving over 80,000 people with 26,000 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.

The District is met with many challenges including uncertain State mandates/regulations, water supply and water quality issues, environmental pressures, regulatory mandates on conservation, infrastructure maintenance and upgrades, rising operational costs, and the ability to recruit and retain a high-performing workforce. This strategic plan serves as a roadmap for how the District will respond to these challenges and optimize the equitable use of water to continually adapt in changing environments. It reinforces our vision, mission, and guiding principles, as a special district committed to providing high-quality water and wastewater to our customers.



Strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide an organization, what it does, and why. The Strategic Plan is created through a comprehensive process that includes the Directors, executive management, staff members, and the public. This results in the creation of a plan applicable to all positions within the organization, and to empower exceptional and effective public service. The plan will then 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.

Yorba Linda Water District's dedication to its customers, fiscal responsibility, reliable water, and workforce is clearly displayed within the goals incorporated in this strategic plan.

DISTRICT PROFILE

MISSION

Yorba Linda Water District (YLWD) provides 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, ensuring reliable infrastructure, and assuring fiscal accuracy and transparency.

CORE VALUES



INTEGRITY



ACCOUNTABILITY



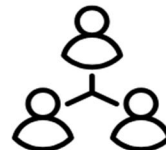
RESPONSIBILITY



TRANSPARENCY



RESPECT



TEAMWORK

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 and updated accordingly.



Goals

Effectively addressing challenges and opportunities for improvement that align with the District's core values, and further its mission and vision.



Initiatives

High-level concepts or plans for accomplishing the identified goals.



Strategies

Action steps for achieving the identified initiatives and the identified goals.

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

Goal 1: Safe & Reliable Water and Sewer Services

Goal 2: Fiscal Responsibility

Goal 3: Operational Effectiveness

Goal 4: Community Partnerships

Goal 5: Workforce Engagement

GOAL 1

Safe & Reliable Water and Sewer Services

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

Initiative 1: Water Supply

- A. Evaluate groundwater supplies by maximizing groundwater utilization and developing additional well sites and sources.
- B. Evaluate other water supplies by reviewing raw water usage with Municipal Water District of Orange County (MWDOC) and review/update interconnection agreements.

Initiative 2: Regulations/Legislation

- A. Comply with all regulatory requirements (e.g. water quality, environmental, backflow).
- B. Monitor emerging water and wastewater legislation.
- C. Meet with lobbyists, representatives, and regulators at all levels (local/State/Federal).
- D. Take on leadership role with industry committees.

Initiative 3: System Reliability and Efficiency

- A. Develop/Implement Capital Improvement Program (CIP).
- B. Utilize plans and tools to target infrastructure operations, maintenance, and upgrades.

Initiative 4: Security/Aesthetics

- A. Develop District standards for public facing aesthetics.
- B. Identify and support the installation of backup systems, fire hardening, security, cybersecurity, and redundancy.

GOAL 1

Safe & Reliable Water and Sewer Services

Initiative 5: Services/Partnerships

- A. Evaluate feasibility of providing additional water services within the region.
- B. Evaluate feasibility of providing additional wastewater services within the region (e.g. septic to sewer).



GOAL 2

Fiscal Responsibility

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 holds paramount its duty to demonstrate effective and responsible use of public funds while responding to ever-increasing financial challenges such as inflation and rising costs of goods and services.

Initiative 1: Fiduciary Responsibility

- A. *Maintain Government Finance Officers Association (GFOA) Award Recognition for the Annual Comprehensive Financial Report (ACFR), Popular Annual Financial Report (PAFR), and Annual Operating Budget.*
- B. *Maintain Fitch and Standard & Poor's bond rating of AA+ or higher.*
- C. *Annually evaluate and update as necessary, the District's financial plan and policies to incorporate the District's Water/Sewer Master Plans (WMP/SMP) and Asset Management Plan (AMP), and ensure that reserves and paydown of unfunded accrued liabilities (UAL) are adequately funded.*
- D. *Review existing service contracts as appropriate for cost efficiencies.*
- E. *Manage cash flow to maximize investment income.*
- F. *Ensure compliance with state and federal grant funding requirements.*

Initiative 2: Financial Transparency

- A. *Provide all pertinent financial documents and policies on the District's website.*
- B. *Maintain California Special District Association's (CSDA) Certificate of Transparency to demonstrate the District's commitment to operating in a transparent and ethical manner.*

GOAL 2

Fiscal Responsibility

Initiative 3: Balanced Budget and Equitable Rates

- A. *Perform cost of service analysis periodically and appropriately to ensure rates and charges are fair and equitable, including compliance with Proposition 218 requirements.*
- B. *Update rate models as part of the budget process and review and adopt an appropriate fee schedule annually.*
- C. *Develop an annual budget for Board approval for subsequent fiscal year.*



GOAL 3

Operational Effectiveness

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. 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.

Initiative 1: Efficiency

- A. Optimize use of existing technologies (e.g. Computerized Maintenance Management System, SCADA, Meter Reading AMR).
- B. Explore non-traditional approaches to improve operational efficiencies, turbines, solar, rate evaluations for energy efficiency, TOU pumping.
- C. Evaluate tools and equipment that can improve work performance, safety, and efficiencies (Hydro Excavators, Pipe cutting equipment, Mechanics shop tools and large equipment, vehicle design).
- D. Continue to develop written departmental standard operating procedures.



GOAL 3

Operational Effectiveness

Initiative 2: Sustainability

- A. *Update Asset Management Plan, Water and Wastewater Master Plans as needed.*
- B. *Address the District's future infrastructure needs.*
- C. *Maintain industry recommended maintenance programs for District assets.*
- D. *Evaluate and maintain sustainable operations.*
- E. *Comply with all local, state and federal Water and Wastewater Regulations.*

Initiative 3: Emergency Preparedness

- A. *Perform semi-annual Emergency Operations Center exercises.*
- B. *Strengthen existing emergency operations.*
- C. *Establish an Emergency Preparedness team with District staff.*



Timber Ridge Booster Pump

GOAL 4

Community Partnerships

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. *Host a YLWD Open House and/or infrastructure tours for our customers, community partners, and stakeholders to attend and learn about YLWD and the services we provide.*
- C. *Offer partnership opportunities for community events, water donations, giveaways, etc.*
- D. *Highlight YLWD on our social media platforms and website to humanize our organization and foster a stronger connection with our community.*

Initiative 2: Public Awareness & Engagement

- A. *Frequently update the District website.*
- B. *Publish annual reports and infographics; include water usage, cost, reconciliation, investments, projects, etc.*
- C. *Utilize communication tools to promote YLWD services available using various methods to engage with more customers.*
- D. *Communicate District News and emerging water quality and sewer issues/regulations using various communication methods to engage with more customers.*

Initiative 3: Local, State & Federal Engagements

- A. *Actively maintain and work with local, state and federal organizations on emerging issues.*

GOAL 5

Workforce Engagement

The District prides itself on a highly-skilled staff of professionals that produce superior quality work through consistent application of established core values. Our employees are the foundation for everything we do. Building on employee engagement is critical to future success, and the recruitment and retention of a high-performing workforce. By providing a positive, innovative work environment, a variety of training and development opportunities, and the best possible facilities and equipment, our employees will successfully accomplish our mission.

Initiative 1: People

- A. *Foster a positive, innovative organizational climate, recognizing the importance of employee health, wellness, and safety.*
- B. *Establish and maintain an effective performance management program.*
- C. *Recruit and retain a highly-skilled and capable workforce.*

Initiative 2: Training & Development

- A. *Provide opportunities for training, cross-training and development at all levels of the organization, including leadership development, management and supervisor training.*
- B. *Provide mentorship and internship programs.*
- C. *Develop a comprehensive succession plan.*

Initiative 3: Facilities & Equipment

- A. *Improve IT infrastructure for maximum efficiency, effectiveness, and security.*
- B. *Maintain and/or upgrade facilities, as needed, to provide functional, positive, and safe workspaces.*
- C. *Maintain and/or upgrade organizational equipment, as needed, to facilitate efficient and safe operations.*

PURCHASING

Dept/Div:	Finance	Approved By:	Resolution No. 2023-16
Effective Date:	June 15, 2023	Amended By:	Resolution No. 2023-29
Amended Date:	October 19, 2023	Applicability:	District Wide
Supersedes:	Resolution No. 2022-16	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
Accounting Supervisor, Budget Analyst, Customer Service Billing Administrator, Principal Engineer, Public Affairs Officer, Records Management Administrator, Senior Engineer, Senior Executive Assistant, Senior IS Administrator, Superintendents	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. Designated District staff are issued a US Bank Cal-Card for their use on miscellaneous purchases (refer to Section 5.3) of this Policy.
- 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.

- Page 6 of 26

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.

5.4.2.2 Multiple Year Contracts for Procurement of Professional Services and Non-Professional Services in amounts over \$75,000 shall not exceed five (5) years in duration with up to two 5-year extension options unless the terms of the contract specifically and for good cause provide otherwise. At the expiration of the five (5) year period and any applicable extensions, the Multiple Year Contract shall be presented to the Board of Directors for consideration or shall comply with the Competitive Selection Process set forth in Section 7.0.

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.

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 a 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 the District's Ethics Policy and Employee Memorandum of Understanding or Personnel Manual in effect.

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 \$10,000 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 Procurement Procedures Pertaining to Federal Grants

- 11.1** In the event that the District is identified as a recipient or sub-recipient of a Federal Government Grant or any Pass-Through Federal Grant, the District will be required to comply with the Federal Uniform Guidance (2 C.F.R. Part 200) standards and procedures as listed in Exhibit B. This Guidance establishes requirements by grantees when procuring goods and services needed to carry out a Federal award.

12.0 County Water District Status

- 12.1** 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.

13.0 Policy Revisions

- 13.1** 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 on an annual basis 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.

EXHIBIT B**FEDERAL REQUIREMENTS****1.0 Regulations for Procurement of Property or Services Stemming from Federal Aid**

- 1.1** This section shall apply to the awarding of sub-grants and contracts by the District stemming from federal grants to the District. This section shall have the same application on the awarding of sub-grants and contracts by the District stemming from state, county or other non-federal government entity grants originating as federal grants.

2.0 Procurement Standards

- 2.1** The District shall maintain a contract administration system which ensures contractors perform in accordance with the terms, conditions and specifications of their contracts or purchase orders.
- 2.2** The District shall maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer or agent of the District shall participate in selection, or in the award or administration of a contract supported by federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when:
- 2.2.1** The employee, officer or agent;
- 2.2.2** Any member of his or her immediate family;
- 2.2.3** His or her partner; or
- 2.2.4** An organization which employs, or is about to employ, any of the above, has a financial or other interest in or a tangible personal benefit from a firm considered for award.
- 2.3** The District's officers, employees or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to sub-agreements. Such a conflict will not arise where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value. The District's standards of conduct provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the District.
- 2.4** The District shall not enter into a contract with a non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government or Indian tribe, unless the non-Federal entity maintains written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest mean due to relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.
- 2.5** The District shall avoid acquisition of unnecessary or duplicative items. Consideration will be given to consolidating or breaking out procurements to obtain a more economic purchase. Where appropriate, an analysis will be made of lease versus purchase

alternatives, and any other appropriate analysis to determine the most economical approach.

- 2.6** The District shall consider entering into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.
- 2.7** The District shall consider using Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.
- 2.8** The District shall consider using value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure its essential function is provided at the overall lower cost.
- 2.9** The District shall make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance and financial and technical resources.
- 2.10** The District shall maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection and the basis for the contract price.
- 2.11** The District shall use time and material type contracts only:
 - 2.11.1** After a determination is made that no other contract is suitable; and
 - 2.11.2** If the contract includes a ceiling price the contractor exceeds at their own risk.
- 2.12** The District alone shall be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes and claims. These standards do not relieve the District of any contractual responsibilities under its contracts.

3.0 Competition

- 3.1** The District will conduct procurement transactions in a manner providing full and open competition. To ensure objective contractor performance and eliminate unfair competitive advantage, contractors developing or drafting specifications, requirements, statements of work, or invitations for bids or requests for proposals shall be excluded from competing for such procurements.
- 3.2** The District shall conduct procurements in a manner prohibiting the use of statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criteria provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

- 3.3** The District shall have written procedures for procurement transactions. These procedures will ensure that all solicitations:
- 3.3.1** Incorporate a clear and accurate description of the technical requirements for the material, product or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured, and when necessary, shall set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a brand name or equal description may be used to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offerors shall be clearly stated; and
 - 3.3.2** Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.
- 3.4** The District shall ensure prequalified lists of persons, firms or products that are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. The District shall not preclude potential bidders from qualifying during the solicitation period.

4.0 Methods of Procurement to be Followed

The District shall use one of the following methods of procurement:

- 4.1** Procurement by Micro-Purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold as set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions) and adjusted periodically for inflation. As of the date of this ordinance, the micro-purchase threshold is \$10,000.
- 4.2** Procurement by Small Purchase Procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that do not cost more than the simplified acquisition threshold as set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions) and in accordance with 41 U.S.C. 1908 and periodically adjusted for inflation. If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. As of the date of this ordinance, the simplified acquisition threshold is \$250,000.
- 4.3** Procurement by Sealed Bids (Formal Advertising). Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price.
 - 4.3.1** For sealed bidding to be feasible, the following conditions should be present:
 - 4.3.1.1** A complete, adequate, and realistic specification or purchase description is available;

4.3.1.2 Two or more responsible bidders are willing and able to compete effectively for the business; and

4.3.1.3 The procurement lends itself to a firm-fixed-price contract and the selection of the successful bidder can be made principally based on price.

4.3.2 If sealed bids are used, the following requirements apply:

4.3.2.1 The invitation for bids will be publicly advertised and bids shall be solicited from an adequate number of known suppliers, providing them sufficient time prior to the date set for opening the bids;

4.3.2.2 The invitation for bids, which will include any specifications and pertinent attachments, shall define the items or services for the bidder to properly respond;

4.3.2.3 All bids will be publicly opened at the time and place prescribed in the invitation for bids;

4.3.2.4 A firm-fixed-price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost and life cycle costs shall be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

4.3.2.5 If there is a sound documented reason, any or all bids may be rejected.

4.4 Procurement by Competitive Proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

4.4.1 Requests for proposals shall be publicized and identify all evaluation factors including relative importance. Any response to publicized requests for proposals shall be honored to the maximum extent practical;

4.4.2 Proposals will be solicited from an adequate number of qualified sources;

4.4.3 The District shall conduct technical evaluations of the proposal received and for selecting awardees;

4.4.4 Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and

4.4.5 The District may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is

selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

- 4.5** Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances applies:

4.5.1 The item is available only from a single source;

4.5.2 The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

4.5.3 The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in a written request from the District; or

4.5.4 After solicitation of multiple sources, competition is determined inadequate.

- 4.6** Contracting with Small and Minority Businesses, Women's Business Enterprises and Labor Surplus Area Firms.

4.6.1 The District shall take all necessary affirmative steps to assure that minority businesses, women's business enterprises and labor surplus area firms are used when possible.

4.6.2 Affirmative steps include:

4.6.2.1 Placing qualified small and minority businesses and women's business enterprises on solicitation lists;

4.6.2.2 Assuring that small and minority businesses and women's business enterprises are solicited whenever they are potential sources;

4.6.2.3 Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses and women's business enterprises;

4.6.2.4 Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses and women's business enterprises;

4.6.2.5 Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and

4.6.2.6 Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in subsections 4.6.2.1 through 4.6.2.6 of this section.

4.7 Contracts Cost and Price

- 4.7.1** The District shall perform a cost or price analysis in every procurement action exceeding the simplified acquisition threshold including contract modifications. The method and degree of analysis will be dependent on the facts surrounding each procurement situation. As a starting point, the District shall make independent estimates before receiving bids or proposals.
- 4.7.2** Costs or prices based on estimated costs for contracts under the Federal award will be allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the District under Subpart E – Cost Principles of Title 2, Subtitle A, Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).
- 4.7.3** The cost plus a percentage of cost and percentage of construction cost methods of contracting shall not be used.

4.8 Federal Awarding Agency or Pass-Through Entity Review

- 4.8.1** The District shall make available, upon request of the Federal awarding agency or pass-through entity, technical specifications on proposed procurements where the Federal awarding agency or pass-through entity believes such review is needed to ensure that the item or service specified is the one being proposed for purchase.
- 4.8.2** The District shall make available upon request, for the Federal awarding agency or pass-through entity pre-procurement review, procurement documents, such as requests for proposal or invitations for bids, or independent cost estimates when:
 - 4.8.2.1** The District's procurement procedures or operation fails to comply with the procurement standards of Title 2, Subtitle A, Part 200, Subsection 200.324;
 - 4.8.2.2** The procurement is expected to exceed the simplified acquisition threshold and is to be awarded without competition or only one bid or offer is received in response to a solicitation;
 - 4.8.2.3** The procurement, which is expected to exceed the simplified acquisition threshold, specifies a "brand name" product;
 - 4.8.2.4** The proposed contract is more than the simplified acquisition threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or
 - 4.8.2.5** A proposed modification changes the scope of a contract or increases the contract amount by more than the simplified acquisition threshold.
- 4.8.3** The District may be exempted from the pre-procurement review in subsection 4.8.2 above if the Federal awarding agency or pass-through entity determines that its procurement systems comply with the standards set forth in Title 2, Subtitle A, Part

200, or the District self-certifies compliance with such standards if self-certification is permitted by the Federal awarding agency or pass-through entity.

- 4.9** Bonding Requirements. For public projects, the District shall require bid guarantees, performance bonds, and payment bonds consistent with Title 2, Part 200, Section 200.325 of the Code of Federal Regulations.
- 4.10** Contract Provisions. The District's contracts shall contain the provisions in Appendix II to Title 2, Subtitle A, Part 200 – Contract Provisions for non-Federal Entity Contracts Under Federal Awards, as applicable.

PURCHASING**POLICY ACKNOWLEDGEMENT**

I acknowledge that I have received and read the provisions contained in this Purchasing Policy (Policy). I agree to comply with all terms and conditions of the Policy. I understand that it is my responsibility to consult my supervisor or the Finance Department if I have any questions that are not answered in this Policy.

I also understand that the provisions in this Policy are guidelines and may not address all circumstances that may arise. In such case, the Finance Department shall apply the Policy based on factors including but not limited to past practices and rules of statutory interpretation.

Employee Printed Name

Date

Employee Signature

Distribution: Employee's Personnel File

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

TABLE OF CONTENTS

Section 1.0	Policy
Section 2.0	Scope
Section 3.0	Delegation of Authority
Section 4.0	Investment Objectives
Section 5.0	Prudence
Section 6.0	Ethics and Conflicts of Interest
Section 7.0	Authorized Broker/Dealers
Section 8.0	Authorized Investments
Section 9.0	Review of Investment Portfolio
Section 10.0	Investment Pools
Section 11.0	Collateralization
Section 12.0	Safekeeping and Custody
Section 13.0	Diversification and Maximum Maturities
Section 14.0	Internal Controls
Section 15.0	Performance Standards
Section 16.0	Reporting
Section 17.0	Investment Policy Adoption
Appendix A	Description of Authorized Investments and Restrictions
Appendix B	Glossary

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.