

ANNUAL BUDGET

Fiscal Year
2025-26



**Yorba Linda
Water District**

California

Reader's Guide

This guide is designed to help you understand the key sections of the Yorba Linda Water District (the "District") Fiscal Year 2025-26 Budget Report.

There are six main sections:

1. Introduction and Overview
2. Financial Structure, Policy, and Process
3. Financial Summaries
4. Departmental Summaries
5. Capital Expenditure
6. Appendix

The **Introduction and Overview** section provides a high-level summary of the District's priorities and introduces the annual budget process with a message from the General Manager highlighting the priorities, influencing factors, and historical trends that are taken into consideration when creating the budget. It provides an overview of the strategic plan, core values, and goals, and includes general information about the District, including its history, its service area, and the organization's structure and purpose.

The **Financial Structure, Policy, and Process** section introduces the District's financial policies and explains the budget process, basis of budgeting, fund structure and relationship, and the allocation of funds utilized by the District.

The **Financial Summaries** section includes a comprehensive view of the District's projected revenues, expenditures, reserves, fund balance, and debt obligations for Fiscal Year ("FY") 2025-26. It includes historical data, trend analysis, and multi-year projections to support the adopted budget. This section demonstrates how the District maintains financial stability and transparency.

The **Department Summaries** section outlines the structure, responsibilities, and budget allocations of each District department. The summaries include an overview of department functions, staffing levels, and budget changes from the prior year. It highlights accomplishments from the prior year and establishes new goals and objectives for FY 2025-26. Each department summary demonstrates how its initiatives support the District's mission.

The **Capital Expenditure** section presents the District's Capital Improvement Plan ("CIP"), a five-year planning tool that identifies infrastructure projects supporting system reliability, public safety, and regulatory compliance. Only the first year of the CIP is formally appropriated through the annual budget process. The CIP is reviewed and updated annually, while future years are presented for planning purposes.

The **Appendix** section includes a list of acronyms, a glossary, the Strategic Plan, and Financial Policies to provide clarity in understanding the annual budget process.

Table of Contents

INTRODUCTION & OVERVIEW	1
GENERAL MANAGER'S MESSAGE	2
BOARD OF DIRECTORS & EXECUTIVE MANAGEMENT TEAM	11
ORGANIZATIONAL CHART	12
DISTRICT PROFILE & SERVICE AREA BOUNDARIES.....	13
MISSION, VISION & CORE VALUES	16
STRATEGIC PLAN & GOALS	18
FINANCIAL STRUCTURE, POLICY, AND PROCESS	20
FINANCIAL PROCESSES & POLICIES.....	21
BUDGET PROCESS	23
BASIS OF BUDGETING	27
FUND DESCRIPTIONS, STRUCTURE & RELATIONSHIP	29
FINANCIAL SUMMARIES.....	30
REVENUES & EXPENSES.....	31
FUND EQUITY & RESERVES	34
DEBT MANAGEMENT & COVERAGE RATIOS	36
WATER OPERATING FUND	37
SEWER OPERATING FUND	38
FINANCIAL SCHEDULES.....	39
LONG-RANGE FINANCIAL PLAN.....	42
DEPARTMENTAL SUMMARIES	46
BOARD OF DIRECTORS.....	48
ADMINISTRATION DEPARTMENT	50
FINANCE DEPARTMENT.....	58
ENGINEERING DEPARTMENT.....	63
OPERATIONS DEPARTMENT	67
INFORMATION TECHNOLOGY DEPARTMENT	74
HUMAN RESOURCES DEPARTMENT.....	77
CAPITAL EXPENDITURE	81
CAPITAL EXPENDITURE.....	82
CAPITAL PROJECT LISTING	83
APPENDIX	99
LIST OF ACRONYMS	99
GLOSSARY OF TERMS	100
STRATEGIC PLAN	102
FINANCIAL POLICIES	116



INTRODUCTION & OVERVIEW

GENERAL MANAGER'S MESSAGE
BOARD OF DIRECTORS & EXECUTIVE STAFF
ORGANIZATIONAL CHART
DISTRICT PROFILE & SERVICE AREA BOUNDARIES
MISSION, VISION & 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 Plan Budget for Fiscal Year 2025-26.

This budget underscores the District's ongoing commitment to providing reliable water and sewer services that safeguard public health and the environment, while upholding strong financial stewardship and superior customer service.

Developed through a collaborative effort across all departments, this document serves as a strategic roadmap for advancing the District's mission. It establishes clear direction for responsible financial management, service to the community, operational efficiency, achievable goals, and transparent communication.

Budget Process and Adoption

Starting in January each year, the staff initiates the budget development process, assessing current and future needs in alignment with 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 is presented to the Board of Directors at a series of public meetings to foster discussion, receive input from community members, and ensure transparency and accountability.

Strategic Planning Efforts

On April 11, 2024, the Board of Directors adopted the District's 2024 Strategic Plan through a comprehensive process that included the Board of Directors, executive management, staff, and the public. The collaborative process 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. In February 2025, the Board of Directors revalidated the Strategic Plan as part of the budget process. The [Strategic Plan and Goals](#) section on page 18 of this document provides additional details on the Strategic Plan.

District-wide Goals and Objectives

The Board of Directors establishes and/or revalidates District-wide goals and initiatives annually, which are then communicated to the General Manager for staff execution. Priorities for FY 2025-26 are consistent with the efforts of recent years, with an emphasis on the following:



Revenue and Expenditure Projections

The anticipated revenue and expense projections are outlined to provide insight into the District's available financial resources and obligations for the fiscal year. These projections incorporate rates and charges approved by the Board of Directors and consider various external factors, such as demand fluctuations, state mandates impacting District operations and finances, the overall economic climate, and other similar variables. Expenditure projections are established in accordance with the District's stated goals and historical trends, while also considering external influences such as cost increases for materials, supplies, labor, energy, and an assumed overall inflation rate of 3%. This information is presented from the District-wide perspective, and for each enterprise fund, promoting transparency and clarity of the FY 2025-26 budget.

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, if needed, the formal budget adjustment recommendations are presented to the Board of Directors for consideration. This ongoing and consistent process smooths out anomalies that may arise during the budget year.

Budget Summary

The budget for FY 2025-26 reflects the District'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 FY 2025-26:

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 FY 2025-26 on June 12, 2025, and are effective July 1, 2025, in accordance with the 2021 Rate Study Report.

Water Revenue

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 the FY 2025-26 Budget, the projected annual water consumption is shown in the table below:

Water Consumption	FY 2025-26
Centum Cubic Feet (CCF)	7.36 million
Acre-Feet (AF)	16,903
% change	3%
Increase or Decrease from FY 2024-25 Budget	Decrease

Although annual water consumption is budgeted to decrease 3% from the FY 2024-25 Budget due to water usage historical trends, total water consumption revenue dollars received are expected to increase by 6% in FY 2025-26. The increase in water consumption revenue is the result of an approved 9% adjustment on the commodity rate plus a calculated pass-through 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 \$30.0 million. The approved rates for FY 2025-26 are shown in the table below:

Commodity Rate	Pass-Through	Commodity Rate Plus Pass-Through
\$3.74	\$0.37	\$4.11

The following details describe the Board of Directors approved 5-year rate structure for consumption rates:

"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
- Helps to insulate the District's finances from fluctuations in water demand and conservation mandates

"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
- Includes wholesale water, attributed fixed costs, and power/energy
- 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. Both charges increased by the approved 9% adjustment, generating approximately \$23.4 million in revenue. The following describes the Board of Directors approved 5-year rate structure for fixed charges:

Fixed Meter Charge

This is a monthly charge, per water service connection, based on meter size, collected on monthly water bills.

It is a consistent revenue stream unaffected by changes in demand or government mandates.

Fixed Capital Finance Charge

This is an annual charge, per water service connection, based on meter size, collected on the property tax bill for each taxable parcel within the District's service area.

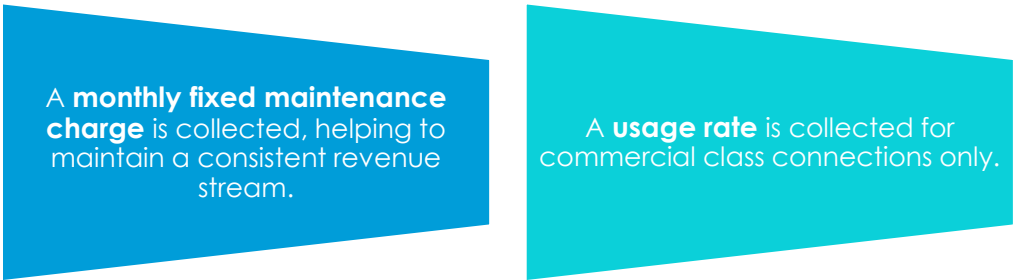
Meter connections for parcels not yet reported on county records and public institutions that are exempt from property tax, receive a manual invoice.

It assists the District with fulfilling its annual debt service obligation for long-term, intergenerational capital projects financed through debt.

Sewer Revenue

Sewer Rates & Charges

The sewer fund revenue is expected to increase by the District's Board of Directors approved rate adjustment of 9.3% effective July 1, 2025. 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:



Other Operating Revenue

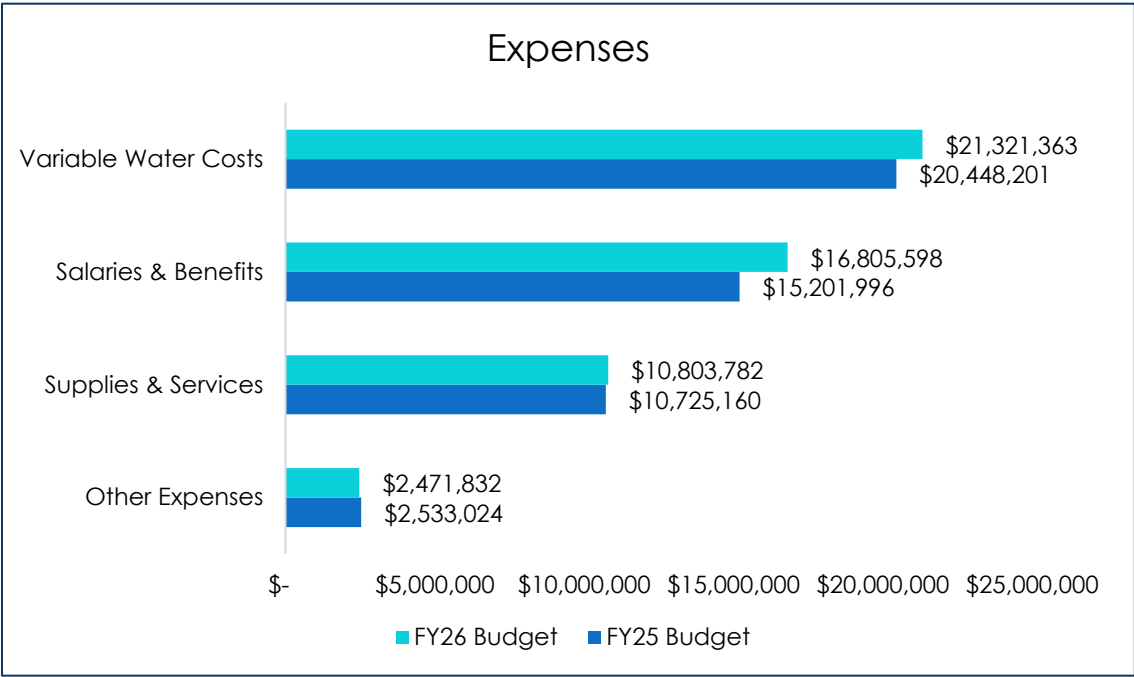
Other Operating Revenues include revenue generated from the collection of customer service and developer fees, backflow charges, construction meters fees, capacity fees, new account fees, and late fees. These charges are Board approved and are projected based upon historical activity and current economic 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 and surrounding areas continue to be a desirable real estate market, property tax revenue is expected to increase slightly.

Expenses

The total expenses budgeted for the upcoming FY 2025-26 will increase based on analysis of historical trends, projections of activity and uses, and an assumed average increase in costs of approximately 5%. The following table summarizes the changes between budget years:



Variable Water Costs

The District's budgeted Variable Water Costs will increase by approximately 4% in FY 2025-26. 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 18,709 acre-feet (AF) this fiscal year – an increase of 0.2% from the prior year's budgeted demand. To meet the demand on the water system, the operating plan assumes the annual average groundwater allocation of 85% will be maintained in FY 2025-26.

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 10.5% in FY 2025-26. This budget increase is due to adhering to the negotiated terms of the three-year Memorandum of Understanding (MOU) adopted by the Board of Directors in June 2025, increased benefits and insurance costs, and a decrease in the amount of labor capitalized as part of CIP in FY 2025-26. The total number of District employees remains at 82, which includes 81 full-time employees and 2 part-time interns.

As part of the adopted three-year Memorandum of Understanding (MOU), employee base salaries will increase by a 5% COLA in FY 2025-26 and employees who have not reached the top step of their pay range are eligible to receive merit increases up to 5%, subject to annual performance evaluations. Other salary related expenses that are projected include California Public Employee Retirement System (CalPERS) employer contributions and related pension expenses, healthcare, safety footwear allowances, education reimbursements, post-employment benefits, and a deferred compensation match up to 2.5% for all participating employees.

The District has the following three tiers of retirement benefits through CalPERS:

Tier 1: 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 compensation earnable.

Tier 2: 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 compensation earnable.

Tier 3: 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% at 62 retirement formula with a three year (36 month) final compensation period. Employees may designate the highest 36-month period. These employees pay one-half (1/2) of the total normal cost rate as determined by CalPERS.

Supplies & Services – PFAS Treatment

Supplies and Services include maintenance and material costs for the J. Wayne Miller, Ph.D. Water Treatment Plant. This PFAS Treatment Plant was constructed in partnership with Orange County Water District and is the nation's largest ion-exchange water treatment plant for the removal of PFAS contaminants from drinking water. Treatment plant costs primarily in material purchases of resin, filter replacements, and maintenance costs are included in operating expenses.

Other Expenses – Debt Service

The District has previously used debt funding to finance large capital projects for water infrastructure. In August 2022, the District issued \$35 million in revenue bonds to fund water capital replacement projects, refund prior debt issuances, and pay off a line of credit. Current outstanding debt includes the 2022A Revenue Bonds and the 2017A Revenue Bonds. In FY 2025-26, the total outstanding bonded debt is \$53.1 million and the required annual debt service obligation is \$4,126,619, which includes principal and interest. This debt service is primarily funded through the previously mentioned fixed Capital Finance Charge. The District's FY 2025-26 Other Expenses primarily consists of interest to be paid on this debt.

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. We take into consideration safety, fire flow, capacity, operations, reliability, and redundancy. The redundancy includes backup power where needed. Scheduled capital projects and outlay for FY 2025-26 total \$5,402,353 for the water and sewer funds combined. These projected capital costs will primarily be financed through Pay-Go funding.

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.

Summary

Under the proposed budget for FY 2025-26, the Water Enterprise Fund is budgeted with a positive net position after including depreciation of \$4,690,244, and the Sewer Enterprise Fund is budgeted with a positive net position after including depreciation of \$92,775. These resulting net positions do not include projected CIP or capital outlay project expenditures. The rate structures and financial plan adopted for FY 2025-26 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 AAA rating.

External Considerations

Drought Considerations

According to the U.S. Drought Monitor, parts of California are currently experiencing drought conditions, with approximately 40% of the state under drought conditions and an additional 37% classified as abnormally dry.¹ Droughts in California are a common occurrence and can last for multiple years. Due to the significant variability in climate conditions, the efficient use and effective management of water resources is a high priority. *Making Conservation a California Way of Life*² is a statewide initiative aimed to reduce water waste and promote long-term water sustainability. 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.

¹ <https://www.drought.gov/states/california>

² https://www.waterboards.ca.gov/conservation/regs/water_efficiency_legislation.html

Contaminants of Concern

The District remains focused on water quality, polyfluoroalkyl substances (PFAS), and contaminants of emerging concern. As the State of California and the federal government issue new regulations, the District will implement new programs. In December 2021 the District began operating the nation's largest PFAS Water Treatment Plant. This plant was built in partnership with Orange County Water District 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 perfluorooctanoic acid (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 the District's operations. As the legislature creates policy, the District analyzes its implications and possible effects on its operations. As regulatory authorities impose new conditions and requirements, District staff develop new processes and measures to ensure compliance. The District anticipates that future legislation and regulatory changes will almost certainly affect its daily operations. As such, the District remains engaged routinely in legislative and regulatory affairs and keeps apprised of changes that affect the District's operations.

Notable Accomplishments from FY 2024-25

The District made significant progress on major projects and initiatives in FY 2024-25 as follows:

2025 Water Quality Report

The District published the *2025 Water Quality Report*³, reaffirming its commitment to transparency and the delivery of safe and reliable water and sewer service to its customers. Staff conducted over 23,000 water quality tests in 2024 to ensure that water delivered to our customers met or exceeded all federal and state water quality standards. The results confirmed full compliance with all applicable health-based drinking water standards, highlighting the effectiveness of the safeguards the District implements during its water treatment process. The District continues to take a proactive approach by testing emerging contaminants such as PFAS and reinforcing its commitment to protecting public health and the environment. By sharing the findings of the report with the public, the District aims to foster trust and accountability. The 2025 Water Quality Report will continue to serve as a key tool in informing customers, guiding operational decisions, and supporting the District's mission.

Fitch Bond Rating

Fitch Ratings is renowned for its credit rating services and, in July 2024, upgraded the District's credit rating to AAA with a Stable Outlook. This remarkable accomplishment places the District at the highest level on Fitch's rating scale. The District's exceptionally strong financial profile, very strong revenue defensibility, and very strong operating risk profile were key drivers behind the credit rating upgrade and highlights the District's dedication to financial responsibility and transparency. The upgrade was also driven by consistent improvement in leverage following the District's implementation of a multi-year rate plan extending through Fiscal Year 2025-26. This prestigious rating will benefit ratepayers by reducing borrowing costs of future bond issues and recognizes the dedication of the District's leadership and staff.

³ <https://www.ylwd.com/wp-content/uploads/2025/08/2025-WQR-YLWD-compressed.pdf>

"Taking Care of People" Initiatives

The General Manager continues to institute "Taking Care of People" (TCOP) initiatives to create a positive organizational climate for YLWD employees by:

- Obtaining Annual Anonymous Feedback from Employees.
- Conducting TCOP subcommittees to foster a positive, innovative organizational climate, recognizing the importance of employee health, wellness, and safety.
 - TCOP subcommittees include Facilities Improvement, Health and Wellness, Employee Events, Employee Training and Development, and Information Technology.
- 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

- Hidden Hills Booster Pump Station
- Timber Ridge Booster Pump Station
- Well No. 5 Rehabilitation
- Well No. 19 Rehabilitation
- Sumac Pressure Regulating Station (PRS) Abandonment
- Wagon Wheel PRS Abandonment
- Adobe PRS Replacement
- Apple Creek PRS Replacement
- Paseo del Prado PRS Replacement
- Stone Canyon PRS Replacement
- Willowbrook PRS Replacement
- Box Canyon 16-inch Waterline Improvements
- Camino De Bryant Waterline Replacement Phase 2
- Other Various Waterline Replacement Projects
- Fire Flow Enhancement Projects
- Fairmont Reservoir Evaluation
- Sewer System Rehabilitation and Replacement Project

Awards

- Government Financial Officers Association (GFOA):
 - Distinguished Budget Presentation Award for FY 2024-25 Operating Budget
 - Certificate of Achievement for Excellence in Financial Reporting Program for Comprehensive Annual Financial Report FY 2023-24
 - Award for Outstanding Achievement in Popular Annual Financial Reporting for Popular Annual Financial Report FY 2023-24
 - Awarded the FY 2023-24 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 2024
 - District Transparency Award through 2024
- Yorba Linda Chamber of Commerce
 - Best Utility Service Provider Award through 2024
- Placentia Chamber of Commerce
 - Best Utility Service Provider Award through 2024

Grant Awards

- Green Crest Lift Station Grant (EPA), \$300,000
- Cybersecurity Grant (Cal OES), \$248,994

Grant Authorizations

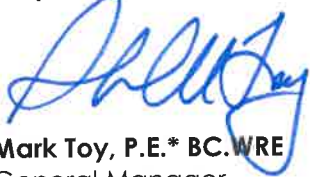
- United States Army Corps of Engineers, \$10.0 million
- United States Army Corps of Engineers, \$6.5 million

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 FY 2025-26. To the Board of Directors, we acknowledge and appreciate their continued support and direction in achieving excellence in financial management and District operations.

Respectfully Submitted,



Mark Toy, P.E.* BC.WRE

General Manager

**Licensed in Arizona and Virginia*

BOARD OF DIRECTORS



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TRUDI DESROCHES
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MARK TOY
General Manager



DOUGLASS DAVERT
Assistant General Manager



ROSANNE WESTON
Engineering Manager



LORI THOMPSON
Human Resources/Risk Manager



CHRISTINE MCILREVEY
Finance Manager



FREDDIE OJEDA
Operations Manager

Organizational Chart

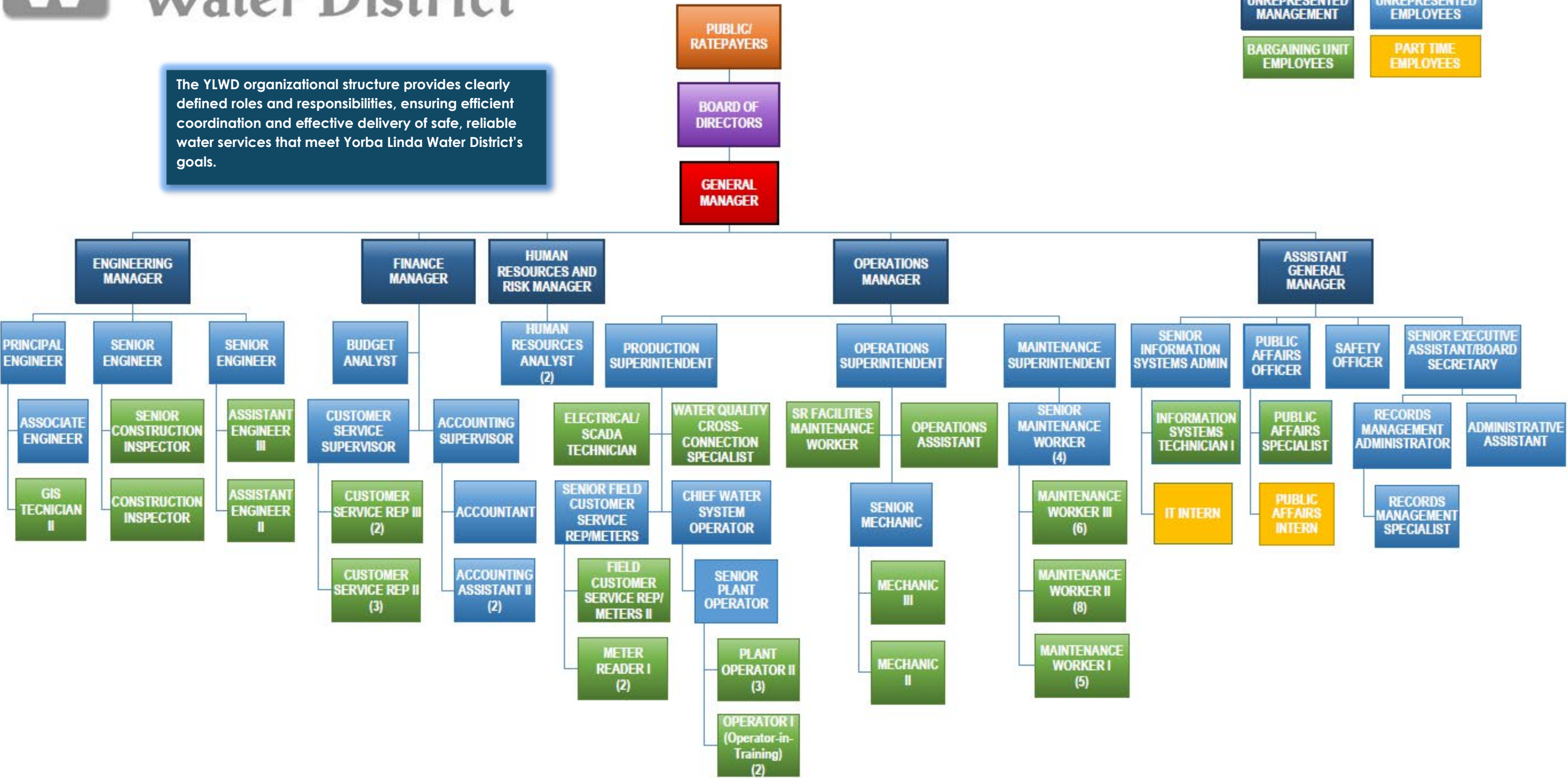


Yorba Linda Water District

The YLWD organizational structure provides clearly defined roles and responsibilities, ensuring efficient coordination and effective delivery of safe, reliable water services that meet Yorba Linda Water District's goals.

LEGEND

- UNREPRESENTED MANAGEMENT
- UNREPRESENTED EMPLOYEES
- BARGAINING UNIT EMPLOYEES
- PART TIME EMPLOYEES



District Profile & Service Area Boundaries

Introduction

The Yorba Linda Water District (District/YLWD) is an independent special district that 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 81 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/heli-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 income⁴ of \$152,060 is approximately 34% greater than the overall individual median annual income of \$113,702 for Orange County⁵, as reported by the 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 25,600 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 25,200 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 the local groundwater basin. The imported water is treated at MWD's Robert B. Diemer Water Treatment 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.

⁴ <https://www.census.gov/quickfacts/fact/table/yorbalindacitycalifornia/INC110223>

⁵ <https://www.census.gov/quickfacts/fact/table/orangecountycalifornia/INC110223>

YLWD's Commitment to the Community

At YLWD, we are dedicated to fostering strong connections with our community through active public outreach and education. Our goal is to promote transparency, encourage engagement, and invite residents to be part of the District's long-term vision.

One key outreach effort is our annual Open House event. This event welcomes customers and community members to visit the District, meet our team of water professionals, and learn how we deliver safe, high-quality, and reliable drinking water every day. Another initiative is the Water Bottle Donation Program. Through this program, community service groups in our service area can receive up to five cases of bottled water at no cost. This not only emphasizes the safety and reliability of our water supply but also supports local organizations and strengthens community partnerships.

YLWD also offers Facility Tours, giving customers and members of the community a behind-the-scenes look at our operations. These tours allow the public to meet District staff, observe daily processes, and gain a deeper understanding and appreciation of the essential role our water system plays in the community.

In addition to these programs, YLWD actively participates in local events and provides online educational resources to promote water conservation and responsible resource management. Through these ongoing efforts, YLWD aims to build trust, inspire stewardship, and reinforce the shared responsibility of using water wisely for a sustainable future.



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 2025 article published by SafeWise⁶, Yorba Linda has been ranked as the fifth safest city to live in Southern California. These favorable conditions make the region increasingly attractive to prospective residents. As a result, there is a growing demand for housing, which drives city expansion and increases the District's potential customer base.

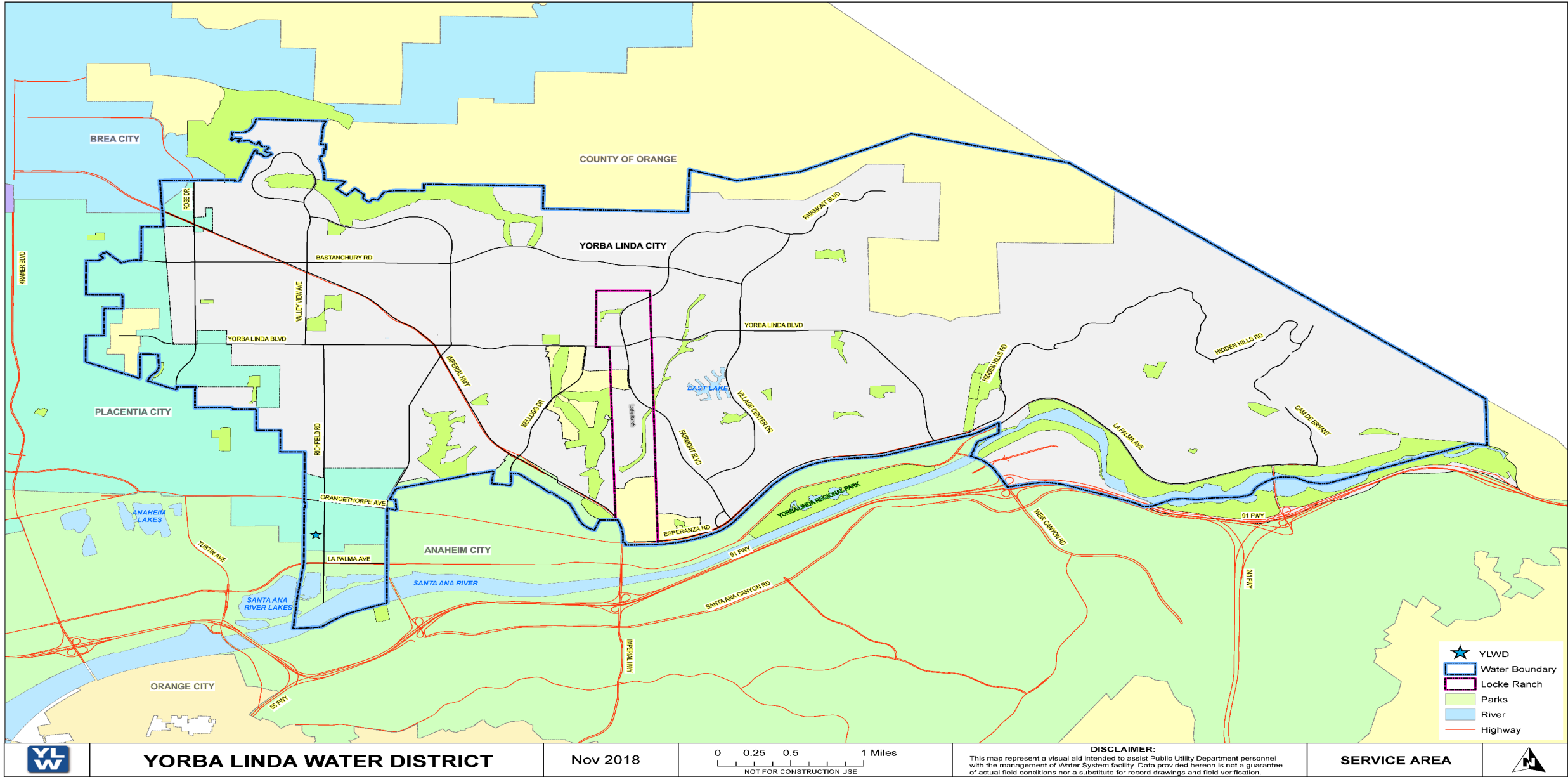
The District was awarded the District of Distinction Accreditation by the Special District Leadership Foundation (SDLF) for having sound fiscal management policies and practices in place, among other areas of importance in district operations. In addition, SDLF also awarded the District with the Certificate of Transparency Excellence for promoting transparency in the operations and governance of its goals.⁷



⁶ <https://www.safewise.com/blog/safest-cities-california/>

⁷ <https://www.ylwd.com/yorba-linda-water-district-earns-district-of-distinction-recognition/>

District Service Area Boundaries



Mission & Vision Statement



MISSION STATEMENT

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 STATEMENT

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

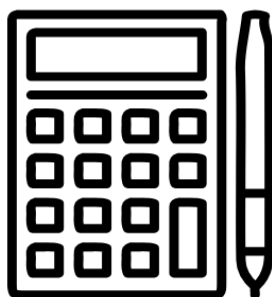
- Embracing proven technology
- Improving customer satisfaction
- Providing efficient and responsive operations
- Ensuring reliable infrastructure
- Assuring fiscal accuracy and transparency

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.



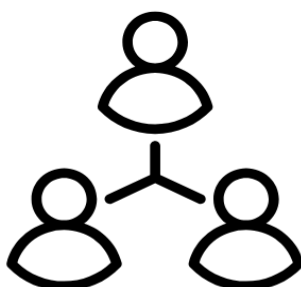
RESPONSIBILITY

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 & 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 statement. Initiatives are high-level concepts or plans for accomplishing the identified goals. The District's Strategic Plan is revalidated annually and updated accordingly. A summary of the District's goals and initiatives is provided below, and the entire Strategic Plan can be found in the Appendix section 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

Strategies to achieve the District's goals

Strategies are action steps for achieving the identified initiatives and goals. The illustration below displays one strategy for each of the District's five goals, providing an overview of the Strategic Plan.





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 the best practices recommended by the 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 the Appendix under the [Financial Policies](#) section.

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 occurs when revenue meets or exceeds total planned expenses, indicating effective 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 that 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 strategic 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 requirements while minimizing the 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 capital program spending, operations, 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.

The Reserve Policy includes the following reserve types:

RESERVE TYPE	PURPOSE	TARGET LEVEL
Operating	Provides cash flow stability and mitigates revenue volatility	60% of annual operating budget
Emergency	Protects against losses from unplanned events or circumstances	5% of net capital assets
Capital Replacement	Funds Capital Improvement Projects (CIP), capital repair & replacement as infrastructure ages	2 yrs CIP, capital outlay, and depreciation
Rate Stabilization	Assists in smoothing out rate increases & a portion is held in trust under the 2022A Revenue Bond Installment Purchase Agmt	10% of budgeted water sales
Conservation	Provides funding for District conservation efforts	Administrative penalties assessed
Employee Liability	Covers employee accrued vacation, other compensatory time and retiree medical	Employee compensated absences

Additionally, the District's policy is to retain a minimum unrestricted reserve balance of at least 365 days in cash at the end of the fiscal year.

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

The Financial Reserve Policy has three primary goals:

- To preserve the District's financial stability 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 reviewed 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 and conforming to all statutes governing the investment of District funds. The policy follows the "prudent investor" standard of the California Government Code Section 53600.3 and is subject to annual review and updates before being formally adopted by the District each year.

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 in 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. A new rate study may be conducted if the current adopted rate study no longer supports the significant changes projected. 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. The worksheets include the prior year's actual expenses, current year transactions, and projected current year-end balances. Based on the information provided and accounting for anticipated purchases and services changes, 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 is 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 for the District's Capital Improvement Plan (CIP) and Capital Outlay expenditures to the Board of Directors. Based on recommendations from staff, each CIP and Capital Outlay projection 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.

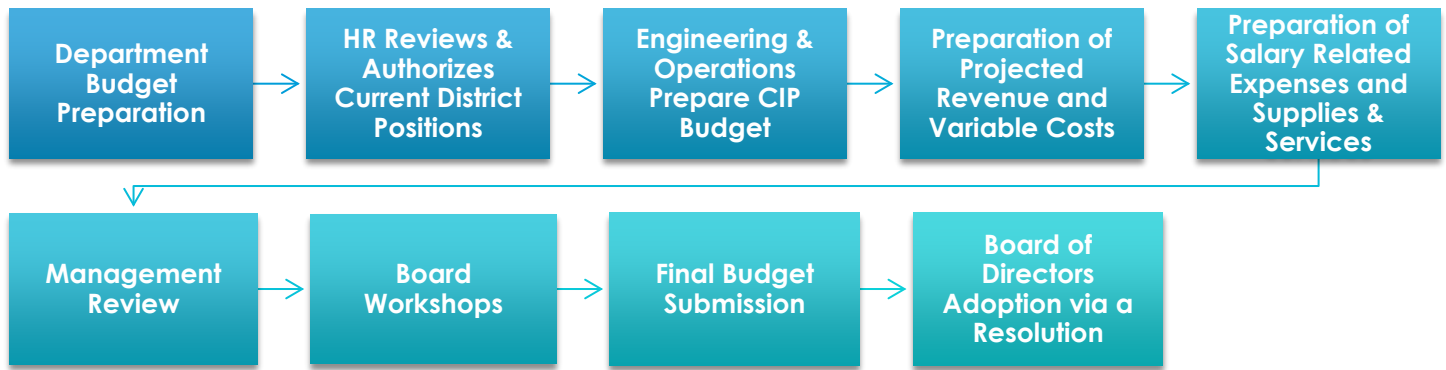
The methodology for projecting revenue takes into account factors such as projected growth, consumption, weather patterns, rates, and required conservation or other State mandates, in addition to the current and anticipated economic conditions.

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 ensure effective communication and transparency of the fiscal impact on the District. Comments and changes 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 publicly presented to the Board of Directors for adoption.

Reviewing and monitoring the budget is an ongoing process. Monthly reports comparing actual expenses and revenues to the budget are created to facilitate continuous review at the departmental level. An Annual Operating Budget, adopted by the Board, is prepared and submitted to the Government Finance Officers Association (GFOA) for review, where it is 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, the staff creates a schedule to facilitate the development of the Annual Operating Budget. The schedule is provided to Department Managers and the GM/AGM to assist them in preparing their individual budgets for review, approval, and integration into the final budget document. The Budget Calendar for the FY 2025-26 Annual Operating and CIP Budget was:

DATE	BOARD/COMMITTEE	ITEM OF DISCUSSION
January 13, 2025	Department Managers	Distribute FY 2025-26 Budget Development Packages to Department Managers
January 22, 2025	Executive Staff	Discussion on budget development processes
February 25, 2025	Budget Workshop	Meeting with BOD to establish goals and objectives for FY 2025-26 Operating and Capital Budgets.
February 26, 2025	Staff Meeting	Status updates on FY 2025-26 Operating Revenue, Supplies & Services, Variable Costs
March 3, 2025	Department Managers	FY 2025-26 Operating Revenue, Supplies & Services, Variable Costs due to Finance
March 17, 2025	Executive Staff	Discussion on Operating Revenue, Supplies & Services, Variable Costs
March 26, 2025	Staff Meeting	Status updates for FY 2025-26 Non-operating Revenue & Expenses, Salary Related Expenses, Debt Service, CIP, Capital Outlay and Other Key Updates
March 27, 2025	Budget Workshop	Present Draft FY 2025-26 Operating Revenue, Supplies & Services, Variable Costs (V 1.0)
March 31, 2025	Department Managers	FY 2025-26 Non-operating Revenue & Expenses, Salary Related Expenses, Debt Service, CIP, Capital Outlay and Other Key Updates due to Finance
April 15, 2025	Executive Staff	Discussion on Non-operating Revenue & Expenses, Salary Related Expenses, Debt Service, CIP, Capital Outlay and Other Key Updates
April 23, 2025	Staff Meeting	Status updates for FY 2025-26 Operating and CIP Budget
April 24, 2025	Budget Workshop	Present Draft FY 2025-26 Non-operating Revenue & Expenses, Salary Related Expenses, Debt Service, CIP, Capital Outlay & Other Key Updates (V 2.0)
May 5, 2025	Department Managers	FY 2025-26 Operating and CIP Budget Updates due to Finance
May 12, 2025	Executive Staff	Discussion on Updates for FY 2025-26 Operating and CIP Budget
May 22, 2025	Budget Workshop	Present Draft FY 2025-26 Operating Budget and Key Updates (V 3.0)
May 27, 2025	Department Managers	Final updates for FY 2025-26 Operating and CIP Budget due to Finance
June 2, 2025	Executive Staff	Discussion on Updates for FY 2025-26 Operating and CIP Budget
June 12, 2025	Budget Workshop/Hearing	Present FY 2025-26 Operating and CIP Budget (Final Draft 4.0) to Board of Directors for Adoption.

RESOLUTION NO. 2025-14

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE YORBA LINDA WATER DISTRICT
ADOPTING THE OPERATING BUDGET FOR FISCAL YEAR 2025-26
AND RESCINDING RESOLUTION NO. 2024-12

WHEREAS, the Yorba Linda Water District has prepared a one-year budget for Fiscal Year 2025-26; and

WHEREAS, it is the desire of the Board of Directors to adopt the Budget for Fiscal Year 2025-26 and rescind Resolution No. 2024-12.

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 2025-26, set forth in Exhibit "A" and attached hereto, is hereby approved and adopted.

SECTION 2. That the Budget for Fiscal Year 2025-26 is in full force and effect beginning July 1, 2025, and continuing until this Resolution is rescinded by the Board of Directors.

SECTION 3. That Resolution No. 2024-12 is hereby rescinded effective July 1, 2025.

PASSED AND ADOPTED this 12th day of June 2025 by the following called vote:

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



Tom Lindsey, 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, the 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 as an expense to account for the cost of a capital asset over its useful life on a GAAP basis, but it is not contemplated on the Budget basis.
- Pension expense is budgeted based on employer contribution rates assigned by the California Public Employees' 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 Board of Directors' approval of the budget, the General Manager has complete authority over the District's expenditures. This ensures that both operating and capital expenditure for each fiscal year remain within the established budgetary guidelines, while also meeting the District's goals and objectives.

Developing and monitoring the budget is an ongoing process. Monthly reports comparing expenses and revenues to the adopted budget are created to facilitate ongoing review at the departmental level. The Board is presented with 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 possesses the authority to implement administrative adjustments to the budget, provided that these changes do not significantly impact policy or affect the 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 encounter situations where certain projects initially planned at the start of the fiscal year experience delays or accelerations due to shifts in conditions, weather, or economic factors. Additionally, new projects may be introduced to address future demands, achieve goals and objectives, and 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.

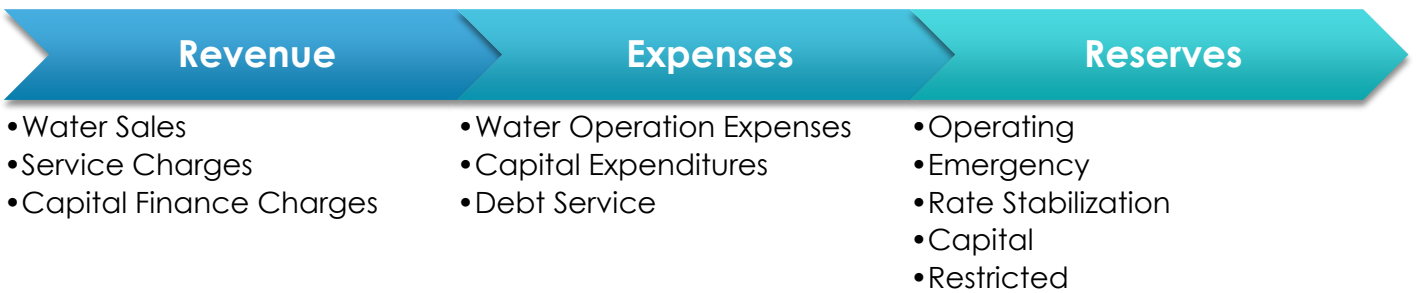
The designated reserve categories for water and sewer include Operating, Capital Projects, and Emergency. The Emergency Reserves were established to fund unplanned, unbudgeted emergency system repairs related to the water and sewer systems. The Rate Stabilization reserve is designated for water only. The Rate Stabilization Reserve was established in FY 2016-17, following the recommendations of the 2015 Water and Wastewater Rate Study. Its purpose is to mitigate future fluctuations in water rates, fund water supplies, cover other costs that would typically be collected through set rates, and a portion of it, about \$4.2 million, is required to be held in trust under the 2022A Revenue Bond Installment Purchase Agreement.

Currently, there are two reserves classified under the Board Designated Restricted Reserve category: the Conservation Reserve and the Employee Liability Reserve. The Conservation Reserve is designated for funds collected from assessed Administrative Penalties, while the Employee Liability Reserve is intended to cover employee compensatory time payouts as needed.

Department and Fund Relationship

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

Flow of Water Funds



Flow of Sewer Funds





FINANCIAL SUMMARIES

REVENUES & EXPENSES

FUND EQUITY & RESERVES

DEBT MANAGEMENT & SERVICE COVERAGE

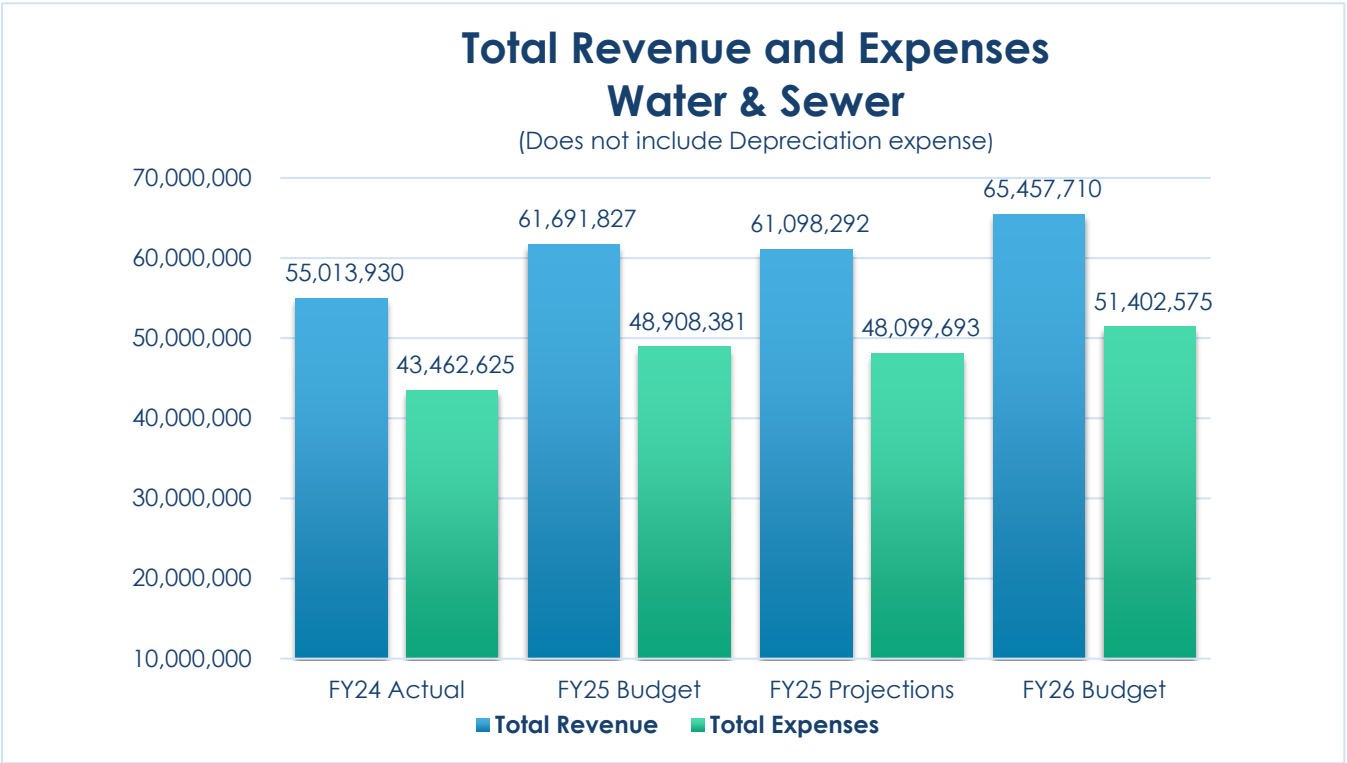
WATER OPERATING FUND

SEWER OPERATING FUND

FINANCIAL SCHEDULES

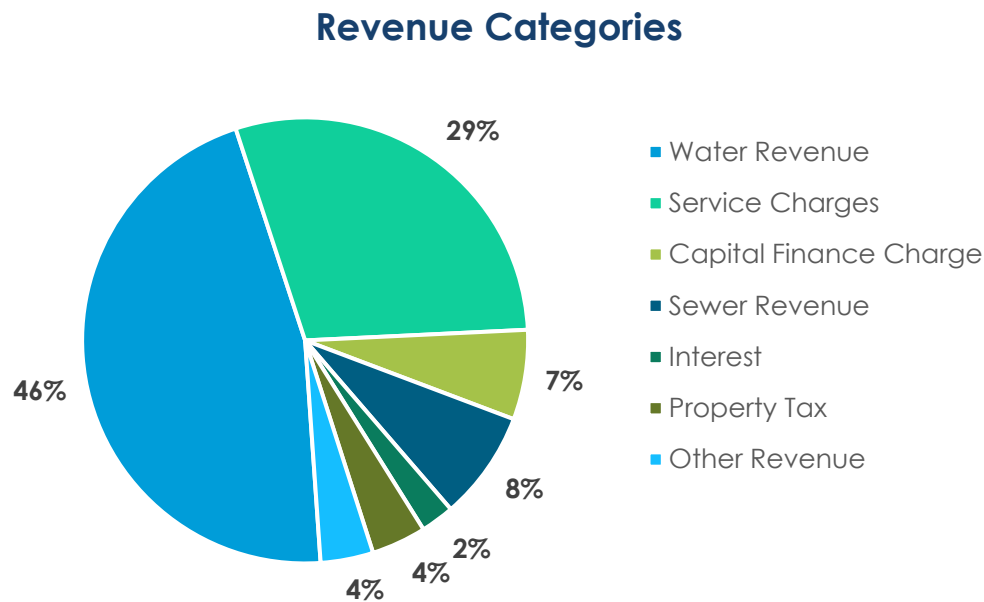
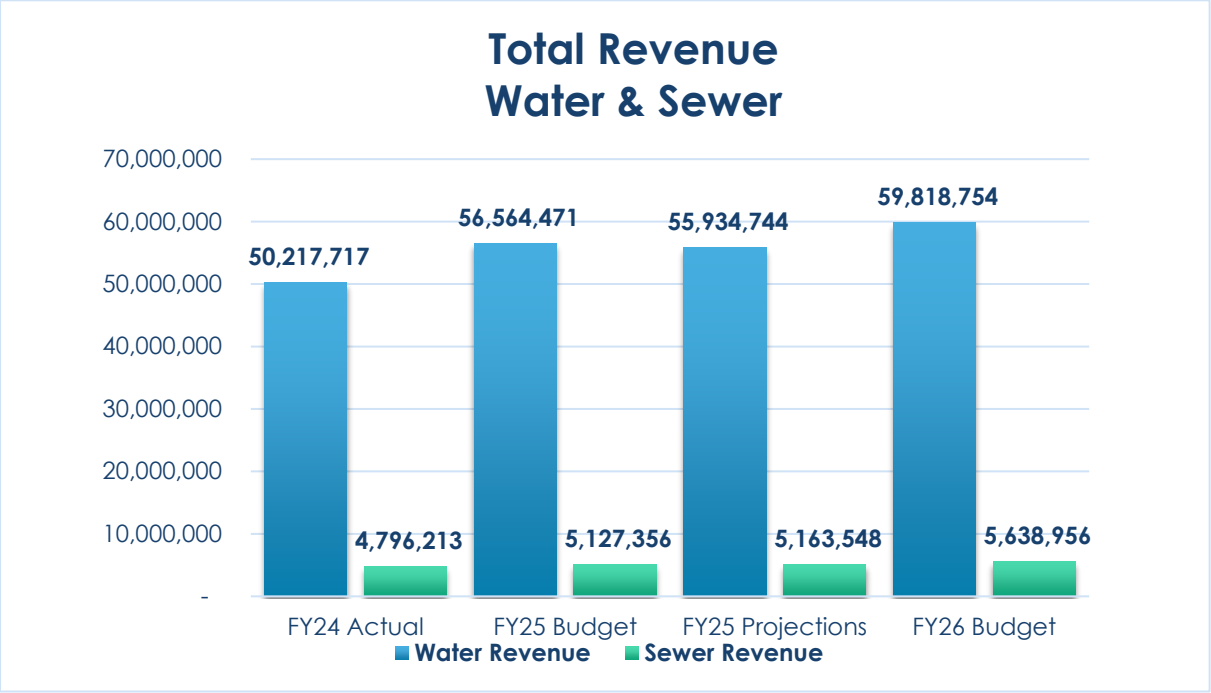
LONG-RANGE FINACIAL PLAN

Revenues & Expenses



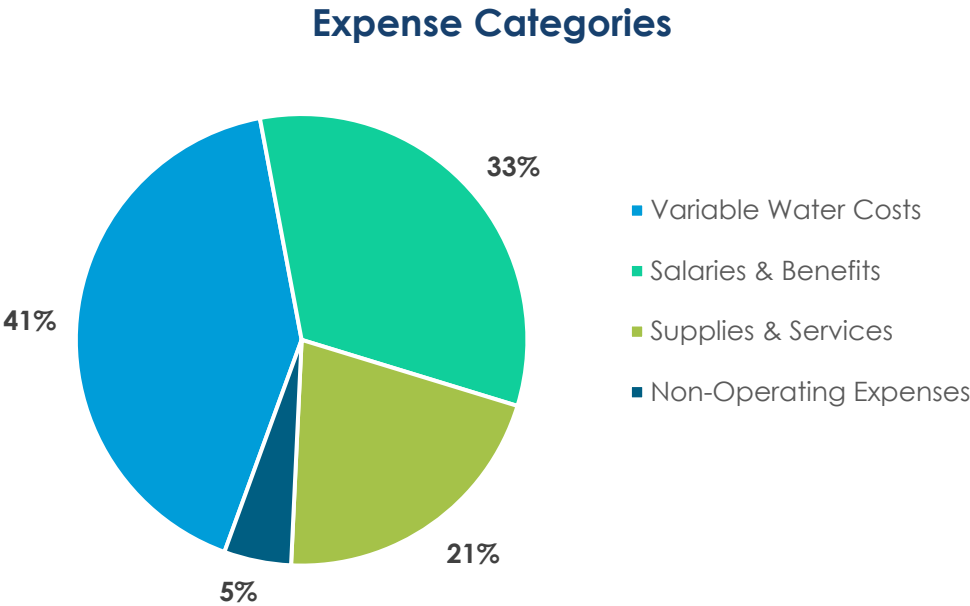
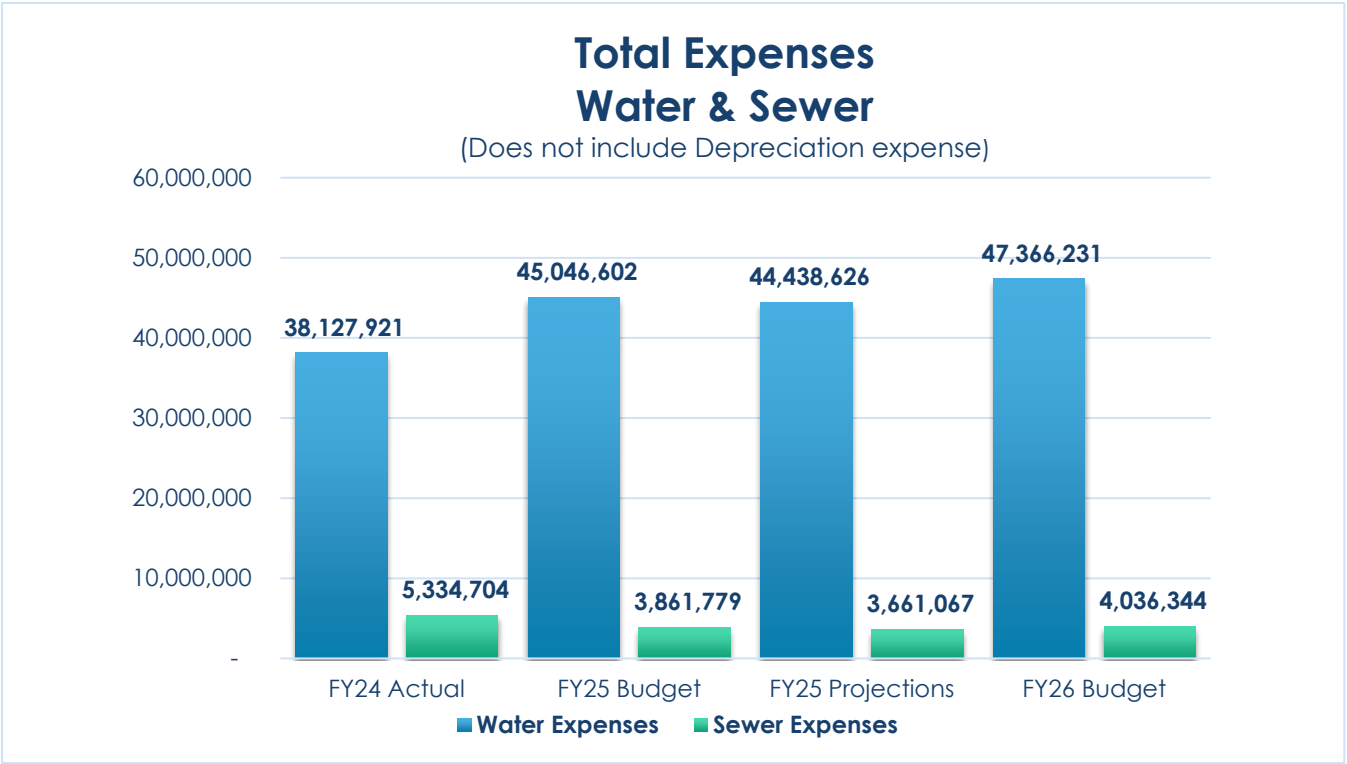
Revenues

The main sources of Operating Revenue for the District are water and sewer rate revenues. Rate revenue is augmented by various additional revenues to cover the total operational costs and must be complemented by a diverse range of both operating and non-operating revenues. These revenues are generated, with the approval of the Board of Directors, from fees including 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, 2025, a Pass-Through charge is added 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 7% as compared to the 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 4%; Salary Related Expenses will increase 11%, and Supplies & Services will increase less than 1%. Total expenses, including operating and non-operating expenses, increased 5% 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:

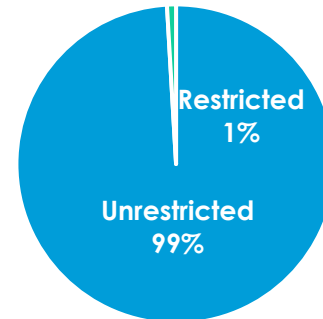
- Operating Reserve
- Emergency Reserve
- Capital Replacement Reserve
- Rate Stabilization Reserve

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 06/30/2026	Budgeted Balances Ending 06/30/2027	Budgeted Balances Ending 06/30/2028	Budgeted Balances Ending 06/30/2029	Budgeted Balances Ending 06/30/2030
Water Reserves					
Operating Fund	\$29,356,207	\$29,519,180	\$25,945,640	\$29,823,161	\$37,100,198
Water Emergency	6,208,729	6,705,427	7,241,862	7,821,210	8,202,289
Water Capital Projects	20,160,954	20,765,782	21,388,756	22,030,419	23,583,536
Rate Stabilization	4,966,367	5,140,190	5,320,096	5,506,300	5,699,020
Employee Liabilities	449,110	464,829	481,098	497,936	515,364
Conservation Reserve	65,337	45,337	25,337	5,337	-
Total Water Reserves	\$61,206,704	\$62,640,745	\$60,402,789	\$65,684,363	\$75,100,407
Sewer Reserves					
Operating Fund	\$1,473,210	\$1,524,772	\$2,797,647	\$2,895,565	\$2,996,909
Sewer Emergency	1,698,923	1,758,385	1,702,752	1,717,204	1,668,088
Sewer Capital Projects	7,392,587	5,167,981	5,485,895	3,796,788	4,459,263
Employee Liabilities	361,747	374,409	387,513	401,076	415,113
Total Sewer Reserves	\$10,926,467	\$8,825,547	\$10,373,807	\$8,810,633	\$9,539,373

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
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	Net Income (Loss) Before Capital Contributions	4,375,022	(2,011,799)	2,363,223
	Capital Contributions	402,460	546,200	948,660
	Net Income (Loss) @ 6/30/2024	4,777,482	(1,465,599)	3,311,883
	Adjustment - Change in Accounting Principles	852,347	-	852,347
	Net Position @ 6/30/2024	\$152,038,260	\$41,496,984	\$193,535,244
06/30/25	Revenue (Operating):			
	Water Sales	\$45,852,640	-	\$45,852,640
	Capital Finance Charge	3,870,939	-	3,870,939
	Sewer Revenues	-	4,582,075	4,582,075
	Other Operating Revenue	1,623,325	92,295	1,715,620
	Interest	2,877,280	444,586	3,321,866
	Property Taxes	2,572,800	-	2,572,800
	Grant Revenue	291,176	-	291,176
	Other Non-Operating Revenue	707,313	73,571	780,884
	Total Estimated Revenues	57,795,473	5,192,527	62,988,000
	Expenses (Operating):			
	Variable Water Costs	20,461,858	-	20,461,858
	Salary Related Expenses	12,336,680	2,305,720	14,642,400
	Supplies & Services	7,275,337	1,181,828	8,457,165
	Interest on Long Term Debt	2,138,362	1,304	2,139,666
	Grant Expense-Subrecipient	291,176	-	291,176
	Other Expense	199,097	34,435	233,532
	Depreciation	7,862,995	1,499,895	9,362,890
	Total Estimated Expenses	50,565,505	5,023,182	55,588,687
	Estimated Net Income (Loss) Before Capital Contributions	7,229,968	169,345	7,399,313
	Capital Contributions	2,664,530	882,674	3,547,204
	Estimated Net Income (Loss) @ 6/30/2025	9,894,498	1,052,019	10,946,517
	Estimated Net Position @ 6/30/2025	\$161,932,758	\$42,549,003	\$204,481,761

Debt Management & Coverage Ratios

The District is rated as AAA Stable 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 enabled 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 3.61 for FY 2025-26. The District's FY 2025-26 budgeted debt service obligations of \$4,126,619 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

FY26-53 Debt Management

Year	Principal	Interest	TOTAL
2026	1,675,000	2,451,619	4,126,619
2027	1,760,000	2,365,743	4,125,743
2028	1,850,000	2,275,493	4,125,493
2029	1,940,000	2,180,744	4,120,744
2030	2,025,000	2,091,969	4,116,969
2031-2035	11,510,000	9,057,216	20,567,216
2036-2040	12,505,000	5,909,825	18,414,825
2041-2045	6,215,000	3,750,375	9,965,375
2046-2050	7,940,000	2,019,875	9,959,875
2051-2053	5,635,000	344,100	5,979,100
TOTAL	\$ 53,055,000	\$ 32,446,959	\$ 85,501,959

Debt Service Coverage

	FY24 Actual	FY25 Budget	FY25 Projections	FY26 Budget
Revenue	\$50,217,717	\$56,564,471	\$55,934,744	\$59,818,754
Expenses	35,911,031	42,533,108	41,925,132	44,914,612
Total	\$14,306,686	\$14,031,363	\$14,009,612	\$14,904,142
Debt Service	\$4,134,219	\$4,133,494	\$4,133,494	\$4,126,619
Ratio	3.46	3.39	3.39	3.61
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 FY 2025-26 is 7.36 million centum cubic feet (CCF) or 16,903 acre-feet (AF) which is approximately 3% less than FY 2024-25 budgeted 7.56 million centum cubic feet (CCF) or 17,353 acre-feet (AF).

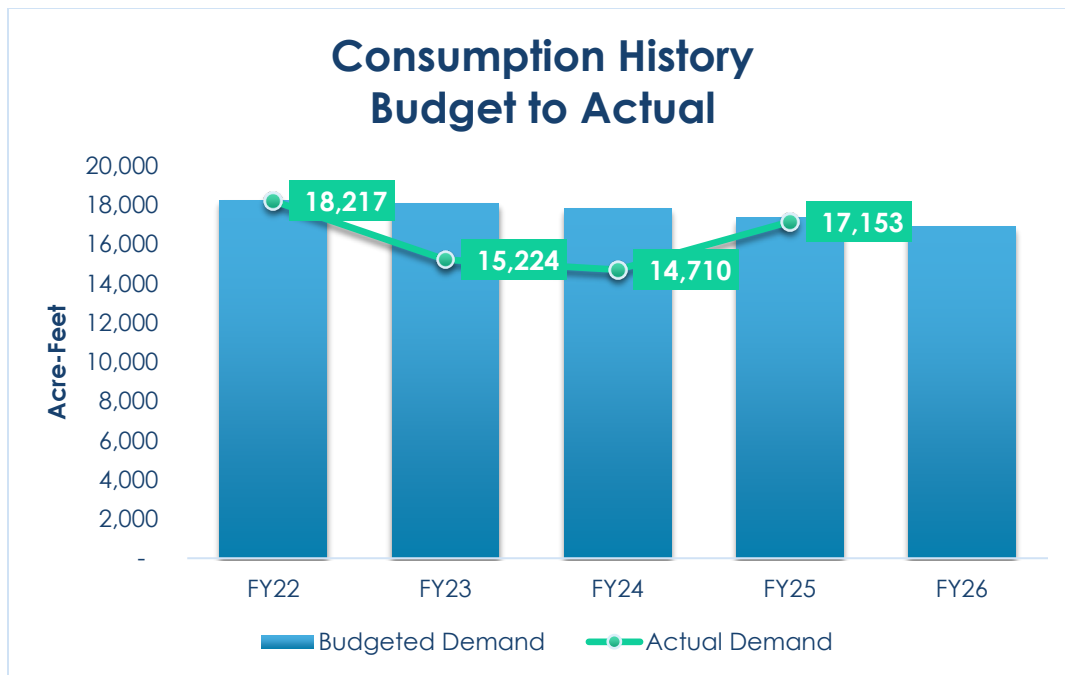
YLWD utilizes a uniform fee rate structure; therefore, water revenues are calculated using a proposed monthly fixed charge per customer connection (based on the size of the metered connection) and the total budgeted annual water purchases, less approximately 10% non-revenue water. The result is then 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 3.5% 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 2% increase when compared to the previous budget year's proportional share.

Other Non-Operating Revenue, including but not limited to annexation fees, rental income, and other sources, is 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 \$15.05 from \$13.77 per month for single-family residential and commercial customers accounts will have an additional tier charge of \$0.61 (\$0.53 in FY25), whose monthly consumption is 7 units or greater. The sewer maintenance charge for master meter residential customer accounts will increase to \$14.48 from \$13.25 per month. The District will provide sewage collection services for over 25,000 sewer customer service connections.

Other Income Revenues, including but 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 3.5% on the District's portfolio.

Financial Schedule [Water & Sewer]

	FY24 Actual	FY25 Budget	FY25 Projections	FY26 Budget
Revenue (Operating):				
Water Revenue (Residential)	\$17,332,559	\$21,143,937	\$21,421,085	\$22,584,477
Water Revenue (Commercial & Fire Det.)	1,884,552	2,223,697	2,105,119	2,376,634
Water Revenue (Landscape/Irrigation)	3,622,962	5,031,573	4,921,445	5,195,174
Service Charges	15,999,360	17,546,715	17,546,715	19,164,365
Property Tax - CFC Charges	3,526,631	3,890,245	3,890,245	4,260,742
Sewer Charge Revenue	3,585,075	4,252,641	4,252,641	4,672,028
Sewer Parcel Assessments	417,051	468,797	468,797	512,395
Other Operating Revenue	1,963,537	1,995,249	1,566,272	1,835,971
Total Operating Revenue	48,331,727	56,552,854	56,172,319	60,601,786
Revenue (Non-Operating):				
Interest	3,302,499	1,710,000	1,710,000	1,590,000
Property Tax	2,423,322	2,564,511	2,564,511	2,602,978
Other Non-Operating Revenue	956,382	864,462	651,462	662,946
Total Non-Operating Revenue	6,682,203	5,138,973	4,925,973	4,855,924
Total Revenue	\$55,013,930	\$61,691,827	\$61,098,292	\$65,457,710
Expenses (Operating):				
Variable Costs				
Water-Related Costs	\$12,407,244	\$14,533,463	\$15,143,214	\$15,185,561
Fixed Costs	1,489,661	2,410,903	2,387,591	2,593,372
Power-Related Costs	3,003,259	3,503,835	3,471,297	3,542,430
Variable Water Costs Total	16,900,164	20,448,201	21,002,102	21,321,363
Salary Related Expenses	13,352,318	15,746,996	14,841,830	17,081,904
Reduction for Capital Project Labor	-	(545,000)	-	(276,306)
Salary Related Expenses Total	13,352,318	15,201,996	14,841,830	16,805,598
Supplies & Services:				
Board Election	-	120,000	-	-
Communications	187,567	279,940	283,440	282,765
Contractual Services	629,990	878,414	837,879	823,850
District Activities, Emp Recognition	40,291	69,895	72,795	69,345
Dues & Memberships	94,858	125,960	123,637	134,415
Fees & Permits	458,254	469,464	489,927	526,750
Insurance	467,890	525,000	587,445	746,600
Maintenance	2,065,341	2,023,300	1,789,780	2,024,000
Materials	1,810,897	2,070,150	1,665,250	2,473,950
Non-Capital Equipment	272,312	323,300	301,254	239,800
Office Expense	43,493	49,250	41,258	45,705
Professional Services	1,396,426	2,097,146	1,820,960	1,543,070
Software Licenses	273,427	523,946	495,796	572,217
Training	42,076	74,375	68,995	80,750
Travel & Conferences	68,461	131,170	73,899	136,270
Uncollectible Accounts	12,390	15,000	22,071	17,735
Utilities	225,939	236,000	229,600	235,600
Vehicle Expenses	679,526	712,850	818,752	850,960
Supplies & Services Total	8,769,138	10,725,160	9,722,737	10,803,782
Total Operating Expenses	39,021,620	46,375,357	45,566,669	48,930,743
Expenses (Non-Operating):				
Interest Expense	2,218,001	2,513,494	2,513,494	2,451,619
Other Expense	2,223,004	19,530	19,530	20,213
Total Non-Operating Expenses	4,441,005	2,533,024	2,533,024	2,471,832
Total Expenses	\$43,462,625	\$48,908,381	\$48,099,693	\$51,402,575
Net Position Before Capital Contributions	\$11,551,305	\$12,783,446	\$12,998,599	\$14,055,135
Capital Contributions	948,660	-	1,450,286	-
Net Position Before Depreciation	12,499,965	12,783,446	14,448,885	14,055,135
Depreciation	9,188,082	9,141,181	9,181,996	9,272,116
Change in Net Position	\$3,311,883	\$3,642,265	\$5,266,889	\$4,783,019

Financial Schedule [Water]

	FY24 Actual	FY25 Budget	FY25 Projections	FY26 Budget
Revenue (Operating):				
Water Revenue (Residential)	\$17,332,559	\$21,143,937	\$21,421,085	\$22,584,477
Water Revenue (Commercial & Fire Det.)	1,884,552	2,223,697	2,105,119	2,376,634
Water Revenue (Landscape/Irrigation)	3,622,962	5,031,573	4,921,445	5,195,174
Service Charges	15,999,360	17,546,715	17,546,715	19,164,365
Property Taxes - CFC Charges	3,526,631	3,890,245	3,890,245	4,260,742
Other Operating Revenue	1,761,390	1,892,435	1,427,266	1,683,538
Total Operating Revenue	44,127,454	51,728,602	51,311,875	55,264,930
Revenue (Non-Operating):				
Interest	2,789,485	1,444,000	1,444,000	1,320,000
Property Taxes	2,423,322	2,564,511	2,564,511	2,602,978
Other Non-Operating Revenue	877,456	827,358	614,358	630,846
Total Non-Operating Revenue	6,090,263	4,835,869	4,622,869	4,553,824
Total Revenue	\$50,217,717	\$56,564,471	\$55,934,744	\$59,818,754
Expenses (Operating):				
Variable Water Costs				
Water-Related Costs	\$12,407,244	\$14,533,463	\$15,143,214	\$15,185,561
Fixed Costs	1,489,661	2,410,903	2,387,591	2,593,372
Power-Related Costs	3,003,259	3,503,835	3,471,297	3,542,430
Variable Water Costs Total	16,900,164	20,448,201	21,002,102	21,321,363
Salary Related Expenses	11,422,883	13,214,585	12,697,157	14,410,622
Reduction for Capital Project Labor	-	(445,000)	-	(234,860)
Salary Related Expenses Total	11,422,883	12,769,585	12,697,157	14,175,762
Supplies & Services				
Board Election	-	102,000	-	-
Communications	163,203	243,749	247,874	246,150
Contractual Services	557,950	771,552	737,762	727,723
District Activities, Emp Recognition	34,249	59,411	61,876	58,943
Dues & Memberships	80,661	107,144	105,170	114,253
Fees & Permits	413,634	424,035	444,697	474,705
Insurance	396,934	446,250	499,328	634,610
Maintenance	1,537,055	1,481,505	1,259,545	1,473,205
Materials	1,727,900	2,000,925	1,585,183	2,402,125
Non-Capital Equipment	210,102	232,605	207,168	155,205
Office Expense	36,976	41,863	35,070	38,849
Professional Services	1,247,745	1,939,789	1,554,970	1,433,475
Software Licenses	242,666	449,854	421,704	494,185
Training	30,985	54,939	51,046	62,958
Travel & Conferences	55,592	104,696	59,839	109,030
Uncollectible Accounts	9,876	12,750	18,760	15,075
Utilities	193,984	200,600	195,160	200,260
Vehicle Expenses	583,091	628,250	727,316	762,960
Supplies & Services Sub-Total	7,522,603	9,301,917	8,212,468	9,403,710
Total Operating Expenses	35,845,650	42,519,703	41,911,727	44,900,835
Expenses (Non-Operating)				
Interest Expense	2,216,890	2,513,494	2,513,494	2,451,619
Other Expense	65,381	13,405	13,405	13,777
Total Non-Operating Expenses	2,282,271	2,526,899	2,526,899	2,465,396
Total Expenses	\$38,127,921	\$45,046,602	\$44,438,626	\$47,366,231
Net Position Before Capital Contributions	\$12,089,796	\$11,517,869	\$11,496,118	\$12,452,523
Capital Contributions	402,460	-	921,269	-
Net Position Before Depreciation	12,492,256	11,517,869	12,417,387	12,452,523
Depreciation	7,714,774	7,602,536	7,685,331	7,762,279
Change in Net Position	\$4,777,482	\$3,915,333	\$ 4,732,056	\$4,690,244

	FY24 Actual	FY25 Budget	FY25 Projections	FY26 Budget
Revenue (Operating):				
Sewer Charge Revenue	\$3,585,075	\$4,252,641	\$4,252,641	\$4,672,028
Sewer Parcel Assessments (Locke Ranch)	417,051	468,797	468,797	512,395
Other Operating Revenue	202,147	102,814	139,006	152,433
Total Operating Revenue	4,204,273	4,824,252	4,860,444	5,336,856
Revenue (Non-Operating):				
Interest	513,014	266,000	266,000	270,000
Other Non-Operating Revenue	78,926	37,104	37,104	32,100
Total Non-Operating Revenue	591,940	303,104	303,104	302,100
Total Revenue	\$4,796,213	\$5,127,356	\$5,163,548	\$5,638,956
Expenses (Operating):				
Salary Related Expenses	\$1,929,435	\$2,532,411	\$2,144,673	\$2,671,282
Reduction for Capital Project Labor	-	(100,000)	-	(41,446)
Salary Related Expenses Total	1,929,435	2,432,411	2,144,673	2,629,836
Supplies & Services				
Board Election	-	18,000	-	-
Communications	24,364	36,191	35,566	36,615
Contractual Services	72,040	106,862	100,117	96,127
District Activities, Emp Recognition	6,042	10,484	10,919	10,402
Dues & Memberships	14,197	18,816	18,467	20,162
Fees & Permits	44,620	45,429	45,230	52,045
Insurance	70,956	78,750	88,117	111,990
Maintenance	528,286	541,795	530,235	550,795
Materials	82,997	69,225	80,067	71,825
Non-Capital Equipment	62,210	90,695	94,086	84,595
Office Expense	6,517	7,387	6,188	6,856
Professional Services	148,681	157,357	265,990	109,595
Software Licenses	30,761	74,092	74,092	78,033
Training	11,091	19,436	17,949	17,793
Travel & Conferences	12,869	26,474	14,059	27,241
Uncollectible Accounts	2,514	2,250	3,311	2,660
Utilities	31,955	35,400	34,440	35,340
Vehicle Expenses	96,435	84,600	91,436	88,000
Supplies & Services Sub-Total	1,246,535	1,423,243	1,510,269	1,400,072
Total Operating Expenses	3,175,970	3,855,654	3,654,942	4,029,908
Expenses (Non-Operating):				
Interest Expense	1,111	-	-	-
Other Expense	2,157,623	6,125	6,125	6,436
Total Non-Operating Expenses	2,158,734	6,125	6,125	6,436
Total Expenses	\$5,334,704	\$3,861,779	\$3,661,067	\$4,036,344
Net Position Before Capital Contributions	(\$538,491)	\$1,265,577	\$1,502,481	\$1,602,612
Capital Contributions	546,200	-	529,017	-
Net Position Before Depreciation	7,709	1,265,577	2,031,498	1,602,612
Depreciation	1,473,308	1,538,645	1,496,665	1,509,837
Change in Net Position	(\$1,465,599)	(\$273,068)	\$534,833	\$92,775

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 on the commodity rate if the water services cost increased more 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. However, any cost increase 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 unaffected by changes in demand or government mandates.
- A Capital Finance Charge is 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 that 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 for the District's Capital Improvement Plan. These investments reflect the Board of Directors' commitment to maintain and improve the District's infrastructure, to provide citizens with 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 AAA 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.

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% and retain Fitch and Standard & Poor's bond rating of AA+ or higher.	Meet the coverage ratio requirements and maintain a credit rating of AA+ or higher.	- 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 rate structure will increase revenue to increase the reserve account.	- Safe & Reliable Water and Sewer Service - Fiscal Responsibility

Five Year Financial Forecast [Water & Sewer]

	FY26 Projections	FY27 Projections	FY28 Projections	FY29 Projections	FY30 Projections
Revenue (Operating):					
Water Revenue (Residential)	\$22,584,477	\$24,375,761	\$26,275,577	\$28,329,582	\$30,550,268
Water Revenue (Commercial & Fire Det.)	2,376,634	2,784,499	2,999,749	3,231,159	3,479,941
Water Revenue (Landscape/Irrigation)	5,195,174	5,343,208	5,757,307	6,202,497	6,681,109
Service Charges	19,164,365	20,711,426	22,315,467	24,039,938	25,893,871
Property Taxes - CFC Charges	4,260,742	4,580,490	4,935,223	5,316,590	5,726,586
Sewer Charge Revenue	4,672,028	4,985,869	5,473,318	6,008,568	6,596,304
Sewer Parcel Assessments	512,395	603,818	662,691	727,160	797,757
Other Operating Revenue	1,835,971	1,854,331	1,872,874	1,891,603	1,910,519
Total Operating Revenue	60,601,786	65,239,402	70,292,206	75,747,097	81,636,355
Revenue (Non-Operating):					
Interest	1,590,000	2,439,486	2,415,849	2,467,600	2,705,405
Property Taxes	2,602,978	2,655,038	2,708,138	2,762,301	2,817,547
Other Non-Operating Revenue	662,946	669,575	676,271	683,034	689,864
Total Non-Operating Revenue	4,855,924	5,764,099	5,800,259	5,912,935	6,212,816
Total Revenue	\$65,457,710	\$71,003,501	\$76,092,465	\$81,660,031	\$87,849,171
Expenses (Operating):					
Variable Water Costs					
Water-Related Costs	\$15,185,561	\$16,060,778	\$16,986,439	\$17,965,449	\$19,000,885
Fixed Costs	2,593,372	2,795,655	3,013,716	3,248,786	3,502,191
Power-Related Costs	3,542,430	3,906,405	4,307,777	4,750,389	5,238,479
Variable Water Costs Total	21,321,363	22,762,838	24,307,932	25,964,624	27,741,555
Salary Related Expenses Total	16,805,598	18,318,102	19,966,731	21,763,736	23,722,473
Supplies & Services					
Board Election	-	90,206	-	-	-
Communications	282,765	294,076	305,839	318,072	330,795
Contractual Services	823,850	856,804	891,076	926,719	963,788
District Activities, Emp Recognition	69,345	72,119	75,004	78,004	81,124
Dues & Memberships	134,415	139,792	145,383	151,199	157,247
Fees & Permits	526,750	547,820	569,733	592,522	616,223
Insurance	746,600	821,260	903,386	993,725	1,093,097
Maintenance	2,024,000	2,104,960	2,189,158	2,276,725	2,367,794
Materials	2,473,950	2,723,635	2,998,793	3,302,037	3,636,242
Non-Capital Equipment	239,800	249,392	259,368	269,742	280,532
Office Expense	45,705	47,533	49,435	51,412	53,468
Professional Services	1,543,070	1,604,793	1,668,985	1,735,744	1,805,174
Software Licenses	572,217	595,106	618,910	643,666	669,413
Training	80,750	83,980	87,339	90,833	94,466
Travel & Conferences	136,270	141,721	147,390	153,285	159,417
Uncollectible Accounts	17,735	18,444	19,182	19,949	20,747
Utilities	235,600	247,380	259,749	272,736	286,373
Vehicle Expenses	850,960	893,508	938,183	985,093	1,034,347
Supplies & Services Total	10,803,782	11,532,528	12,126,912	12,861,463	13,650,247
Total Operating Expenses	48,930,743	52,613,467	56,401,575	60,589,824	65,114,275
Expenses (Non-Operating)					
Interest Expense	2,451,619	2,365,744	2,275,494	2,180,744	2,091,969
Other Expense	20,213	21,022	21,862	22,737	23,646
Total Non-Operating Expenses	2,471,832	2,386,765	2,297,356	2,203,481	2,115,615
Total Expenses	\$51,402,575	\$55,000,233	\$58,698,931	\$62,793,304	\$67,229,890
Net Position (Loss) Before Capital Contributions	\$14,055,135	\$16,003,268	\$17,393,534	\$18,866,727	\$20,619,281
Capital Contributions	-	-	-	-	-
Net Position (Loss) Before Depreciation	14,055,135	16,003,268	17,393,534	18,866,727	20,619,281
Depreciation	9,272,116	9,457,558	9,646,709	9,839,644	10,036,437
Change in Net Position	\$4,783,019	\$6,545,710	\$7,746,824	\$9,027,083	\$10,582,844

Five Year Financial Forecast [Water]

	FY26 Projections	FY27 Projections	FY28 Projections	FY29 Projections	FY30 Projections
Revenue (Operating):					
Water Revenue (Residential)	\$22,584,477	\$24,375,761	\$26,275,577	\$28,329,582	\$30,550,268
Water Revenue (Commercial & Fire Det.)	2,376,634	2,784,499	2,999,749	3,231,159	3,479,941
Water Revenue (Landscape/Irrigation)	5,195,174	5,343,208	5,757,307	6,202,497	6,681,109
Service Charges	19,164,365	20,711,426	22,315,467	24,039,938	25,893,871
Property Taxes - CFC Charges	4,260,742	4,580,490	4,935,223	5,316,590	5,726,586
Other Operating Revenue	1,683,538	1,700,373	1,717,377	1,734,551	1,751,896
Total Operating Revenue	55,264,930	59,495,757	64,000,700	68,854,317	74,083,671
Revenue (Non-Operating):					
Interest	1,320,000	2,112,432	2,098,743	2,151,209	2,403,840
Property Taxes	2,602,978	2,655,038	2,708,138	2,762,301	2,817,547
Other Non-Operating Revenue	630,846	637,154	643,526	649,961	656,461
Total Non-Operating Revenue	4,553,824	5,404,624	5,450,408	5,563,471	5,877,848
Total Revenue	\$59,818,754	\$64,900,381	\$69,451,108	\$74,417,788	\$79,961,519
Expenses (Operating):					
Variable Water Costs					
Water-Related Costs	\$15,185,561	\$16,060,778	\$16,986,439	\$17,965,449	\$19,000,885
Fixed Costs	2,593,372	2,795,655	3,013,716	3,248,786	3,502,191
Power-Related Costs	3,542,430	3,906,405	4,307,777	4,750,389	5,238,479
Variable Water Costs Total	21,321,363	22,762,838	24,307,932	25,964,624	27,741,555
Salary Related Expenses Total	14,175,762	15,451,580	16,842,222	18,358,022	20,010,244
Supplies & Services					
Board Election	-	76,675	-	-	-
Communications	246,150	255,996	266,236	276,886	287,961
Contractual Services	727,723	756,832	787,105	818,589	851,333
District Activities, Emp Recognition	58,943	61,301	63,753	66,303	68,955
Dues & Memberships	114,253	118,823	123,576	128,519	133,660
Fees & Permits	474,705	493,693	513,441	533,979	555,338
Insurance	634,610	698,071	767,878	844,666	929,133
Maintenance	1,473,205	1,532,133	1,593,419	1,657,155	1,723,441
Materials	2,402,125	2,648,937	2,921,108	3,221,243	3,552,217
Non-Capital Equipment	155,205	161,413	167,870	174,585	181,568
Office Expense	38,849	40,403	42,019	43,700	45,448
Professional Services	1,433,475	1,490,814	1,550,447	1,612,464	1,676,963
Software Licenses	494,185	513,952	534,510	555,890	578,126
Training	62,958	65,476	68,095	70,819	73,651
Travel & Conferences	109,030	113,391	117,926	122,643	127,549
Uncollectible Accounts	15,075	15,678	16,305	16,957	17,635
Utilities	200,260	210,273	220,787	231,826	243,417
Vehicle Expenses	762,960	801,108	841,163	883,222	927,383
Supplies & Services Total	9,403,710	10,054,969	10,595,637	11,259,446	11,973,778
Total Operating Expenses	44,900,835	48,269,387	51,745,791	55,582,093	59,725,578
Expenses (Non-Operating)					
Interest Expense	2,451,619	2,365,744	2,275,494	2,180,744	2,091,969
Other Expense	13,777	14,328	14,901	15,497	16,117
Total Non-Operating Expenses	2,465,396	2,380,072	2,290,395	2,196,241	2,108,086
Total Expenses	\$47,366,231	\$50,649,459	\$54,036,186	\$57,778,334	\$61,833,664
Net Position (Loss) Before Capital Contributions	\$12,452,523	\$14,250,923	\$15,414,922	\$16,639,455	\$18,127,856
Capital Contributions	-	-	-	-	-
Net Position (Loss) Before Depreciation	12,452,523	14,250,923	15,414,922	16,639,455	18,127,856
Depreciation	7,762,279	7,917,525	8,075,875	8,237,393	8,402,140
Change in Net Position	\$4,690,244	\$6,333,398	\$7,339,047	\$8,402,062	\$9,725,715

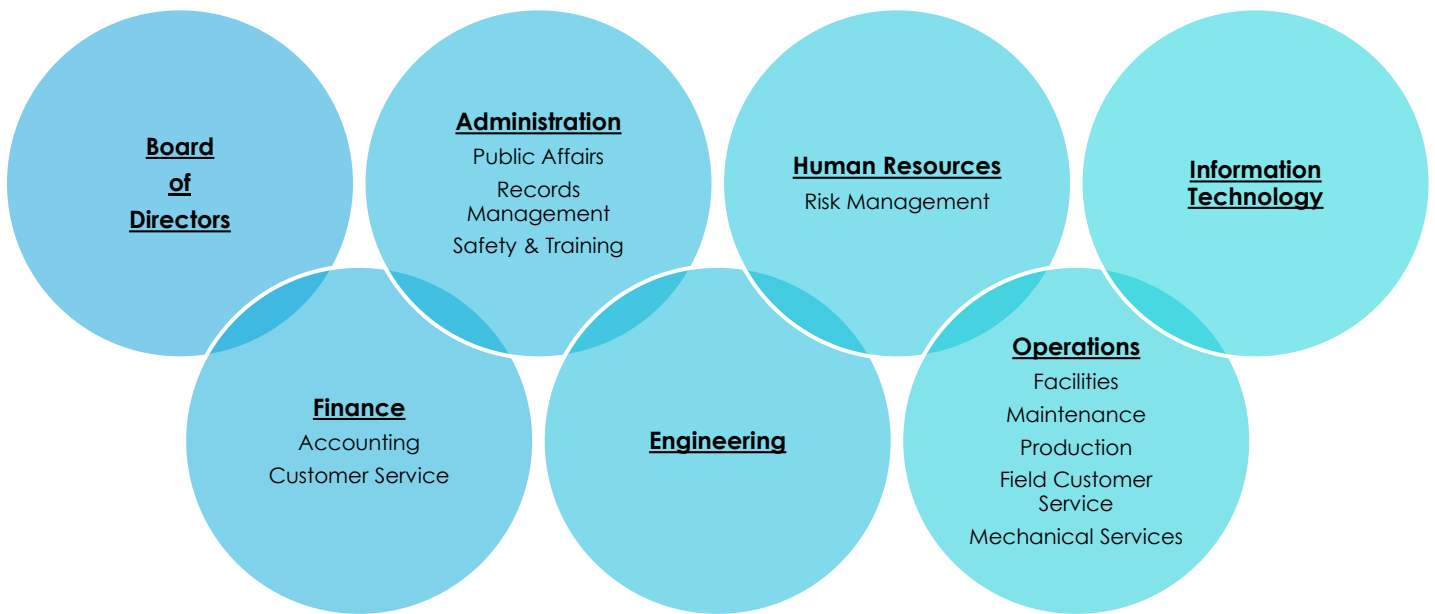
Five Year Financial Forecast [Sewer]

	FY26 Projections	FY27 Projections	FY28 Projections	FY29 Projections	FY30 Projections
Revenue (Operating):					
Sewer Charge Revenue	\$4,672,028	\$4,985,869	\$5,473,318	\$6,008,568	\$6,596,304
Sewer Parcel Assessments (Locke Ranch)	512,395	603,818	662,691	727,160	797,757
Other Operating Revenue	152,433	153,957	155,497	157,052	158,622
Total Operating Revenue	5,336,856	5,743,644	6,291,506	6,892,780	7,552,683
Revenue (Non-Operating):					
Interest	270,000	327,054	317,106	316,391	301,564
Other Non-Operating Revenue	32,100	32,421	32,745	33,073	33,403
Total Non-Operating Revenue	302,100	359,475	349,851	349,463	334,968
Total Revenue	\$5,638,956	\$6,103,119	\$6,641,357	\$7,242,243	\$7,887,651
Expenses (Operating):					
Salary Related Expenses Total	\$2,629,836	\$2,866,521	\$3,124,508	\$3,405,714	\$3,712,228
Supplies & Services					
Board Election	-	13,531	-	-	-
Communications	36,615	38,079	39,602	41,187	42,834
Contractual Services	96,127	99,972	103,971	108,130	112,455
District Activities, Emp Recognition	10,402	10,818	11,250	11,700	12,169
Dues & Memberships	20,162	20,969	21,807	22,680	23,587
Fees & Permits	52,045	54,127	56,292	58,544	60,885
Insurance	111,990	123,189	135,508	149,059	163,965
Maintenance	550,795	572,827	595,740	619,569	644,352
Materials	71,825	74,698	77,686	80,793	84,025
Non-Capital Equipment	84,595	87,979	91,498	95,158	98,964
Office Expense	6,856	7,130	7,415	7,712	8,020
Professional Services	109,595	113,979	118,538	123,279	128,211
Software Licenses	78,033	81,154	84,400	87,776	91,287
Training	17,793	18,504	19,244	20,014	20,815
Travel & Conferences	27,241	28,330	29,463	30,642	31,868
Uncollectible Accounts	2,660	2,767	2,877	2,992	3,112
Utilities	35,340	37,107	38,962	40,910	42,956
Vehicle Expenses	88,000	92,400	97,020	101,871	106,965
Supplies & Services Total	1,400,072	1,477,559	1,531,276	1,602,017	1,676,469
Total Operating Expenses	4,029,908	4,344,080	4,655,784	5,007,731	5,388,697
Expenses (Non-Operating)					
Other Expense	6,436	6,693	6,961	7,240	7,529
Total Non-Operating Expenses	6,436	6,693	6,961	7,240	7,529
Total Expenses	\$4,036,344	\$4,350,774	\$4,662,745	\$5,014,971	\$5,396,226
Net Position (Loss) Before Capital Contributions	\$1,602,612	\$1,752,346	\$1,978,612	\$2,227,273	\$2,491,425
Capital Contributions	-	-	-	-	-
Net Position (Loss) Before Depreciation	1,602,612	1,752,346	1,978,612	2,227,273	2,491,425
Depreciation	1,509,837	1,540,034	1,570,834	1,602,251	1,634,296
Change in Net Position	\$92,775	\$212,312	\$407,777	\$625,021	\$857,129



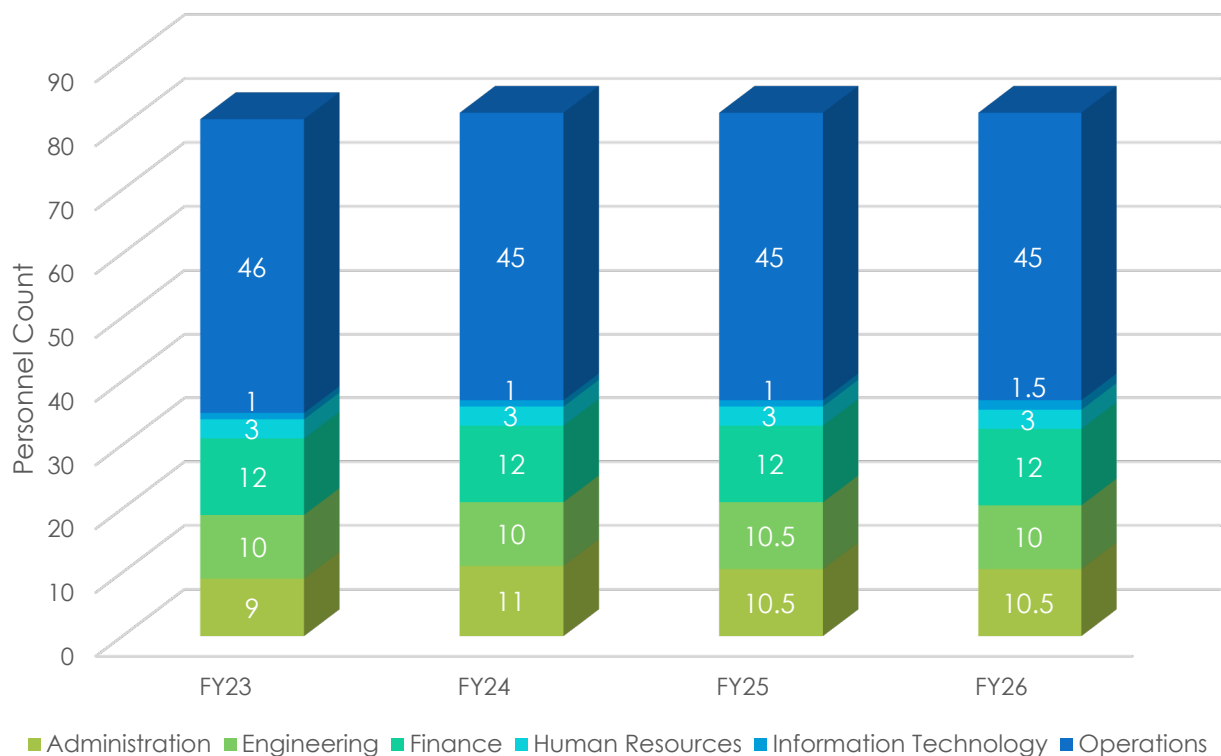
DEPARTMENTAL SUMMARIES

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



Authorized Positions

DEPARTMENT	FY22	FY23	FY24	FY25	FY26
Administration	8.0	9.0	11.0	10.5	10.5
Finance	13.0	12.0	12.0	12.0	12.0
Engineering	10.0	10.0	10.0	10.5	10.0
Operations	44.0	46.0	45.0	45.0	45.0
Information Technology	1.0	1.0	1.0	1.0	1.5
Human Resources	3.0	3.0	3.0	3.0	3.0
District Department Totals	79.0	81.0	82.0	82.0	82.0





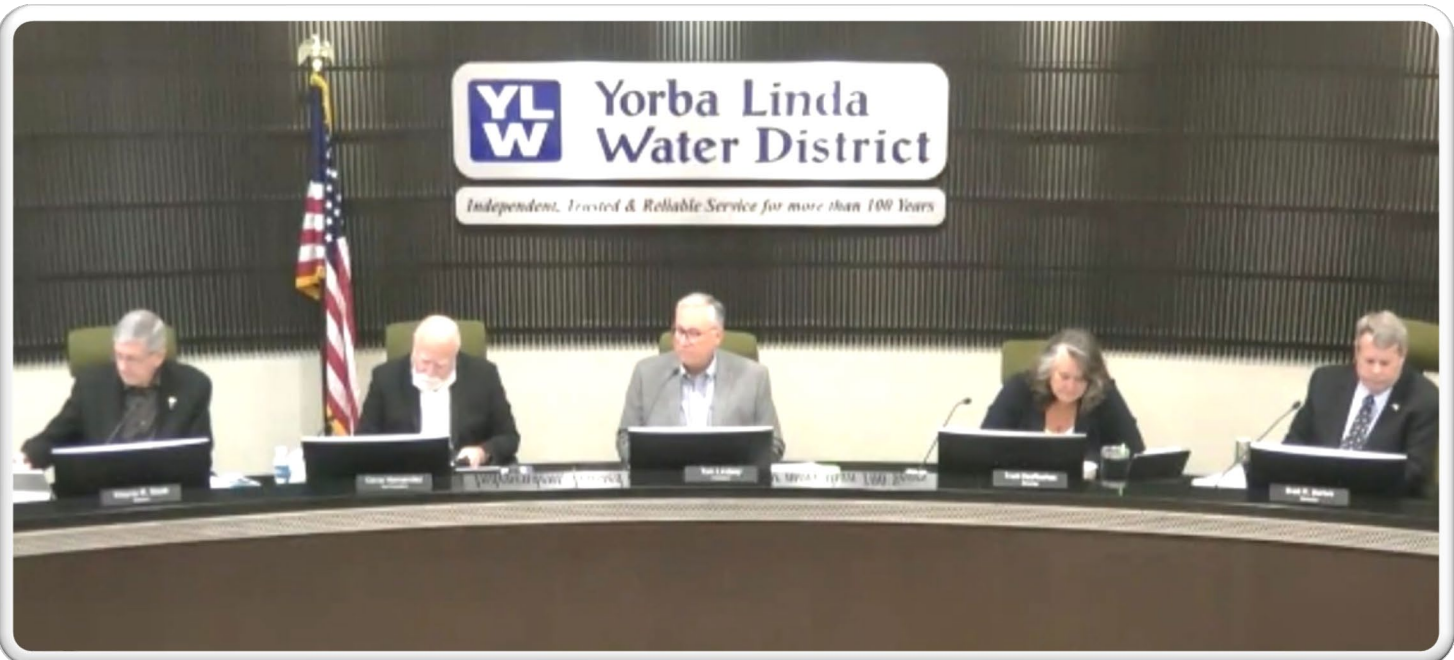
DEPARTMENTAL SUMMARIES

BOARD OF DIRECTORS

Board of Directors

Board of Directors Departmental Budget

	FY24 Actual	FY25 Budget	FY25 Projection	FY26 Budget
Salary Related Expenses				
Salaries	65,971.00	90,000.00	90,000.00	100,000.00
Benefits	41,384.00	49,936.00	49,936.00	63,163.00
Salary Related Expenses Total	\$ 107,355	\$ 139,936	\$ 139,936	\$ 163,163
Supplies & Services				
Board Election	-	120,000.00	-	-
District Meetings & Events	1,928.00	3,000.00	3,000.00	2,000.00
Dues & Memberships	-	60.00	60.00	600.00
Non-Capital Equipment	-	2,000.00	2,000.00	1,000.00
Office Expense	1,666.00	1,000.00	1,000.00	1,000.00
Training	-	1,000.00	1,000.00	1,000.00
Professional Services	62,354.00	39,000.00	39,000.00	39,000.00
Travel & Conferences	11,767.00	37,100.00	17,000.00	35,120.00
Supplies & Services Total	\$ 77,715	\$ 203,160	\$ 63,060	\$ 79,720





DEPARTMENTAL SUMMARIES

ADMINISTRATION

Administration Department

Position/Title	FY22	FY23	FY24	FY25	FY26
Administrative Assistant	-	-	-	1	1
Assistant General Manager	1	1	1	1	1
Director of Public Affairs	-	-	-	-	-
Executive Assistant	1	1	1	-	-
General Manager	1	1	1	1	1
Information Systems Administrator	-	-	-	-	-
Public Affairs Intern	-	-	0.5	0.5	0.5
Public Affairs Officer	-	-	1	1	1
Public Affairs Representative	-	-	-	-	-
Public Affairs Manager	1	1	-	-	-
Public Affairs Specialist	1	1	1	1	1
Records Management Administrator	1	1	-	-	-
Records Management Administrator (Hired prior to 7/1/2023)	-	-	1	1	1
Records Management Specialist	1	1	1	1	1
Safety Officer	-	-	1	1	1
Senior Executive Assistant/Board Secretary	1	1	-	-	-
Senior Executive Assistant/Board Secretary (Hired prior to 7/1/2023)	-	-	1	1	1
Senior Information Systems Administrator	1	1	-	-	-
Senior Information Systems Administrator (Hired prior to 7/1/2023)	-	-	1	1	1
Senior Management Analyst	-	-	-	-	-
Administrative Intern	-	-	0.5	-	-
Total Administration Personnel	8.0	9.0	11.0	10.5	10.5

FY25 to FY26 Changes and Trends: None.

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

- Upgraded to AAA Stable Outlook rating from AA+ Positive Outlook rating by Fitch Ratings.
- Awarded "Triple Crown" status from Government Finance Officers Association (GFOA) for FY 2022-23 (Certificate of Achievement for Excellence in Financial Reporting; Popular Annual Financial Reporting Award; and Distinguished Budget Presentation Award).
- Received grant award for \$248,994 from the CA Governor's Office of Emergency Services (Cal OES) to support upgrades to the District's cybersecurity infrastructure.
- Received grant award for \$300,000 from the Environmental Protection Agency (EPA) for the Greencrest Lift Station Rehabilitation Project.
- Received authorization for \$6.5 million through the Water Resources Development Act (WRDA) of 2024 for construction of a new groundwater well.
- Supported onboarding of new director, Wayne R. Scott.

- General Manager continued “Taking Care of People” Initiative
 - Obtained Annual Anonymous Feedback from Employees
 - Continued 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
- Continued speakers bureau to enhance community partnerships and employee relations.
- General Manager presented at multiple community and industry related events.
- Participated in multiple emergency preparedness tabletop exercises and wildfire preparedness community outreach meetings.
- Coordinated outreach efforts with CA Insurance Commissioner's Office regarding District fire hardening efforts and addressing homeowner challenges with obtaining insurance due to wildfire risk.
- Conducted re-dedication ceremony of Hidden Hills Booster Pump Station.
- Featured in article published on *Governing.com* regarding the District's PFAS Water Treatment Plant.
- Named *Best Utility Services Provider in Yorba Linda* for third year in a row.
- Named *Best Utility Services Provider in Placentia* for the second year in a row.
- General Manager served on the ACWA Federal Affairs Committee, as Chair of the ACWA Federal Affairs Water Supply Sub-Committee, and as the ACWA Region 10 Federal Affairs Committee liaison.
- General Manager served on the Board of the Yorba Linda Chamber of Commerce.
- General Manager renewed designation as AAWRE Board Certified Water Resources Engine

FY 2024-25 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. Activities included the following:
 - a. Adoption of Communications Plan (G4 2C).
 - b. Adoption of Facility Architectural Design, Safety, Security, Landscaping, and Construction Site Aesthetics Standards (G1 4A).
 - c. Adoption of Orange County Water and Wastewater Multi-jurisdictional Hazard Mitigation Plan (G3 3B).
 - d. Amendments to Board of Directors Policies and Procedures Manual (G1 2A).
 - e. Amendments to Financial Reserves Policy (G2 3A-C).
 - f. Completion of Septic to Sewer Conversion Due Diligence Study (G1 5B).
 - g. Initiation of Comprehensive Classification and Compensation Study (G5 1C).
 - h. Initiation of Water and Sewer Rate Study (G2 3A).
 - i. Renewal of SDLF Transparency Certificate of Excellence and District of Distinction Accreditation (G2 2B).
2. Implemented programs and projects at the General Manager's direction. This included the ongoing maintenance of a comprehensive matrix of District policies, identifying, and prioritizing those that needed to be updated. Policies that were developed or revised were:
 - Conflict of Interest Code
 - Employee Heat Illness Prevention Program
 - Employee Personal Appearance Policy
 - Employee Service and Retirement Awards Policy
 - Memorandum of Understanding Between YLWD and YLWDEA for FY2026-28
 - Personnel Manual for Unrepresented Employees for FY2026-28
 - Procedure for Ratepayer Objections to Proposed Water and Sewer Rates
 - Purchasing Policy

FY 2025-26 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	FY25-26 Target	FY21-22 Achieved	FY22-23 Achieved	FY23-24 Achieved
G2 2A	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
G5 2A	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 Japan, South Korea, Paraguay, and Taiwan.
- Hosted a PFAS Treatment Plant Tour for American Water Works Association's Water Conference of the West attendees.
- Hosted multiple Infrastructure Tours for the East Lake Village Community.
- Presented to the Yorba Linda Historical Society on the past, present, and future of the District.
- Hosted multiple PFAS Treatment Plant Tours and Career Roundtables for high school students from Placentia Yorba Linda Unified School District and for Mayor/Councilwoman Tara Campbell's Young Civic Leaders Academy.
- Hosted multiple Heli-Hydrant Tours and Demonstrations for community groups, including tours for the Orange County Cemetery District, and infrastructure tours led by YLWD Board of Directors.
- Collaborated with the City of Yorba Linda and Orange County Fire Authority in a joint-letter addressing home insurance issues for homeowners in our service area.

- Participated as a “Featured Project” at Love Yorba Linda’s community-wide beautification event.
- Coordinated and hosted a Dedication Ceremony for the Hidden Hills Booster Pump Station with over 20 staff and local dignitaries in attendance.
- Participated in the Placentia Yorba Linda Unified School District REACH Foundation’s Shamrock ‘n Run.
- Donated clean and safe drinking water to attendees at multiple community events such as Taste of Yorba Linda, Taste of Placentia, and more.
- Participated as a presenter at Orange County Water District’s Children’s Water Festival, engaging with over 400 students.
- YLWD received Best Utility Services Provider in Yorba Linda and Placentia.
- Successful Open House – over 350 attendees and additions of community partners.
- Launched QR Code Project: Water Facilities in Your Neighborhood to support infrastructure education for public education at YLWD facilities with high-foot traffic areas in the community.
- Board-approved sponsorship for YLWD recognition on the Santa Ana River Watershed Displays located in 75 locations across Orange, San Bernardino, and Riverside counties.
- Donated 671 cases of bottled water to various community events totaling 16,104 bottles, including Nixon Library labeled bottles.

FY 2024-25 Goals Achieved

1. Increased public awareness about the District by hosting various tours and events, including PFAS Treatment Plant Tours for international and local groups, Infrastructure Tours for community members, and Heli-Hydrant Tours, and engaging with students, professionals, and local leaders.
2. Collaborated closely with community partners, such as addressing home insurance issues with local authorities and the City, and supported educational initiatives like the QR Code Project, participated in classroom presentations, career fairs, and the Children’s Water Festival.
3. Achieved recognition as the Best Utility Services Provider, held a successful Open House, and continued the Bottled Water Donation Program for various community events, enhancing public engagement and support.

FY 2025-26 Goals & Objectives

Goal 1: Utilize communication tools to promote YLWD services available using various methods to engage with more customers.

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.
- Actively participate in community outreach events throughout the year.

Goal 2: Actively maintain and work with local, state and federal organizations on emerging issues.

Connects to the District’s Strategic Plan Goal: Community Partnership – Local, State & Federal Engagements

- Meet 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	FY25-26 Target	FY22-23 Achieved	FY23-24 Achieved	FY24-25 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.	29 events	18 events	26 events	32 events
G4 1C	Sponsor outside district events.	10 events	5 events	9 events	15 events
G4 1C	Serve Water from YLWD Trailer at Community Events.	5 events	7 events	5 events	6 events
G4 2A	Update Website News Section with Articles.	28 articles	15 articles	8 articles	34 articles
G1 2C	Host elected representatives for meetings and tours.	6 meetings	2 meetings	2 meetings	8 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, 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 the enterprise content management system (ECMS). The types of documents include Credit Card Receipt Upload Form, Credit Card Reconciliation Form, Certificate Reimbursement Request Form, Wellness Reimbursement Request Form, Daily Gas Engine Logs, Monthly Gas Meter Readings, Natural Gas Generator Exercise Readings, Monthly Vehicle Inspection Form, 90-Day Vehicle Inspection Form, Equipment Invoice/Receipt Upload Form, Vehicle Repair Request Form.
- Implementation of RestorVault, object-based archiving solution, enabling the District to achieve trusted-system status, security and disaster preparedness for Laserfiche, its archival content management system.
- Configured, rolled out and supported the Laserfiche mobile app for all staff with District-issued mobile devices – to the exceptional benefit of Operations Crews allowing remote form submission.

FY 2024-25 Goals Achieved

- Conducted comprehensive All-staff Records Management and Information Governance Training including new hires.
- Completed the implementation of the updated revision of the Records Retention Schedule and File Classification System District-wide.
- Imported all As-Builts, throughout the history of the District, into Laserfiche for further metadata consolidation, enhancement and mapping, anticipating further GIS-LF integration.
- Educated staff and select District customer base on the over 115 year history of the District.

FY 2025-26 Goals & Objectives

Goal 1: Review of Disaster Response and Recovery procedures

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

- Review all statuses and updates for physical plant and physical information assets and incorporate into updated response plan
- Update all emergency contact information and written protocols including a distributed quick reference guide
- Conduct facility walk-through, asset review and protocol review with disaster response company, Operations Manager and Facilities Superintendent, including recovery routes and priorities.
- Confirm priority disaster response status with disaster response company.

Goal 2: Review all metadata and retention code assignments for records in Laserfiche

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

- Review assignments of each retention code within the Laserfiche database
- Determine the accuracy of the retention code, retention period, disposition year and perform quality improvements where necessary.
- Review metadata templates in Laserfiche to determine optimal field assignments and removal of ineffective fields for specific templates.
- Review File classifications and unique metadata fields for proper application and potential further application.

Goal 3: Reconcile As-built metadata from multiple sources for optimized Laserfiche As Built records to facilitate future GIS structured query integration.

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

- Identify unique metadata identifiers across fields and myriad sources to create optimized access points and searchability.
- Create master metadata list reconciled from multiple historical sources and conduct preparation and clean up for importation into designated as-built records and associated metadata templates and fields in Laserfiche.
- Identify key metadata fields to correspond to key GIS- CityWorks access points to produce accurate structured queries on assets in GIS that provide associated as-builts, easements, DORC's, QuitClaim Deeds, and other recorded legal instruments.

Goal 4: Review Laserfiche Volume and Security assignments in preparation for a specific virtualization strategy to be implemented in RestorVault, our trusted system appliance and disaster recovery tool.

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

- By curating volume and security assignments for virtualization in Laserfiche, a balance of security, availability and efficiency is achieved with regards to critical District records and information that support the District's legal standing in myriad scenarios as well as efficient and continuous operations of District processes and activities.

Strategic Plan Reference	Key Performance Indicators	FY25-26 Target	FY22-23 Achieved	FY23-24 Achieved	FY24-25 Achieved
G3 1A	Maintain Continual Scanning, Importing, and Archiving of District Records	55,000 Pages	52,000 Pages	56,000 Pages	78,000* Pages
G3 1A	Fulfill and Close Requests for Public Records Within 10 Days	2 Days Avg Response	3 Days Avg Response	2 Days Avg Response	2 Days Avg Response
G3 1A	Imported and classified Contracts for tracking and notification	100			95
G3 1A	Imported and classified Insurance documents for tracking and notification	550			540

Administration Departmental Budget

	FY24 Actual	FY25 Budget	FY25 Projection	FY26 Budget
Salary Related Expenses				
Salaries	1,346,546	1,583,196	1,511,894	1,713,557
Benefits	2,869,382	2,328,779	2,302,305	2,837,156
Salary Related Expenses Total	\$ 4,215,928	\$ 3,911,975	\$ 3,814,199	\$ 4,550,713
Supplies & Services				
Communications	80,540	131,940	127,440	120,140
Contractual Services	5,020	5,240	5,240	5,920
District Meetings & Events	9,985	33,995	33,995	32,995
Dues & Memberships	86,488	113,785	114,592	123,540
Fees & Permits	1,207	3,000	3,000	1,500
Non Capital Equipment	23,259	4,500	4,500	4,500
Office Expense	3,130	5,500	5,500	3,800
Training	7,254	7,000	7,000	6,100
Professional Services	488,255	541,500	541,500	542,000
Travel & Conferences	21,946	44,490	31,010	44,050
Supplies & Services Total	\$ 727,084	\$ 890,950	\$ 873,777	\$ 884,545



DEPARTMENTAL SUMMARIES

FINANCE

Finance Department

Position/Title	FY22	FY23	FY24	FY25	FY26
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	-	-	-	-	1
Customer Service Billing Administrator	1	1	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

FY25 to FY26 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 Plan 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 2024-25, which included rate and charge adjustments as approved at the June 8, 2021 Public Hearing. The effective date was July 1, 2024. 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, 2024.
- Awarded GFOA's "Certificate of Achievement for Excellence in Financial Reporting" for District's FY 2023-24 Annual Comprehensive Financial Report (ACFR).
- Awarded GFOA's Popular Annual Financial Report for FY 2023-24.
- 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 2023-24.

- 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 Spring/Summer 2024. Fitch Ratings Surveillance results: AAA Stable Outlook, an upgrade from an AA+ Positive rating compared with prior year, and the highest rating available from Fitch.

FY 2024-25 Goals Achieved

1. Obtained an upgraded rating to AAA Stable Outlook from prior year of AA+ Positive Outlook in response to the 2024 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 2023-24.
3. Successfully completed the external audit for fiscal year ended June 30, 2024, resulting in a clean unmodified opinion by the auditors with no management comments.

FY 2025-26 Goals & Objectives

Goal 1: Maintain an upgraded Fitch Ratings and Standard & Poor's rating, of AAA Stable and AA+ Positive Outlook or higher, respectively.

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 AAA and AA+ Positive Outlook for Fitch Ratings and Standard & Poor's rating, respectively.

Goal 2: Successfully complete external audit for fiscal year ending June 30, 2025.

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: Complete existing Enterprise Resource Planning (ERP) System evaluation and needs in a new ERP System.

- Coordinate with District IT department and software consultant, Cogsdale, to complete the evaluation of District needs for essential functions such as workflow, customer relations, reporting, etc.
- Collaborate with IT department to obtain a quote for potential new software systems to meet the needs of the District.

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY25-26 Target	FY22-23 Achieved	FY23-24 Achieved	FY24-25 Achieved
G2 1B	Achieve or Exceed Current Bond Ratings (AA+/AAA)	≥ AA+/AAA	AA+ (Stable Outlook)	AA+ (Positive Outlook Upgrade)	AAA (Stable Outlook Upgrade)
G2 1C	Debt-Covenant Ratio of 225% at Fiscal Year End	≥ 225%	246%	346%	339%
G2 1C	Minimum of 365 Days of Cash on Hand at Fiscal Year End	365 Days	430	444	481

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 promoted paperless billing option in an effort to reduce printing and postage costs.
- In collaboration with IT and Finance, attended the Cogsdale Customer Service Management (CSM) user group sessions to evaluate the upgraded billing system option, providing useful feedback to the development team for incorporation in a final product.
- Incorporated new customer forms for leak credits and new service connections, streamlining the process and allowing customers to sign up for service or accept leak credits electronically.

FY 2024-25 Goals Achieved

1. Promoted paperless billing options, including updating the billing messages to promote the paperless billing option
2. Reviewed Cogsdale knowledge base articles for upcoming releases, with a focus on case studies and improved functionality.

FY 2025-26 Goals & Objectives

Goal 1: Strategically execute a comprehensive communication plan to ensure customers are well-informed about the ongoing rate study and implementation of new rates, if applicable.

Connects to the District's Strategic Plan Goal: Community Partnership – Public Awareness & Engagement

- Collaborate with the Public Affairs Department to ensure a consistent and transparent message is delivered across all customer touchpoints.
- Update billing messages to promote awareness.
- Accurately apply new rates within the billing system and provide timely, informed responses to customer inquiries.

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	FY25-26 Target	FY22-23 Achieved	FY23-24 Achieved	FY24-25 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

	FY24 Actual	FY25 Budget	FY25 Projection	FY26 Budget
Salary Related Expenses				
Salaries	1,255,522	1,355,829	1,306,950	1,412,700
Benefits	269,809	451,529	436,592	499,166
Salary Related Expenses Total	\$ 1,525,331	\$ 1,807,358	\$ 1,743,541	\$ 1,911,866
Supplies & Services				
Communications	101,539	106,000	106,000	113,625
Contractual Services	63,948	70,001	69,905	74,485
District Meetings & Events	1,171	1,100	1,500	2,050
Dues & Memberships	1,214	1,410	1,090	1,630
Fees & Permits	263,153	257,964	290,154	305,150
Maintenance	-	300	300	300
Non Capital Equipment	-	300	604	300
Office Expense	10,428	13,550	9,958	12,505
Training	5,922	8,500	7,800	10,100
Professional Services	71,433	152,950	111,500	210,950
Travel & Conferences	8,277	13,830	8,400	15,500
Uncollectible Accounts	12,390	15,000	22,071	17,735
Supplies & Services Total	\$ 539,475	\$ 640,905	\$ 629,282	\$ 764,330



DEPARTMENTAL SUMMARIES

ENGINEERING

Engineering Department

Position/Title	FY22	FY23	FY24	FY25	FY26
Assistant Engineer I	1	1	-	-	-
Assistant Engineer II	-	-	1	1	1
Assistant Engineer III	1.5	2	1	1	1
Associate Engineer	-	-	1	1	1
Construction Inspector	1	1	1	1	1
Engineering Manager	1	1	1	1	1
Engineering Technician II	-	-	-	-	-
GIS Analyst	1	1	-	-	-
GIS Technician II	-	-	1	1	1
Intern	-	-	-	0.5	-
Principal Engineer	1	1	1	1	1
Senior Construction Inspector	1	1	1	1	1
Senior Engineer	2	2	2	2	2
Senior Project Manager	-	-	-	-	-
Total Engineering Personnel	10.0	10.0	10.0	10.5	10

FY25 to FY26 Changes and Trends: Engineering Intern reclassified to Information Technology Intern and transferred to Information Technology.

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 Plan 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.
- Water Resources/Water Quality Engineering and Reporting in coordination with the Operations department.

Performance Measures and Achievements

- Completed Water and Wastewater Development Capacity Fee Report update adopted by Board of Directors.

- Prepared 5-Year CIP for FY 2024-25 through FY 2028-29 for Board of Directors approval.
- Engineering and Operations staff presented and conducted tours of YLWD PFAS Water Treatment Plant for UC Riverside Engineering Students, Cal Poly Pomona Students and for professional organizations and various water agencies.
- Completed Strategic Plan, G 1 4A, 4B Security/Aesthetics in developing District standards for public facing aesthetics and installation of backup systems, fire hardening, security, and cybersecurity.

Processed Items

- 47 Fire Hydrant Flow Tests
- 2,210 USA Dig Alert tickets
- 69 New Meter Setups
- 15 Construction Meters installed
- 8 Single Sewer Connections & 14 Single Water Connections
- 10,720 ft. of Water Mains & 7,010 ft. of Sewer Mains inspected
- 119 Water and Sewer service connections inspected
- 103 FOG (Fats, Oils & Greases) permit renewals to food service establishments
- 112 Completed PRA (Public Records Act) requests from the public
- 22 Development Projects

Projects Completed

- Hidden Hills Booster Pump Station
- Well No. 5 Rehabilitation
- Well No. 19 Rehabilitation
- Sumac Pressure Regulating Station (PRS) Abandonment
- Wagon Wheel PRS Abandonment
- Apple Creek PRS Replacement
- Paseo del Prado PRS Replacement
- Willowbrook PRS Replacement
- Stone Canyon PRS Replacement
- FF-1 Waterline Replacements in the City of Placentia
- Box Canyon 16-inch Waterline Improvements
- Camino De Bryant Waterline Replacement Phase 2
- Sewer System CIPP Rehabilitation and Replacement Project
- FF-4, FF-7, and FF-12 Fire Flow Enhancement Projects
- Fairmont Reservoir Evaluation
- FF-11 Waterline Replacement
- Adobe PRS Replacement
- Timber Ridge Booster Pump Station

FY 2024-25 Goals Achieved

1. Completed all state regulatory compliance reports.
2. Updated Asset Management Plan and utilized plan to prepare 5-Year CIP.
3. Processed, monitored, tracked and completed CIP projects.

FY 2025-26 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

- Santiago Booster Pump Station Discharge Pipe Lining
- Golden Avenue Waterline (dependent on City of Placentia's Bridget project schedule)

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY25-26 Target	FY22-23 Achieved	FY23-24 Achieved	FY24-25 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 Plan	100%	100%	100%	100%
G1 3A	Process, monitor, and track projects annually	100%	100%	100%	100%

Engineering Departmental Budget

	FY24 Actual	FY25 Budget	FY25 Projection	FY26 Budget
Salary Related Expenses				
Salaries	862,681	1,264,408	1,264,408	1,438,186
Benefits	136,258	360,807	360,807	459,206
Salary Related Expenses Total	\$ 998,939	\$ 1,625,215	\$ 1,625,215	\$ 1,897,393
Supplies & Services				
Communications	3,765	7,000	8,000	7,000
District Meetings & Events	361	1,000	1,000	1,000
Dues & Memberships	1,381	4,105	1,595	2,145
Fees & Permits	5,142	8,000	8,000	8,000
Maintenance	815,950	916,000	449,000	700,000
Material	12,280	-	-	-
Non Capital Equipment	42	200	200	-
Office Expense	1,778	1,700	1,700	4,700
Training	2,653	7,075	1,500	7,500
Professional Services	416,595	1,006,696	762,800	295,120
Software Licenses	8,775	9,900	9,900	61,000
Travel & Conferences	5,063	12,750	4,000	19,100
Supplies & Services Total	\$ 1,273,785	\$ 1,974,426	\$ 1,247,695	\$ 1,105,565



DEPARTMENTAL SUMMARIES

OPERATIONS

Operations Department

Position/Title	FY22	FY23	FY24	FY25	FY26
Chief Water System Operator	1	1	1	1	1
Electrical/SCADA Technician	1	1	1	1	1
Facilities Maintenance Worker	1	1	-	-	-
Field Customer Service Rep./Meters II	1	1	1	1	1
Maintenance Superintendent	1	1	1	1	1
Maintenance Worker I	5	5	5	5	5
Maintenance Worker II	8	8	8	8	8
Maintenance Worker III	6	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	2	2	2	2
Plant Operator II	3	3	3	3	3
Production Superintendent	-	1	1	1	1
Safety & Training Analyst	1	1	-	-	-
Senior Facilities Maintenance Worker (Hired prior to 7/1/2023)	-	-	1	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	-	-	-	-	-
Water Quality Technician II	1	1	-	-	-
Water Quality Cross-Connection Specialist	-	-	1	1	1
Total Operations Personnel	44.0	46.0	45.0	45.0	45.0

FY25 to FY26 Changes and Trends: None

Operations & Maintenance Division

Division Description

The Operations Division includes facilities maintenance, fleet services, mechanical services, the operations office, and warehouse teams. The primary role is to keep all critical assets and equipment running smoothly and extend their useful life. The division also manages small to medium capital projects such as fire hardening, security upgrades, engine and fleet replacements, and facility improvements that support the District's operations.

The Maintenance Division is organized into four sub-divisions:

1. Leaks: Repairs water mains, service lines, and meter valves.
2. Valves: Maintains and replaces main-line valves and assists Engineering with shutdowns, start-ups, flushing, and tie-overs.
3. Fire Hydrants: Services hydrants, air/vacuum valves, and pressure control valves; performs dead-end flushing; replaces stuck meters; and responds to fire-flow and customer-service calls.

4. Collections: Maintains and repairs the sewer collection system and conducts CCTV inspections to identify blockages, structural defects, and maintenance needs.

By Presidential directive, all water and wastewater operators are designated emergency-service workers and must be available 24/7. Under the Water Maintenance Superintendent's direction, licensed operators rotate shifts to provide continuous emergency standby coverage.

Performance Measures and Achievements

- Completed preventative maintenance on one half of all distribution system valves.
- Completed CCTV (Closed Circuit Television) inspections on 74 miles of sanitary sewer system pipes.
- The district responded and resolved 3 Sanitary Sewer Overflows, (SSO).
- Completed power and communication line upgrades at Little Canyon Reservoir.

FY 2024-25 Goals Achieved

1. To comply with California Air Resources Board ZEV Public Fleet regulations, we procured new EV vehicles under our replacement plan, finalized specifications with maintenance staff, installed a supercharger system for our electric fleet, and continued to monitor new state regulations.
2. The building 2 locker room underwent complete modernization.
3. Upgraded office spaces to improve ergonomics and comfort.
4. Enhanced outdoor and lunch-break areas with new seating and shade features. Ongoing interior and exterior lighting across all facilities was upgraded to enhance illumination and reduce energy use.

FY 2025-26 Goals & Objectives

Goal 1: Optimize groundwater production, maximize PFOS treatment efficiency, ensure uninterrupted sewer service, and maintain the water distribution system.

Connects to the District's Strategic Plan Goal: Safe & Reliable water and sewer service – Public Health

- Optimize well operations via SCADA to sustain at least 85% groundwater production.
- Ensure the PFOS treatment plant runs efficiently, meeting removal targets with minimal energy use.
- Maintain our proactive sewer program with CCTV inspections and targeted hydro-jet cleaning to ensure continuous flow.
- Continue preventive maintenance across all treatment plants, pump stations, and distribution system to uphold system reliability.

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

- Upgraded the quiet room for a more user-friendly space.
- Replaced flooring, improved lighting, and refreshed paint in the administration building.
- Converted entry gates to electric access for secure entry to off-site facilities.

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY25-26 Target	FY22-23 Achieved	FY23-24 Achieved	FY24-25 Achieved
G3 3B	Perform preventative maintenance on all fire hydrants	4,022	3,776	4,029	4472
G3 3B	Exercise all system valves (5,891 valves)	5,891	5,417	6,583	8731
G1 5B	Minimize Sanitary Sewer Overflows	<3	0	2	3
G1 5B	Video inspect 25% of sewer system (265 miles, 25% is 66 miles)	66 miles	69 miles	65 miles	74 miles

Production Division

Division Description

The Production Division includes SCADA, plant operations, water quality/backflow, and meter services. Its primary role is to operate and maintain the district's wells, PFAS treatment plant, booster pump stations, reservoirs, chemical feed systems, and SCADA networks ensuring a reliable water supply that meets or exceeds all State and Federal quality standards.

Performance Measures and Achievements

- Achieved 85.6% groundwater production, meeting the 85% budget target.
- Completed state sanitary survey of district facilities with a positive evaluation from the State Sanitary Engineer.
- Submitted the CCCMP Backflow Program in compliance with new state regulations.
- Met all State Water Quality performance standards.
- Exceeded state and federal water quality benchmarks, as detailed in the 2024 Consumer Confidence Report.

SCADA

- Initiated SCADA and instrumentation assets into the GIS database and CityWorks system.
- Completed annual meter calibrations for the entire District.
- Ensured backup power supplies are maintained and operational in case of emergency.

Water Quality and Backflow

- Submitted the Cross Connection Control Management Plan in compliance with 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.

FY 2024-25 Goals Achieved

- Groundwater production reached 85.6%, meeting our FY 2024-25 target.
- Replaced aging meter radio units on all remaining walking routes, converting them to driving routes for improved efficiency and data accuracy.
- Expanded Plant Operator staff training through AWWA conferences and leadership programs, resulting in a fully staffed team of qualified operators.
- Inspected and cleaned Springview, Elk Mountain, Hidden Hills, and Fairmont reservoirs, and inspected Lakeview, Chino Hills, and Bryant Ranch.

FY 2025-26 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.
- 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.

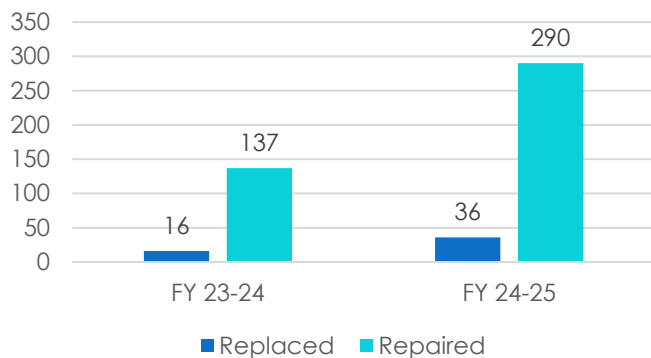
Connects to the District's Strategic Plan Goal: Safe and Reliable Water – Develop District Standards

- The CCCMP was submitted and is under state review; we began implementation on July 1, 2025, and will adjust the plan as needed based on their feedback.
- Identify and assign the staffing needed to meet CCCMP goals and integrate the plan into CityWorks to schedule and track inspections.

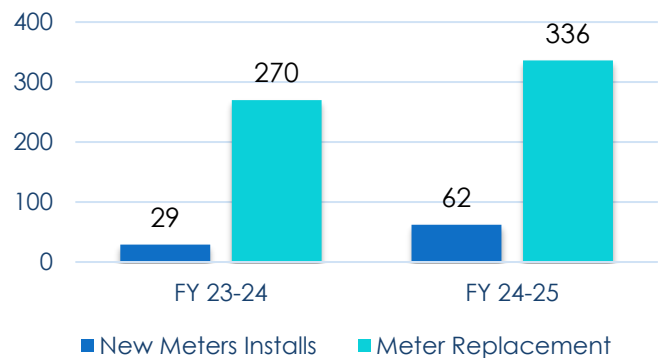
Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY25-26 Target	FY22-23 Achieved	FY23-24 Achieved	FY24-25 Achieved
G1 1A	Produce groundwater within 2% of the annual budget allocation. Budget groundwater percentage is 7%.	85%	86%	86%	75%
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	5	4

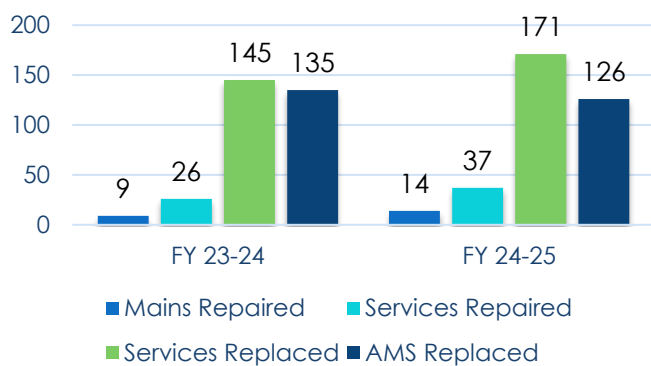
Hydrant Maintenance Work



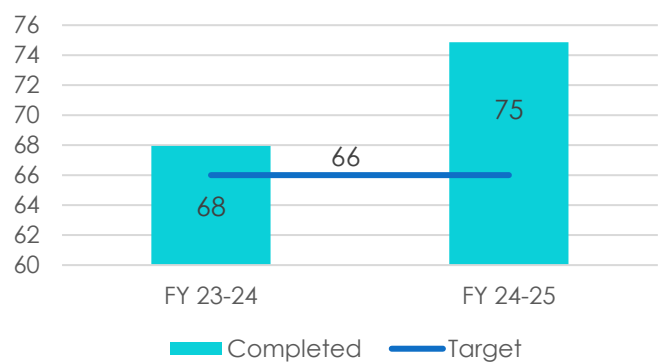
Leak Crew Meter Work



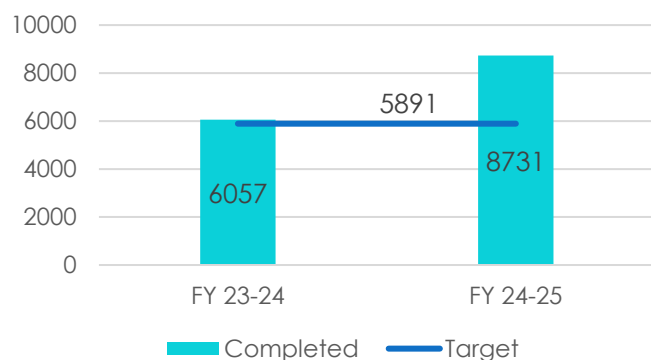
Leak Crew Repair Work



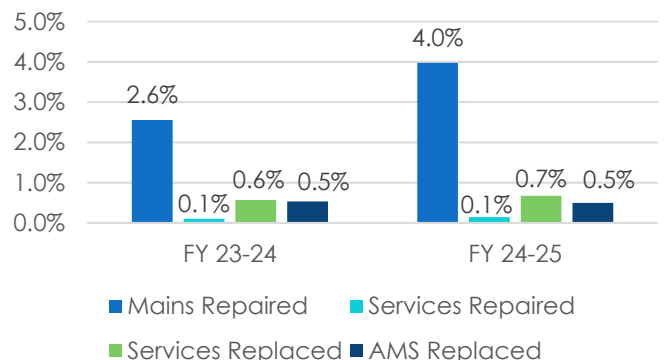
Miles of Sewer Lines Cleaned



Valve Turning

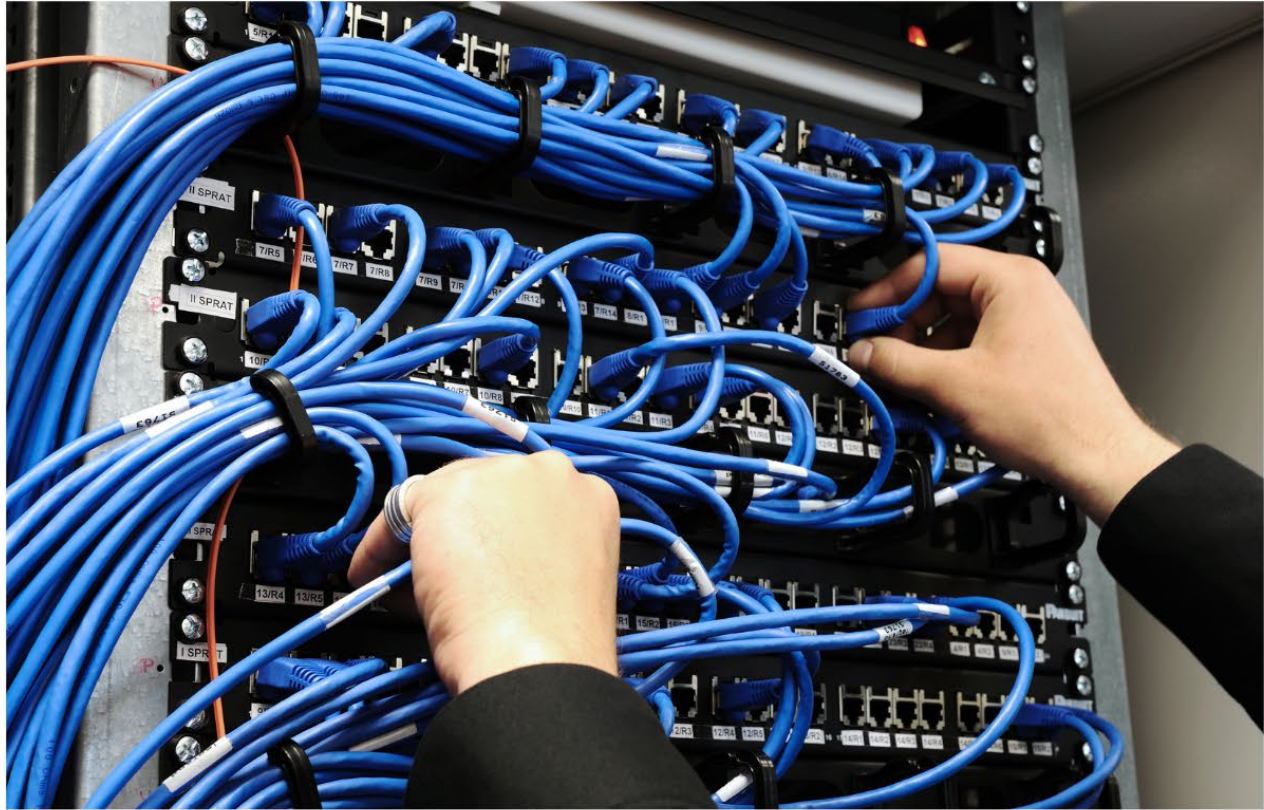


Leak Crew Maintenance Work



Operations Departmental Budget

	FY24 Actual	FY25 Budget	FY25 Projection	FY26 Budget
Salary Related Expenses				
Salaries	4,433,663	4,964,552	4,824,840	5,275,728
Benefits	1,498,371	2,022,740	1,963,878	2,214,681
Salary Related Expenses Total	\$ 5,932,034	\$ 6,987,292	\$ 6,788,718	\$ 7,490,409
Supplies & Services				
Contractual Services	432,637	499,000	468,586	513,000
District Meetings & Events	4,790	5,500	8,000	8,000
Dues & Memberships	-	300	-	200
Fees & Permits	188,756	200,500	188,773	212,100
Maintenance	1,236,106	1,097,000	1,330,480	1,313,700
Materials	1,795,535	2,065,150	1,660,250	2,468,950
Non Capital Equipment	170,262	218,500	196,150	209,000
Office Expense	12,229	17,000	12,600	13,200
Training	24,096	40,300	28,210	44,550
Professional Services	60,076	46,000	81,160	109,000
Software Licenses	28,735	30,000	1,850	2,000
Travel & Conferences	12,424	12,500	4,500	12,000
Utilities	151,206	151,000	151,300	155,600
Vehicle Expenses	679,526	712,850	818,752	850,960
Supplies & Services Total	\$ 4,796,378	\$ 5,095,600	\$ 4,950,611	\$ 5,912,260



DEPARTMENTAL SUMMARIES

INFORMATION TECHNOLOGY

Information Technology Department

Position/Title	FY22	FY23	FY24	FY25	FY26
Information Systems Administrator	-	-	-	-	-
Information Systems Technician I	1	1	1	1	1
Information Technology Manager	-	-	-	-	-
Senior Information Systems Administrator	-	-	-	-	-
Information Technology Intern	-	-	-	-	0.5
Total Information Technology Personnel	1.0	1.0	1.0	1.0	1.5

FY25 to FY26 Changes and Trends: Engineering Intern reclassified to Information Technology Intern and transferred from Engineering.

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 allow 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, and extensive cameras throughout 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.
- Continue comprehensive staff training programs on cybersecurity awareness and best practices.

FY 2024-25 Goals Achieved

1. Coordinated with outside agencies to perform network vulnerability scans, assessed potential impact, and strengthened system defenses through the timely application of critical patches.
2. Improved network reliability and security by upgrading legacy hardware and implementing modern safeguards; increased storage to support expanded security camera coverage.

FY 2025-26 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

- Conduct a CISA network cybersecurity scan to proactively identify vulnerabilities, assess potential risks, and strengthen network defenses through informed remediation efforts.

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

- Replace end-of-life network equipment in accordance with Microsoft's lifecycle guidelines to improve infrastructure reliability, security, and compliance.

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY25-26 Target	FY22-23 Achieved	FY23-24 Achieved	FY24-25 Achieved
G3 1A	Maximize system availability.	99%	99%	99%	99%
G3 2D	Minimize resolution time for help desk issues submitted by staff.	24 Hrs.	24 Hrs.	24 Hrs.	24 Hrs.
G1 4B	Cybersecurity awareness results through phishing click rate.	1%	2%	2%	<1%

Information Technology Departmental Budget

	FY24 Actual	FY25 Budget	FY25 Projection	FY26 Budget
Salary Related Expenses				
Salaries	90,681	102,618	102,618	99,167
Benefits	(14,914)	31,178	31,178	49,347
Salary Related Expenses Total	\$ 75,767	\$ 133,796	\$ 133,796	\$ 148,514
Supplies & Services				
Contractual Services	118,590	145,778	145,778	118,750
District Meetings & Events	43	400	400	400
Maintenance	13,286	10,000	10,000	10,000
Materials	3,086	5,000	5,000	5,000
Non Capital Equipment	78,748	97,800	97,800	25,000
Office Expense	13,622	10,000	10,000	10,000
Training	1,098	4,000	4,000	5,000
Professional Services	265,151	255,000	230,000	291,000
Software Licenses	235,916	484,046	484,046	509,217
Utilities	74,734	85,000	78,300	80,000
Supplies & Services Total	\$ 804,274	\$ 1,097,024	\$ 1,065,324	\$ 1,054,367



DEPARTMENTAL SUMMARIES

HUMAN RESOURCES

Human Resources Department

Position/Title	FY21	FY22	FY23	FY25	FY26
Human Resources Analyst	2	2	2	2	2
Human Resources and Risk Manager	1	1	1	1	1
Human Resources Technician	-	-	-	-	-
Records Management Administrator	-	-	-	-	-
Records Management Specialist	-	-	-	-	-
Total Human Resources Personnel	3.0	3.0	3.0	3.0	3.0

FY25 to FY26 Changes and Trends: None

Human Resources and Risk Management Department

Department Description

The Human Resources and Risk Management 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 negotiation and 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 the 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

- Successfully negotiated new three-year labor contract with the Yorba Linda Water District Employee Association (YLWDEA).
- Developed and presented first annual Vacancy Report under new Assembly Bill 2561.
- Executed the annual employee Health Benefits Fair with a variety of benefit partners and onsite flu shots.
- Conducted a 12-week employee Wellness Challenge using \$2,000 ACWA/JPIA Wellness grant funds. Participating employees walked over 13 million steps
- Coordinated a successful Employee Picnic with 86% participation.
- Received ACWA/-JPIA's "President's Special Recognition Award" for the District's commitment to reducing workers' compensation and property claims.

Processed Items

- 7 New YLWD Team Members
- 5 Internal Promotions & Reclassifications
- 5 Separations
- 3 Retirements

FY 2024-25 Goals Achieved

1. Reviewed existing performance management program to identify opportunities for improvement and customization in order to create a more meaningful performance review document and process.
2. Collaborated with YLWDEA to identify key performance management improvements.
3. Engaged a professional consulting firm to complete a comprehensive analysis of all district classifications.
4. Collaborated with all stakeholders to ensure understanding and participation in the evaluation process.
5. Updated job classifications and salary schedule in final stages.
6. Developed partnerships with educational institutions to expand training opportunities at all levels.
7. Partnered with MWDOC to provide Supervisor Academy training for employees from a variety of Orange County water agencies. YLWD employees made up approximately 50% of the 30-person Academy.
8. Evaluated on-demand training resources to encourage employee and supervisor-driven development plans.

FY 2025-26 Goals & Objectives

Goal 1: Implement new classification and compensation structure.

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

- Finalize updated job classifications.
- Finalize new compensation structure/salary schedule and provide recommended implementation strategy for Board approval.

Goal 2: Review and Update Human Resources and Risk Management Policies.

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

- Develop inventory of existing policies and create a schedule for regular reviews and updates.
- Prioritize revision of policies needing immediate updates for compliance and/or organizational needs.

Goal 3: Expand succession planning beyond Executive Team members.

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

- Create a Districtwide succession planning process that is strategically embedded in management processes and strategic discussions.
- Develop succession planning tools for use as part of the District's broader employee development programs.
- Conduct an annual review of the health of existing succession plans.

Key Performance Indicators

Strategic Plan Reference	Key Performance Indicators	FY25-26 Target	FY22-23 Achieved	FY23-24 Achieved	FY24-25 Achieved
G5 1A	Recruitment Process from Request to Hire Date (60 Days Max)	60 Days	62 Days	60 Days	61 Days
G5 1A	Employee Turnover (Non-Retirement)	<10%	10%	5%	6.17%
G5 1A	Timely completion of Employee Performance appraisals	95%	40%	55%	39%
G5 1A	Benefits Fair Participation	80%	73%	80%	86%
G5 2A	Participation in ACWA-JPIA Leadership Program	>1	0	1	1

Human Resources Departmental Budget

	FY24 Actual	FY25 Budget	FY25 Projection	FY26 Budget
Salary Related Expenses				
Salaries	380,341	452,927	452,927	484,942
Benefits	116,623	143,497	143,497	158,599
Salary Related Expenses Total	\$ 496,964	\$ 596,424	\$ 596,424	\$ 643,540
Supplies & Services				
Communications	1,724	35,000	42,000	42,000
Contractual Services	9,792	158,395	148,370	111,695
District Meetings & Events	22,013	24,900	24,900	22,900
Dues & Memberships	5,774	6,300	6,300	6,300
Insurance	467,891	525,000	587,445	746,600
Office Expense	643	500	500	500
Training	1,050	6,500	19,485	6,500
Professional Services	32,562	56,000	55,000	56,000
Travel & Conferences	8,986	10,500	8,989	10,500
Supplies & Services Total	\$ 550,435	\$ 823,095	\$ 892,989	\$ 1,002,995



CAPITAL EXPENDITURE

Capital Expenditure

Capital expenditures are comprised of Capital Improvement Plan projects, Repair and Replacement (R&R) Projects, and Vehicle and Capital Equipment Replacements. As shown below, the current budget year's total expenditure is projected to be \$5,402,353, with \$5,252,353 Pay-Go funded and \$150,000 grant-funded. Details of projects that will start during this annual budget period can be found in this section.

PROJECT NAME	FY 2025-26	FY2026-27	FY2027-28	FY2028-29	FY2029-30	TOTAL
Waterline Projects	1,130,000	800,000	870,000	980,000	1,140,000	4,920,000
Golden Avenue Waterline	310,000	-	-	-	-	310,000
Reservoir Projects	-	-	-	-	-	-
Fairmont Reservoir Rehab	-	-	-	2,600,000	2,600,000	5,200,000
Booster Pump Station Projects	-	-	-	-	-	-
Lakeview BPS Rehab & Generator	-	-	-	150,000	500,000	650,000
Yorba Linda BPS Rehab & Generator	-	150,000	650,000	500,000	-	1,300,000
Santiago BPS Rehab & Generator	400,000	2,100,000	3,900,000	-	-	6,400,000
Well Projects	-	-	-	-	-	-
Well Rehabilitation (No. 1 & 10)	420,000	300,000	-	-	-	720,000
Well 23 Drilling & Equipping	1,443,600	2,941,200	7,009,200	2,336,400	-	13,730,400
TOTAL WATER CIP	\$3,703,600	\$6,291,200	\$12,429,200	\$6,566,400	\$4,240,000	\$33,230,400
USACE WRDA GRANT FUNDING (Authorized Not Yet Awarded)	(\$1,082,700)	(\$2,205,900)	(\$5,256,900)	(\$1,752,300)	-	(\$10,297,800)
WATER (PAY-GO) TOTAL	\$2,620,900	\$4,085,300	\$7,172,300	\$4,814,100	\$4,240,000	\$22,932,600
Sewer Main Projects	-	-	-	-	-	-
Buena Vista Sewer Main Improvements	-	-	-	340,000	1,380,000	1,720,000
Kellogg Dr Sewer Main Upsize	700,000	2,300,000	-	-	-	3,000,000
Sewer System Rehabilitation & Replacement Projects	-	-	-	-	-	-
FY26-27 Sewer CIPP Rehab Project	-	400,000	-	-	-	400,000
FY28-29 Sewer CIPP Rehab Project	-	-	-	400,000	-	400,000
Lift Station Projects	-	-	-	-	-	-
Green Crest Sewer Lift Station (\$300k Grant)	400,000	400,000	-	-	-	800,000
TOTAL SEWER CIP	\$1,100,000	\$3,100,000	-	\$740,000	\$1,380,000	\$6,320,000
USEPA COMMUNITY GRANT FUNDING (Awarded)	(\$150,000)	(\$150,000)	-	-	-	(\$300,000)
SEWER (PAY-GO) TOTAL	\$950,000	\$2,950,000	-	\$740,000	\$1,380,000	\$6,020,000
CAPITAL IMPROVEMENT TOTAL	\$ 3,570,900	\$ 7,035,300	\$ 7,172,300	\$ 5,554,100	\$ 5,620,000	\$ 28,952,600
CAPITAL OUTLAY	FY 2025-26	FY2026-27	FY2027-28	FY2028-29	FY2029-30	TOTAL
Vehicle Replacements	866,453	890,000	1,150,000	635,000	495,000	4,036,453
CI2 Generator for Lakeview	150,000	-	-	-	-	150,000
Install Carpet in Building 4	150,000	-	-	-	-	150,000
Vehicle Lift for Mechanic Shop	65,000	-	-	-	-	65,000
Replace Highland Reservoir PLC	35,000	-	-	-	-	35,000
Replace Check Valve at Valley View	20,000	-	-	-	-	20,000
Electric Gate for Lakeview	10,000	-	-	-	-	10,000
Enterprise Resource Planning (ERP) System	250,000	1,000,000	-	-	-	1,250,000
Host Replacements (Miraloma & Las Vegas)	-	-	250,000	150,000	-	400,000
Switch Replacement Program	110,000	110,000	-	-	-	220,000
Server Room - UPS Replacement	140,000	-	-	-	-	140,000
Cisco Server Replacement	-	80,000	-	-	-	80,000
Firewall Replacement (6)	-	-	-	-	60,000	60,000
Network Attached Storage (NAS) Replacement	35,000	-	-	-	-	35,000
Plotter Replacement	-	-	-	20,000	-	20,000
CAPITAL OUTLAY TOTAL	\$1,831,453	\$2,080,000	\$1,400,000	\$805,000	\$555,000	\$6,671,453
CIP & CAPITAL OUTLAY GRAND TOTAL	\$5,402,353	\$9,115,300	\$8,572,300	\$6,359,100	\$6,175,000	\$35,624,053
PAY-GO FUNDED	\$5,252,353	\$8,965,300	\$8,572,300	\$6,359,100	\$6,175,000	\$35,624,053
GRANT-FUNDED	\$150,000	\$150,000	-	-	-	\$300,000

Capital Project Listing

Santiago Booster Pump Station Discharge Pipe Lining - Waterline Project

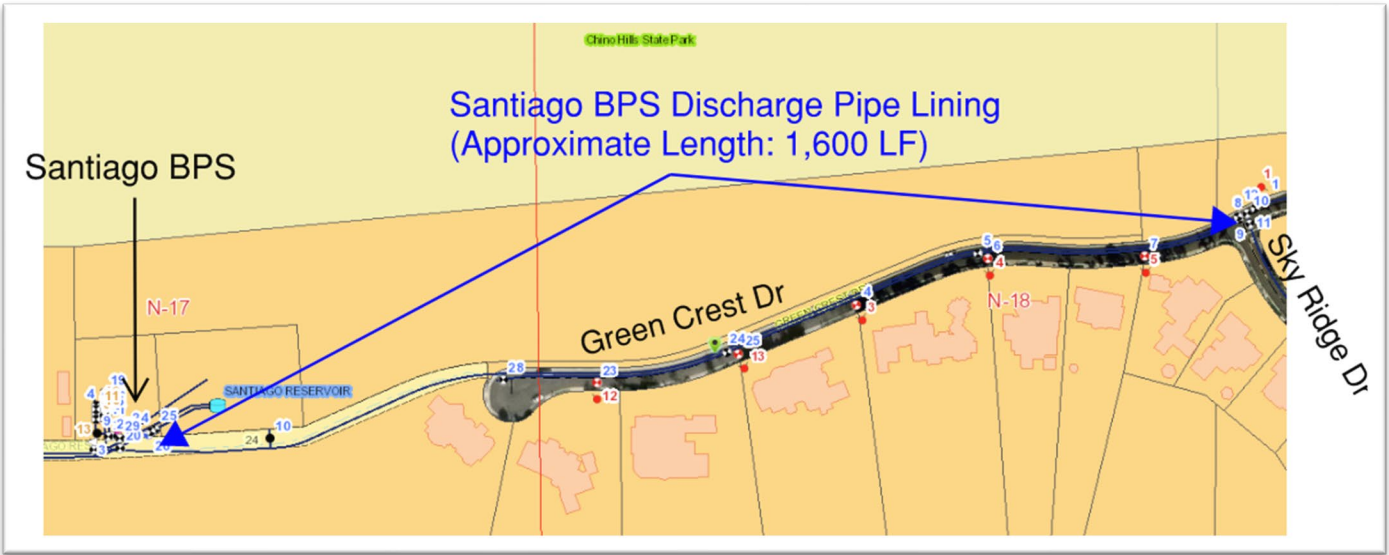
Project Description The existing Santiago Booster Pump Station Discharge pipeline installed in 1988 -1990 has experienced multiple pipeline breaks and will be rehabilitated to extend its useful life and provide resiliency in delivering water service to this Very High Fire Hazard Severity Zone. Approximately 1,600 feet of 12-inch cement-mortar lined and coated (CML&C) steel pipe will be lined from the discharge pipe at Santiago Booster Pump Station along Green Crest Drive to Sky Ridge Drive.	Project Type Water Location Green Crest Drive near Sky Ridge Drive Yorba Linda, California Project Manager Ben Peralta, PE Associate Engineer
Operating Budget Impact Salaries & Benefits (Capitalized) \$35,000 Debt Service \$0 Operations and Maintenance Operations and Maintenance costs are likely to reduce overall due to fewer failures and repairs. Utilities N/A	Total Project Cost \$770,000 FY26 Capital Budget \$770,000 Start Date August 2025 Estimated Completion June 2026 Capital Requests New Project

Santiago Booster Pump Station Discharge Pipe Lining - Waterline Project

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
Professional Services		\$60,000			\$60,000
Construction (Contract)		\$690,000			\$690,000
YLWD Labor		\$20,000			\$20,000
ANNUAL TOTAL		\$770,000			\$770,000

PROJECT FUNDING	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
PAY-GO		\$ 770,000			\$ 770,000
Debt Funded					
Grants					
ANNUAL TOTAL		\$770,000			\$770,000



FF-8 La Palma Avenue Waterline Replacement - Waterline Project

Project Description

The existing 6-inch asbestos cement pipe (ACP) at La Palma Avenue serves commercial properties. This waterline was identified for replacement in the December 2023 Water Master Plan Update. Approximately 450 feet of 6-inch ACP will be replaced with 10-inch polyvinyl chloride (PVC) pipe to enhance fire flow in this commercial area. Approximately 85 feet of new 10-inch PVC will be constructed from the waterline in La Palma to waterline loop to provide additional fire flow capacity.

Project Type
Water

Location
La Palma Avenue at
Lakeview Avenue
Anaheim, California

Project Manager
Yvette Hanna, PE,
Senior Engineer

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$25,000

Debt Service
\$0

Operations and Maintenance
Operations and maintenance costs should be reduced since a new replacement pipe will be installed.

Utilities
N/A

Total Project Cost
\$365,720

FY26 Capital Budget
\$360,000

Start Date
July 2025

Estimated Completion
June 2026

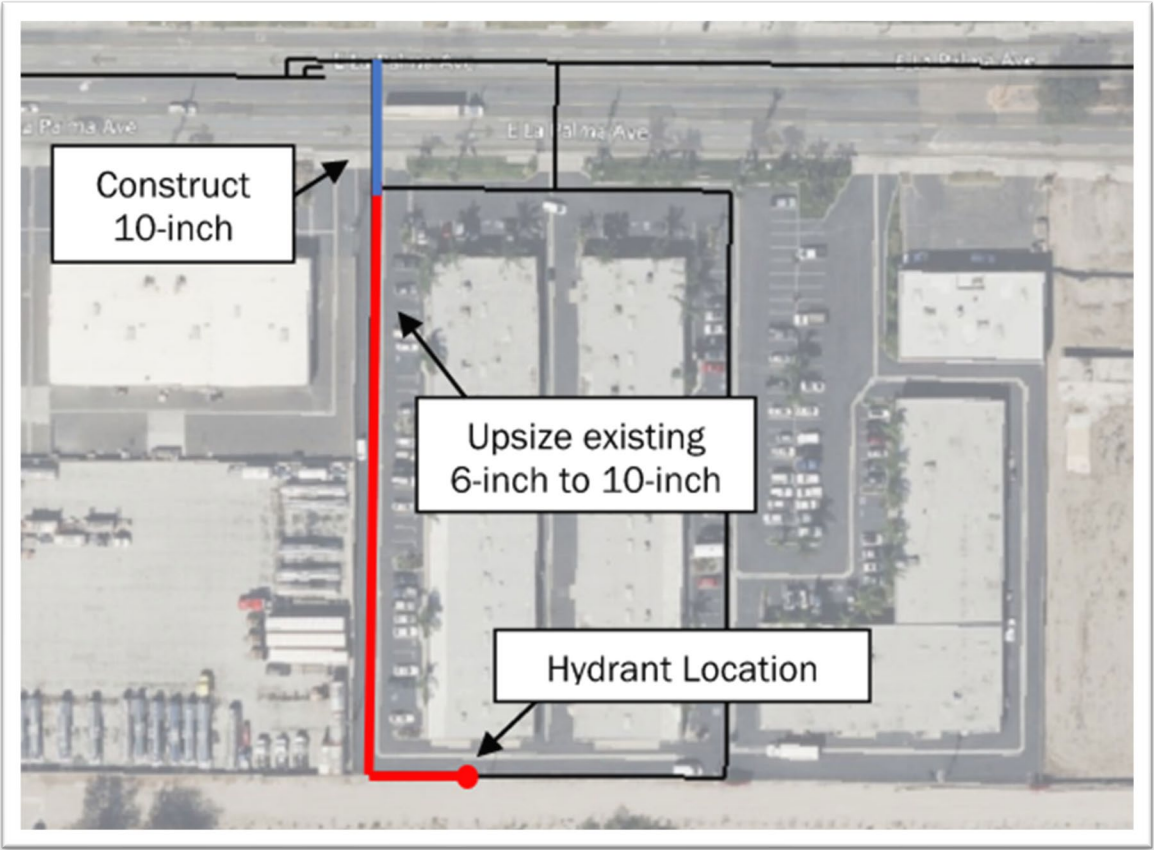
Capital Requests
New Project

La Palma Avenue Waterline Replacement - Waterline Project

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
Professional Services	\$5,118	\$8,000			\$13,118
Construction (Contract)		\$327,000			\$327,000
YLWD Labor	\$602	\$25,000			\$25,602
ANNUAL TOTAL	\$5,720	\$360,000			\$365,720

PROJECT FUNDING	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
PAY-GO	\$5,720	\$ 360,000			\$365,720
Debt Funded					
Grants					
ANNUAL TOTAL	\$ 5,720	\$360,000			\$365,720



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 2025, 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
Ben Peralta, PE
Associate Engineer

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$29,900

Total Project Cost
\$317,600

Debt Service
\$0

FY26 Capital Budget
\$310,000

Operations and Maintenance
The project will improve operations by providing water service redundancy in the event of a pipe break.

Start Date
July 2023

Estimated Completion
June 2026

Utilities
N/A

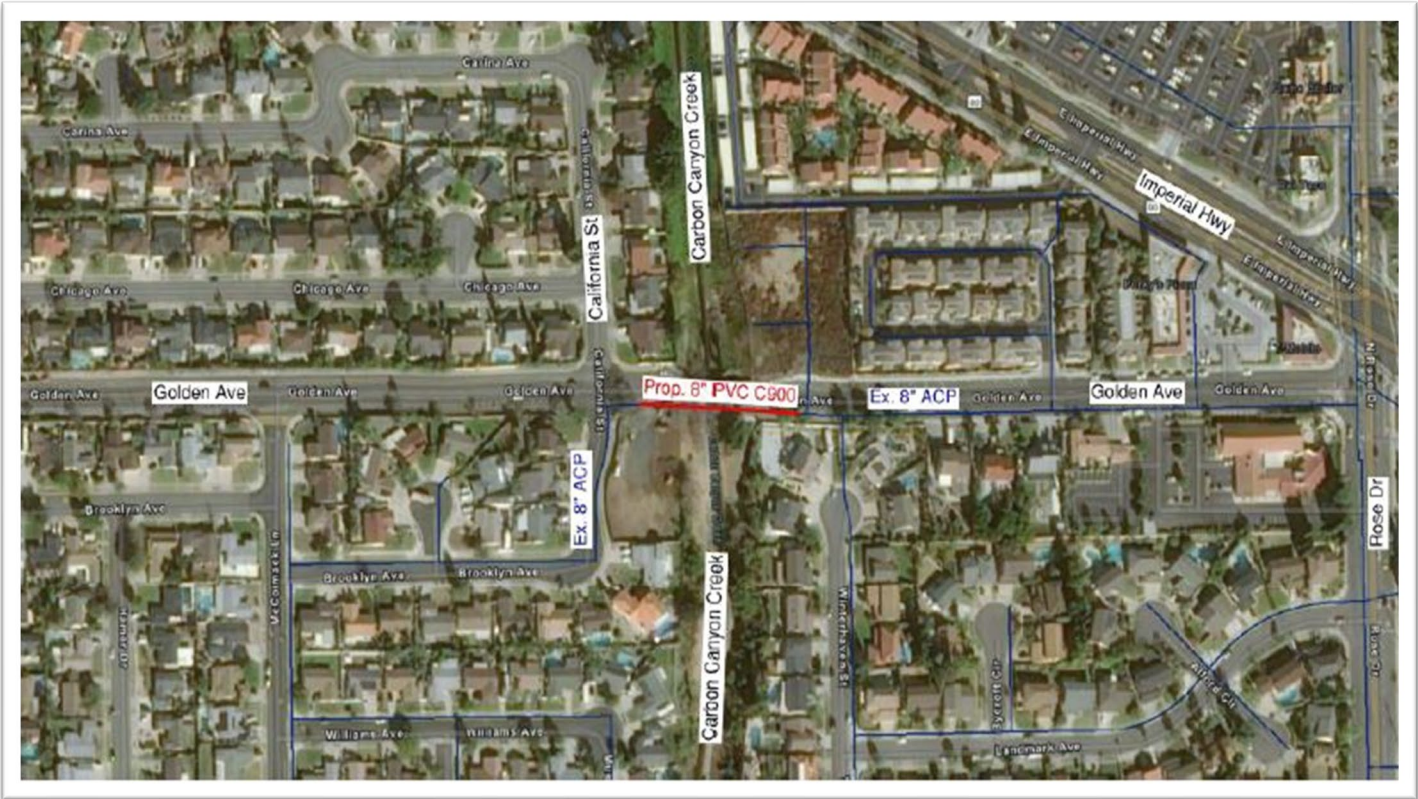
Capital Requests
Ongoing Project

Golden Ave Waterline

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
Professional Services	\$1,700	\$6,000			\$7,700
Construction (Contract)		\$280,000			\$280,000
YLWD Labor	\$5,900	\$24,000			\$29,900
ANNUAL TOTAL	\$7,600	\$310,000			\$317,600

PROJECT FUNDING	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
PAY-GO	\$7,600	\$310,000			\$317,600
Debt Funded Grants					
ANNUAL TOTAL	\$7,600	\$310,000			\$317,600



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 extend its useful life. The improvements include replacing the existing 3 pumps in the underground vault, installing a natural gas pump above ground, installing a building to house the electrical room and equipment, replacing a variable frequency drive and making vault access improvements. This project will enable the District to continue providing reliable water service in this high-risk fire area. Alternatives for project rehabilitation were evaluated in FY 24-25. 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
Reza Afshar, PE, PMP
Principal Engineer

Total Project Cost
\$6,459,300

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$64,100

FY26 Capital Budget
\$400,000

Debt Service
\$0

Start Date
May 2024

Operations and Maintenance

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

Estimated Completion
June 2028

Utilities

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

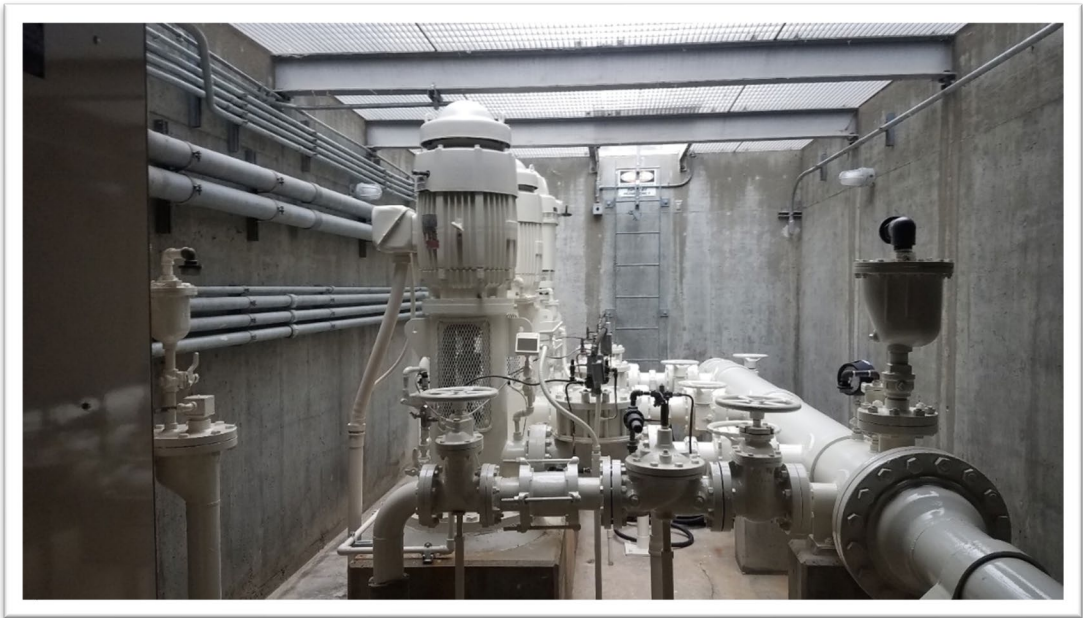
Capital Requests
Ongoing Project

Santiago Booster Pump Rehabilitation

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
Professional Services	\$ 55,200	\$390,000	\$100,000	\$100,000	\$645,200
Construction (Contract)			\$1,980,000	\$3,770,000	\$5,750,000
YLWD Labor	\$4,100	\$10,000	\$20,000	\$30,000	\$64,100
ANNUAL TOTAL	\$ 59,300	\$400,000	\$2,100,000	\$3,900,000	\$6,459,300

PROJECT FUNDING	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
PAY-GO	\$59,300	\$400,000	\$2,100,000	\$3,900,000	\$6,459,300
Debt Funded					
Grants					
ANNUAL TOTAL	\$ 59,300	\$400,000	\$2,100,000	\$3,900,000	\$6,459,300



Well No. 10 Rehabilitation

Project Description

The existing well was installed in 1929 and was designed to pump 1,800 gallons per minute (gpm). The well depth is 388 feet below ground surface (bgs) and the pump bowls are set at 225 feet bgs. Well pumping capacity has decreased to approximately 900 gpm. The well equipment will be removed and evaluated for replacement and the well will be videoed, evaluated and cleaned. Specific improvements recommended in the evaluation report will be implemented. 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. This well was identified in the 2023 Water Master Plan Update and the 2018 Asset Management Plan for rehabilitation to improve pumping capacity and extend the useful life of the well.

Project Type
Water

Location
Adjacent to District
Headquarters
Placentia, CA

Project Manager
Ben Peralta, PE
Associate Engineer

Total Project Cost
\$420,000

Operating Budget Impact

FY26 Capital Budget
\$420,000

Salaries & Benefits (Capitalized)
\$10,000

Start Date
Sep 2025

Debt Service
\$0

Estimated Completion
Feb 2026

Operations and Maintenance

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

Capital Requests
New Project

Utilities

Annual utility costs are expected to decrease due to the increased efficiency of the rehabilitated well.

Well No. 10 Rehabilitation

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
Professional Services		\$20,000			\$20,000
Construction (Contract)		\$390,000			\$390,000
YLWD Labor		\$10,000			\$10,000
ANNUAL TOTAL		\$420,000			\$420,000

PROJECT FUNDING	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
PAY-GO		\$420,000			\$420,000
Debt Funded					
Grants					
ANNUAL TOTAL		\$420,000			\$420,000



Well No. 23 Drilling and Equipping

Project Description

This project includes the drilling and equipping of a new well that will be designed to pump between 2,500 and 3,000 gallons per minute. Other improvements include a variable frequency drive, a building, site improvements, and approximately 5,500 feet of a 12-inch transmission pipeline extending from Well 23 to the District's PFAS Water Treatment Plant. 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. This well was identified in the 2023 Water Master Plan Update.

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$125,300

Debt Service
\$0

Operations and Maintenance

The new well will provide well pumping redundancy and enable the District to consistently to meet the Basin Production Percentage (BPP) of 85% groundwater, which is a cost savings over utilizing more treated imported water.

Utilities

Annual utility costs are expected to be reduced for groundwater well pumping due to the utilization of this new well versus using an older well.

Project Type
Water

Location
OCWD Warner Basin at Tustin Avenue and La Palma Avenue
Anaheim, California

Project Manager
Reza Afshar, PE, PMP
Principal Engineer

Total Project Cost
\$13,803,300

FY26 Capital Budget
\$1,443,600

Start Date
January 2026

Estimated Completion
June 2028

Capital Requests
Ongoing Project

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	FY2028-29	TOTAL
Professional Services	\$57,600	\$1,413,600	\$460,200	\$1,138,200	\$369,400	\$3,439,000
Construction (Contract)			\$2,451,000	\$5,841,000	\$1,947,000	\$10,239,000
YLWD Labor	\$15,300	\$30,000	\$30,000	\$30,000	\$20,000	\$125,300
ANNUAL TOTAL	\$72,900	\$1,443,600	\$ 2,941,200	\$ 7,009,200	\$2,336,400	\$13,803,300

PROJECT FUNDING	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	FY2028-29	TOTAL
PAY-GO	\$72,900	\$360,900	\$735,300	\$1,752,300	\$584,100	\$3,505,500
Debt Funded Grants (Authorized Not Yet Awarded)		\$1,082,700	\$2,205,900	\$5,256,900	\$1,752,300	\$10,297,800
ANNUAL TOTAL	\$72,900	\$1,443,600	\$ 2,941,200	\$ 7,009,200	\$2,336,400	\$13,803,300

Well 23 Drilling and Equipping



Kellogg Drive Sewer Main Improvements

Project Description

There are two existing parallel sewer mains that run along Kellogg Drive from Short Street to Orangethorpe Avenue. Approximately 2,600 feet of the westerly pipeline will be upsized from 8 and 10-inches to 15-inches between Short Street and Orangethorpe Avenue to improve the capacity of the sewer system. This project was included in the 2020 Wastewater Master Plan Update.

Project Type

Water

Location

Kellogg Drive between Short Street and Orangethorpe Avenue, Yorba Linda, California

Operating Budget Impact

Salaries & Benefits (Capitalized)
\$5,000

Debt Service
\$0

Maintenance

Replacing and upsizing the 1963 sewer main will reduce the likelihood of sewer maintenance issues and thereby decrease annual maintenance costs.

Utilities
N/A

Project Manager
Yvette Hanna, PE
Senior Engineer

Total Project Cost
\$3,000,000

FY26 Capital Budget
\$700,000

Start Date
July 2025

Estimated Completion
June 2027

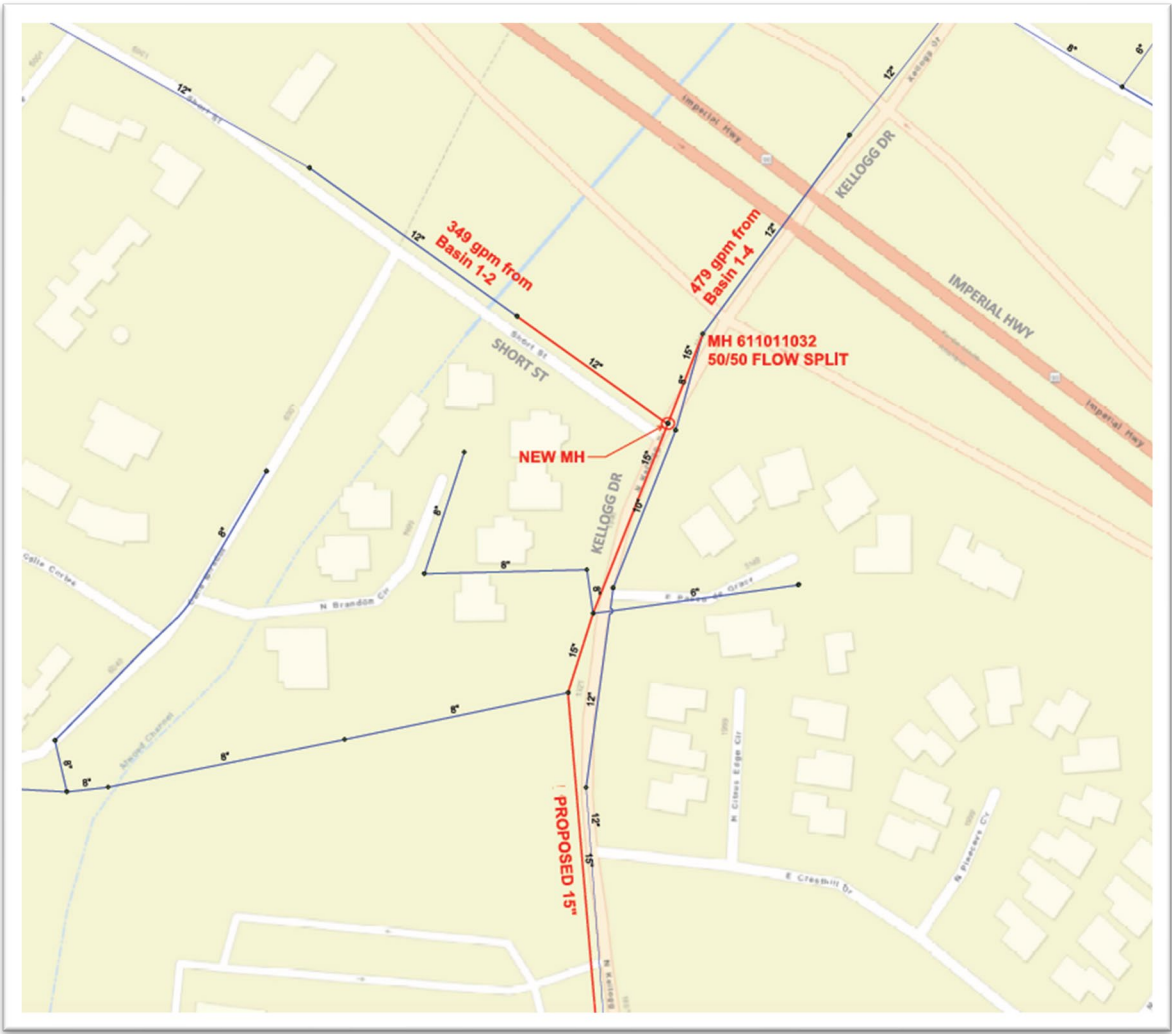
Capital Requests
New Project

Kellogg Drive Sewer Main Improvements

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
Professional Services		\$680,000	\$30,000		\$710,000
Construction (Contract)			\$2,240,000		\$2,240,000
YLWD Labor		\$20,000	\$30,000		\$50,000
ANNUAL TOTAL		\$700,000	\$2,300,000		\$3,000,000

PROJECT FUNDING	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
PAY-GO		\$700,000	\$2,300,000		\$3,000,000
Debt Funded					
Grants					
ANNUAL TOTAL		\$700,000	\$2,300,000		\$3,000,000



Green Crest Lift Station Rehabilitation

Project Description

The existing sewer lift station was constructed 30 years ago and requires replacement. The station has deteriorated over time and is subject to persistent infiltration, and well level control/ monitoring issues which have caused submersible pump overheating. The project includes: replacing the existing wet well with a polymer concrete access structure to eliminate infiltration occurring into the existing concrete access structure; enlarging the existing access hatch to the wet well facilities to allow for better access and improved ability to perform regular maintenance activities; replacing the old electrical panel with a new, code-compliant pane; and replacing existing valve pit piping and pipe supports and valves. The new electrical cabinet will allow the lift station to be connected to a portable backup emergency generator. The proposed improvements will improve safety, reliability and resiliency and reduce the risk of potential sewer overflows. This ongoing project was delayed due to the lengthy process to obtain grant funding appropriations. 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

Total Project Cost
\$1,000,000

FY25 Capital Budget
\$400,000

Start Date
July 2024

Operating Budget Impact

Estimated Completion
June 2027

Salaries & Benefits (Capitalized)
\$33,000

Capital Requests
Ongoing Project

Debt Service
N/A

Maintenance

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

Utilities

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

Green Crest Lift Station Rehabilitation

Project Cost & Funding

PROJECT COST	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
Professional Services	\$182,000	\$10,000	\$ 5,000		\$197,000
Construction (Contract)		\$380,000	\$390,000		770,000
YLWD Labor	\$18,000	\$10,000	\$5,000		33,000
ANNUAL TOTAL	\$ 200,000	\$400,000	\$400,000		\$1,000,000

PROJECT FUNDING	PRIOR YEARS	FY 2025-26	FY2026-27	FY2027-28	TOTAL
PAY-GO	\$200,000	\$250,000	\$ 250,000		\$700,000
Debt Funded					
Grants		\$150,000	\$150,000		\$300,000
ANNUAL TOTAL	\$ 200,000	\$400,000	\$ 400,000		\$1,000,000

Green Crest Lift Station Rehabilitation (continued)



APPENDIX

List of Acronyms

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

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



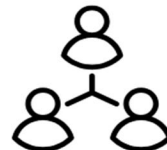
RESPONSIBILITY



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.*



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.*



Yorba Linda Water District

Policies and Procedures

Policy No.: 3010-003
Adoption Method: Resolution No. 2019-23
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

PUBLIC FUNDS INVESTMENT

Dept/Div:	Finance	Approved By:	Resolution No. 2025-20
Effective Date:	August 14, 2025	Applicability:	District Wide
Supersedes:	V4 Effective July 6, 2023	See Also:	N/A

TABLE OF CONTENTS

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

Appendix A Description of Authorized Investments and Restrictions

Appendix B Glossary

1.0 Policy and Purpose

- 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 Annual Comprehensive Financial Report (ACFR).

3.0 Authority and 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 Prudent Investor Standard

- 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.

6.0 Ethics and Conflict 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 District 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 (a) having read and understood this investment policy and (b) agreeing to comply with the District's investment policy;
- 7.1.2** Proof of Financial Industry 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. A security, at the time of purchase, may not be rated below the minimum credit requirements by any of the NRSROs that rate the security.
- 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
Placement Service [#]	50% limit, 5 years	30% limit, 5 years
Local Agency Investment Fund (LAIF) [^]	No % or maturity limit	100% of the current LAIF limit, no maturity limit
County Pooled Investment Funds [^]	No % or maturity limit	No % or maturity limit
Joint Powers Authority Funds (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
Municipal Obligations	No % limit, 5 years	30% limit, 5 years

ABS/MBS*	20% limit, 5 years	10% portfolio, 5% per issuer, 5 years
Supranationals*	30% limit, 5 years	10% portfolio, 5% per issuer, 5 years
Negotiable Certificates of Deposit [#]	30% portfolio, 5 years	30% portfolio, 5% per issuer, 5 years
Money Market Funds*	20%, no maturity limit	20%, no maturity limit
Medium-Term (or Corporate) Notes*	30% portfolio, 10% per issuer combined with commercial paper, 5 years	30% portfolio, 5% per issuer, 5 years
Bankers Acceptances*	40%, 30% per issuer, 180 days	10% max, 5% per issuer, 180 days
Commercial Paper*	25%, 10% per issuer, combined with medium-term notes, 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 within 48 hours of being notified by the District's investment advisors. 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 (1) local government investment pools, and (2) 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. The percentage limits for each investment type are listed in Section 8.3. With the exception of U.S. Treasuries, U.S. Agency Securities, Supranationals, Bank Deposits and authorized pools, no more than 5% of the District's total investment portfolio will be invested with a single issuer across investment types.
- 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

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 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.

A. 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.

B. Placement Service Deposits – Government Code Sections 53601.8 and 53653.8

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

C. 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. A maximum of 100% of the current LAIF limit can be invested in LAIF. There is no limit for bond proceeds.

D. California Asset Management Program (CAMP) – Government Code Section 53601 (p)

The Trust is currently governed by a Board of seven Trustees, all of whom are finance officials of Public Agencies. The Trustees are responsible for setting overall policies and procedures for the Trust. The Program's Investment Adviser and Administrator is PFM Asset Management, LLC. Investment of District funds in CAMP 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 Cash Reserve Portfolio ("Pool") and/or the Term Portfolio ("Term"). There is no maturity limit. No limit will be placed on the percentage total in this category.

E. 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.

F. 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.

G. 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 federally licensed or state-licensed branch of a foreign bank.

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

H. 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:

1. Attained the highest ranking or the highest letter and numerical rating provided by not less than two Nationally Recognized Statistical Rating Organizations (NRSRO); and
2. 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.

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.

I. 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 in a rating category of "A" or its equivalent or better by an NRSRO. 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.

J. 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 an NRSRO. 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.

K. 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 an NRSRO. 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 as a general corporation, shall have total assets in excess of \$500,000,000, and shall have debt, other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.
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 an NRSRO. 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.

L. Asset-Backed and Mortgage-Backed Securities (ABS/MBS) – Government Code Section 53601(o)

A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision, not issued or guaranteed by a federal agency or the U.S. Treasury, shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision shall not exceed 10 percent of the investment portfolio in the aggregate and 5% for an individual issuer.

M. Municipals – Government Code Section 53601 (c-e)

(c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state. (d) Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California. (e) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department,

board, agency, or authority of the local agency. The maximum maturity on municipal obligations will be five years and no more than 30% of the District's investments in aggregate will be invested in this sector.

N. Supranationals – Government Code Section 53601(q)

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 10% of the investment portfolio in aggregate and 5% for an individual issuer.

APPENDIX B

GLOSSARY

- A. Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- B. Annual Comprehensive Financial Report (ACFR):** 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.
- C. Asked:** The price at which securities are offered.
- D. Asset-Backed and Mortgage-Backed Securities (ABS/MBS):** A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond.
- E. 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.
- F. 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.
- G. Bid:** The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.
- H. Broker:** A broker brings buyers and sellers together for a commission.
- I. Certificate of Deposit (CD):** A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.
- J. 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.
- K. Coupon:**
1. The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.
 2. A certificate attached to a bond evidencing interest due on a payment date.
- L. Dealer:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.
- M. Debenture:** A bond secured only by the general credit of the issuer.

- N. 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.
- O. 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).
- P. 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.
- Q. 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*.)
- R. Diversification:** Dividing investment funds among a variety of securities offering independent returns.
- S. 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.
- T. 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.
- U. Federal Deposit Insurance Corporation (FDIC):** A federal agency that insures bank deposits, currently up to \$250,000 per entity.
- V. 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.
- W. 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.
- X. 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.
- Y. 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.

- Z. 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.
- AA. 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.
- BB. Local Government Investment Pool (LGIP):** The aggregate of all funds from political subdivisions that are placed in the custody of a government entity for investment and reinvestment.
- CC. Market Value:** The price at which a security is trading and could presumably be purchased or sold.
- DD. 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.
- EE. Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- FF. Money Market:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.
- GG. Municipal Obligations:** Registered state warrants or treasury notes or bonds of the 50 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority in any of the 50 states.
- HH. Offer:** The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.
- II. 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.
- JJ. Portfolio:** Collection of securities held by an investor.
- KK. 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.

- LL. 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.
- MM. 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.
- NN. 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.
- OO. 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.
- PP. 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.
- QQ. Secondary Market:** A market made for the purchase and sale of outstanding issues following the initial distribution.
- RR. Securities & Exchange Commission:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.
- SS. SEC Rule 15(C)3-1:** See Uniform Net Capital Rule.
- TT. 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.
- UU. Supranational:** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- VV. 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.
- WW. 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.
- XX. 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.

YY. 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.

ZZ. Yield: The rate of annual income return on an investment, expressed as a percentage.

1. **Income Yield** is obtained by dividing the current dollar income by the current market price for the security.
2. **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.

FINANCIAL RESERVES			
Dept/Div:	Finance	Approved By:	Resolution No. 2025-XX
Effective Date:	July 1, 2025	Applicability:	District Wide
Supersedes:	Resolution No. 2024-21	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:

- Target Funding Levels
- Requirements for the use of reserve funds; and
- Annual review requirements for each reserve.
- Funding priority order of reserve categories

4.0 Periodic Review and Priority Funding Order

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 and presented to the Board of Directors annually. 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.

Staff will allocate funds for unrestricted reserves when target levels are exceeded using the following funding priority order: Operating, Capital, Emergency, Rate Stabilization. Any year when all target levels are met, staff will present to the Board a plan to utilize funds over the target levels.

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. As a means for the District to retain its AAA ratings, the minimum targeted total unrestricted reserve balance is at least 365 days in cash at the end of the fiscal year. In the event the unrestricted reserve fund falls below its minimum, 365 days in cash, the Board will act to restore the balance above the minimum level within twelve (12) months from the date that the fund fell below the minimum level.

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 target level of 60% of the annual operating budget, including interest expense, for both the water and sewer funds.

Levels	Water	Sewer
Target	60%	60%

Levels	Water	Sewer
Target	\$29,356,207	\$1,473,210

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 target level equal to 5% of the net capital assets for both the District's water and sewer funds.

Levels	Water	Sewer
Target	5%	5%

Levels	Water	Sewer
Target	\$6,208,729	\$1,698,923

- 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 target level for each reserve fund is 2 years of capital improvement projects and capital outlay plus 2 times the fiscal year depreciation. The target levels in these reserve funds will fluctuate depending on the capital improvement plan and timing of the projects.

Levels	Water	Sewer
Target	\$25,098,758	\$7,963,127

- 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 target level of 10% 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
Target	10%

Levels	Water
Target	\$5,358,139

- 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.

5.2 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
Target	\$0

- 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. The Board of Directors will direct staff to use funds for permitted purposes draw down until there is a zero balance and remove the reserve category from the Reserve Policy.

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 who have met the requirements necessary for district paid health benefits at retirement.
- 5.2.2.2** Funding Level – Funding for FY26 shall be established at a target level of \$594,419.

Levels	Water	Sewer
Target	\$556,468	\$37,951

- 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.

PURCHASING

Dept/Div:	Finance	Approved By:	Resolution No. 2024-18
Effective Date:	August 8, 2024	Applicability:	District Wide
Supersedes:	Resolution Nos. 2023-16, 2023-29		

1.0 General Policy

- 1.1 This Yorba Linda Water District Purchasing Policy ("Policy") establishes Board-approved policies and procedures for the District to (a) bid and Purchase Supplies and Materials, pursuant to Government Code Section 54201 *et seq.*, (b) bid and Purchase Services, and (c) bid and award Public Works.
- 1.2 This Policy also establishes Board-approved policies and procedures for the Procurement of Supplies and Materials, Services, and Public Works projects, including expenditure authorization and limits, competitive proposal and bidding requirements, and general Procurement procedures. All Purchases of Supplies and Materials, Services, and Public Works 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 in this Policy.

2.0 Authorization

- 2.1 This Policy is in accordance with the County Water District Law at California Water Code §§ 30000 *et seq.*, including but not limited to Sections 31004, 31005, 30578 – 30579.5.
- 2.2 By adopting this Policy, the Board is authorizing the General Manager and certain staff members to exercise certain duties and responsibilities that are essential for the day-to-day operation of the District.
- 2.3 The General Manager may delegate the Procurement of Services, Supplies and Materials, and Public Works projects to those staff members given specific authority consistent with the terms of this Policy.
- 2.4 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.
- 2.5 Consistent with Section 4.5 of this Policy, the Board-established Procurement limits and Contract signing authority 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 Signing Authority		
Title	Expenditures	Contract Signing Authority
General Manager	Up to \$100,000	\$100,001 and over with Board Authorization; up to \$100,000 without Board Authorization.
Assistant General Manager	Up to \$75,000	Up to \$75,000
Department Managers	Up to \$50,000	Up to \$50,000
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 employee authorized by the General Manager.
- 3.2 Amendment** – A written change to an existing Contract which, when properly and fully executed, effectuates the change to the Contract.
- 3.3 Board** – The Board of Directors of Yorba Linda Water District.
- 3.4 Change Order** – A written change to the scope of (1) services, work, time, or price for Non-Professional Services or Public Works under an existing Contract or (2) Supplies and Materials under a 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 with the District authorizing a Contractor or Consultant to provide Services, Supplies and Materials, or Public Works, in accordance with specified terms and conditions.
- 3.7 Contractor** – Any person, firm, or entity that enters a Contract with the District for the Procurement of Supplies and Materials, Non-Professional Services, or Public Works. 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 (a) present an immediate risk of harm or damage to real or personal property, the public health, safety, welfare, or District personnel or property, or (b) threaten serious interruption of District operations.
- 3.10 General Manager** – General Manager of the District or their designee.
- 3.11 Invitation for Bid** - A document and formal process for soliciting bids from prospective Contractors.
- 3.12 Multiple Year Contract** - A Contract for the Purchase of Services, Supplies and Materials, or Public Works (a) for a multiple year term and/or (b) that may contain provisions to extend performance by exercising optional renewal periods in which the District awards task orders to the selected Contractor or Consultant that authorizes the Contractor or Consultant to provide Services, Supplies and Materials, or Public Works described in the task order. 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 or Consultant 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, construction, rehabilitation, repair and maintenance work or services.
- 3.15 Procurement (or Purchase)** – The term Procurement or Purchase shall include both buying and leasing.
- 3.16 Procurement Card** - A form of charge card (also referred to as a P-Card (Cal-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** – Public works is work performed for irrigation, utility, reclamation, and improvement districts, and other districts of this type, and includes work performed by “blue collar” workers (i.e., laborers, workers, mechanics), not “white collar” workers (i.e., accountants, lawyers, and other professionals). [See *Kaanaana v. Barrett Business Services* (2021) 11 Cal.5th 158 (interpreting Labor Code Section 1720(a)(2)).] In addition, as defined by California Public Code Section 22002, public works are public projects,

which include construction, reconstruction, alteration, renovation, improvement, demolition, and/or repair under Contract and paid for, in whole or in part, with public funds.

3.19 Purchase Order (PO) – An authorization under a standardized form in which the individual or entity designated as the “provider” is to provide Supplies and Materials in exchange for payment from the District.

3.20 Request for Proposal or Quotes (RFP) - A solicitation used for the Procurement of Services and/or Supplies and Materials in which prospective Contractors or Consultants submit proposals or quotes based on information requested by the District.

3.21 Request for Qualifications (RFQ) – A solicitation used to qualify Consultants or Contractors.

3.22 Requisition (REQ) – The procedural method by which District departments may request a PO for the Purchase of Supplies and Materials. Requisition forms are entered into the District’s ERP system application.

3.23 Services – Services means both Professional Services and Non-Professional Services.

3.24 Single Source Purchase – Noncompetitive Procurement where: (a) there is a compelling reason for only one source, such as a preferred brand of Supplies and Materials, or homeland security Supplies and Materials or Services, to be procured; or (b) the commodity is unique, including, but not limited to, acquisition of data processing, and telecommunications; 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; (d) an Emergency will not permit a delay resulting from competitive solicitation; (e) the Purchase is expressly authorized by the federal agency awarding the funds or the pass-through entity; (f) competition is determined by the District to be inadequate after solicitation; or (g) when it is in the best interest of the District either (i) 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; or (ii) to initiate a new Contract based on satisfactory service, reasonable prices, avoidance of start-up costs, interruptions to District business, and/or for good business practices (e.g., ‘find and fix’ projects or well rehabilitation projects).

3.25 Sole Source Purchase – Noncompetitive Procurement where only one viable source exists, which may be due to legal restrictions of patent rights and copyrights, a proprietary process, warranty issues, original equipment, or other reasons that are determined by the District to be in the best interest of the District.

3.26 Supplies and Materials – The term ‘Supplies and Materials’ is defined as supplies, materials, and equipment.

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** Except as otherwise provided in this Policy, 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 Procurement 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 7.1.2.

- 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 signing authorization limits under Table 1 of this Policy.

- 4.5** Consistent with Section 2.5 of this Policy, 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 Order or to pay for Non-Professional Services and Supplies and Materials :

- 5.1 Requisition/Purchase Order** – Staff that require Non-Professional Services and Supplies 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 Non-Professional Services or Supplies and 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 Non-Professional Services or Supplies and 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 Non-Professional Service or Supplies and Material.
 - 5.1.1.6** Note whether the Non-Professional Services or Supplies and 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 Non-Professional Services or Supplies and Materials are needed.
 - 5.1.1.10** Attach any required price quotes and data that supports the requested Purchase, if available.
 - 5.1.1.11** Seek appropriate approvals as required in Table 1.
 - 5.1.1.12** Purchases shall not be split to circumvent Contract signatory authorizations as set in Table 1.
 - 5.1.1.13** Submit Purchase Order for processing.
 - 5.1.2** Upon approval and receipt of a fully executed Purchase Requisition form, the Purchase Order will be systematically assigned the next consecutive number.
 - 5.1.2.1** The original Purchase Order will be given back to the originator or sent to the vendor.
 - 5.1.2.2** A copy of the approved Purchase Order, and any supporting documents, will be forwarded to Accounts Payable for processing.
 - 5.1.2.3** A copy of the approved Purchase Order will be forwarded to the Warehouse pending receipt of the Supplies and Materials.
 - 5.1.2.4** An electronic record of the Requisition form/Purchase Order will be kept within the purchasing system for historical purposes.
- 5.2 Check Request** – A check request can be used to initiate payment for certain limited Non-Professional Services, Professional Services from other agencies (e.g. plan checking and permitting), and/or Supplies and Materials without a Purchase Order. Check requests can be used to request payment for, among other things, Non-Discretionary Purchases, services rendered, subscriptions, membership dues, workshop/seminar/conference registrations, use of facilities, and return unspent money to developers/customers for deposit accounts.

5.3 CAL-Card and Other Procurement Cards – Designated staff may be assigned a CAL-Card for miscellaneous Purchases. Purchases using the CAL-Card are subject to the terms and conditions of the District Cardholder Procurement Card Agreement and any other applicable District procurement card policies or procedures. Other than Professional Services from other agencies (e.g. plan checking and permitting), and/or Supplies and Materials, Professional Services are not to be acquired on CAL-Cards due to, among other reasons, lack of insurance and indemnification language associated with these services. CAL-Card limits may be increased for a specific authorized user with the approval of the General Manager subject to the authorization limits in Table 1. Use of all other Procurement Cards are subject to the terms of this Policy and to any set terms provided at the time of card issuance to the designated staff and any subsequent Amendments to such terms, and other applicable District policies (Refer to Exhibit A).

5.4 Contracts – Provisions shall be made, either through specifications or procedures established by the District, for verification of the references and financial responsibility of the contracting parties prior to the award of a Contract. After award, all Contracts shall be executed on behalf of the District by the appropriate authorized signatory indicated in Table 1. In no case shall any Contract be made if sufficient funds are not budgeted and appropriated and not available to make payment promptly upon delivery or completion, or in accordance with a progress payment schedule, unless otherwise authorized and approved by the Board or approved by the General Manager as provided for in Section 6.2 (Emergency).

5.4.1 Contracts for (a) Non-Professional Services that exceed \$1,000 and (b) Professional Services in any amount shall be executed (except in the event of an Emergency).

6.0 Exceptions to Pre-Authorization

6.1 Non-Discretionary Purchases – Non-Discretionary Purchases do not require Board approval for payment, including those that exceed the General Manager limit in Table 1. 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 Services/Supplies and Materials – The General Manager, Assistant General Manager, or the assigned Operations or Engineering Manager may authorize Emergency expenditures for Services and/or Supplies and Materials where the cost exceeds the General Manager's signing authority in Table 1 without prior Board approval. The Board shall be notified of any expenditures for Emergency Services and/or Supplies and Materials exceeding the General Manager's authorization limit within 72 hours of said expenditure.

6.3 Inventory Purchase– Inventory Purchases to replenish the District's warehouse inventory within established inventory re-order levels require no prior authorization or signatory approval under Table 1.

7.0 Competitive Selection Process

7.1 General – A competitive selection process for Procurement of Professional Services, Non-Professional Services, Supplies 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 in Section 7.1.2 below.

TABLE 2

Competitive Solicitation Process – Requirements	
Purchase Amount	Solicitation Requirement
\$50,000 and under	One Quote or One Proposal
\$50,001 - \$75,000	Two Quotes or Two Proposals
\$75,001 - \$100,000	Three Quotes or Three Proposals
\$100,001 and over	RFP or Invitation for 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 \$100,000 and under.
- 7.1.1.2** RFP, RFQ, and Invitation for 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, qualifications 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 Purchase.
- 7.1.2.2** Single Source Purchase.
- 7.1.2.3** Emergency Expenditure.
- 7.1.2.4** Inventory Purchase.
- 7.1.2.5** After a reasonable attempt has been made to obtain competitive bids, quotes, proposals, and qualifications, and it has been determined that (a) no additional Contractors or 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 quotes, proposals, and qualifications are not received, based on the District's sole discretion.
- 7.1.2.6** For Services estimated to cost \$50,000 or less, staff may request a proposal or quote from one (1) qualified Contractor or Consultant.
- 7.1.2.7** For Public Works projects where the project is scheduled in phases, Services may be negotiated with the Consultant that performed the

Services for a prior phase if (a) the Consultant performed satisfactory Services on the prior phase(s) in terms of quality, schedule, and estimated costs and (b) a satisfactory Contract can be negotiated.

7.1.2.8 For 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 or quote from one (1) qualified Contractor or Consultant.

7.1.2.9 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. 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 for Bid may be awarded (a) to the lowest responsive bid and responsible bidder, and/or (b) in accordance with (i) State law, (ii) the District's standard Public Works Contract documents, and/or (iii) Section 12.0 below.

7.3 Professional and Non-Professional Services – Professional Services may be Procured in accordance with California Government Code §4525 et seq. Both Professional and Non-Professional Services may be procured, including via Multiple Year Contracts, on the basis of (a) demonstrated competence and qualifications for the types of Services to be performed and (b) fair and reasonable prices to the District.

7.4 Rejecting Competitive Responses – In response to an Invitation for Bid, RFQ, or RFP, the District may, in its sole discretion, reject a bid, quote, or proposal 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, in its sole discretion, (a) waive any informality, irregularity, immaterial defects, or technicalities in any bids, quotes, or proposals received; and/or (b) cancel an Invitation for Bid or RFP/RFQ, or reject all bids, quotes, or proposals for any other reason, which provides for the cancellation or rejection of all bids, quotes, or proposals is (i) in the best interest of the District, and (ii) in accordance with law. Rejection of all bids, quotes, or proposals 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 12.0 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 Multiple Year Contracts for Professional and Non-Professional Services (On-Call Contracts and Multiple Award Task Order Contracts)

8.1 Multiple Year Contracts, such as On-Call Contracts or Multiple Award Task Order Contracts (MATOCs), are allowed when in the best interest of the District as determined by the General Manager. The District may (a) solicit RFPs and Invitation for Bids for Multiple Year Contracts for Professional and Non-Professional Services and (b) enter such Multiple Year Contracts in accordance with this Section 8.

8.2 Entering a Multiple Year Contract qualifies the on-call Consultant/Contractor to perform Services for the District on a task order basis, but it does not entitle the on-call Consultant/Contractor 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 request a task proposal from the on-call Consultant/Contractor. If the on-call Consultant/Contractor's task proposal is selected by the District, the on-call Consultant/Contractor represents and warrants to District that it is fully qualified and available to perform the Services for, and as requested by, the District. The District may repeat this selection process until an on-call Consultant/Contractor is selected for the Services/task(s).

8.3 For purposes of contract signing authority in Table 1, the dollar value of a Multiple Year Contract shall be the total potential Contract value, including optional renewal periods. Once the Multiple Year Contract is initially approved in accordance with Table 1, any optional renewals may then be authorized by the authorized signatory in Table 1 based on the corresponding amount of the renewal. Multiple Year Contracts for Procurement of Services are competitively bid/selected in accordance with Table 2.

8.3.1 For Multiple Year Contracts for Procurement of Professional Services, task orders for such Multiple Year Contracts may be authorized by the General Manager, Assistant General Manager, or Department Managers up to the dollar value of the total Contract value, regardless of the dollar amount of the task order.

8.3.2 For Multiple Year Contracts for Procurement of Non-Professional Services, task orders for such Multiple Year Contracts (a) may be via Single Source or Sole Source Procurement and (b) are authorized according to the authorization limits in Table 1. For non-Emergency, Non-Professional Services over the General Manager's Procurement authorization in Table 1, a task order shall be presented to the Board for consideration to approve.

8.4 Multiple Year Contracts for Procurement of both Professional Services and Non-Professional Services 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 for consideration or shall comply with the Competitive Selection Process set forth in Section 7.0.

9.0 Change Orders

9.1 Change Orders may be issued from time to time as required by changes in the specifications or conditions of a Public Works, Services performed, or Supplies and Materials to be issued.

9.1.1 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.

9.1.2 Change Orders –Contracts

9.1.2.1 Except as described in Section 9.1.3 below, for Contracts under \$100,000:

- 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 \$100,000 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 \$100,000.

9.1.3 Change Order Exceeding Limits

A Change Order exceeding the Change Order limits set forth in this Section 9 may be authorized by the General Manager prior to Board approval if, in the General Manager's determination, any of the following circumstances exist:

9.1.3.1 A delay in Change Order authorization could result in a negative financial impact to the District.

9.1.3.2 A delay in Change Order authorization could result in damage to or impairment of the operations of a District facility.

9.1.3.3 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.

10.0 Ethical Procurement Conflict of Interest

10.1 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.)

- 10.2** 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.
- 10.3** Confidential or proprietary information must be handled with due care and proper consideration of ethical and legal ramifications and governmental regulations.
- 10.4** Purchasing activities must be performed in accordance with all applicable laws and District policies.
- 10.5** 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.

11.0 Emergency Procurement Procedures

- 11.1** In the event that the District declares an Emergency, the District may Procure the necessary Services, Public Works, and Supplies and Materials in response to that Emergency by Single Source Procurement and without following the signing authority in Table 1.

11.2 General Manager Authority

- 11.2.1** The Board hereby authorizes the General Manager to declare an Emergency and approve Emergency Procurements described in Section 11.1. If the State or County declares an emergency, then the Board hereby authorizes the General Manager to approve Emergency Procurements described in Section 11.1.

- 11.2.2** If the Emergency Procurement exceeds the General Manager's approval authority in Table 1, the General Manager 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.

11.3 Board Ratification

- 11.3.1** After the District makes an Emergency Procurement, it shall make a finding based on substantial evidence set forth in the agenda report and/or minutes of its meeting that was an Emergency, and that the Purchase was necessary to respond to the Emergency.

11.4 Federally Declared Emergencies; Procurement and Contracting Requirements

- 11.4.1** 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.

11.4.2 Federal Emergency Procurement Procedures**11.4.2.1 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.

11.4.2.2 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.

11.4.2.3 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 for 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.

11.4.2.4 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 using the RFP or Request for Qualifications process may not be based exclusively on price or price-related factors.

If a Contract is awarded, it may be to the responsible proposer whose proposal is most advantageous to the District ("best value"), with price and other factors considered.

11.4.3 Federal Emergency Noncompetitive Procurements

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

- The item is only available from a Single Source;
- The public exigency or Emergency will not permit the time for competitive solicitation;
- The District authorizes noncompetitive proposals, as otherwise permitted by this Policy; or
- Competition is deemed inadequate after the solicitation of a number of sources.

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

11.4.4.1 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.

11.4.4.2 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).

11.4.5 Federal Emergency Cost or Price Analysis

11.4.5.1 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.

11.4.5.2 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).

11.4.6 Federal Emergency Payment Procedures

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

11.4.6.2 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).

11.4.6.3 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 Supplies and Materials provided and shall specify where the Services or Supplies and Materials were delivered. All invoices shall specify the location(s) where the Services or Supplies and 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.

11.4.6.4 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.

12.0 Procurement Procedures Pertaining to Federal Grants

- 12.1** 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 Supplies and Materials and Services needed to carry out a Federal award.

13.0 County Water District Status

- 13.1** 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 Supplies 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 contractual discretion and lack of legal mandate to competitively bid, the District shall make a good faith effort to support the Competitive Selection Process described in Section 7.

14.0 Policy Revisions

- 14.1** This Policy will be maintained and revised by the General Manager in consultation with the District's legal counsel, subject to approval by the Board. This Policy will be reviewed on a regular 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-Contracts. 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 if the 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 Contracts or inter-entity Contracts 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



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.

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.

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