



**WESTERN
MUNICIPAL** WATER DISTRICT

Powered by water. Driven by service.

Western Municipal Water District Fiscal Year 2024-25 and 2025-26 Biennial Budget



Adopted Version - 6/05/2024

Last updated 10/01/24

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INTRODUCTION

Western Municipal Water District

Fiscal Year 2024-25 and 2025-26 Budget

Adopted June 5, 2024

BOARD OF DIRECTORS

Mike Gardner, President
Laura Roughton, Vice President
Fauzia Rizvi, Secretary/Treasurer
Brenda Dennstedt
Gracie Torres

MANAGEMENT

Craig D. Miller, General Manager
Timothy T. Barr, Deputy General Manager
Kevin C. Mascaro, Assistant General Manager/Chief Financial Officer
Sarah Macdonald, Assistant General Manager/Communications and Customer Experience

FINANCE STAFF

Veronica Zheng, Director of Finance
Daisy Banuelos, Accounting Supervisor
Peter George, Controller

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Western Water at-a-glance

ORGANIZATION

Authority: Municipal Water District Act of 1911

Formed: January 19, 1954

WESTERN MUNICIPAL WATER DISTRICT

Western Municipal Water District (Western Water) is securing your water supply for today and tomorrow. Western Water is one of the largest public agencies in Riverside County providing water, wastewater (sewer), and recycled water services to nearly 1 million people, both wholesale and retail customers, across 527-square miles in western Riverside County.

Mission

To provide water supply, wastewater disposal, and water resource management to the public in a safe, reliable, environmentally sensitive, and financially responsible manner.

Vision

To enhance Western Water's leadership role by integrating the best-in-business processes and business systems while developing a leading-edge workforce that continuously creates greater efficiency and value for our customers.

Values

Service Excellence

Exceeding the expectations of all customers and stakeholders.

Public Trust, Accountability, and Transparency

Maintaining a standard of exceptional integrity, honor, and respect through open communication and accessibility.

Efficiency

Ensuring that our dedication to efficiency standards extends across Western Water and beyond water resources, providing guidance to all financial and operational decisions.

Environmental Stewardship

Promoting responsible and sustainable practices in water and other natural resources.

Water Supply Reliability

Securing a safe and stable water supply through diverse source strategies and innovative water resource management.

Fiscal Responsibility and Value

Ensuring the financial stability of Western Water and value to the customer through sound fiscal management and disciplined decision making.

Employee Empowerment

Fostering an environment where organizational effectiveness is valued, mutual respect is paramount, and employee support and development is fundamental to our core culture

Innovation

Continuously seeking and introducing new ideas, services, and opportunities in all that we do. We thrive on our ability to find solutions and possibilities through the ingenuity and creativity of our team.

Western Water's Strategic Priorities



Western Water has been committed to reliably serving the community for 70 years. Providing high-quality service to residents and businesses daily is our top priority. Our customers depend on our highly skilled, multi-disciplined, and dedicated teams to provide sustainable water and wastewater services in a financially responsible and environmentally sensitive manner.

Western Water's General Manager ensures we have a clear set of actionable priorities for today that will guide us toward the longer-term Western Water vision. In collaboration with the Board of Directors and the executive management team, a focused set of Strategic Priorities for 2022 through 2025 were developed, keeping every aspect of our daily business in mind.

GOVERNANCE

Western Water is a quasi-governmental agency (Special District) of the State of California. It is not regulated by the Public Utilities Commission, but instead is governed by a Board of five directors who are publicly elected for a four-year term for comparably sized areas (Divisions) based on population.

Since the year of its inception, Western Water has been a member of the Metropolitan Water District of Southern California (MWD), which is a cooperative organization of 26 cities and water agencies that are responsible for providing imported water to arid Southern California. The assessed value of property in Western Water's service area of each member agency determines how many directors/representatives each agency is allowed. Western is currently entitled to have one representative on the MWD Board of Directors.

Western Water currently employs 165 full-time staff under the direction of the Board-appointed General Manager. The adopted budget includes a total approved personnel count for Fiscal Year 2024-25 of 172 and a total approved personnel count for Fiscal Year 2025-26 of 177. Western Water's General Manager is a court-appointed Watermaster with responsibilities for reporting compliance with water quality and quantity provisions of court orders regarding water rights issues in the Santa Ana River watershed, and the San Bernardino groundwater basin area.

The Board meets the first and third Wednesday of each month at 9:30 a.m. in Western's Board Room located at 14205 Meridian Pkwy, Riverside, CA 92518. For more information, please visit wmwd.com/BoardMeeting for access to meetings agendas, packets, livestream, and recordings.

Facilities and Services

Administrative Headquarters and Operations: Western Water's administrative headquarters is located at 14205 Meridian Parkway in Riverside, off of the 215 freeway at Alessandro Boulevard. The headquarters building is Leadership in Energy & Environmental Design (LEED) certified under the Green Interior Design & Construction category. Western Water's Operations Center is a LEED certified facility that is also a partnership site with the Riverside County Fire Department, making it an excellent utilization of combined efforts and overlapping cost savings. Western Water has several facilities throughout its service area, including the Arlington Desalter in Riverside, the Western Water Recycling Facility off the 215 Freeway near the March Air Reserve Base, the Murrieta Operations Facility, and operates the Western Riverside County Regional Wastewater Authority facility in Corona.

Combined Desalter: To reduce dependence on imported water, Western Water invested in local water supplies and infrastructure to serve existing and future retail and wholesale water demands. To fully optimize the benefits of these investments, Western Water launched the Combined Desalter Enterprise Program (Program). This Program conveys local desalted groundwater to participating wholesale customers (Jurupa Community Services District and the cities of Norco and Corona), and to the Riverside retail service area. The goal of the Program is to produce and deliver 10,000 acre-feet of water annually.

The Program utilizes Western Water's entitlement to 3,534 acre-feet of water from the Chino Basin that was secured by investing in the Chino Basin Desalter Authority Expansion Project. The rest of the Program water is supplied by Western Water's Arlington Desalter, a 7.2 million-gallon per day (MGD) reverse osmosis water treatment plant that turns brackish (salty) groundwater into high-quality drinking water.

The strategic location of the recently constructed Sterling Pump Station and La Sierra Pipeline connects the Arlington Desalter to the Mills Gravity Line (MGL), effectively connecting two sections of Western Water's distribution system that were previously segregated. This connection allows Program water to be delivered to the Riverside retail service area and the MGL providing greater operational flexibility and enhanced regional reliability and resiliency.

This infrastructure coupled with the Victoria Recharge Basin have also increased sustainability of the Arlington groundwater basin and created new opportunities to meet the water supply needs of the growing region.

Water Services: Western Water serves approximately 25,000 retail, residential and commercial accounts and eight water agencies and cities with water from both the Colorado River and the State Water Project - purchased from MWD - and from local sources. In fiscal year 2023, Western Water delivered 75,701 acre-feet of water in its retail and wholesale service area. This is equal to about 25 billion gallons. Approximately 62 percent of the purchased water delivered was potable water (drinking water); the balance was non-potable or raw water. Western Water delivered 71 percent of its water to wholesale customers and the rest to direct customers. Wholesale customers that buy water from Western Water and then sell the water to their own customers are Box Springs Mutual Water Company, the cities of Corona and Norco, Eagle Valley Mutual Water Company, Elsinore Valley Municipal Water District, Jurupa Community Services District, Rancho California Water District, and Temescal Valley Water District

Retail Water Services: Western Water supplies water directly to approximately 25,000 residential, commercial, and agricultural users in the communities of El Sobrante, Lake Mathews, March Air Reserve Base, Mission Grove, Orangecrest, Rainbow Canyon, Temescal Creek, Woodcrest, and portions of the cities of Riverside and Murrieta. The Murrieta service area, unlike most of Western Water's retail service area, has its own local groundwater wells that are supplemented by imported water supplies.

Western Water Recycling Facility: Western Water owns and operates the Western Water Recycling Facility (WWRF), which provides wastewater collection and treatment for the March Air Reserve Base and nearby residential and commercial customers located in portions of the city and county of Riverside. WWRF has a 3 MGD capacity and is currently operating at about 1.5 MGD.

WWRF provides wastewater treatment services for about 1,800 customers, including the March Air Reserve Base and several industrial customers. The treated wastewater from WWRF is used in Western Water's recycled water system. Supplemented with non-potable local groundwater and surface water from the Colorado River Aqueduct, the tertiary treated recycled water from WWRF is used by customers to irrigate landscaping and agriculture.

Western Riverside County Regional Wastewater Authority (WRCRWA) Wastewater Treatment Plant: Western Water is one of the five member agencies comprising the Western Riverside County Regional Wastewater Authority (WRCRWA). Since 1998, Western Water has been the contracted operator of the WRCRWA treatment plant located near the Santa Ana River, west of the city of Norco. Agencies and communities served by the plant include the city of Corona, Home Gardens Sanitary District, Jurupa Community Services District, the city of Norco, and Western Water.

The treatment plant has a total capacity of 14 MGD, and currently processes an average of 8.78 MGD from residential and commercial wastewater customers, some of which are in Western Water's retail service area. Of the 14 MGD total plant capacity, Western Water owns treatment capacity rights of 1.93 MGD. Wastewater flows from Western Water customers averages 0.88 MGD, or 46 percent of the treatment capacity right.

In 2018 the plant completed a \$74.3 million upgrade project expanding treatment capacity to 14 MGD to better serve the needs of the steady growth in the region. Since Western Water's existing owned capacity is sufficient for its current and future customers, Western Water did not participate in the plant expansion cost, but participated in related odor control costs. WRCRWA received a change of use permit from the State Water Resources Control Board (SWRCB) in February 2018, allowing WRCRWA member agencies to use some or all of its recycled water for beneficial reuse (e.g., irrigation, groundwater recharge). WRCRWA continues to pursue the highest and most efficient use of its recycled water. This includes an opportunity to connect WRCRWA to Inland Empire Utilities Agency's (IEUA) existing recycled water system. The recycled water would be delivered to direct customers for irrigation purposes and/or recharged in the Chino Groundwater Basin. While IEUA has a recycled water permit from the Santa Ana Regional Water Quality Control Board (RWQCB), WRCRWA will need to coordinate with the RWQCB regarding any additional recycled water permits that may be required under this arrangement.

La Sierra Service Area: Western Water provides wastewater collection and conveyance services to approximately 5,200 customers in the La Sierra area of the city of Riverside. The collected wastewater, averaging about 0.88 MGD, flows to the WRCRWA treatment plant with ultimate disposal of the tertiary treated wastewater into the Prado Basin. The collection system serving La Sierra is maintained by Western Water personnel who ensure pipelines and lift stations are functioning properly.

Santa Rosa Regional Resources Authority (SRRRA): Western is one of three member agencies comprising SRRRA, located in Murrieta. SRRRA is responsible for collecting, treating, and safely disposing of, or recycling, wastewater for residents and businesses in the Temecula, Murrieta and Wildomar communities. The SRRRA joint powers authority includes Western Water, Rancho California Water District and Elsinore Valley Municipal Water District. Wastewater flows originating in the SRRRA service area are treated at the Santa Rosa Water Reclamation Facility in Murrieta. The treatment plant has a capacity of 5 MGD. On average, the plant treats 3.5 MGD, of which Western Water's portion was .75 MGD in Fiscal Year 2023.

Murrieta Service Area: Western Water provides wastewater collection and conveyance services to approximately 2,300 customers surrounding the historic downtown area of the city of Murrieta. Treatment of roughly 750,000 gallons per day of wastewater from this area is provided to SRRRA. Eastern Municipal Water District provides treatment services to 75 of Western Water's Murrieta commercial customers.

Inland Empire Brine Line: The Inland Empire Brine Line (Brine Line), is an industrial wastewater disposal system owned by the Santa Ana Watershed Project Authority (SAWPA). The Brine Line is designed to convey 30 MGD of non-reclaimable wastewater from the upper Santa Ana River basin area to the ocean for disposal after treatment by the Orange County Sanitation District. The non-reclaimable wastewater consists of desalter brine concentrate, or salt-laden waste, and industrial wastewater. The Brine Line dischargers include desalter facilities operated by the Chino Desalter Authority, city of Corona, Eastern Municipal Water District, Western Water and other commercial and industrial entities. Western Water is a member agency of SAWPA and operates a wastewater disposal station located at the city of Corona's Wastewater Treatment Plant No. 1, which has a connection to the Brine Line.

Quick Reference Guide

This document includes the Fiscal Year 2024-25 and 2025-26 budgets for Western Water. Three tools will help you locate information. The first is the Western Water at-a-glance page, which briefly summarizes Western Water as a whole. The second is the Table of Contents, which outlines the entire document. The third is this Quick Reference Guide, which provides section references and page numbers that answer commonly asked questions.

Questions	Refer to Tab
How much is the 2024-25 and 2025-26 total operating budget?	Introduction > Transmittal Letter
Whom does Western Water serve?	Introduction > Community Profile
What is the current state of Western Water and the community it serves?	Introduction > Community Profile
What is Western Water's budget process timeline?	Introduction > Budget Process
What "basis of accounting" does Western Water use?	Introduction > Budget Process > Basis of Budgeting
What are Western Water's financial policies?	Debt & Financial Policies
What are Western Water's goals, plans, and priorities?	Planning Elements
What are Western Water's major initiatives?	Departments
How is Western Water's staff organized?	Departments
How are Western Water's funds organized?	Budget Overview
Where is information regarding Western Water spending?	Operating Budget
What are the primary sources of revenue for Western Water?	Operating Budget
What is the budget by fund?	Operating Budget
Where is information regarding the capital budget?	Capital
Where is information regarding Western Water debt?	Debt



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
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**Western Municipal Water District
California**

For the Biennium Beginning

July 01, 2022

Christopher P. Morrill

Executive Director

The Distinguished Budget Presentation Award is presented by the Government Finance Officers Association of the United States and Canada (GFOA). In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award represents a significant achievement and reflects the commitment of Western's Board of Directors, management, and staff in meeting the highest principles of governmental budgeting.



The Excellence in Operating Budgeting Award is presented by the California Society of Municipal Finance Officers (CSMFO). The CSMFO Budget Awards Program is designed to recognize those agencies whose budget documents meet certain statewide standards and requirements considered to be of the highest quality.



Transmittal Letter

Craig T. Miller, General Manager

June 5, 2024

Board of Directors
Western Municipal Water District

Please accept my transmittal of Western Municipal Water District's (Western Water) 2024-2026 Biennial Budget. This budget covers the 2024-25 and 2025-26 Fiscal Years Operating Budget and covers the 2024-25 and 2025-26 Fiscal Years Capital Improvements and Facilities Plan (CIFP). The biennial budget reflects Western Water's vision and strategic priorities for providing essential services to the communities we serve. The budget is the result of a collaborative, focused effort to meet the challenges of rising costs, while ensuring the highest level of water and wastewater services for our customers today and for future generations.

The Operating budget covers two separate fiscal years and is adopted by resolution. The resolution presents each fiscal year budget in an exhibit and indicates the total spending authority for each year. Since water demand cannot be precisely forecasted due to variables such as customer demand and weather conditions, actual revenues and expenditures may vary significantly from the approved budget. The resolution excludes water purchases, power purchases, waste disposal costs paid to third-party vendors, and contract services from the overall spending authority restrictions, to meet uncontrollable variables. Specific provisions regarding the use and transfer of budgeted funds enable the General Manager to carryover unexpended and uncommitted budgeted amounts from fiscal year 2024-25 to fiscal year 2025-26 and requires the General Manager to report any carryover amounts to the Board of Directors (Board).

As with all industries, the water industry is affected by a wide variety of economic factors, including legislative action, regulatory requirements, and the availability and skills of the labor force. Three major factors that particularly affect Western Water are: the availability and cost of imported water, energy costs, and property development.

For Western Water, water use efficiency remains a top priority. As stewards of this vital resource, we have a responsibility to communicate its value and support customers in using it efficiently. That is why Western Water implemented a water budget rate structure for retail potable water customers, providing a customized water budget for each site to meet individual indoor and outdoor water needs efficiently. The goal of this structure is not to change lifestyles but to promote responsible water use. Customers who exceed their efficient water budget pay progressively higher rates to cover the cost of additional water supplies needed to meet the demand. This approach ensures that Western Water remains financially stable and resilient, even in uncertain and challenging times.

The biennial budget is a result of extensive work by the Finance Committee and Western Water staff. The adopted budget supports the priorities and policies of the Board, and Western Water's strategic priorities, all while ensuring fiscal transparency and the responsible investment of customer dollars. As with all of Western Water's initiatives, it is staff's responsibility and duty to make sure projects and processes are as efficient and effective as possible. Staff continuously take steps to reduce expenses and cost while addressing challenges such as drought, water supply demands, and economic conditions. Proactive planning allows Western Water to prudently manage resources and assets with accountability and transparency. The budget is a mechanism for estimating and planning sources and uses of revenue and is used as a control tool for managing financial resources.

Western Water, in collaboration with the Board, regularly reviews the 2025 Aspirational Targets, which shape the organization's current strategic priorities. These priorities, established through the strategic planning process, guide staff in fulfilling Western Water's mission. They also play a key role in budget development, serving as the foundation for prioritizing initiatives, activities, staffing, and financial resources. Additional details on Western Water's 2025 Aspirational Targets and strategic priorities can be found in the Planning Elements section of this document.

The major drivers of the two-year Operating Budget include:

- Adopted Water Rates for Fiscal Year 2024-2025
- Adopted Wastewater Rates for Fiscal Year 2024-2025
- Source Water Costs & Supply
- Projected Water Demand
- Customer Growth
- Wastewater Treatment Costs
- Property Tax Growth and Investment Earnings
- Salary and Benefit Growth
- New Positions
- Inflationary Pressures & Additional Costs
- Strategic Priorities
- Asset Replacement Funding
- Debt Service Obligations
- Changing Regulatory Requirements

The budget is divided into three main areas: Operating Funds, Non-Operating Funds, and Transfers. Operating Funds represent operating revenues and expenses (sources and uses), such as water sales, water purchases and wastewater disposal, and result from exchange transactions associated with the principal activities of Western Water. Management and administration are also considered operating expenses. Other revenues and expenses not included in the above categories are presented as non-operating revenues and expenses (sources and uses). Transfers represent allocations to or from funds for asset replacement and debt service funding.

The overall Operating Budget is summarized as follows (in millions):

	FY 2024-25	FY 2025-26
Operating Funds		
Sources of Operating Funds	\$144.2	\$156.4
Uses of Operating Funds	\$154.8	\$166.4
Net Operating (Uses)	(\$10.5)	(\$10.0)
Non-Operating Funds		
Sources of Non-Operating Funds	\$29.2	\$30.0
Uses of Non-Operating Funds	\$8.2	\$8.4
Net Non-Operating Sources	\$21.0	\$21.6
Net Sources	\$10.5	\$11.6
Transfers to Reserves	\$8.4	\$8.7
Net Surplus/(Deficit)	\$2.1	\$2.9

Note: Amounts in the schedule above are rounded which can affect total calculations.

Adopted as well as projected water and wastewater rate adjustments are incorporated in the budget projections for all the enterprise functions including retail water, wastewater, Inland Empire Brine Line, desalter water, and wholesale water. Recently adopted rates from Metropolitan Water District (MWD) are also incorporated into the budget projections. The biennial budget reflects an increase in revenue from existing adopted rates necessary to pay for the cost of providing service.

In our Riverside retail water service area, Western Water does not have many natural sources of water as most of the water has traveled through hundreds of miles of open aqueducts and pipelines from the Sierra Nevada Mountain snowpack in northern California to customer homes. This is a long and expensive trip. Although Western Water seeks to increase local water supplies, it heavily depends on MWD to provide potable water for its retail customers. MWD is facing rising costs in acquiring and delivering water to its member agencies, including Western Water. Consequently, MWD's rate for full-service potable water will increase from \$1,256 per acre-foot to \$1,395 per acre-foot on January 1, 2025, reflecting an 11.1% increase. In the Murrieta retail service area, Western Water has access to limited groundwater resources. To reduce reliance on more expensive imported water, Western Water continues to invest in infrastructure and strengthen local partnerships to boost local water supplies.

This is the third time the Board has approved a two-year Capital Improvement and Facilities Plan (CIFP). This innovative framework establishes capital priorities for the next two years while forecasting project needs over a five-year period. The capital projects outlined in the plan are designed to create, maintain, and enhance the systems serving Western Water customers, aligning with the organization's strategic priorities. The goal of the CIFP process is to produce a forward-thinking, comprehensive report that summarizes essential capital investments for the upcoming years. The CIFP outlines each project's alignment with Western Water's strategic goals, its necessity, estimated costs, funding sources, and implementation timeline.

The CIFP includes proposed Fiscal Year 2024-25 projected expenditures of \$40,702,504, and funding offsets for select projects of \$12,233,843, which results in a net Fiscal Year 2024-25 total of \$28,468,662 in Western Water's cash reserve expenditures necessary to advance the identified projects. The CIFP also includes proposed 2025-26 projected expenditures of \$49,414,511, and funding offsets for selected projects of \$16,640,312 which result in a net Fiscal Year 2025-26 total of \$32,774,200 in Western Water's cash reserve expenditures necessary to advance the identified projects in the second year. Funding offsets are derived from Federal and State grant funding, and third-party agreements with commitment for specific projects.

The CIFP projects follow the rules and guidelines of the adopted Western Water Paid Capital Project Budget Approval Procedure. According to the procedure, a capital project listed in the CIFP is one that results in acquiring or constructing an asset valued at \$10,000 or more and has a useful life of more than two years. The CIFP is the Board's approval to spend the cumulative total amount for all projects in the first year only (with subsequent years' information presented for informational purposes) and does not constitute Board approval of individual projects. Individual projects approved in the CIFP identify a funding source for the total capital project. Funding for these projects can be derived from various sources including asset replacement reserves, added facility (connection fee) reserves, operating reserves, grant proceeds and debt financing.

Staff conducted a thorough review and prioritization of the projects listed in the CIFP through a collaborative, multi-departmental process. Each project was prioritized based on key factors, including asset condition, funding availability, regulatory requirements, safety, and the potential consequences of failure. This collaborative approach ensures that the Board can confidently approve individual projects, as they are carefully considered both collectively and individually.

Additionally, staff evaluated not only the need and timing of each project but also the overall project workload to ensure that the workforce capacity is sufficient to complete the proposed projects on schedule.

Recently, management has developed and implemented organizational changes to the functional structure of Western Water, creating and regrouping functional units within the organizational structure with the intent of improving operational and administrative efficiency and effectiveness. Organizational restructuring is the foundation of Western Water's master plan for improving business processes. Regarding authorized positions, staff is recommending twelve new full-time positions be added to the number of authorized positions for a total full-time employee count of 177. These positions would take place over the course of the two-year budget cycle. In the first budget year, staff recommends the addition of two Operations Technicians I/II/III/IV to the Wastewater division, one Operations Technician to the Mechanical Services division, an Ops Field Supervisor to the Technical Services team, a Management Analyst I/II to the Asset Management division. Additionally, an Engineering Technician I/II will be added to the Engineering department, as well as a Senior Human Resources Analyst for the Human Resources division. In the second budget year, staff recommends the addition of one Operations Technician I/II/III/IV for the Mechanical Services division, an Operations Field Supervisor for the Construction and Collections Team, and a Management Analyst for the System Operations division. Finally, a Senior Business Analyst is being recommended as a staffing addition for the Information Services department, as well as a Director of Communications and Customer Experience for the Communications and Customer Experience division. The proposed Job Classification Plan and Salary Grades table has been amended in accordance with the provisions stated in the Memorandum of Understanding (classified employees) and in the Confirmation of Understanding (non-classified employees). The amendments to the salary grade ranges also reflect a 2.9% cost of living adjustment (COLA) for fiscal year 2025.

In this dynamic economic environment, monitoring the budget and responding to changes or unanticipated events is a continuing process. The Finance Department provides the Board with monthly reports and quarterly analysis of both the operating and non-operating budgets. If adjustments to the budget are required, Western Water will respond accordingly.

CONCLUSION

This budget reflects the Board's strategic priorities, which are communicated to Western Water's staff through various meetings and workshops. The budget document serves as a roadmap to guide Western Water toward achieving its business model and mission. It outlines actionable steps that support both short- and long-term goals.

The document also highlights Western Water's commitment to completing essential capital projects for both current and future customers, as well as meeting its financial obligations. Staff is confident that the financial framework detailed in this biennial budget will enable Western Water to continue delivering reliable, high-quality water, wastewater, and recycled water services to the communities it serves.

ACKNOWLEDGEMENTS

I would like to express my gratitude to the Board for their leadership and unwavering support of responsible fiscal management. I also want to extend my sincere appreciation to all of Western Water's employees for their dedication in setting the goals and objectives for this biennial budget, which will drive us toward fulfilling our mission. Our achievements would not be possible without their hard work and commitment. Most importantly, on behalf of the Board and all of our employees, I want to thank our valued customers — it is an honor to serve you.

Respectfully submitted,

WESTERN MUNICIPAL WATER DISTRICT

Craig D. Miller
General Manager

Note: The web version of this budget document includes a signed version of this letter.

Budget Adoption Resolution

RESOLUTION 3310 - RESOLUTION OF THE BOARD OF DIRECTORS OF WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY APPROVING THE GENERAL MANAGER'S OPERATING BUDGET FOR FISCAL YEARS 2024-2025 AND 2025-2026

WHEREAS, the District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is primarily to finance or recover costs of providing water and wastewater service to its various service areas on a continuing basis primarily through user charges; and

WHEREAS, revenues are budgeted in the accounting period in which they are expected to be earned and expenses are budgeted in the period in which they are expected to be incurred; and

WHEREAS, for budgetary purposes, District revenues are reported as sources of funds and expenses are reported as uses of funds; and

WHEREAS, transfers to and from funds are reported separately; and

WHEREAS, operating revenues and expenses, such as water sales, water purchases and wastewater disposal, result from exchange transactions associated with the principal activity of the District are included in the operating budget; and

WHEREAS, administrative expenses and asset replacement reserve funding are also considered operating expenses and therefore included in the operating budget; and

WHEREAS, other revenues and expenses not included in the above categories are reported as non-operating sources and uses and are included in the operating budget; and

WHEREAS, on April 15, 2024, at a publicly noticed meeting, staff presented to the Finance Committee an overview regarding the development of the General Manager's Operating Budget for Fiscal Years 2024-2025 and 2025-2026; and

WHEREAS, on April 22, 2024, May 13, 2024, and May 29, 2024, at publicly noticed meetings, staff presented to the Board of Directors the General Manager's Operating Budget for Fiscal Years 2024-2025 and 2025-2026; and

WHEREAS, the total spending authority for Fiscal Year 2024-2025 is \$171,392,106, consisting of Operating Uses of \$154,752,278, Non-Operating Uses of \$8,247,373, and Net Transfers of \$8,392,455; and

WHEREAS, the total spending authority for Fiscal Year 2025-2026 is \$183,489,886, consisting of Operating Uses of \$166,416,476, Non-Operating Uses of \$8,414,524, and Net Transfers of \$8,658,886; and

WHEREAS, on June 5, 2024, the Board of Directors considered the General Manager's Operating Budget for Fiscal Years 2024-2025 and 2025-2026;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE BOARD OF DIRECTORS OF WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY, AS FOLLOWS:

1. The total spending authority is hereby approved for Fiscal Year 2024-2025 and Fiscal Year 2025-2026 for the purposes and the amounts specified in Exhibit A.
2. Expenditures shall be in conformance with the approved budgets, as specified in Exhibit A.
3. Except as specified in this Resolution, no increases or decreases to the budget shall occur except upon approval by the Board of Directors.
4. The General Manager is responsible for keeping expenditures within the approved spending authority and budgeted allocations for positions, salaries and benefits.
5. The General Manager may authorize the hiring of temporary or part-time staff as necessary, within the limits imposed by the available expenditure amounts designated in the budget for labor and benefits.
6. The following controls are hereby placed on the use and transfers of the appropriated budgeted funds:
 1. The General Manager may establish administrative budget procedures to carry out his responsibility.
 2. No expenditure of funds shall be authorized unless approved by the Board of Directors or General Manager, as described herein.
 3. The General Manager has the authority to carry-over unexpended and uncommitted budgeted amounts from Fiscal Year 2024-2025 to Fiscal Year 2025-2026. The General Manager shall report any carry-over amounts to the Board of Directors.
 4. The General Manager is authorized to exceed the budget designated for water purchases, power purchases, waste disposal costs paid to third party vendors, and contract services in order to meet the demands of the District. The General Manager shall report any such excesses to the Board.

PASSED AND ADOPTED by the Board of Directors of the Western Municipal Water District of Riverside County, at a regular meeting held this 5th day of June 2024.

MIKE GARDNER
President

June 5, 2024

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution 3310 adopted by the Board of Directors of Western Municipal Water District of Riverside County at its regular meeting held June 5, 2024.

FAUZIA RIZVI
Secretary-Treasurer

Note: The web version of this budget book includes a signed version of the resolution.

Organization of Budget Document

The budget document is organized to provide the reader with an overall understanding of Western Water's operations and the revenues and expenses to support those operations. Although not required, Western Water's management has decided, for transparency purposes, to invest in the production of a budget document for the benefit of its stakeholders. Revenues and expenditures may vary greatly from the adopted budgets because of uncontrollable variables, such as weather, population growth, economic conditions and customer demands. This document is considered a tool for estimating revenues and planned expenditures that enable Western Water to achieve its short and long-term goals. The following is a summary of the various sections of the document:

Budget Book Section	Description
Introduction	The introduction provides basic information regarding Western Water. The introduction includes information regarding organization of the budget document, the community profile, budget process, and financial management policies. The community profile outlines what is going on with Western and the customers it serves, including indicators about our service area, our services, major customers, and various socioeconomic statistics. The budget process section outlines the phases involved in creating the budget, as well as briefly summarizes financial policies that are further elaborated upon in the Appendix. The General Manager's Budget Transmittal Letter provides a summary of the planning process, major drivers and short term factors affecting Western Water, priorities of Western Water, and budget overview. The resolution adopting the budget concludes this section.
Planning Elements	The planning elements section includes information regarding Western Water's aspirations, strategic priorities, and plans.
Departments	The Departments section summarizes all of Western Water's internal departments, their organizational structure, position count, as well as goals and accomplishments.
Budget Overview	This section gives a high-level overview of the budget and specifies items such as the fund structure, major budget drivers and overhead rates.
Operating Budget	The Operating Budget section provides information regarding budget assumptions, fund structure and reporting levels, consolidated reports, combined summary information, historical reports, and net asset information. Each Operating Budget summary chart includes a spreadsheet breakdown that identifies the percentage and dollar variances by year.
Historical Financial Charts	This section displays historical financial data for the past 15 years. A summary of operating and non-operating sources of funds and uses are provided.
Five-Year Operating Forecast	This section forecasts the future of Western Water's finances for the next five years.
Debt	This section includes information about Western Water's Debt Budget.
Capital	The Capital section lists information regarding the Capital Improvements and Facilities Plan, and the various requests that make up this budget.
Financial Policies	This section includes the policies that are mentioned and summarized throughout the document.
Glossary and Acronyms	Terms and acronyms used in this document are defined in this section.

District Formation and Authority

Western Water was formed by voters on January 19, 1954, under the Municipal Water District Act of 1911, for the purpose of distributing supplemental water purchased from the Metropolitan Water District of Southern California (MWD) to a growing western Riverside County. Prior to Western Water's creation, the local water supply was primarily groundwater wells. Western Water is authorized to acquire, control, distribute, store, treat, recycle, recapture, and salvage any water (including sewage) for the beneficial use of Western Water, its inhabitants, or the owners of rights to water in Western Water's boundaries.

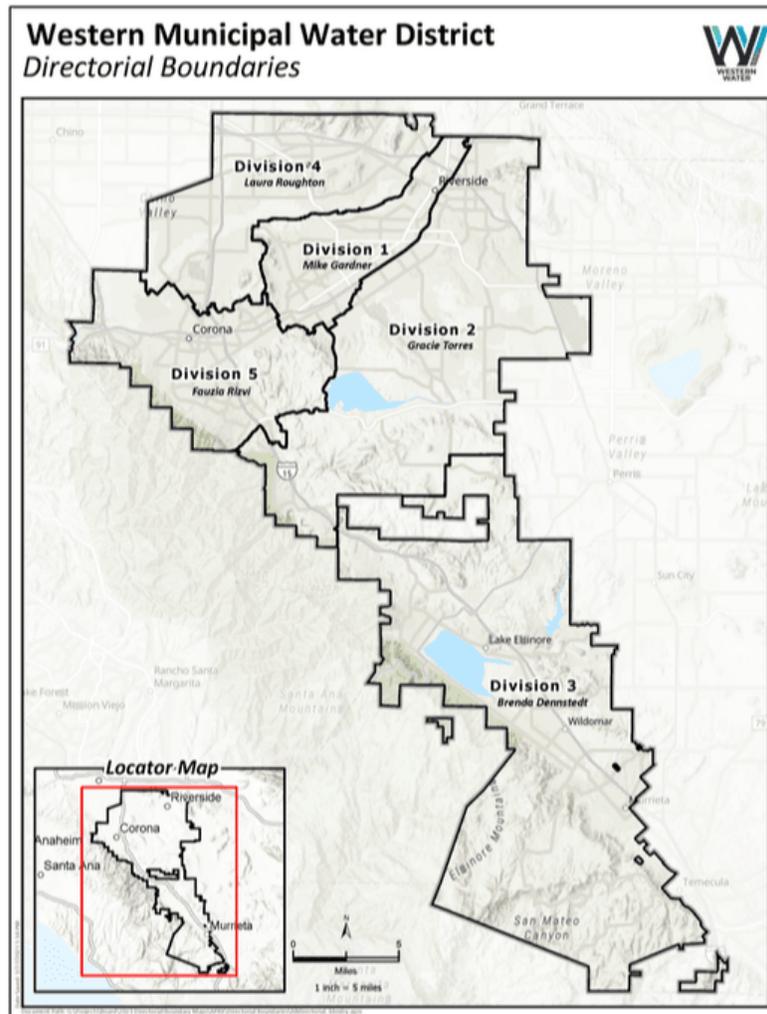
The Municipal Water District Act of 1911 also authorizes Western Water to exercise the power of eminent domain; to levy and collect taxes; to fix, revise and collect rates or other charges for the delivery of water; to use facilities or property or provision for service; and to fix in each fiscal year a water standby or availability charge and a sewage and wastewater service standby or availability charge on land within the boundaries of Western Water to which water and sewage and wastewater services, respectively, are made available by Western Water. Western Water may also issue bonds, borrow money, and incur indebtedness.



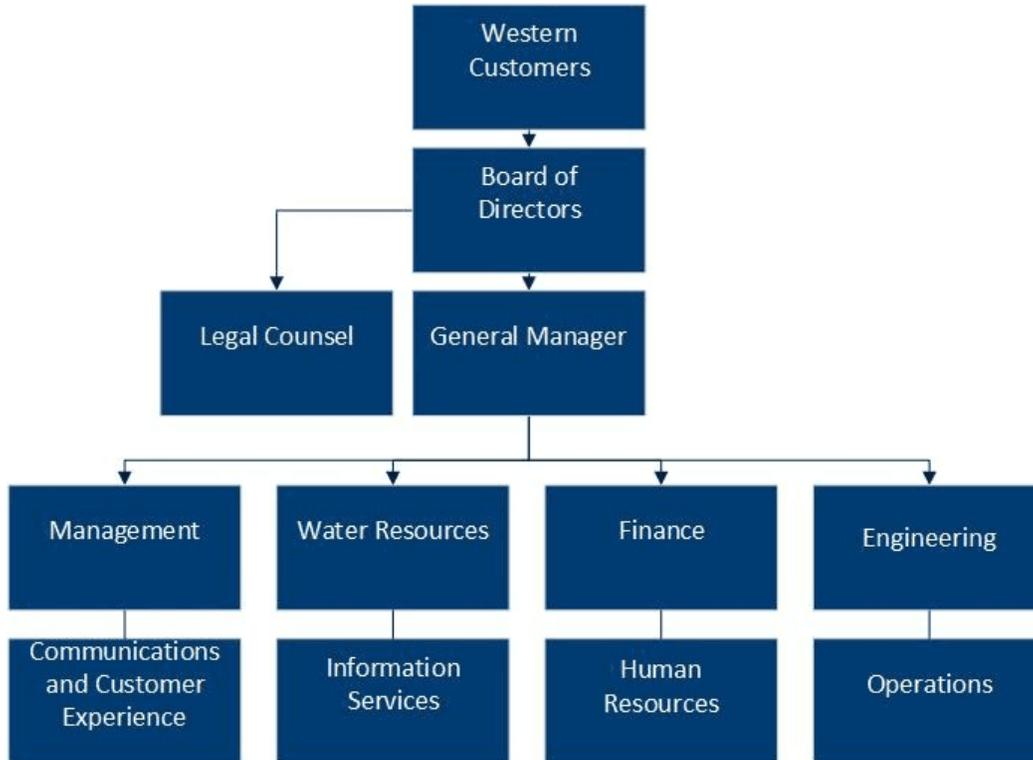
District Map

Western Municipal Water District (Western Water) is one of the largest public agencies in Riverside County, providing water, wastewater, and recycled water services to nearly a million people, both wholesale and retail customers. Within Western Water's service boundaries are the cities of Canyon Lake, Corona, Eastvale, Jurupa Valley, Lake Elsinore, Murrieta, Norco, Riverside, and Temecula. Western Water provides imported water to its service area as a supplement to the region's local water supply.

The assessed valuation of Western Water's service area has grown from less than \$150 million when formed in 1954 to approximately \$136 billion in this past fiscal year. The population of Riverside County is about 2.5 million, of which Western Water both directly and indirectly serves approximately 1,011,300 people - or 40 percent of the county's population.



Organizational Structure



Board of Directors

Western Water is governed by a five-member, elected Board of Directors. Western Water's Board members are identified below:

DIRECTORS	YEARS OF SERVICE	TERM EXPIRATION, DECEMBER
Mike Gardner, President	4 (2020)	2026
Laura Roughton, Vice President	3 (2021)	2024
Fauzia Rizvi, Secretary-Treasurer	4 (2020)	2024
Brenda Dennstedt	17 (2007)	2026
Gracie Torres	6 (2018)	2026

Craig Miller, General Manager



Craig Miller, General Manager of the 527-square mile Western Municipal Water District, Craig Miller is responsible for managing the day-to-day activities of Western Water, including oversight of Finance, Operations, Engineering, Communications, Customer Experience, Human Resources, Information Services and Water Resources. Craig joined Western Water in 2014.

Craig has more than 30 years of engineering and leadership experience, is a registered civil engineer in the state of California, and holds a bachelor's degree in civil engineering from California State University, Long Beach. He resides in the city of Orange with his wife, Cinthia, and two sons. Craig's work experience includes 20 years at the Orange County Water District and private consulting, specializing in water resource development, water rights, groundwater management, water and sewer system operations and capital project development.

Craig is a Board member and the President of the California Municipal Utilities Association, a Board member of the Urban Water Institute, and a member of the Association of California Water Agencies Groundwater and Water Management committees.

Tim Barr, Deputy General Manager

Tim Barr, Deputy General Manager is responsible for overseeing Western Water's strategic planning, policies, and budgets for a service area of nearly 1 million customers covering 527-square miles in western Riverside County. In addition, he directly oversees the Water Resources, Engineering, and Operations teams. With more than 30 years of public-sector water experience, Mr. Barr previously served as Western Water's Director of Water Resources where he successfully led the District through multiple water management challenges. Mr. Barr implemented a budget-based rate structure designed in compliance with the Water Conservation Act of 2009 and developed the District's water shortage contingency plan guiding Western Water through the statewide drought of 2014–2015.

His lengthy career includes roles as the Director and Deputy Director of Water Resources, Water-Use Efficiency Manager, and Communication Specialist at Western Water as well as Senior Water Resources Planner at Rancho California Water District, a retail agency within Western Water's general service area.

Mr. Barr holds a bachelor's in Business Administration from the University of California, Riverside, and he is a certified Water Conservation Practitioner through the Cal-Nevada American Water Works Association. He was also named Western Water's SMART Manager in 2013, an award which recognizes outstanding leadership at Western Water.



Kevin Mascaro, Assistant General Manager, Chief Financial Officer



Kevin Mascaro, Assistant General Manager, Chief Financial Officer

is responsible for the stewardship of the agency's financial resources. His staff perform a variety of services including debt and investment management, water and sewer rate development, budgeting, purchasing, information services, accounting, and financial reporting.

Prior to joining Western Water in 2004, Mr. Mascaro was a national project director for a worldwide not-for-profit organization. He was also a financial analyst for a management consulting firm specializing in strategic and financial planning to credit unions, and an accountant with the County of San Bernardino's Auditor/Controller's office. Mr. Mascaro has a Bachelor of Science degree in Business Administration, Managerial Accounting concentration, and a Master of Business Administration degree, Finance concentration, both from California State University, San Bernardino. With a deep understanding of water rate development and related legal issues in California, Mr. Mascaro is a frequent speaker at conferences such as the Association of California Water Agencies, the California Society of Municipal Finance Officers, and the California Special Districts Association.

Sarah Macdonald, Assistant General Manager, Communications and Customer Experience

Sarah Macdonald, Assistant General Manager, Communications and Customer Experience brings more than a decade of public service to a dynamic organization that directly impacts the quality of life of nearly 1 million people by providing water, recycled water and wastewater services across 527-square miles in western Riverside County, California.

In her role at Western Water, Macdonald is responsible for an array of programs focused on comprehensive communications, customer experience, customer service, education and efficiency, and external and government relations. She oversees the organization's entire relationship with its customers while driving efforts to assess and elevate experiences at each touchpoint. Through her team, she activates strategies to deliver differentiated experiences that deliver on Western Water's brand promise.

In addition to Macdonald's service with Western Water, she serves on the Association of California Water Agencies' and California Association of Sanitation Agencies' communications committees. Macdonald was a two-term vice president for the California Association of Public Information Officials.

Macdonald holds a bachelor's degree in Political Science from the University of California, Santa Barbara, a master's degree in Public Policy and Administration from Sacramento State University, and certificates in public information, crisis communications, and executive communications.



Executive Management Team

Candi Judd	Director of Human Resources 8 years of service
Chris Fike	Director of Maintenance Operations 10 years of service
Derek Kawaii	Director of Engineering 18 years of service
Gary Miller	Director of Systems Operations 9 years of service
Joshua Aguilar	Deputy Director of Water Resources 1 year of service
Karl Francis	Deputy Director of Engineering 7 years of service
Michael Mouser	Deputy Director of Information Services 8 years of service
Paul Rugge	Executive Director of Operations 19 years of service
Ryan Shaw	Director of Water Resources 8 years of service
Tony Pollak	Deputy Director of Systems Operations 10 years of service
Veronica Zheng	Director of Finance 14 years of service

Community Profile



WESTERN WATER'S SERVICE AREA

Western Water's service area consists of a 527-square mile area of western Riverside County that lies west of the I-215 freeway. Within Western Water's boundaries are the cities of Jurupa, Eastvale, Rubidoux, Riverside, Norco, Corona, Lake Elsinore, Canyon Lake, Murrieta, and Temecula. Western Water provides imported water to its service area as a supplement to the region's local water supply.

The assessed valuation of Western Water's service area has grown from less than \$150 million when formed in 1954 to approximately \$136 billion in this past fiscal year. Riverside County's population reached approximately 2.5 million, of which Western serves approximately 1,011,300 (40 percent) through retail and wholesale service.

Western Water serves approximately 25,000 retail accounts and eight wholesale customers with water primarily from the Colorado River and the State Water Project (both purchased from MWD), as well as from local sources. In fiscal year 2023, Western delivered approximately 75,701 acre-feet of water. This is equal to about 30 billion gallons. Approximately 62 percent of the water Western delivered was potable; the balance was non-potable or raw water.

Wholesale customers that buy water from Western Water and in turn sell it to their own customers are:

- Box Springs Mutual Water Company
- City of Corona
- City of Norco
- Jurupa Community Services District
- Eagle Valley Mutual Water District
- Elsinore Valley Municipal Water District
- Rancho California Water District
- Temescal Valley Water District

Demographic Summary

General Service District

Number of Employees	165 Employees
Service Area (in acres)	337,000 acres
Service Area (in square miles)	527 square-miles
Assessed Valuation (in billions)	\$137 billion
Population Served (approx.)	1,011,300 served

Water Systems

Miles of Water Pipeline	652 miles
Number of Storage Reservoirs	35 tanks
Max Storage Capacity (million gallon)	92.0 million

Sewer Systems

Sewer Treatment Plants Owned	1 plant
Sewer Treatment Capacity (MGD)	3.0 MGD
Average Flows into Sewer Plant (MGD)	1.5 MGD
Number of Lift Stations	19 Stations

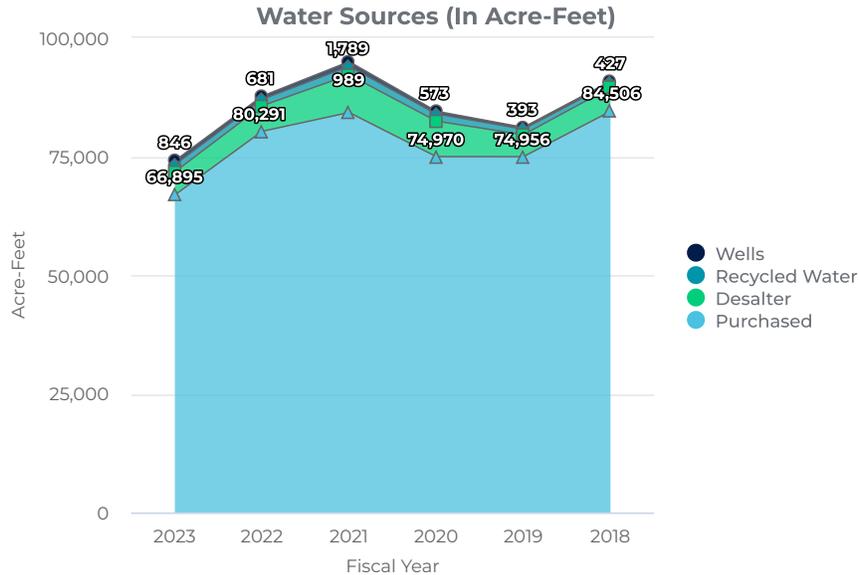
Note: Based on FY 2023 ACFR



Water Sources

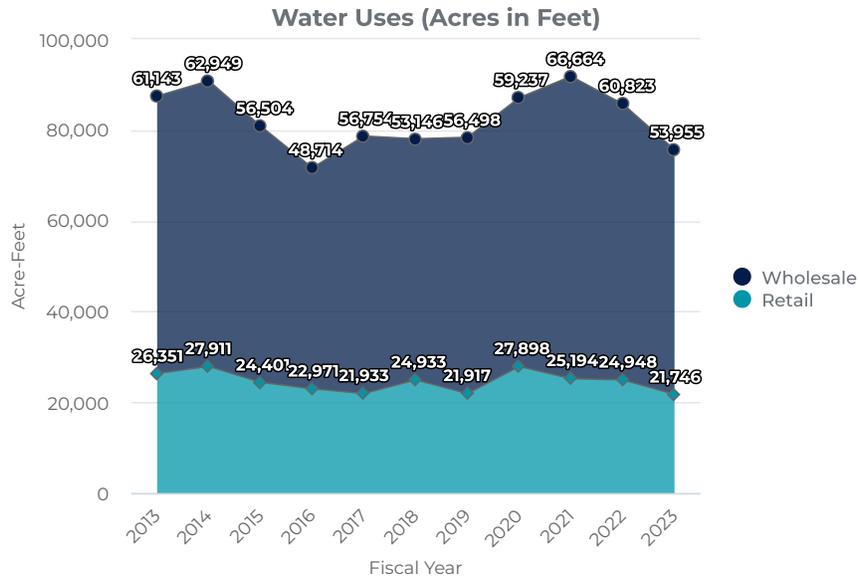
Western Water provides nearly 30 billion gallons of water each year to customers in Riverside County. Since our region does not have many natural sources of water, most of our water has traveled through hundreds of miles of open aqueducts and pipelines from the Sierra Nevada Mountain snowpack in northern California to our customers' homes. This is a long and expensive trip. The majority of Western's water travels hundreds of miles from northern California, through the Bay-Delta, down the California Aqueduct, over the Tehachapi Mountains, to our water facilities. The water is treated to the highest quality drinking water standards and then delivered to homes and businesses. This water that is imported from Northern California costs more than locally sourced water. That is why Western Water is working diligently to secure more local water to meet the current and future needs of our community.

In Western Water's Riverside service area, water is mostly supplied from northern California through the State Water Project via the Metropolitan Water District of Southern California's Henry J. Mills Water Treatment Plant. The Rainbow community receives Colorado River water and State Water Project water via MWD's Robert F. Skinner Water Treatment Plant. Local water will help Western Water become more self-sufficient, keep rates stable and ensure there is greater reliability during droughts, or other emergencies. A small portion of our water supply is groundwater from the Bunker Hill Basin that is delivered via the City of Riverside for the Riverside service area. Groundwater production wells deliver a portion of the water supply in Murrieta, which has been a source of drinking water for decades. It comes from a groundwater basin that lies beneath Murrieta. Imported Colorado River water and State Water Project water are also provided in our Murrieta area via MWD's Robert F. Skinner Water Treatment Plant.



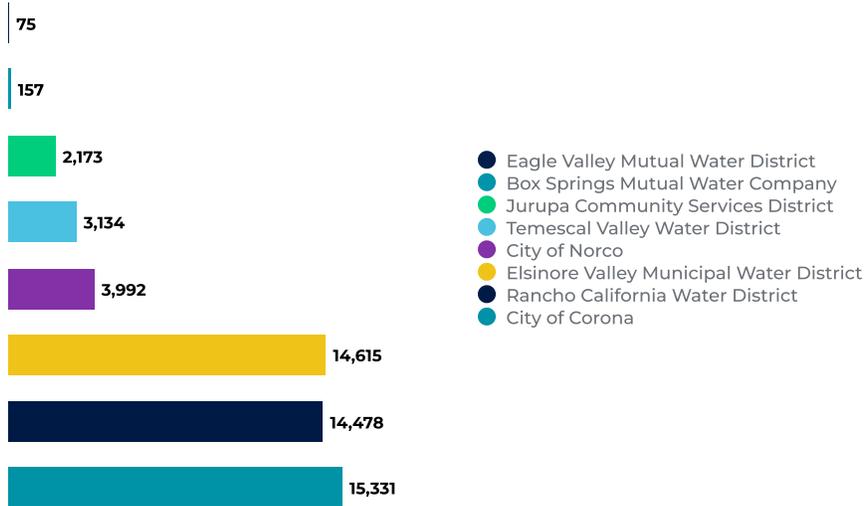
Water Uses

As of Fiscal Year 2023, approximately 62 percent of the purchased water delivered was potable water (drinking water); the balance was non-potable or raw water. Western Water delivered 71 percent of its water to wholesale customers and the rest to direct customers.



Wholesale Water Customers

Wholesale Customer Deliveries (In Acre-Ft) FY 2023

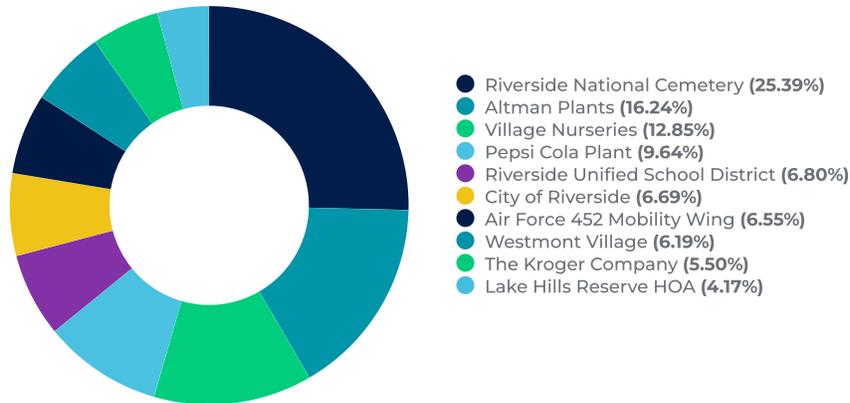


Wholesale customers that buy water from Western Water and sell it to their own customers are: Box Springs Mutual Water Company, City of Corona, City of Norco, Jurupa Community Services District, Eagle Valley Mutual Water District, Elsinore Valley Municipal Water District, Rancho California Water District and Temescal Valley Water District.



Retail Water Customers

Retail Water Deliveries (In Acre-Feet) for FY 2023



While most of our water deliveries are to water agencies and municipalities, Western Water also directly serves approximately 25,000 residential and commercial customers in the following areas:

- Riverside - Home to Western Water's largest group of direct customers, the area served includes a portion of the city of Riverside, Orangecrest, Mission Grove, El Sobrante, Eagle Valley, Woodcrest, Lake Mathews, portions of Mead Valley and the city of Perris.
- Murrieta - With the merger of the Murrieta County Water District into Western Water in 2005, Western Water now serves a 6.5-square mile section of the city of Murrieta, primarily in the historic downtown area. The Murrieta service area, unlike most of Western Water's retail service areas, has local groundwater that supplements imported water supplies.
- Rainbow - Western Water's most distant served community is a small, unincorporated area of southern Riverside County bordering San Diego County called Rainbow.
- March East - Includes the March Air Reserve Base and other areas within Western Water's retail service boundaries east of the I-215 Freeway.

In Fiscal Year 2023-24 Western sold 21,746 acre-feet of water to retail customers. Above is a list of the top ten retail water users for the fiscal year ended June 30, 2023.



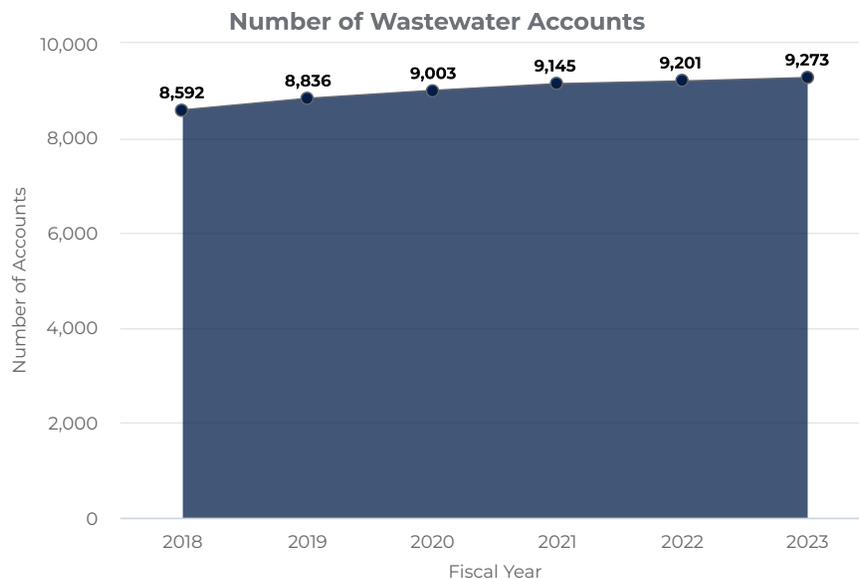
Wastewater Customers

Western Water provides wastewater services for approximately 9,400 accounts.

Western Water owns and operates the Western Water Recycling Facility (WWRF), providing wastewater collection and treatment for residential and commercial customers located southeast of the city of Riverside, as well as the March Air Reserve Base. WWRF has the capacity to treat flows up to 3.0 million gallons per day. The WWRF facility provides wastewater treatment services for approximately 1,800 customers.

Western Water is one of the five member agencies operating the Western Riverside County Regional Wastewater Authority (WRCRWA) Wastewater Treatment Plant. Western Water owns 1.93 MGD of capacity rights of the 14.0 MGD total plant capacity. Wastewater flows from Western Water’s customers is approximately 0.88 MGD, or 46 percent of Western Water’s capacity right. Western Water provides wastewater collection services to approximately 5,200 customers in the La Sierra area of Riverside. This collected wastewater then flows to the WRCRWA wastewater treatment plant.

In the Murrieta service area, Western Water provides wastewater collection and transmission services to approximately 2,300 customers surrounding the historic downtown area of the city of Murrieta. The treatment of these flows of approximately 750,000 gallons per day is provided under contract by the Santa Rosa Regional Resources Authority (SRRRA). Eastern Municipal Water District also provides treatment services to 75 Murrieta commercial customers.



Principal Taxpayers

Western Water relies on property tax revenue to offset a portion of its retail water operating expenses and to fund capital projects. Western Water receives a share of the general 1 percent ad valorem taxes collected by the County of Riverside.

The assessed valuation of property in the county is established by the County Assessor, except for public utility property, which is assessed by the Board of Revenue and Taxation. The County Assessor determines a value for each parcel of taxable real property in the county every year. The following table sets forth the assessed valuations applicable to land and improvements within Western Water's boundary for each of the past nine fiscal years.

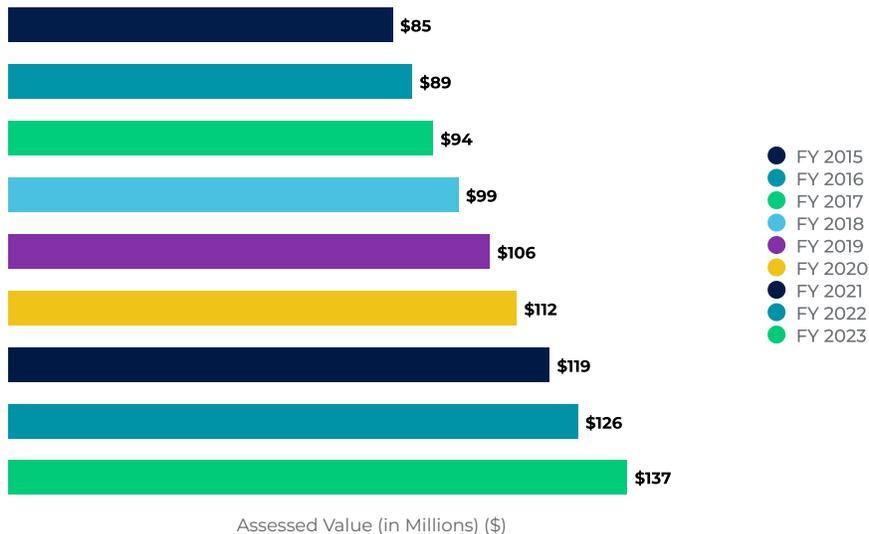
The assessed valuation of Western Water's service area has grown from less than \$150 million when formed in 1954 to around \$13 billion in this past fiscal year. Riverside County's population remains around 2.6 million, of which Western Water serves approximately 1,011,300 or 40 percent of the population.

Western Water forecasts \$28.9 million in property tax revenue for fiscal year 2024-25 and \$29.6 million for 2025-26. Of these amounts, a portion is allocated to retail water cost centers to help offset operating costs, with the remaining amount being used to fund Western Water activities involving governance costs, water resource programs, public education expenses, debt service and alternative water source development. For fiscal year 2024-25, \$9.1 million is expected to be allocated to retail water, while \$19.7 million is budgeted to be allocated to the general fund. For fiscal year 2025-26, \$9.9 million is expected to be allocated to retail water, while \$19.7 million is budgeted to be allocated to the general fund.

The Fiscal Year 2022-23 top taxpayers are:

- o Costco Wholesale Corporation - 14.95%
- o Amazon.com Services Inc - 11.60%
- o Riverside Healthcare System - 11.15%
- o Bre Space - 10.50%
- o SCG Atlas Ashton Company - 10.49%
- o Tarpon Properties Ownership 2 - 9.63%
- o DPIF3 California 27 Archibald Ave - 13.20%
- o Tyler Mall - 8.25%
- o Raintree Corona Pointe - 7.91%
- o Walmart Stores Inc/Sam's Club - 7.81%
- o Tai Ow Monterey Owner - 7.72%

Gross Assessed Value of Service Area (Millions)



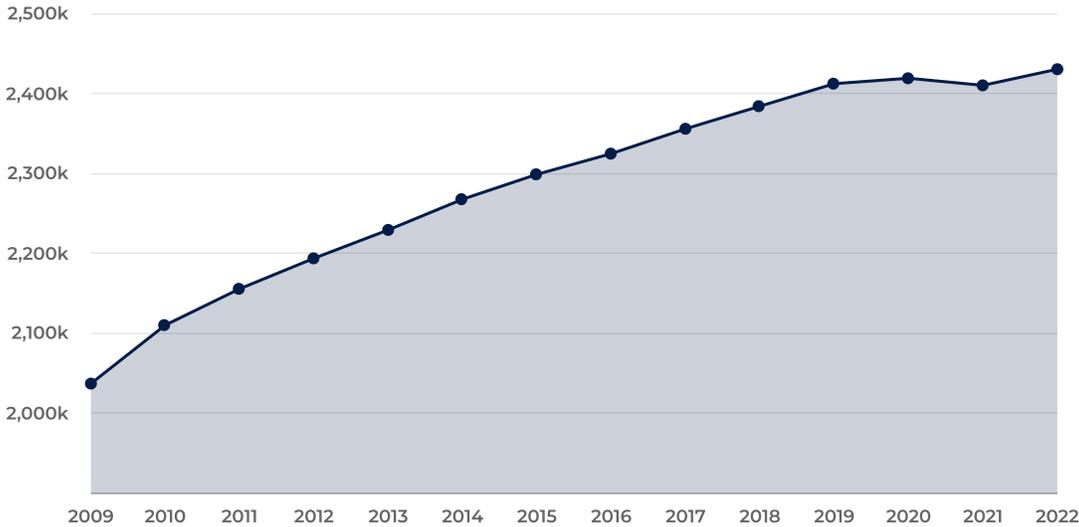
Population Overview



TOTAL POPULATION
2,429,487

▲ **.8%**
vs. 2021

GROWTH RANK
9 out of **62**
Counties in California



* Data Source: U.S. Census Bureau American Community Survey 5-year Data and the 2020, 2010, 2000, and 1990 Decennial Censuses

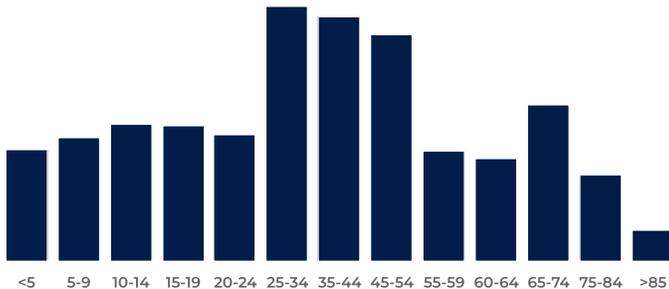


DAYTIME POPULATION
2,263,279

Daytime population represents the effect of persons coming into or leaving a community for work, entertainment, shopping, etc. during the typical workday. An increased daytime population puts greater demand on host community services which directly impacts operational costs.

* Data Source: American Community Survey 5-year estimates

POPULATION BY AGE GROUP



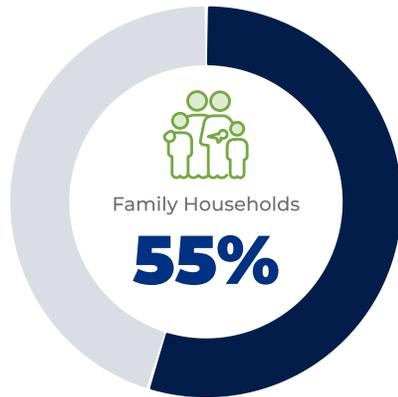
Aging affects the needs and lifestyle choices of residents. Municipalities must adjust and plan services accordingly.

* Data Source: American Community Survey 5-year estimates

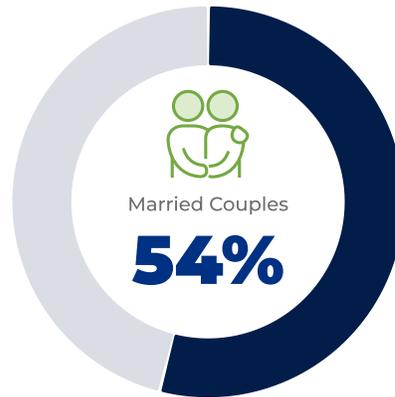
Household Analysis

TOTAL HOUSEHOLDS
749,976

Municipalities must consider the dynamics of household types to plan for and provide services effectively. Household type also has a general correlation to income levels which affect the municipal tax base.



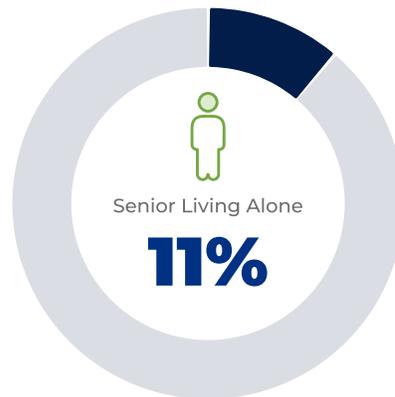
▲ 11%
higher than state average



▲ 9%
higher than state average



▼ 9%
lower than state average

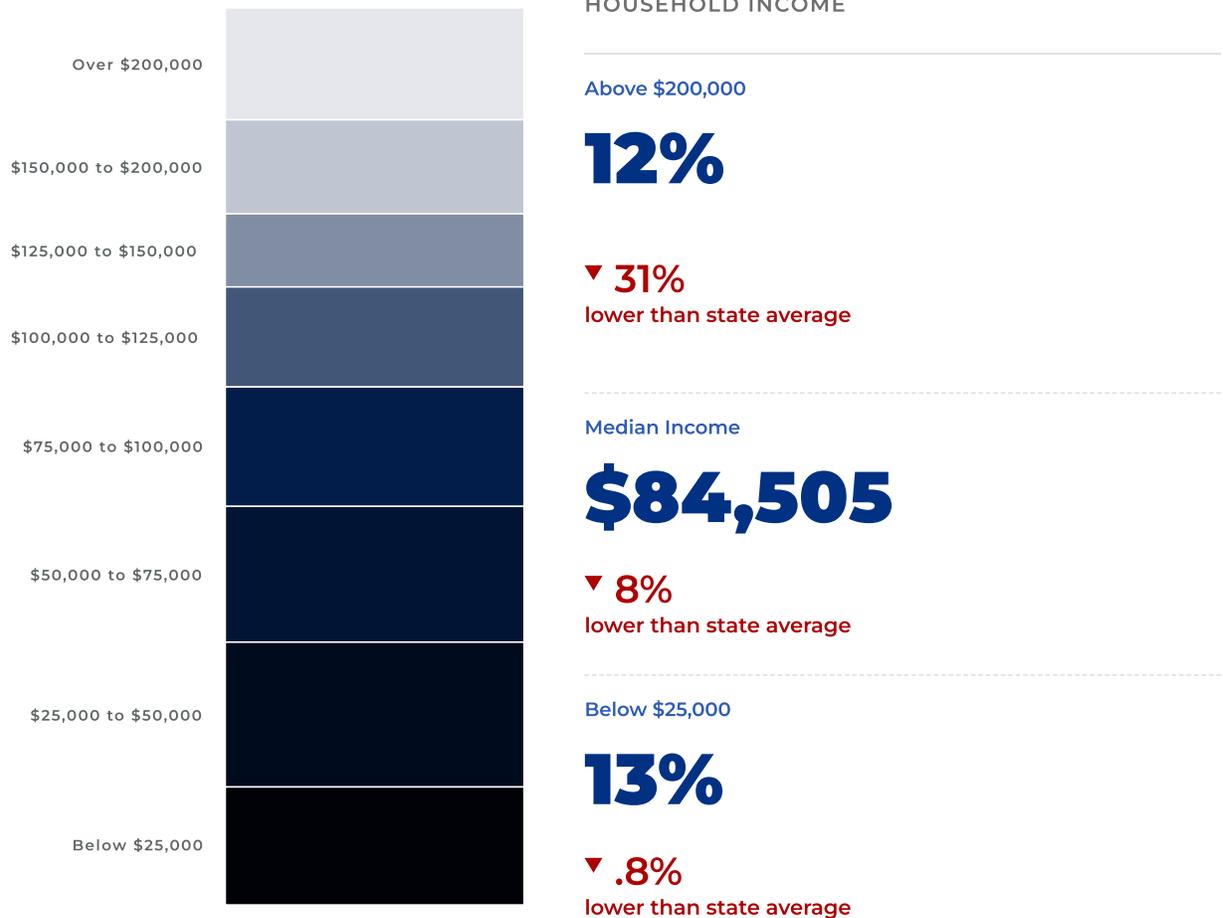


▼ 17%
lower than state average

** Data Source: American Community Survey 5-year estimates*

Economic Analysis

Household income is a key data point in evaluating a community's wealth and spending power. Pay levels and earnings typically vary by geographic regions and should be looked at in context of the overall cost of living.



** Data Source: American Community Survey 5-year estimates*

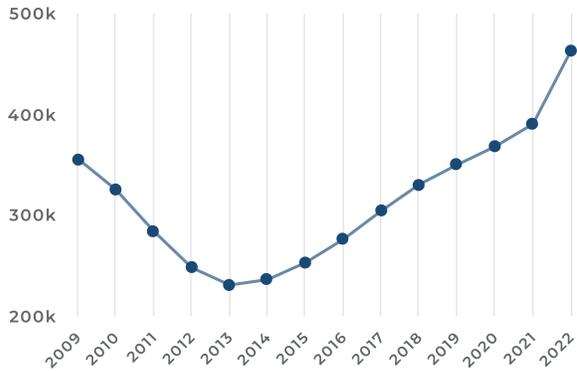


Housing Overview



2022 MEDIAN HOME VALUE

\$462,900

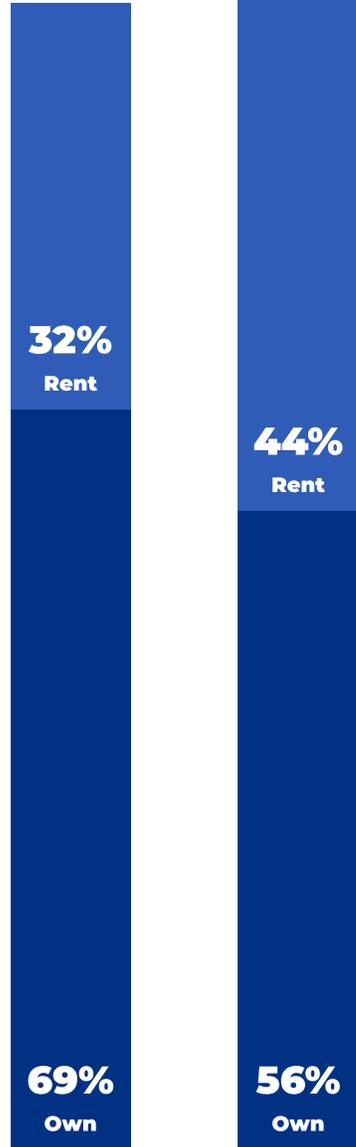


* Data Source: 2022 US Census Bureau (<http://www.census.gov/data/developers/data-sets.html>), American Community Survey. Home value data includes all types of owner-occupied housing.

HOME OWNERS VS RENTERS

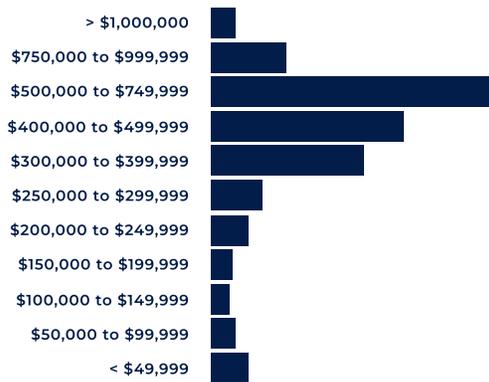
Western Municipal Water District

State Avg.



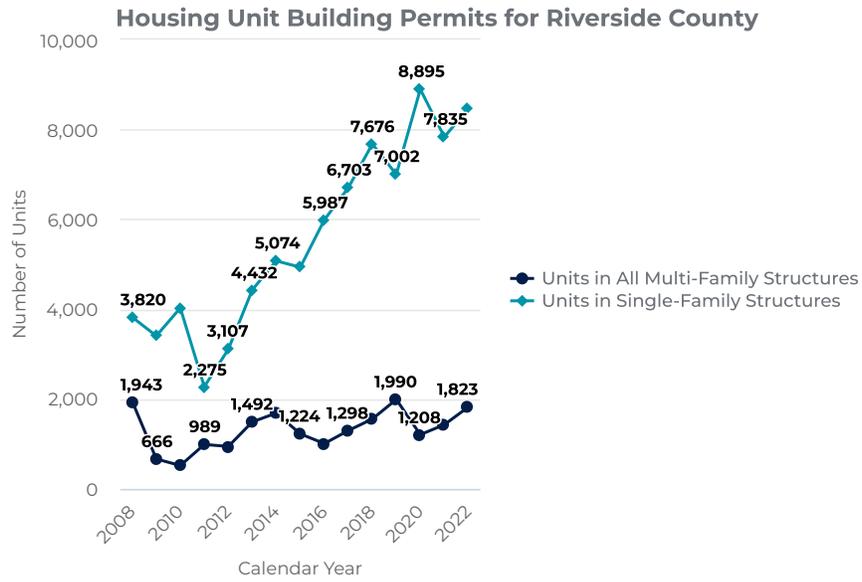
* Data Source: 2022 US Census Bureau (<http://www.census.gov/data/developers/data-sets.html>), American Community Survey. Home value data includes all types of owner-occupied housing.

HOME VALUE DISTRIBUTION



* Data Source: 2022 US Census Bureau (<http://www.census.gov/data/developers/data-sets.html>), American Community Survey. Home value data includes all types of owner-occupied housing.

Residential/Housing



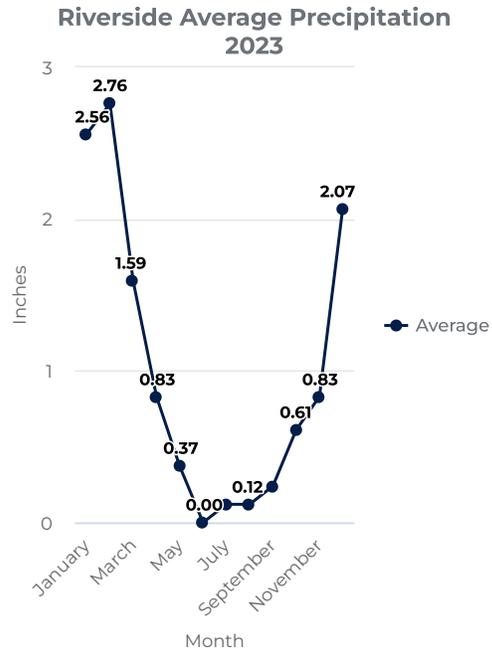
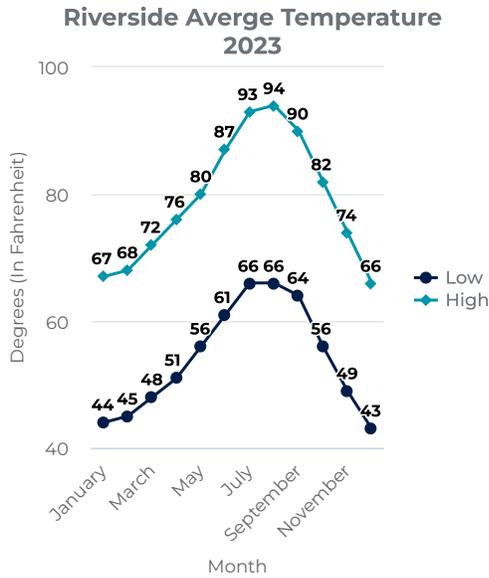
Given Riverside County's location and relative housing affordability in southern California, the county has become an economic driver of housing and construction jobs. As a result, Riverside County is highly sensitive to changes in the housing market. The chart above the number of housing-unit building permits issued each calendar year.



Climate

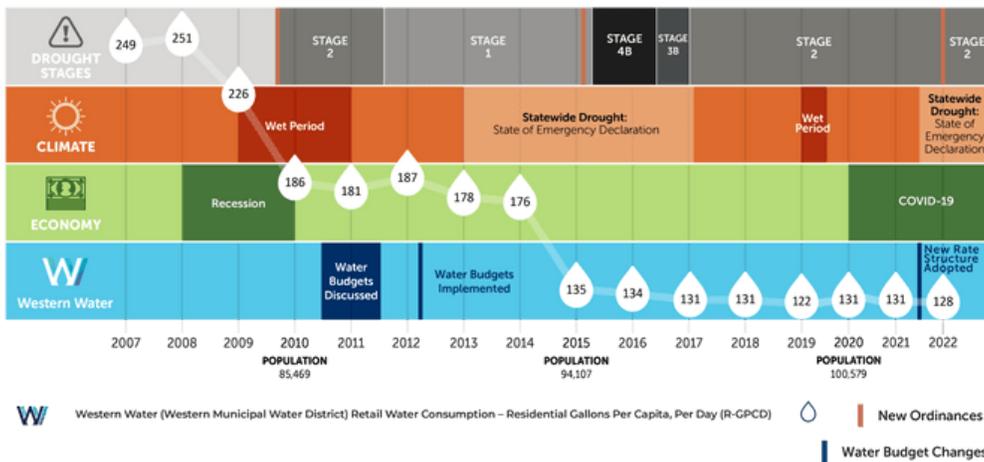
The climate has a huge impact on water resources and drought is a reoccurring issue for California. For example, back in May 2016, Governor Brown signed Executive Order B-37-16 declaring a drought state of emergency in California and asked water agencies to use water more wisely, eliminate water waste, strengthen local drought resilience, and improve agricultural water use efficiency and drought planning. On April 7, 2017, Governor Brown ended the drought state of emergency due to plentiful rain and snow from the previous winter. Drought returned to California in 2021. In October 2021, Governor Newsom signed Executive Order N-10-21 declaring a drought state of emergency in California. In March 2022, after the driest January and February on record, Governor Newsom signed Executive Order N-7-22 which calls on local water suppliers to shift to "Level 2" of their individual Water Shortage Contingency Plans, taking preparatory actions for water shortage levels of up to 20 percent, and banned the use of treated water for irrigation of non-functional turf.

Western has demonstrated commitment to water use efficiency, despite the population growth we've been experiencing.

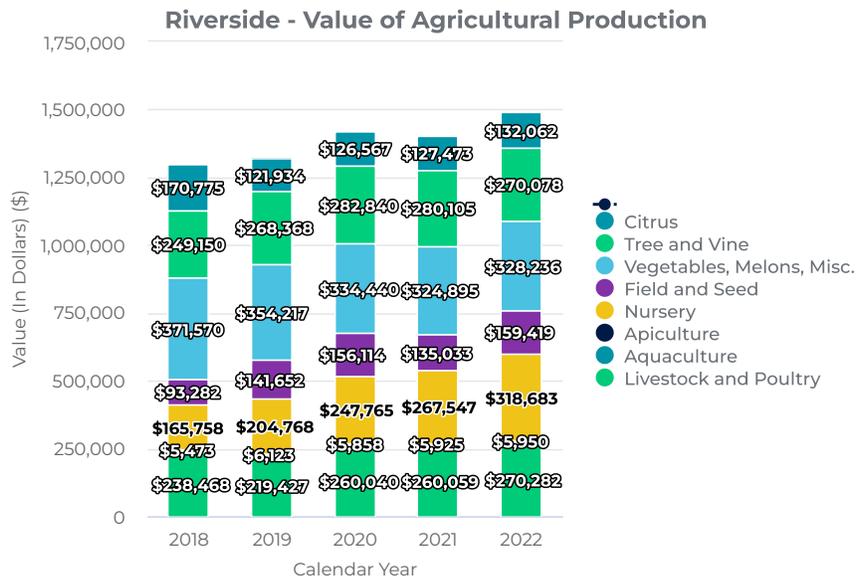


IMPACT EVENTS

ACTIVITIES THAT HAVE AFFECTED RETAIL WATER USAGE IN WESTERN MUNICIPAL WATER DISTRICT



Agriculture



Agriculture remains an important source of income in Riverside County. Principal agricultural products are nursery stock, milk, table grapes, lemons, bell peppers, hay, eggs, dates, avocados, and carrots.

Four areas in the county account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border.

The value of agricultural production in the county for 2018 through 2022 is presented in the above table.



Education

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts, and four community college districts in Riverside County. The three largest unified school districts are Corona-Norco Unified School District, Riverside Unified School District and Moreno Valley Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the city of Riverside — the University of California, Riverside; La Sierra University; and California Baptist University.

County of Riverside School District Enrollment 2022-23

District Name	Total Enrollment
Alvord Unified	17,106
Banning Unified	4,376
Beaumont Unified	16,944
California School for the Deaf-Riverside	293
Coachella Valley Unified	16,686
Corona-Norco Unified	50,90
Desert Center Unified	26
Desert Sands Unified	26,379
Hemet Unified	22,372
Jurupa Unified	18,370
Lake Elsinore Unified	21,322
Menifee Union Elementary	13,385
Moreno Valley Unified	31,653
Murrieta Valley Unified	22,365
Nuview Union	2,161
Palm Springs Unified	21,032
Palo Verde Unified	3,769
Perris Elementary	5,540
Perris Union High	11,731
Riverside County Office of Education	12,537
Riverside Unified	40,049
Romoland Elementary	4,545
San Jacinto Unified	11,847
Temecula Valley Unified	28,147
Val Verde Unified	19,379
Total	422,804

Source: California Department of Education, Educational Demographics Unit

Budget Process

Western Water's budget process began as a team effort in August 2023, starting with planning meetings where management discussed the proposed budget schedule and major budget assumptions. The phases of the budget process are described below.

PREPARATION PHASE

The Preparation phase begins in August with a review of the prior budget process to identify improvement opportunities. During this phase, year-to-date budget-to-actual information is reviewed to provide staff with a baseline for budget projections. Finance staff prepares the platform for staff input requested during the Focus phase and prepares pro-forma reports for use during the Assembly phase. Finance utilizes ClearGov to collect detailed department budget requests, and then exports this data into Excel. The information is compiled by fund, activity and account. Once completed, the Excel spreadsheets are locked from input and only the budget administrator can change these sheets to track changes and report up to date information by fund. Payroll data is collected for each employee, based on projected work scheduling. The Preparation phase ends with a budget kick-off meeting in early October.

FOCUS PHASE

The Focus phase takes place October through January. Staff and management input operating budget requests for two fiscal years into ClearGov. During the Focus phase, a series of meetings are held with key staff members to prepare the Capital Improvement and Facilities Plan (CIFP). The CIFP focuses on the first two years of projected capital expenditures and includes long-term planning up to five years.

ASSEMBLY PHASE

The Assembly phase takes place January through March. During this phase, Western Water's strategic goals are correlated with service objectives. The tone of the budget begins to take shape and Western Water's financial capacity is defined. During the Assembly phase, information is compiled and consolidated. Revenue projections are made, along with estimates of general expenses and payroll costs. Once compiled, reports are prepared summarizing data by fund. During this phase, meetings are held with department directors, managers, and supervisors to discuss budget assumptions, procedures, requirements, and changes from the prior year's budget. During this phase, adjustments are made to both expenses and revenues.

PRESENTATION PHASE

The Presentation phase takes place April through June as final documents are compiled. During the Presentation phase, the budget is formalized and presented to management for final review. In a series of workshops, the budget is presented to both the Finance Committee and Board of Directors for review. Western Water's management and the Finance Committee are the steering mechanism of the budget process during this phase as they review and refine the budget.

The CIFP is also presented to both the Finance Committee and the Board of Directors as well as the Engineering, Operations and Water Resources Committee. The final budget summary is presented to the Board of Directors in June. The operating budget, including total spending authorization of the General Manager, is adopted via resolution. The CIFP is approved via Board action.

IMPLEMENTATION PHASE

The Implementation phase begins July 1. Final budget information is uploaded from the database into Western Water's accounting system. This phase coincides with Western's fiscal year. During this phase, the focal point is delivering services while maintaining financial accountability. Execution of the approved budget is monitored and evaluated monthly, and quarterly budget versus actual reports with explanatory narrative are provided to the Board of Directors.

YEAR TWO REVIEW PHASE

This phase begins at the close of year one. During this phase, the General Manager reviews year-to-date budget information and may carry over unexpended and uncommitted budgeted amounts from fiscal year one to fiscal year two. The General Manager formally reports carry-over amounts to the Board. During this phase, the General Manager reviews designated budgets for water purchases, power purchases, and waste disposal costs paid to third party vendors, and contract services, in order to meet the demands of Western Water, reporting excesses or deficiencies to the Board.

Budget Calendar

Preparation: August – October

- Review prior budget process
- Review the District finances
- Preparation of Budget Platform
- Budget Kick-Off

Focus: October - December

- Key staff input for two fiscal years
- Capital Improvement and Facilities Plan Development

Assembly: January – March

- Tone of the budget defined
- Compilation and consolidation of requests and budget information
- Finance committee begins review of budget

Presentation: April – June

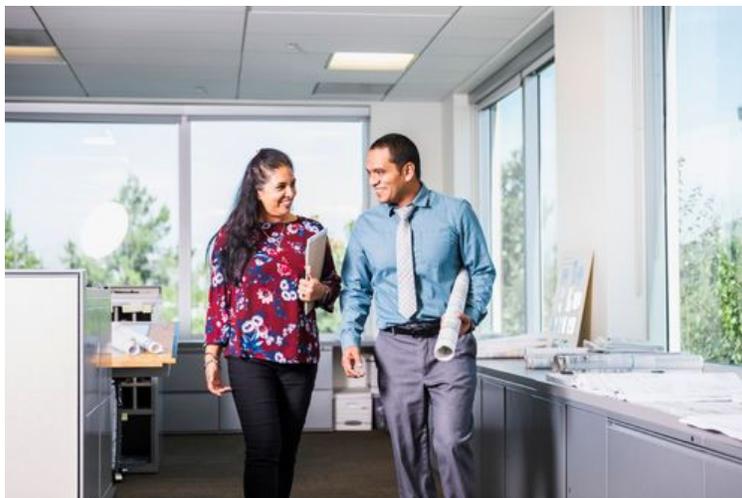
- Final presentations to General Manager and Finance Committee
- Board Adoption

Implementation: July – June

- Execution of Approved Budget
- Reporting of Budget vs Actual

Year-Two Review – Close of Year 1

- General Manager may carry-over unexpended budgets
- Water purchases, power, waste disposal costs, contract services are reviewed
- GM reports budgetary changes to the Board



Basis of Budgeting

ACCOUNTING BASIS

Western Water reports its activities as a special-purpose government engaged in only business-type activities using the economic resources measurement focus, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where, in most instances, the intent of Western Water is that the costs of providing water or wastewater services to its service area on a continuing basis be financed or recovered primarily through user charges (water sales, water service charges and wastewater disposal), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales, water purchases and wastewater disposal, result from exchange transactions associated with the principal activity of Western Water. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

BUDGET AMENDMENTS AND CONTROLS

The General Manager is responsible for maintaining expenditures within the approved spending authority and budgeted allocations for staff positions, salaries and benefits. The General Manager is authorized to hire temporary or part-time staff as necessary, within the limits imposed by the available expenditure amounts designated in the budget for labor and benefits. The following controls are placed on the use and transfers of the budgeted funds:

- The General Manager may establish administrative budget procedures to carry out his responsibility.
- The General Manager has the authority to carry-over unexpended and uncommitted budgeted amounts from Fiscal Year 2024-25 to Fiscal Year 2025-26. The General Manager will report any carry-over amounts to the Board after the end of Fiscal Year 2024-25.
- The General Manager is authorized to exceed the budget designated for water purchases, power purchases, waste disposal costs paid to third party vendors, and contract services in order to meet the demands of Western Water. The General Manager will report any such excesses to the Board at the end of each fiscal year.

PROPOSITION 218 COMPLIANCE

Proposition 218, officially titled the "Right to Vote on Taxes Act," was approved by California voters on November 5, 1996. It amended the California Constitution establishing additional substantive and procedural requirements and limitations on new and increased taxes, assessments and property-related fees and charges. Western Water complies with the public hearing noticing requirements of Proposition 218 by mailing a notice to inform customers of proposed rate changes, effective date, and the time and place of the public hearing where the rate changes will be considered. The notice also includes reasons for the rate change, the basis for calculation of the rate change, and the protest procedures.

GANN LIMIT

The Gann Limit is an Appropriations Limit established by the State of California per Article XIII B of the California State Constitution. Article XIII B attempted to restrict spending at all levels of government in California. The Appropriations Limit applies to "all taxes levied by and for" a government entity. A Special District is not subject to Appropriations Limit requirements if it did not, as of Fiscal Year 1977-78, levy a property tax in excess of \$0.125 per \$100 of assessed value. Since Western Water's Levy was less than this amount, the Gann Limit does not apply.

ACCOUNTING SYSTEM

The Finance Department is responsible for providing financial services for Western Water, including financial accounting and reporting, accounts payable and receivable, purchasing, custody and investment of funds, billing and collection of water and wastewater charges, taxes and other revenues. Western Water accounts for its activities as an enterprise fund and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. It is the intent of the Board of Directors to manage Western Water's operations as a business, thus matching revenues against the costs of providing the services. Western Water also reports on fiduciary fund activities for the Western Municipal Water District Retirement Medical Plan and other Post-Employment Benefit Plans. The fiduciary fund reporting focuses on economic resources and are accounted for under the accrual basis of accounting.

INTERNAL CONTROLS

Western Water operates within a system of internal accounting controls established and continually reviewed by management to provide reasonable assurance that assets are adequately safeguarded, and transactions are recorded in accordance with Western Water policies and procedures. When establishing and reviewing controls, management must consider the cost of the control and the value of the benefit derived from its utilization. Management normally maintains or implements only those controls for which its value adequately exceeds its costs. Recent audits have not noted any weaknesses in internal controls.

BUDGETARY CONTROLS

Although Western Water is not legally required to adopt and adhere to a budget or present budgetary comparison information, the Board of Directors has chosen to approve a two-year operating budget as a management tool. Quarterly comparison reports of budget to actual are prepared and presented at a summary level to the Board of Directors, along with explanations of significant variances.

CASH MANAGEMENT

Western Water invests temporary idle cash in investments legally permissible by California Government Code Sections 53601 et seq. and in accordance with Western Water's investment policy, which is adopted annually. The investment objectives of Western Water are to preserve the capital of the portfolio, maintain liquidity to meet cash flow requirements and maximize the rate of return. Investments made by Western Water include money market funds, treasury notes, treasury bills, U.S. agency securities, corporate notes, and the State Treasurer's Local Agency Investment Fund (LAIF).

The investment portfolio on June 30, 2024 amounted to \$278.0 million. The average yield on investment was 2.96 percent with an average maturity of three to four years and average quality of AA. The amount of investment loss recognized during Fiscal Year 2023-24 was \$1,171,080. Investment income excluding realized and unrealized gains and losses recorded per GASB 31 was \$6.8 million. Chandler Asset Management is Western Water's external investment advisor.

A monthly report is provided to the Board of Directors that details the securities held at the end of each month, the book value of the securities and market value of the securities. A monthly statement is provided to the Board of Directors, confirming compliance with Western Water's investment policy and certifying that Western Water has sufficient liquidity to meet the cash flow requirements for the next six months.



PLANNING ELEMENTS

Planning Elements



Western Water developed the 2025 Aspirations Plan that outlined Western's 10-year strategic objectives. Within that plan, aspirational targets were identified that illuminate the long-term vision of Western Water's Board of Directors, management team, and employees. To stay the course, the strategic priorities for 2022 through 2025 were developed in collaboration with the executive management team with every aspect of our daily business in mind. The strategic priorities will serve as a guidepost along the path in front of us and toward 2025.

2025 Aspirations Plan

The 2025 Aspirations plan aligns long-term goals with our various planning initiatives to achieve Western Water's Mission and Vision, with the goal of preparing for anticipated challenges over the next 10 years. The objective of the 2025 Aspirations Plan is to guide future planning efforts consistent with Western Water Values. At the core of Western Water's mission is providing Superior Service. This is supported through establishing Water Resiliency, Financial Stewardship, an Elite Workforce and Wastewater Dependability.

Water Resiliency

Develop a diversified water portfolio to sustain service reliability

Elite Workforce

Recruit and retain exceptional staff dedicated to continual enhancement of Western Water services

Wastewater Dependability

Implement cost-reducing strategies to exceed regulatory standards and provide sustainable service

Financial Stewardship

Continually stabilize Western Water's financial position through cost effective service, economical rates and investment strategies



2025 Aspirational Targets

The strategic priorities were developed in collaboration with the executive management team with every aspect of our daily business in mind. Western Water will use the 2022-2025 strategic priorities as a road map for our long-term aspirations. Considering the ever-changing environment and the evolving demands within the communities' Western Water serves, we remain dedicated to developing a comprehensive network using these lists of strategic priorities as a guidepost. The budget reflects the priorities and policies of the Board of Directors, the 2025 Aspirations and Western Water's strategic priorities. The budget tool is a tool for estimating and planning Western Water sources and uses of revenues and is a control tool for managing financial resources.

Resource Management

Maximize Western Water's diversified, regulatory compliant, and cost-effective resource portfolio to ensure service reliability and resiliency for an expanding customer base

Financial Stewardship

Sustain Western Water's financial health through cost-effective service, revenue resiliency, and prudent investment strategies

Elite Workforce

Grow workforce expertise and diversity

Superior Service

Enrich the customer experience by providing outstanding services



Strategic Priorities



Maximizing Western Water's Resource Portfolio

- o *Strategy 1* - Implement a wholesale enterprise to optimize water supplies and infrastructure that benefits wholesale and retail customers
- o *Strategy 2* - Collaborate with neighboring agencies to optimize regional resources
- o *Strategy 3* - Save money, energy, and water through: Exploring energy generation and storage opportunities, maximizing technology, optimizing operational efficiency, and incorporating energy management practices and design
- o *Strategy 4* - Increase the beneficial use of recycled water
- o *Strategy 5* - Create a water storage initiative to ensure Western Water can take advantage of surplus imported supplies, when available

- *Strategy 6* - Expand Geographic Information Systems (GIS) capabilities by advancing processes to support asset management and business needs

Sustaining Western Water's Financial Health

- *Strategy 1* – Pursue an upgrade of Standard & Poor's credit rating to AAA
- *Strategy 2* – Optimize the grant program to support prioritized projects
- *Strategy 3* – Continually evolve security measures to reduce cyber and physical risks
- *Strategy 4* – Modernize the business software system (Enterprise Resource Planning System)
- *Strategy 5* – Align Enterprise Asset Management efforts with an updated asset replacement reserve funding strategy
- *Strategy 6* – Maximize technology investments, reduce information silos, and leverage data for more effective decision making



Growing Workforce Expertise

- *Strategy 1* – Raise the culture of accountability and encourage extreme ownership
- *Strategy 2* – Continue to invest in Western Water's employees to attract and retain a best-in-class team
- *Strategy 3* – Broaden leadership and technological training
- *Strategy 4* – Foster an inclusive, diverse culture
- *Strategy 5* – Cultivate future water professionals
- *Strategy 6* – Retain and build institutional knowledge
- *Strategy 7* – Support robust mentorship, cross training, and internship opportunities

Enriching Customer Experience

- *Strategy 1* – Create resources to expand customer trust and enhance awareness of Western Water's service value
- *Strategy 2* – Grow Western Water's robust culture of service by creating a customer care team, encouraging positive customer engagement and refine service protocols to streamline efficiency
- *Strategy 3* – Enhance the customer digital experience and expand customer support programs
- *Strategy 4* – Expand collaboration and increase communication with industry partners
- *Strategy 5* – Strengthen internal and external communications through continued implementation of the Strategic Communications Plan



Salary Information - Management

Title	Annual Salary	
	Minimum	Maximum
General Manager	-	\$ 380,901.87
Deputy General Manager	\$ 230,789	\$ 343,492
Assistant General Manager/Chief Financial Officer	\$ 209,808	\$ 312,266
Assistant General Manager/Communications and Customer Experience	\$ 209,808	\$ 312,266
Director of Communications & Customer Experience	\$ 173,378	\$ 258,045
Director of Engineering	\$ 173,378	\$ 258,045
Director of Finance	\$ 173,378	\$ 258,045
Director of Human Resources	\$ 173,378	\$ 258,045
Director of Information Services	\$ 173,378	\$ 258,045
Director of Maintenance Operations	\$ 173,378	\$ 258,045
Director of Systems Operations	\$ 173,378	\$ 258,045
Director of Water Resources	\$ 173,378	\$ 258,045
Deputy Director of Engineering	\$ 173,378	\$ 258,045
Deputy Director of Maintenance Operations	\$ 157,614	\$ 234,576
Deputy Director of System Operations	\$ 157,614	\$ 234,576
Deputy Director of Water Resources	\$ 157,614	\$ 234,576
Executive Director of Operations	\$ 186,994	\$ 278,311
Deputy Director of Water Resources	\$ 157,614	\$ 234,576



Salary Information - Staff

Title	Annual Salary	
	Minimum	Maximum
Executive Management Administration		
Office Manager	\$ 123,982	\$ 184,522
Executive Assistant	\$ 92,849	\$ 138,182
Administrative Assistant	\$ 72,731	\$ 103,342
Communications and Customer Experience		
Strategic Communications Representative I	\$ 72,731	\$ 103,342
Strategic Communications Representative II	\$ 88,425	\$ 125,622
Strategic Communications Manager	\$ 123,982	\$ 184,522
Creative Services Specialist I	\$ 69,274	\$ 98,408
Creative Services Specialist II	\$ 80,207	\$ 113,946
Creative Services Specialist III	\$ 88,425	\$ 125,622
Customer Service Manager	\$ 123,982	\$ 184,522
Customer Experience Manager	\$ 123,982	\$ 184,522
Customer Experience Representative I	\$ 72,731	\$ 103,342
Customer Experience Representative II	\$ 80,207	\$ 113,946
Customer Experience Representative, Senior	\$ 107,294	\$ 159,692
Customer Service Field Representative I	\$ 59,834	\$ 85,002
Customer Service Field Representative II	\$ 69,274	\$ 98,408
Customer Service Field Representative III	\$ 7,685	\$ 108,505
Customer Service Field Representative IV	\$ 84,213	\$ 119,641
Customer Service Representative I	\$ 56,975	\$ 80,952
Customer Service Representative II	\$ 65,965	\$ 93,729
Customer Service Representative III	\$ 72,731	\$ 103,342
Customer Service Representative, Senior	\$ 84,213	\$ 119,641
Customer Service Supervisor	\$ 92,849	\$ 138,182
Government Relations Officer I	\$ 92,849	\$ 138,182
Government Relations Officer II	\$ 107,294	\$ 159,692

Title	Annual Salary	
	Minimum	Maximum
Engineering		
Administrative Assistant	\$ 72,731	\$ 103,342
Development Services Supervisor	\$ 92,849	\$ 138,182
Engineer I	\$ 107,294	\$ 159,692
Engineer II	\$ 123,982	\$ 184,522
Engineer, Senior	\$ 133,284	\$ 198,373
Engineering Technician I	\$ 72,731	\$ 103,342
Engineering Technician II	\$ 80,207	\$ 113,946
Engineering Technician, Senior	\$ 88,425	\$ 125,622
Environmental and Regulatory Compliance Manager	\$ 143,289	\$ 213,253
Principal Engineer	\$ 143,289	\$ 213,253
Source Control Program Manager	\$ 123,982	\$ 184,522
Source Control Program Specialist I	\$ 88,425	\$ 125,622
Source Control Program Specialist II	\$ 92,849	\$ 138,182
Construction Management Administrator	\$ 107,294	\$ 159,692
Management Analyst I	\$ 84,213	\$ 119,641
Management Analyst II	\$ 92,849	\$ 138,182
Management Analyst, Senior	\$ 107,294	\$ 159,692
Administrative Specialist	\$ 65,965	\$ 93,729
Finance		
Controller	\$ 143,289	\$ 213,253
Accountant I	\$ 76,385	\$ 108,505
Accountant II	\$ 84,213	\$ 119,641
Accountant, Senior	\$ 92,849	\$ 138,182
Accounting and Finance Supervisor	\$ 115,337	\$ 171,657
Accounting Technician I	\$ 56,975	\$ 80,952
Accounting Technician II	\$ 65,965	\$ 93,729
Accounting Technician III	\$ 72,731	\$ 103,342
Financial Analyst I	\$ 84,213	\$ 119,641
Financial Analyst II	\$ 92,849	\$ 138,182
Financial Analyst, Senior	\$ 107,294	\$ 159,692
Purchasing Specialist	\$ 92,849	\$ 138,182
Purchasing Manager	\$ 123,982	\$ 184,522
Management Analyst I	\$ 84,213	\$ 119,641
Management Analyst II	\$ 92,849	\$ 138,182
Management Analyst, Senior	\$ 107,294	\$ 159,692
Human Resources		
Human Resources Specialist I	\$ 65,965	\$ 93,729
Human Resources Specialist II	\$ 72,731	\$ 103,342
Human Resources Analyst I	\$ 80,201	\$ 113,946
Human Resources Analyst II	\$ 88,425	\$ 125,622
Human Resources Analyst, Senior	\$ 203,301	\$ 158,399
Human Resources Manager	\$ 123,982	\$ 184,522
Safety Compliance Coordinator	\$ 84,213	\$ 119,641
Safety Manager	\$ 123,982	\$ 184,522

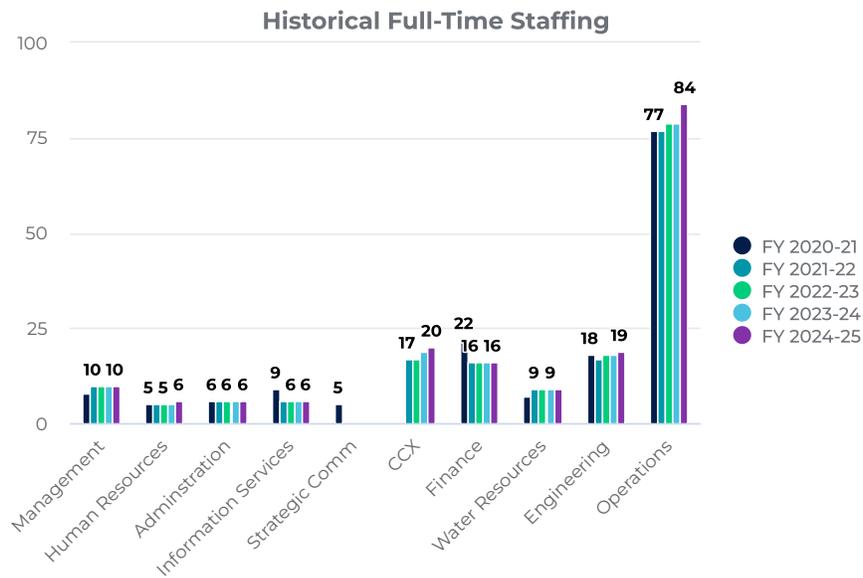
Title	Annual Salary	
	Minimum	Maximum
Information Services		
Application Specialist I	\$ 69,274	\$ 98,408
Application Specialist II	\$ 80,207	\$ 113,946
Application Specialist III	\$ 92,849	\$ 138,182
Application Specialist IV	\$ 107,294	\$ 159,692
IS Specialists I	\$ 69,274	\$ 98,408
IS Specialists II	\$ 80,207	\$ 113,946
IS Specialists III	\$ 92,849	\$ 138,182
IS Specialists IV	\$ 107,294	\$ 159,692
Senior Business Systems Analyst	\$ 115,337	\$ 171,657
Information Security Officer	\$ 123,982	\$ 184,522
Water Resources		
Water Resource Analyst	\$ 92,849	\$ 138,182
Water Resources Manager	\$ 123,982	\$ 184,522
Water Resources Specialist I	\$ 72,731	\$ 103,342
Water Resources Specialist II	\$ 88,425	\$ 125,622
Water Resources Specialist, Senior	\$ 115,337	\$ 171,657
Operations		
Asset Management Coordinator	\$ 92,849	\$ 138,182
Asset Management Supervisor	\$ 115,337	\$ 171,657
Operations Field Manager	\$ 143,289	\$ 213,253
Operations Field Supervisor	\$ 115,337	\$ 171,657
Operations Technician I	\$ 59,834	\$ 85,002
Operations Technician II	\$ 69,274	\$ 98,408
Operations Technician III	\$ 76,385	\$ 108,505
Operations Technician IV	\$ 84,213	\$ 119,641
Senior Operations Technician I	\$ 88,425	\$ 125,622
Senior Operations Technician II	\$ 92,849	\$ 138,182
Administrative Specialist	\$ 65,965	\$ 93,729
Management Analyst I	\$ 84,213	\$ 119,641
Management Analyst II	\$ 92,849	\$ 138,182
Management Analyst, Senior	\$ 107,294	\$ 159,692
Administrative Assistant	\$ 72,731	\$ 103,342

Position Summary

Western Water has developed and implemented organizational changes to the functional structure of Western Water recently, creating and regrouping functional units within the organizational structure with the intent of improving operational and administrative efficiency and effectiveness. Organizational restructuring is the foundation of Western Water's master plan for improving business processes. The adopted budget includes twelve new full-time positions added to the number of authorized positions for a total full-time employee count of 177. These new positions would be added over the course of the two-year budget cycle.

In the first budget year, staff recommends the addition of two Operations Technicians I/II/III/IV to the Wastewater division, one Operations Technician to the Mechanical Services division, an Ops Field Supervisor to the Technical Services team, and a Management Analyst I/II to the Asset Management division. Additionally, an Engineering Technician I/II will be added to the Engineering department, as well as a Senior Human Resources Analyst for the Human Resources division.

In the second budget year, staff recommends the addition of one Operations Technician I/II/III/IV for the Mechanical Services division, an Operations Field Supervisor for the Construction and Collections Team, and a Management Analyst for the System Operations division. Finally, a Senior Business Analyst is being recommended as a staffing addition for the Information Services department, as well as a Director of Communications and Customer Experience for the Communications and Customer Experience division.



Position Title	Personnel Counts			
	FY 2022-23	FY 2023- 24	FY 2024-25	FY 2025-26
Accountant	1	1	3	3
Accounting and Finance Supervisor	0	0	1	1
Accounting Manager	1	1	0	0
Accounting Technician	4	4	4	4
Administrative Assistant	9	9	9	9
Administrative Specialist	2	2	2	2
Application Specialists	4	4	4	4
Asset Management Coordinator	2	2	2	2
Asset Management Supervisor	1	1	0	0
Assistant Deputy Director of Operations	1	1	0	0
Assistant GM/Chief Financial Officer	1	1	1	1
Assistant GM/Communications and Customer Experience	1	1	1	1
Construction Management Administrator	1	1	1	1
Controller	1	1	1	1
Creative Service Specialist	1	1	1	1
Customer Experience Manager	1	1	1	1
Customer Experience Representative	1	1	1	1
Customer Field Representative	0	0	2	2
Customer Service Manager	1	1	1	1
Customer Service Representative	4	4	4	4
Customer Service Supervisor	0	0	1	1
Deputy Director of Engineering	1	1	1	1
Deputy Director of Information Services	1	1	1	1
Deputy Director of Operations	2	2	0	0
Deputy Director of Systems Operations	0	0	1	1
Deputy Director of Water Resources	1	1	1	1
Deputy General Manager	1	1	1	1
Development Services Supervisor	0	0	1	1
Director of Communications and Customer Experience	0	0	0	1
Director of Engineering	1	1	1	1
Director of Finance	1	1	1	1
Director of Human Resources	1	1	1	1
Director of Information Services	0	0	1	1
Director of Maintenance Operations	0	0	1	1
Director of Operations	1	1	0	0
Director of Systems Operations	0	0	1	1
Director of Water Resources	1	1	1	1
Engineer	1	1	4	4
Engineering Technician	0	0	2	2
Environmental and Regulatory Compliance Manager	1	1	1	1
Executive Assistant	3	3	3	3
Executive Director of Operations	0	0	1	1
Financial Analyst	0	0	1	1
General Manager	1	1	1	1
Government Affairs Officer	1	1	1	1
Human Resources Manager	0	0	1	1
Human Resources Specialist	1	1	1	1
Information Security Officer	0	0	1	1
Information Service Specialists	0	0	2	2
IT Specialist	3	3	0	0

Position Title	Personnel Counts			
	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Management Analyst	1	1	1	2
Meter Service Operations Technician	2	2	0	0
Office Manager	1	1	1	1
Operations Field Manager	5	5	7	7
Operations Supervisor	1	1	1	2
Operations Technician	45	45	46	47
Principal Engineer	2	2	2	2
Purchasing Manager	1	1	1	1
Purchasing Specialist	1	1	1	1
Safety Compliance Coordinator	1	1	1	1
Safety Manager	0	0	1	1
Safety Officer	1	1	0	0
Senior Accountant	2	2	2	2
Senior Business Analyst	0	0	0	1
Senior Customer Experience Representative	2	2	2	2
Senior Customer Service Representative	1	1	1	1
Senior Engineering Technician	1	1	0	0
Senior Engineers	4	4	2	2
Senior Financial Analyst	1	1	0	0
Senior Human Resources Analyst	1	1	1	1
Senior Management Analyst	2	2	3	3
Senior Office Assistant	3	3	2	2
Senior Operations Technician	14	14	16	16
Senior Water Resources Specialist	1	1	2	2
Source Control Program Manager	1	1	1	1
Source Control Program Specialist	2	2	2	2
Strategic Communications Manager	1	1	1	1
Strategic Communications Representative	1	3	1	1
Water Resources Analyst	1	1	0	0
Water Resources Manager	0	0	1	1
Water Resources Specialist	2	2	1	1
Totals	160	162	172	177

DEPARTMENTS

Departmental Priorities

Core business process improvements are identified which support Western Water's strategic priorities. Following this page is each department's overview, list of team members, previous year accomplishments, and their future initiatives. Please note that the initiatives listed in the pages in the "Departments" section are continually being updated. Below is a chart that lists all of Western Water's departments and the office they belong to:



Management

The responsibilities of the Management department include Board of Directors Support, Administrative Support Services and the support team for the General Manager, Deputy General Manager, Assistant General Manager/Chief Financial Officer, and Assistant General Manager for Communications and Customer Experience.

Personnel Requirements

Title	FY 2024-25	FY 2025-26
Administrative Assistant	3	3
Assistant GM/Chief Financial Officer	1	1
Assistant GM/Communications and Customer Experience	1	1
Deputy General Manager	1	1
Executive Assistant	2	2
General Manager	1	1
Office Assistant	1	1
Office Manager	1	1
Senior Management Analyst	1	1
Total	12	12

Accomplishments - FY 2023 and FY 2024

Accomplishment Description	Strategic Priority
Created the Water Solutions Summit Group to assist in advancing Senate Bill 366	Resource Management
Led the CA Water for All steering group	Resource Management
Coordinated with other organizations such as California Water Agencies, California Water Efficiency Partnership, and Metropolitan Water District to advance legislative conservation framework	Resource Management
Received Advocacy Achievement Award from WaterReuse Association	Resource Management

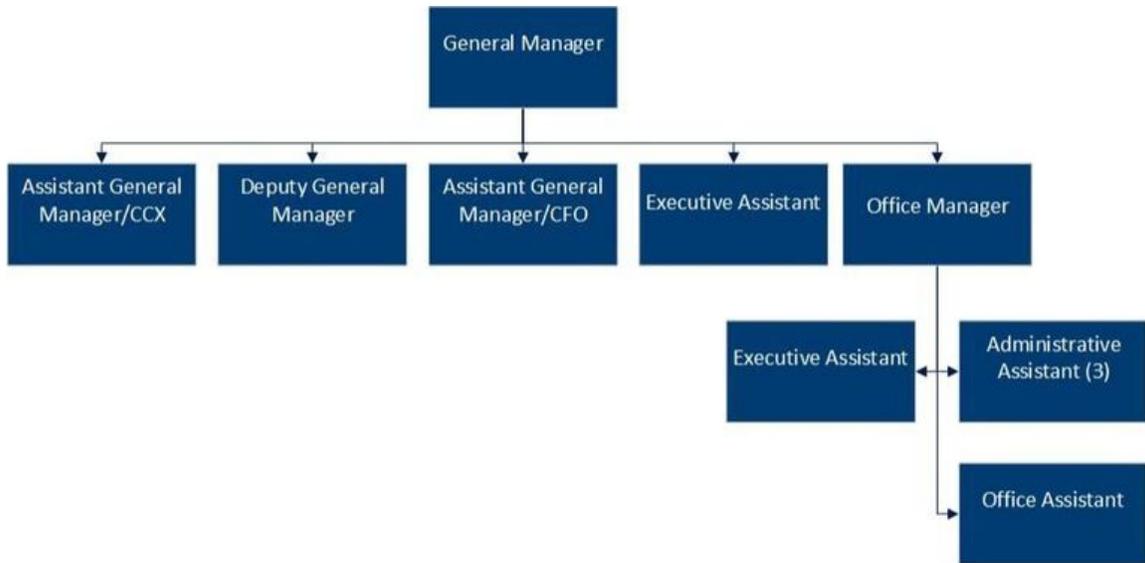
Initiatives - FY 2025 and FY 2026

Project Name	% Complete	Start Date
Manage and Oversee Combined Desalter Pilot Program	75%	7/1/2022
Pursue an upgrade of Standard & Poor's Rating to AAA	50%	1/1/2022
Grow Western Water's robust culture of service by creating a customer care team, encouraging positive customer engagement, and refining service protocols to streamline efficiency.	30%	1/1/2022
Update Mills Gravity Line Fixed Major Maintenance and Repair Budget	0%	7/1/2025
Update Western Water's Aspiration and Strategic Priorities Documents	0%	1/1/2025

Performance Measure Indicators

<i>Activity</i>	<i>Criteria</i>	<i>Strategic Priority</i>	<i>Target FY 2023-24</i>	<i>Target FY 2024-25</i>	<i>Target FY 2025-26</i>
2024 Board General Elections	Prepare and provide assistance to the County for the completion of the 2024 Board General Elections	Resource Management	95%	95%	100%
Prepare and post meeting agendas and notices	Post agendas and notices in accordance with the Brown Act	Superior Service	97%	97%	100%
Timely prepare and complete all board and committee meeting agendas and packets	Provide completed meeting packets to the Board and staff, a minimum of four days before the subject meeting	Superior Service	95%	97%	100%

Organizational Chart - Management



Expenditures Summary

The Management Department is projecting expenditures will decrease by \$156,503.16, or 7.87% compared to the FY 2023-24 budgeted amount. Projected expenditures are expected to increase 4.63% or \$84,863.33 in FY 2025-26.

FY2025 Expenditures

\$1,833,389

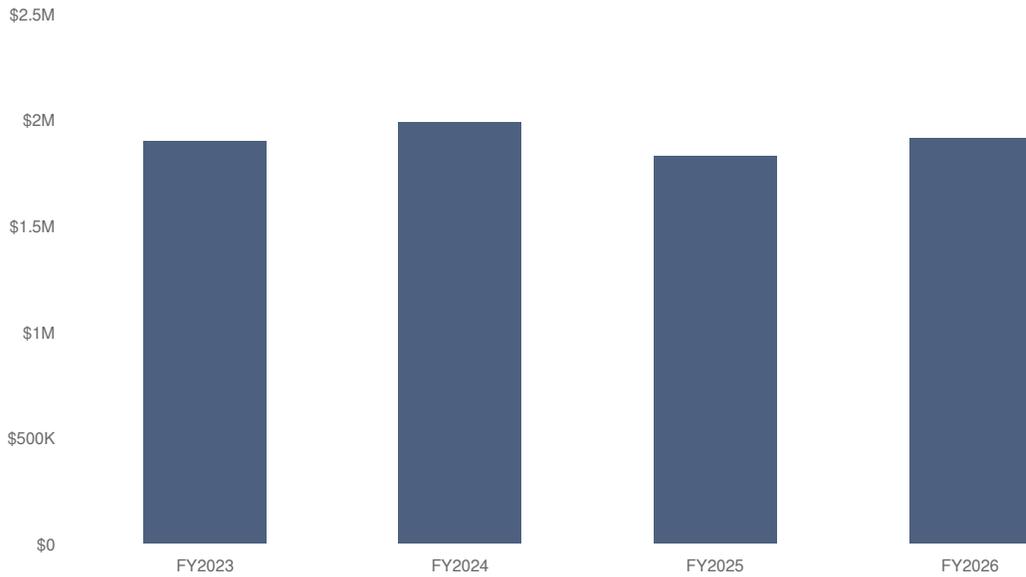
-\$156,503 (-7.86% vs. prior year)

FY2026 Expenditures

\$1,918,252

\$84,863 (4.63% vs. prior year)

Management Proposed and Historical Budget vs. Actual



The decrease is primarily due to a shift in labor and administration expenses to other departments in line with the realignment of tasks.



Water Resources

The responsibilities of the Water Resources department include retail/regional water supply planning, loans/grants organization, water use efficiency programs, regional collaboration/assistance, Geographic Information System (GIS) technologies, and compliance/reporting for Western Water.

Personnel Requirements

Title	FY 2024-25	FY 2025-26
Administrative Assistant	1	1
Application Specialists	2	2
Deputy Director of Water Resources	1	1
Director of Water Resources	1	1
Water Resources Manager	1	1
Water Resources Specialist	3	3
Total	9	9

Accomplishments - FY 2023 and FY 2024

Accomplishment Description	Strategic Priority
Received 7 new grants total in FY 24, totaling \$2.7M	Financial Stewardship
3 grants successfully closed out, totaling \$4.7M	Financial Stewardship
Received "Compliant" rating on grant audit	Financial Stewardship
15 Grant applications submitted and 9 letters of support provided to partner agencies	Financial Stewardship
Continue to attend the following funding agency meetings; Office of Local Defense Community Cooperation, United States Bureau of Reclamation, and Congressionally Directed Spending - Senator Butler's Office	Financial Stewardship
Secured a federal grant for PFAS treatment at March Air Reserve Base	Financial Stewardship
Finalized GIS Strategic Plan	Resource Management
Secured approximately 8,700 acre-feet of dry year storage water	Resource Management

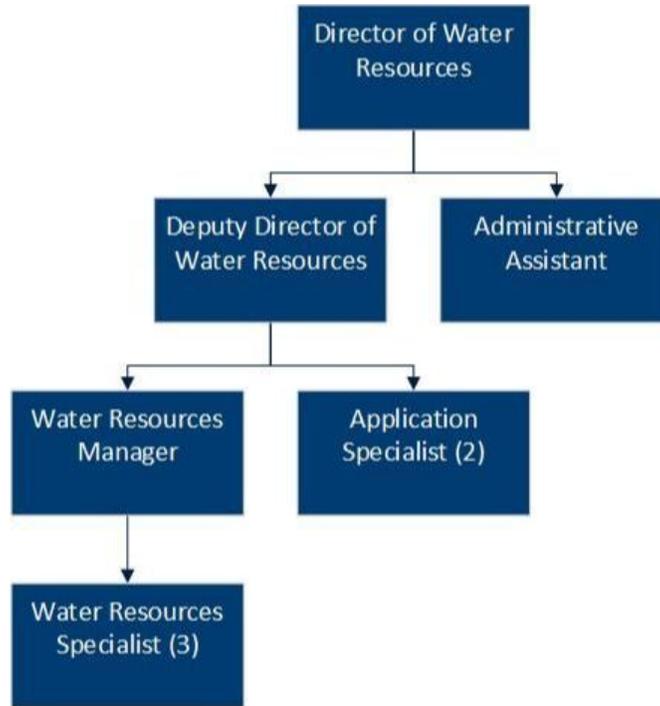
Initiatives - FY 2025 and FY 2026

Project Name	% Complete	Start Date
GIS Strategic Plan Implementation	5%	7/1/2023
Participated in FIRO - A joint effort to maximize stormwater capture from Seven Oaks Dam	15%	7/1/2023
Began a groundwater basin (SBBA) optimization study	20%	7/1/2024
Grant software implementation	0%	7/1/2024
March Field Air Museum Landscape Project	20%	7/1/2021

Performance Measurement Indicators

<i>Activity</i>	<i>Criteria</i>	<i>Strategic Priority</i>	<i>Target FY 2023-24</i>	<i>Target FY 2024-25</i>	<i>Target FY 2025-26</i>
Develop annual water audit for U.S. SB 555 compliance	Provided within three weeks of request	Resource Management	85%	85%	92%
Submit Monthly, Quarterly, and Annual Reports on or before deadline.	Submit all required reporting by established deadline	Superior Service	95%	95%	97%

Organizational Chart - Water Resources



Expenditures Summary

FY2025 Expenditures

\$2,895,520

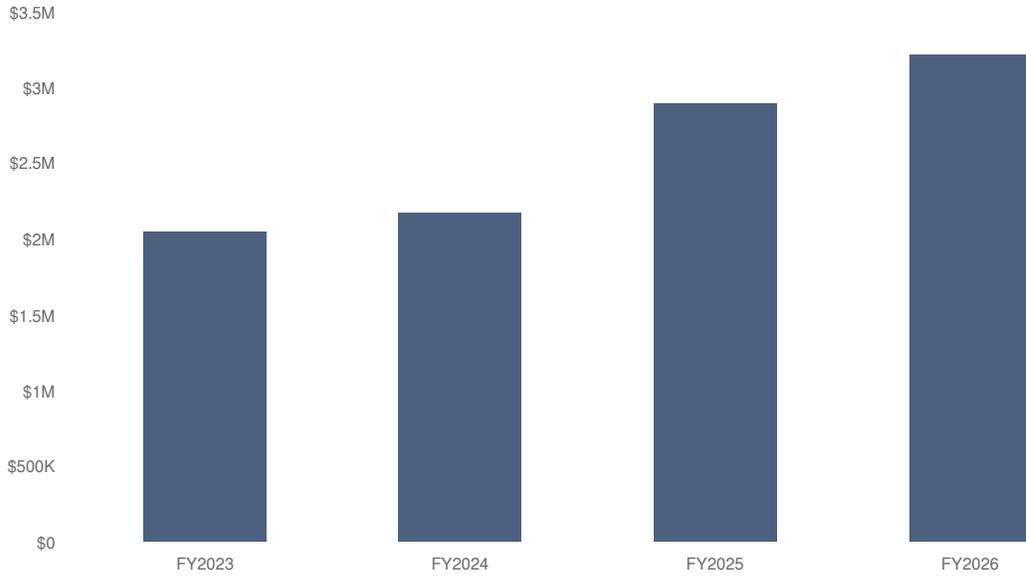
\$714,007 (32.73% vs. prior year)

FY2026 Expenditures

\$3,225,430

\$329,910 (11.39% vs. prior year)

Water Resources Proposed and Historical Budget vs. Actual



Increase is mainly due to a new GIS Strategic Plan implementation costs, labor/administrative expenses, and additional resources for future water resources studies and projects.



Finance

The responsibilities of the Finance department include budget management and financial planning, accounting, internal audit, cash management, and purchasing. The Finance department is committed to maintaining Western Water's strong financial position, efficiently managing its financial resources and ensuring that adequate financial controls are in place and monitored to communicate and report accurate financial results, and to protect its assets.

Personnel Requirements

Title	FY 2024-25	FY 2025-26
Accountant	5	5
Accounting and Finance Supervisor	1	1
Accounting Technician	4	4
Controller	1	1
Director of Finance	1	1
Financial Analyst	1	1
Purchasing Manager	1	1
Purchasing Specialist	1	1
Total	15	15

Accomplishments - FY 2023 and FY 2024

Accomplishment Description	Strategic Priority
Credit Ratings of AAA and AA+ reaffirmed by Fitch and S&P respectively	Financial Stewardship
Certificate of Excellence in Financial Reporting from the Government Financial Officer Association for FY 2023 ACFR	Financial Stewardship
Procured and implemented new ERP system, Infor FSM	Financial Stewardship
Procured and implemented new budget management system, ClearGov	Financial Stewardship
Implemented insurance management tracking system	Financial Stewardship

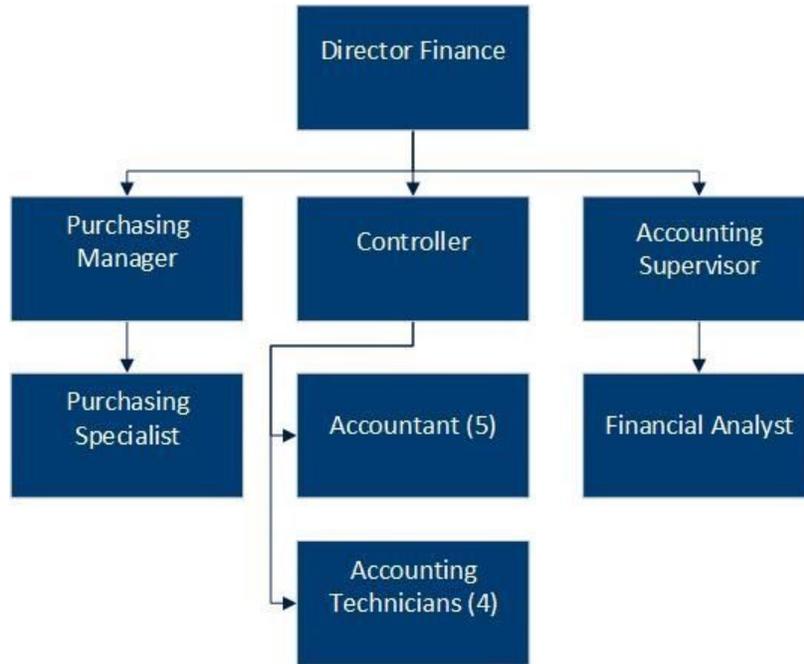
Initiatives - FY 2025 and FY 2026

Project Name	% Complete	Start Date
Grow investment portfolio with Chandler Asset Management Group	95%	1/1/2024
Update Purchasing procedure	0%	7/1/2024
Update finance/accounting forms and workflows	5%	9/1/2024

Performance Measure Indicators

<i>Activity</i>	<i>Criteria</i>	<i>Strategic Priority</i>	<i>Target FY 2023-24</i>	<i>Target FY 2024-25</i>	<i>Target FY 2025-26</i>
Complete committee meeting packets and Board meeting staff reports	Complete within scheduled deadlines	Financial Stewardship	95%	95%	100%
Complete month end closing in a timely manner and produce all required reports	Complete financial reports no later than 2 months after closing	Financial Stewardship	80%	90%	95%
Complete Annual Comprehensive Financial Report (ACFR)	Complete ACFR by January 1 of each year	Financial Stewardship	100%	100%	100%

Organizational Chart - Finance



Expenditures Summary

FY2025 Expenditures

\$2,212,460

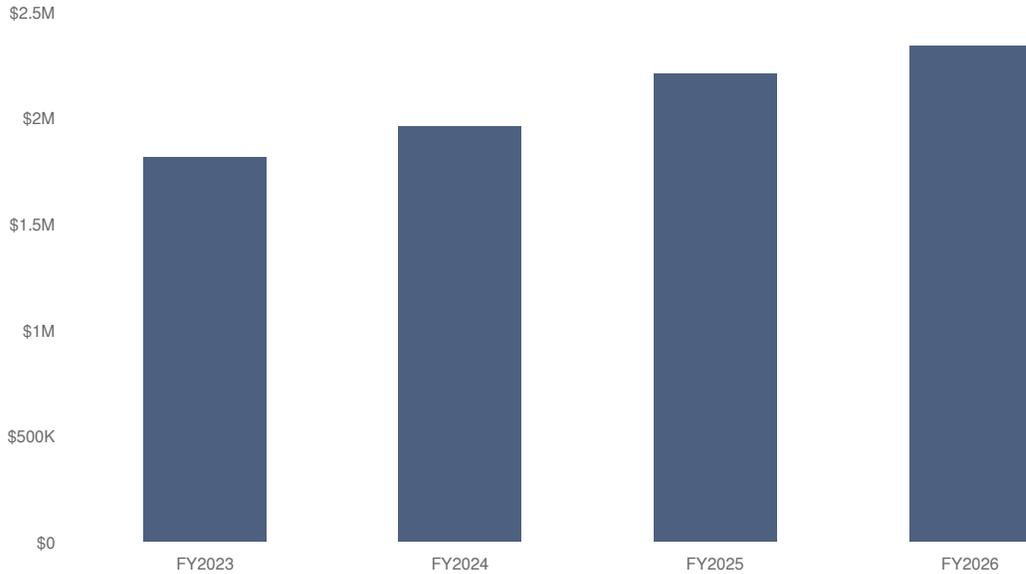
\$246,921 (12.56% vs. prior year)

FY2026 Expenditures

\$2,343,405

\$130,945 (5.92% vs. prior year)

Finance Proposed and Historical Budget vs. Actual



The increase is primarily due to labor and administrative expenses.



Engineering

The responsibilities of the Engineering department include development services, construction management and regulatory compliance support.

Personnel Requirements

Title	FY 2024-25	FY 2025-26
Administrative Assistant	1	1
Administrative Specialist	1	1
Construction Management Administrator	1	1
Deputy Director of Engineering	1	1
Development Services Supervisor	1	1
Director of Engineering	1	1
Engineer	6	6
Engineering Technician	2	2
Environmental and Regulatory Compliance Manager	1	1
Management Analyst	1	1
Principal Engineer	2	2
Source Control Program Manager	1	1
Source Control Program Specialist	2	2
Total	21	21

Accomplishments FY 2023 and FY 2024

Accomplishment Description	Strategic Priority
Identified March Air Reserve Base as a point source of PFAS and conducted treatment research	Resource Management
Laid 14,000 additional LF of pipeline in multiple service areas	Superior Service
Connected 337 new water meters	Superior Service
Made 261 new sewer connections	Superior Service
Completed MCC & Switchgear replacement at Cajalco project for replacement of 1960's equipment	Superior Service
Completed Digester No. 3 and Odor Mitigation Projects at WRCRWA	Superior Service

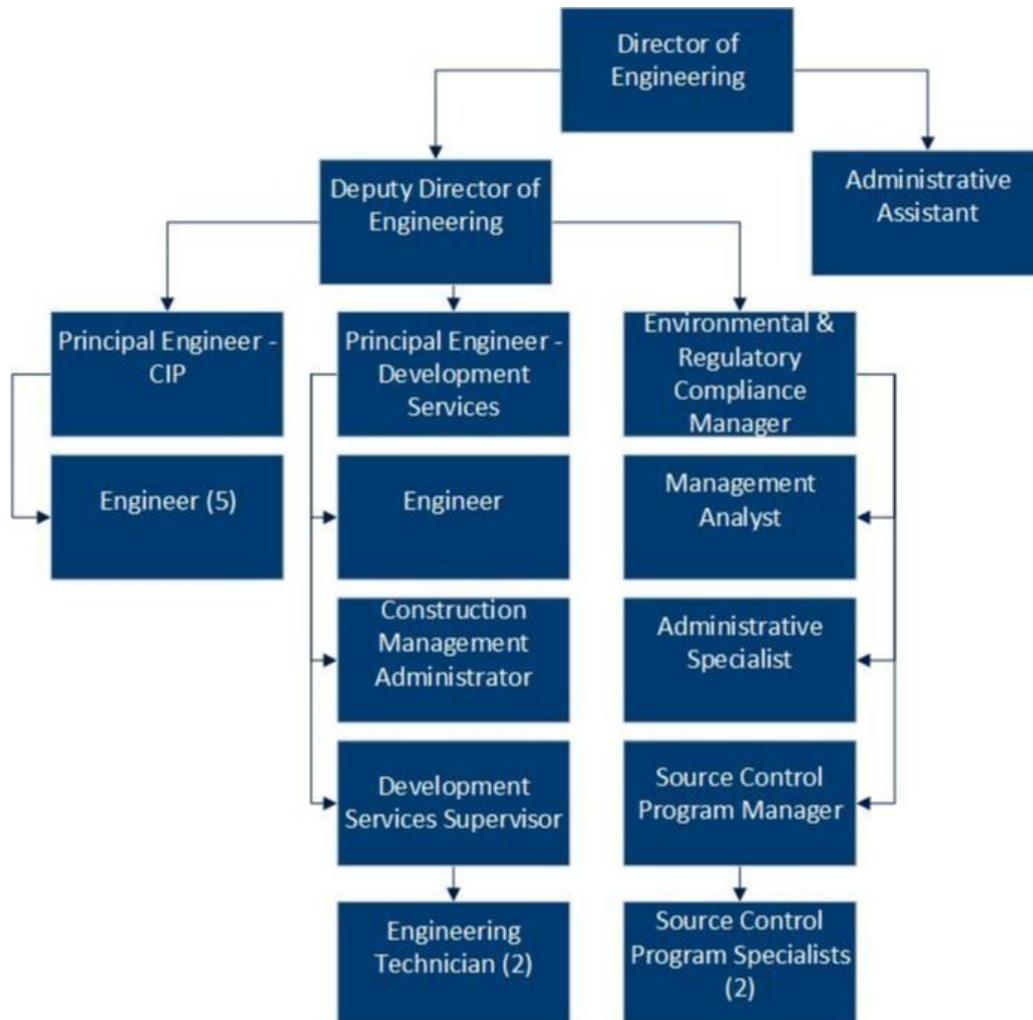
Initiatives FY 2025 and FY 2026

Project Name	% Complete	Start Date
Arlington Desalter Replacement well and Pipeline	0%	7/1/2024
Refurbishment of Hillside Tanks 1 & 2	50%	7/1/2023
Pipeline Replacement - Approximately 15,000 LF	25%	7/1/2024
MGL Choi Valve Replacement	20%	7/1/2023
Murrietta Sewer Groundwater Infiltration Reduction	10%	7/1/2024
Permanent Power Generator at Mockingbird Pump Station	20%	7/1/2023

Performance Measure Indicators

<i>Activity</i>	<i>Criteria</i>	<i>Strategic Priority</i>	<i>Target FY 2023-24</i>	<i>Target FY 2024-25</i>	<i>Target FY 2025-26</i>
Complete Committee and Board meeting staff reports	Complete within scheduled deadlines	Resource Management	90%	95%	97%
Capital Project Tracking	Timely tracking of project timing, scope, and progress against projected expenditures within budget	Superior Service	85%	85%	95%
Development Services Activities	Report monthly statistics on will-serve letters, fire flow requisitions, new meters, new service requests, plan check turn-around timing by the end of the following month	Superior Service	New	85%	95%
Regulatory Compliance Activities	Develop monthly statistics on reporting and meet all reporting deadlines	Superior Service	New	87%	95%

Organizational Chart - Engineering



Expenditures Summary

FY2025 Expenditures

\$2,159,704

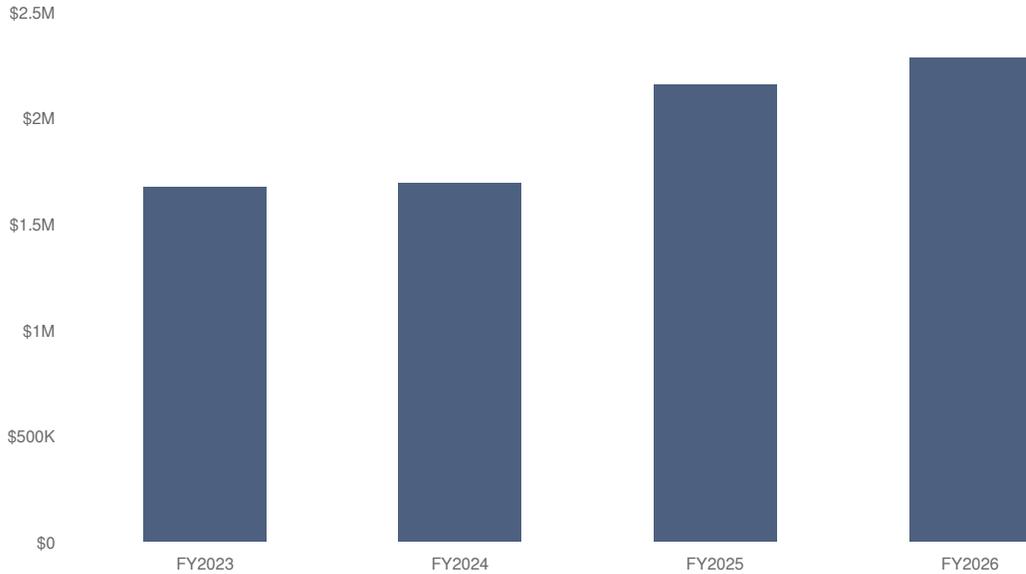
\$459,033 (26.99% vs. prior year)

FY2026 Expenditures

\$2,286,539

\$126,836 (5.87% vs. prior year)

Engineering Proposed and Historical Budget vs. Actual



The increase is primarily due to an increase in labor and administrative expenses.



Communications and Customer Experience

The responsibilities of the Communications and Customer Experience department include Strategic Communications, Customer Service, and Customer Experience. This team focuses on fostering open public dialogue and transparency that allows for effective communication of relevant information to ratepayers, employees, Board of Directors and other stakeholders.

Personnel Requirements

Title	FY 2024-25	FY 2025-26
Administrative Assistant	1	1
Creative Services Specialist	1	1
Customer Experience Manager	1	1
Customer Experience Representative	3	3
Customer Service Field Representative	2	2
Customer Service Manager	1	1
Customer Service Representative	5	5
Customer Service Supervisor	1	1
Director of Communications and Customer Experience	0	1
Government Relations Officer	1	1
Strategic Communications Manager	1	1
Strategic Communications Representative	2	2
Total	19	20



Accomplishments FY 2023 and FY 2024

Accomplishment Description	Strategic Priority
Implemented a new brand in order to enhance visibility and brand consistency	Superior Service
Secured nearly \$90,000 in low-income financial assistance through State funding	Financial Stewardship
Launched meter data management system resulting in 600 notifications issued as a part of the leak notification pilot program	Resource Management
Recognized by the California Association of Public Information Officials with an award of distinction for the community engagement approach supporting the North Well water quality improvement activities to resolve water quality concerns	Resource Management
Featured on the American Dream TV Show	Elite Workforce
Graduated two Western Water Leader Certificate Program cohorts	Superior Service
Innovated Western Water's open house event with a Water Works Wonders focus, increasing participation by more than 100%	Superior Service
Launched redesigned website, improving functionality and accessibility	Superior Service
Implemented customer water use portal pilot program	Superior Service
Successful conservation framework advocacy and implementation of wholesale customer support tools	Superior Service
Enhanced service to development customers	Superior Service
Enhanced capital improvement project communications	Superior Service
Enhanced internal communication and engagement	Elite Workforce
Emmy-nominated for drought outreach video series	Resource Management

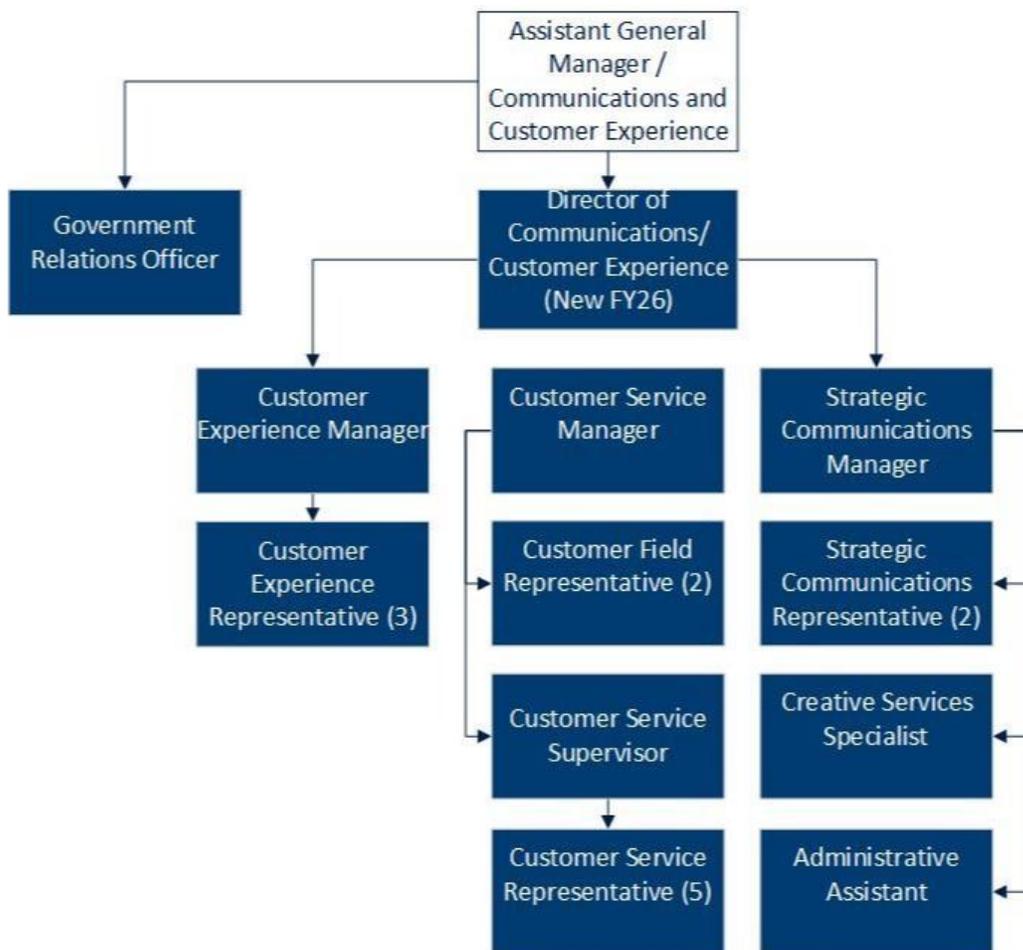
Initiatives FY 2025 and FY 2026

Project Name	% Complete	Start Date
Rate Adjustment Program - Communications and customer experience	0%	7/1/2024
Water Works Wonders open house event	0%	7/1/2024
Regional leadership	0%	7/1/2024
Insights program	0%	7/1/2024
Customer Support Tools	0%	7/1/2024

Performance Measurement Indicators

<i>Activity</i>	<i>Criteria</i>	<i>Strategic Priority</i>	<i>Target FY 2023-24</i>	<i>Target FY 2024-25</i>	<i>Target FY 2025-26</i>
Timely billing of customer accounts	Bills sent on-time for each cycle	Superior Service	100%	100%	100%
Timely response to customer calls	Meet or exceed average time to answer incoming phone calls	Superior Service	97%	100%	100%
Timely response to customer phone calls	Reduce number of abandoned calls	Superior Service	95%	100%	100%

Organizational Chart - Communications and Customer Experience



Expenditures Summary

FY2025 Expenditures

\$3,888,140

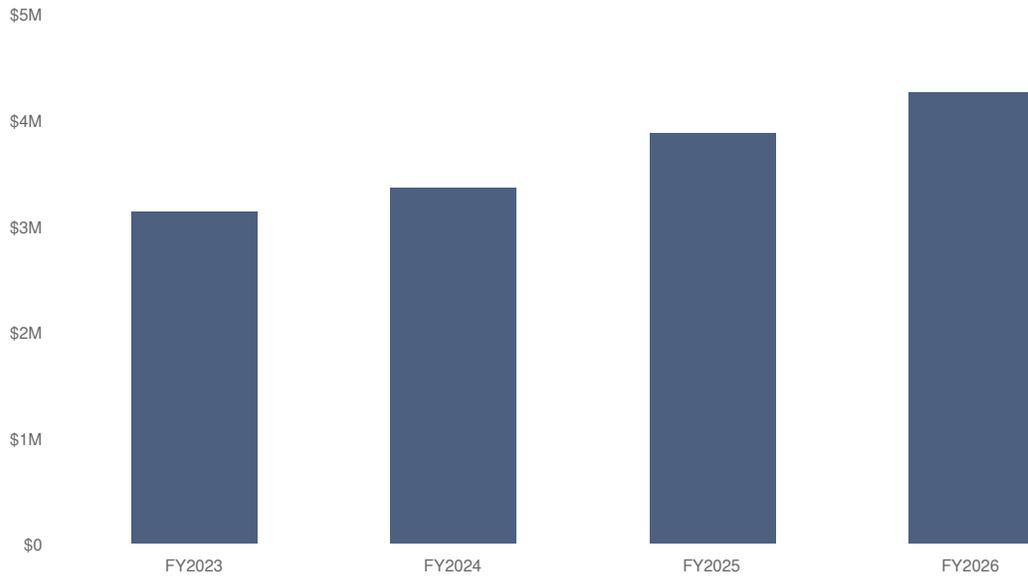
\$518,402 (15.38% vs. prior year)

FY2026 Expenditures

\$4,270,761

\$382,621 (9.84% vs. prior year)

Communications and Customer Experience Proposed and Historical Budget vs. Actual



The increase is primarily due to labor expenses, administrative expenses, and an expected increase in bank charges.



Information Services

The IS department is responsible for maintaining secure, reliable, and capable District-wide information systems and services, allowing the effective and efficient integration of computer technologies into its daily business practices. IS is also responsible for managing, maintaining, and administering servers and other technology services.

Personnel Requirements

Title	FY 2024-25	FY 2025-26
Application Specialist	2	2
Business Analyst	0	1
Director of Information Services	1	1
Information Security Officer	1	1
Information Service Specialist	2	2
Total	6	7

Accomplishments FY 2023 and FY 2024

Accomplishment Description	Strategic Priority
Enhanced cybersecurity by upgrading backup system for enhanced ransomware protection and completed a comprehensive penetration test	Superior Service
Upgraded Western Water's audio/visual system in order to conduct transparent public meetings	Superior Service
Excellence in IT Practices Award from Municipal Information Systems Associations of California (MISAC)	Superior Service
Improved mobile device management program	Resource Management

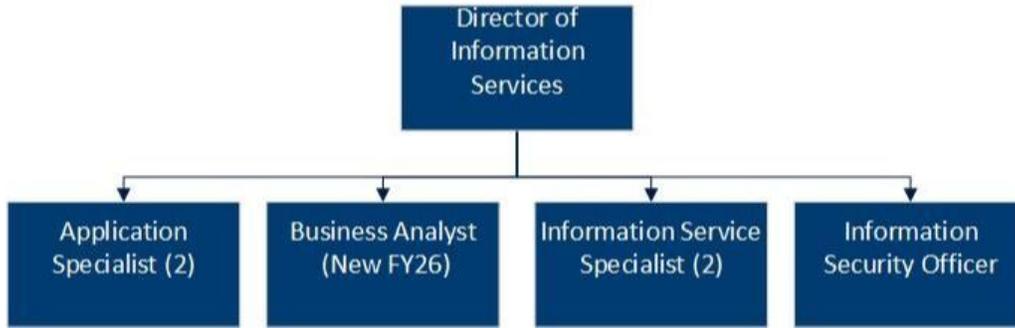
Initiatives FY 2025 and FY 2026

Project Name	% Complete	Start Date
Upgraded wide area network	5%	7/1/2024
Planned for Enterprise software replacement	0%	10/1/2024
IS Strategic Plan Update	0%	10/1/2024

Performance Measure Indicators

Activity	Criteria	Strategic Priority	Target FY 2023-24	Target FY 2024-25	Target FY 2025-26
Reliable and dependable network performance	If downtime should occur, reduce length of downtime to less than 2 hours	Superior Service	95%	95%	97%
Timely resolution to user problems	Resolve problems within 24 hours	Superior Service	95%	95%	97%
Maintain internal customer service	Percentage of favorable responses to internal customer satisfaction survey	Superior Service	90%	95%	95%

Organizational Chart - Information Services



Expenditures Summary

FY2025 Expenditures

\$2,824,302

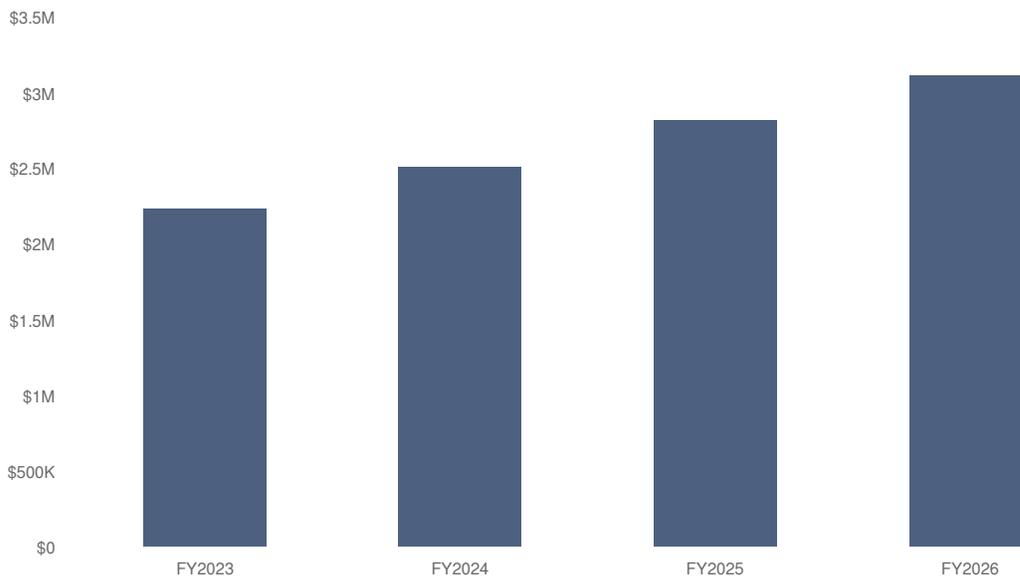
\$310,731 (12.36% vs. prior year)

FY2026 Expenditures

\$3,113,791

\$289,488 (10.25% vs. prior year)

Information Services Proposed and Historical Budget vs. Actual



The increase is primarily due to increases in technology service obligations.

Human Resources

The responsibilities of the Human Resources department include support to Western Water’s employees, maximizing employer-employee relationships, and ensuring the application of Western Water’s policies in a fair and legal manner. Human Resources is also responsible for safety, risk, and emergency preparedness.

Personnel Requirements

Title	FY 2024-25	FY 2025-26
Director of Human Resources	1	1
Human Resources Analyst	1	1
Human Resources Manager	1	1
Human Resources Specialist	1	1
Safety Compliance Coordinator	1	1
Safety Manager	1	1
Total	6	6

Accomplishments FY 2023 and FY 2024

Accomplishment Description	Strategic Priority
2023 Inland Empire Top Workplace	Elite Workforce
Advanced the Western Water Leads Program	Elite Workforce
Incorporated the MyHardwired Assessment communication tool into the onboarding process	Elite Workforce
Coordinated with CalOES for staff emergency management training	Elite Workforce
Formed the staff groups Western Management Team (WMT) and Administrative Professionals Team (APT)	Elite Workforce
2023 ACWA/JPIA H.R. LaBounty Safety Award	Elite Workforce
Participated in multiple regional recruitment events including Riverside Job Fair and Rubidoux High School Career Fair	Elite Workforce
Partnered with WEROC for EOC training for all Western employees	Elite Workforce
Employee completed ACWA JPIA Professional Development Program (PDP) Supervisor Basics	Elite Workforce
Local Hazard Mitigation Plan Approved by FEMA	Elite Workforce/Superior Service

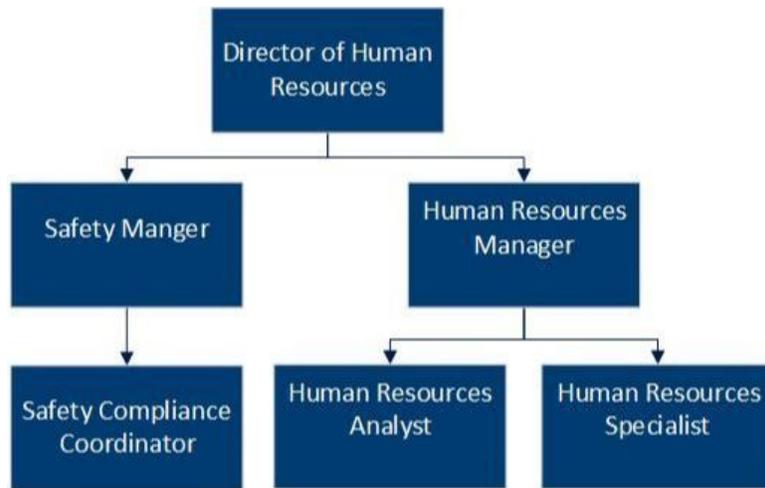
Initiatives FY 2025 and FY 2026

Project Name	% Complete	Start Date
Performance Management System Enhancement: <ul style="list-style-type: none"> ○ Create Review Committee ○ Evaluate optional software systems ○ Evaluate and revise competencies and rating structure ○ Recommend enhanced system to EMT ○ Meet and discuss with Employee association and Management Team 	40%	1/1/2024
Upgrade security cameras at Meridian Building	20%	8/2/2024
Upgrade Security Cameras at Operations Building	0%	8/1/2025

Performance Measure Indicators

Activity	Criteria	Strategic Priority	Target FY 2023-24	Target FY 2024-25	Target FY 2025-26
Recruitment Process	Continue recruitment process enhancements	Elite Workforce	Ongoing	Ongoing	Ongoing
Succession planning	Identify critical positions to capture knowledge prior to retirements, create opportunities for supervisors to have increased and effective employee engagement with staff, and identify potential successors for future vacancies	Elite Workforce	Ongoing	Ongoing	Ongoing
Leadership Training	Conduct leadership training for managers and supervisors; provide training for employees Districtwide to foster employee development	Elite Workforce	Ongoing	Ongoing	Ongoing
Update Employee Handbook and District Personnel Policies	Upon changes in processes and procedures, evaluate and revise forms, as needed; and revise with changes to laws/ regulations	Elite Workforce	Ongoing	Ongoing	Ongoing

Organizational Chart - Human Resources



Expenditures Summary

FY2025 Expenditures

\$1,795,065

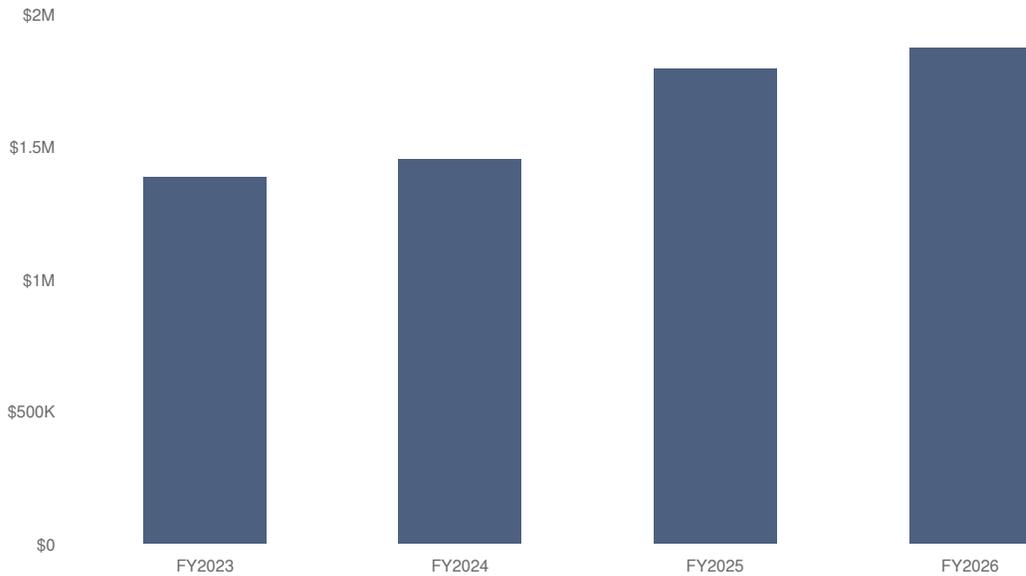
\$342,355 (23.57% vs. prior year)

FY2026 Expenditures

\$1,874,032

\$78,967 (4.40% vs. prior year)

Human Resources Proposed and Historical Budget vs. Actual



The increase is mainly due to realignment duties and budget from other departments.



Operations

The responsibilities of the Operations department include Distribution, Water Quality, Wastewater Collections, Wastewater Treatment, Construction/Repair, Preventative Maintenance, Enterprise Asset Management, and Administrative support function.

Personnel Requirements

Title	FY 2024-25	FY 2025-26
Administrative Assistant	3	3
Administrative Specialist	1	1
Asset Management Coordinator	2	2
Deputy Director of Maintenance Operations	1	1
Deputy Director of Systems Operations	1	1
Director of Maintenance Operations	1	1
Director of Systems Operations	1	1
Executive Assistant	1	1
Executive Director of Operations	1	1
Management Analyst	2	3
Office Assistant	1	1
Operations Field Manager	6	6
Operations Field Supervisor	1	2
Operations Technician	62	63
Total	84	87



Accomplishments FY 2023 and FY 2024

Operations Administration

Accomplishment Description	Strategic Priority
Acquired licenses for all Operations personnel to have access to the American Water College. The program has over two hundred courses covering industry related certifications, safety, professional development, and utility management	Elite Workforce
Successfully delivered operational presentations to the EOWR regularly, as well as delivered Operations Dashboard reports and Newsletter monthly	Superior Service
Updates to Western Water's plan included a review of potential hazards facing the district and its corresponding priorities, as well as an up-to-date listing of critical facilities and an assessment of mitigation capabilities and proposed mitigation activities.	Superior Service
Collaborated with UC Riverside on an energy analysis for Western Water's Pump stations with dual utilities	Financial Stewardship
Western Water staff hosted Riverside Public Utilities and Riverside Public Works to share industry ideas, challenges, and emergency mutual assistance	Regional Leadership
Updating of the Strategic Operations and Staffing Plan was completed. The updating of this plan for OPS included confirming alignment with Western Water's strategic initiatives and laying out a draft organization staffing plan for FY2025-2029.	Elite Workforce

Automation and Electrical Services

Accomplishment Description	Strategic Priority
Designed and constructed a new shed to house all ADS treatment analytical instrumentation. Integrated a new control panel to the ADS SCADA system to enhance and secure water quality analytical measurements.	Resource Management
Completed SCADA Wide Area Network Design and constructed four sixty-five-foot radio towers to facilitate network communications	Resource Management
Installation was completed for the Tesla Megapack Energy Storage System at Mockingbird Pump Station to store energy during off peak hours and discharge energy during peak demand resulting in energy cost savings estimated at \$50,000 per year	Resource Management

Construction/Collections

Accomplishment Description	Strategic Priority
Western Water staff relocated 400' of potable water pipeline from an environmentally sensitive area to the public right of way.	Resource Management
Scheduled and participated in the Confined Space Rescue Team Rodeo held at the Rancho Cucamonga Fire Training Grounds	Elite Workforce
Construction/Collections staff created an emergency bypass connection to pump sewage utilizing portable pumps	Superior Service
Mockingbird Creek Recycled Water Line Replacement and Stream realignment	Superior Service

Distribution

Accomplishment Description	Strategic Priority
Western Water continued to proactively communicate all planned and unplanned MWD shutdowns with our member wholesale agencies. By doing so, Western Water was able to ensure our member agencies could plan for the disruptions.	Superior Service
From the hydraulic model, Western Water staff implemented a comprehensive high-velocity, unidirectional flushing plan to remove sediment from Murrieta pipes in a targeted and efficient manner.	Superior Service
Western Water staff developed a robust hydraulic model, implemented an aggressive flushing program, and completed an extensive year-long analysis of the water system to better understand system conditions and possible contributors to discolored water events. With better understanding of emerging system conditions, staff sought Board approval of an enhanced system cleaning program to remove legacy minerals and wellhead treatment to lessen the addition of minerals found in the groundwater.	Superior Service
Western Water implemented the Wholesale Desalter Enterprise to the cities of Corona, Norco, and Jurupa Community Services District. This effort provides high quality water to wholesale customers at a lower price than imported water and offsets capital investments made by retail customers.	Resource Management
Western Water successfully completed the cleaning of the open reservoir at the McAllister Pump Station, a project initially set to be outsourced.	Financial Stewardship
Western Water successfully completed the cleaning and re-grading of the Victoria Recharge Basin, a project initially budgeted to be outsourced.	Financial Stewardship
Western Water successfully upgraded three sites with new distribution meters, enhancing the understanding of water distribution within the system. The upgrade at the Wylar PRV valve site, which included fitting a new meter and adjusting pressure to facilitate flow between zones, has led to reduced pumping at the CITP Pump Station, resulting in energy cost savings.	Resource Management

Enterprise Asset Management

Accomplishment Description	Strategic Priority
<p>Performed condition assessments of over 800 major mechanical and electrical equipment at nine Western facilities, including South Regional Pump Station (SRPS), Cajalco Intake PS, Hillside PS, Rolling Meadows PS, Rainbow PS, Alson Booster, North Well and New Clay Well.</p> <p>Developed related Asset Replacement Schedules for each site and updated existing schedules.</p>	Financial Stewardship
Continued development of department business plan and planning documents, refining goals, objectives, strategies, and tactics needed to achieve Superior Service. Created 14 new user guides	Superior Service
Project managed the installation of heat reduction window film at the Meridian Building (216 single-pane windows) resulting in immediate improvements to temperature control and energy usage, as well as enhanced occupant comfort.	Resource Management
Performed monthly cycle counts, completed mid-year audit, and processed inventory value changes due to aged, obsolete, and degraded stock. Master inventory list refined by reclassifying materials from "inventory" to "supplies" and vice versa to better meet Western's day-to-day operations. Working with staff, implemented new vendor managed inventory system for over 50 new electrical parts and materials. Conducted internal customer service survey to identify warehouse services improvement initiatives. Feedback from the survey resulted in the activation of the Warehouse Front Desk.	Financial Stewardship
Staff in Asset Management and Information Services jointly developed an interactive dashboard for Western Water's vertical assets such as pump stations. The dashboard shows asset age, condition, and replacement costs. The goal is to extend facility lifespans through timely preventative maintenance and strategically plan for replacement through the capital plan.	Financial Stewardship
Framework document outlines fundamental principles needed for effective asset management, including a strategic roadmap to achieve Superior Service.	Superior Service
Staff in Asset Management and Finance jointly developed new formulas to enhance the asset replacement schedule to better reflect current installation costs and overall budget projections over a 5-10 year cycle.	Financial Stewardship
Developed new inventory naming standards, and enhanced item descriptions to better identify and locate inventory items, and improve overall accuracy of annual inventory audits.	Superior Service
In collaboration with Customer Service team, developed protocols for ordering inventory meters based on actual meter movement, including lead times, to ensure adequate stock for customer needs.	Superior Service
In collaboration with Ops staff, developed protocols for assessing Risk and Consequence of Failures for vertical assets at pumping stations. The protocols include a matrix for identifying mission critical assets.	Superior Service

Mechanical

Accomplishment Description	Strategic Priority
Staff continued to expand the machine shop capabilities furthering our self-reliance, and our ability to craft high-quality parts in-house in a timely and cost effective manner.	Superior Service
Facilities Services continues to look after our buildings and infrastructure. After a leak was noted at the WRCRWA administrative building, facilities worked diligently to correct the problem. Staff researched and selected a competent vendor, who replaced the roof and mitigated any internal water damage.	Superior Service
Three maintenance staff members received their Maintenance Reliability Technician Certification	Elite Workforce

Water Quality

Accomplishment Description	Strategic Priority
Staff replaced two of three membrane trains solely with in-house resources at a substantial cost savings to the customers.	Elite Workforce
Formed a Backflow Consortium for Operators and led multiple agencies throughout the region through a formal discussion and training at Western Water.	Regional Leadership
Successfully executed the 12 zone Murrieta Unidirectional Flushing Plan including pipeline camera inspections and water quality sampling.	Superior Service
North Well2 treatment facility will reduce operating costs in the Murrieta service area by allowing the District to rely on local ground water for distribution to the community.	Superior Service
Collections team staff constructed a water filling station that allows Gavilan Hills area residents that do not have a water connection access to water.	Financial Stewardship
Performed a new clean in place procedure for the R.O. membranes. The new procedure gives the operators variety on how to best tailor the clean-in-place for a particular train or situation.	Resource Management
Created a spreadsheet based on flows and best available lab data that will help operators achieve the best water quality	Resource Management
Obtained quarterly PFOA/PFOS sample results on the ADS effluent water showing result under the new MCLs established by the EPA.	Resource Management

Wastewater

Accomplishment Description	Strategic Priority
Completed a five-year Capital Facilities Plan for WRCRWA	Financial Stewardship
Western Water staff replaced the 30-foot tall methane flare (Waste Gas Burner) at WWRF and will rehabilitate the damaged unit and store as a spare for future use.	Resource Management
Constructed 700 feet of 7-foot diameter air ducting to conduct treated foul air from the solids handling facility to the other side of the WRCRWA plant to reduce odors reaching neighboring residences.	Superior Service
Made operational changes from past practice resulting in substantial natural gas and chemical savings. Staff maximizes the usage of digester gas in running the boiler. Resulted in \$166K of savings.	Financial Stewardship
Installation of a chemical mixing system at the inlet structure for the Chlorine contact basins. By installing mixing equipment, we receive better homogenization of chemical with the water resulting in better disinfection while using less chemical (bleach).	Financial Stewardship
Western Water staff replaced the 30-foot tall digester gas flare (Waste Gas Burner) at WWRF. Rehabilitated the damaged unit and stored as a spare for future use.	Financial Stewardship
Digester #3 and Odor Mitigation Improvement projects are substantially complete. WRCRWA is gaining beneficial use out of both projects. Digester #3 provides 73% additional treatment capacity as well as the capability to take active digesters offline for cleaning and maintenance. Odor Mitigation Project moved odor control system's exhaust away from the property line as well as higher elevation"	Financial Stewardship
WRCRWA during Winter months undergo operation challenge at Solar Dryer Discharge Conveyor. WRCRWA Issued a purchase order to Dudek and began redesign of the solar drier discharge conveyors. This project will likely wrap up in 2025	Resource Management
If successful in gaining efficiency in chlorine contact basin, it would lead to reduction in bleach usage and reduce the likelihood of disinfection byproduct formation (trihalomethanes).	Resource Management

Initiatives FY 2025 and FY 2026

Operations Administration

Project Name	% Complete	Start Date
Operations Space Planning	5%	8/1/2024

Automation and Electrical Services

Project Name	% Complete	Start Date
Master Plan - SCADA Implementation	40%	1/1/2024
Bucket Truck Procurement	0%	7/1/2025
Meridian Building Energy Efficiency Initiatives	10%	8/1/2024
Valve Truck Replacement	0%	9/1/2024

Construction/Collections

Project Name	% Complete	Start Date
WWRF Collection System Lift Station Repair, Rehab and Replacement	0%	8/1/2025

Distribution

Project Name	% Complete	Start Date
Water System Management	0%	9/1/2024
Highline Trailer Procurement	0%	9/1/2024
Holcomb Vault Lid Replacement	0%	7/1/2025
Rainbow Asset Replacement	0%	9/1/2024
Install New Pressure Reducing Valves in Riverside Service Area	0%	9/1/2024

Enterprise Asset Management

Project Name	% Complete	Start Date
Review and Update Asset Management Plan	0%	9/1/2024
Warehouse Improvements	0%	9/1/2024
Procure and Implement new Asset Management Software	0%	9/1/2024

Mechanical

Project Name	% Complete	Start Date
Fleet Electrification	0%	9/1/2024
Refurbish Truck Utility Bodies	10%	8/1/2024
Replace Off-Road Diesel Vehicles to Comply with Clean Fleet Rule	0%	9/1/2024

Water Quality

Project Name	% Complete	Start Date
Arlington Desalter Chlorine Building Rehabilitation and Generation Equipment Installation	0%	9/1/2024
Install Arlington Desalter Vault Lids	0%	9/1/2024

Wastewater

Project Name	% Complete	Start Date
Complete WWRF Chlorine Contact Basin Modifications	10%	8/1/2024
Complete WWRF Automation Upgrade	0%	9/1/2024

Minor Capital Program Operations Projects

Project Name	% Complete	Start Date
Pump Motor Efficiency	10%	8/1/2024
Natural Gas Engine Overhaul	10%	8/1/2024
Potable Distribution System Repair, Rehab, Replace	0%	9/1/2024
Non-Potable Distribution System Repair, Rehab, Replace	0%	9/1/2024
Murrieta Distribution System Repair, Rehab, Replace	0%	9/1/2024
Machine Shop Enhancements	10%	8/1/2024
Water Quality Instrumentation and Equipment	0%	9/1/2024
Ops Site Interior and Exterior Upgrades	0%	9/1/2024

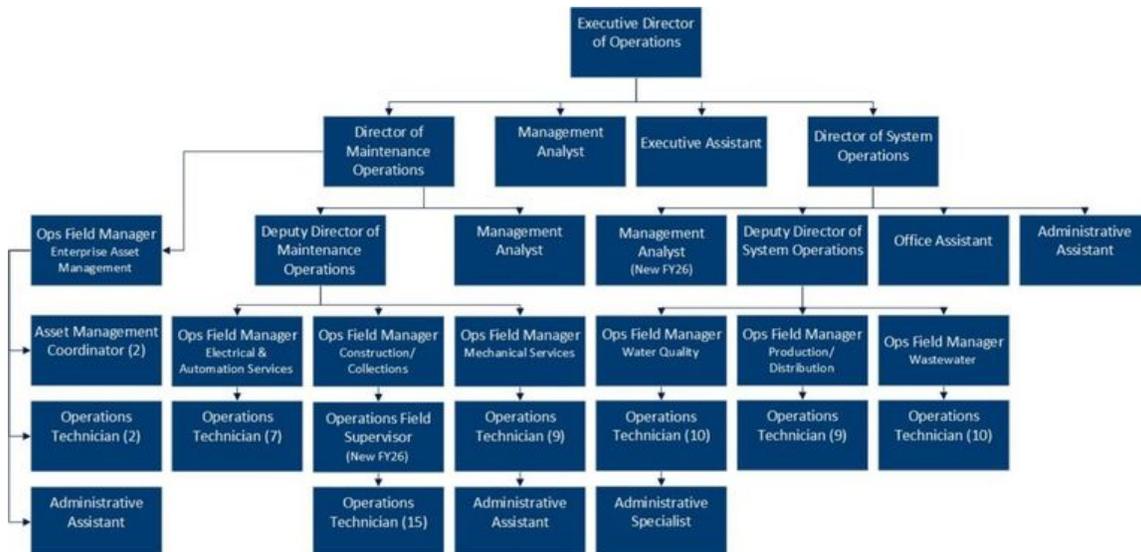
Risk Mitigation Program Operations Projects

Project Name	% Complete	Start Date
Site Security Improvements	0%	9/1/2024

Performance Measurement Indicators

Activity	Criteria	Strategic Priority	Target FY 2024-25	Target FY 2024-25	Target FY 2025-26
Asset Management	Evaluate assets for optimized operations.	Resource Management	Ongoing	Ongoing	Ongoing
Optimization	Continuously improve utilization of distinct data to inform decisions	Resource Management	Ongoing	Ongoing	Ongoing
Regulatory Readiness	Develop a plan and strategy for expected regulations	Resource Management	Ongoing	Ongoing	Ongoing
Developing an elite and flexible workspace	Expand leadership training programs to include managers and supervisors	Elite Workforce	Ongoing	Ongoing	Ongoing

Organizational Chart - Operations



Expenditures Summary

FY2025 Expenditures

\$50,081,749

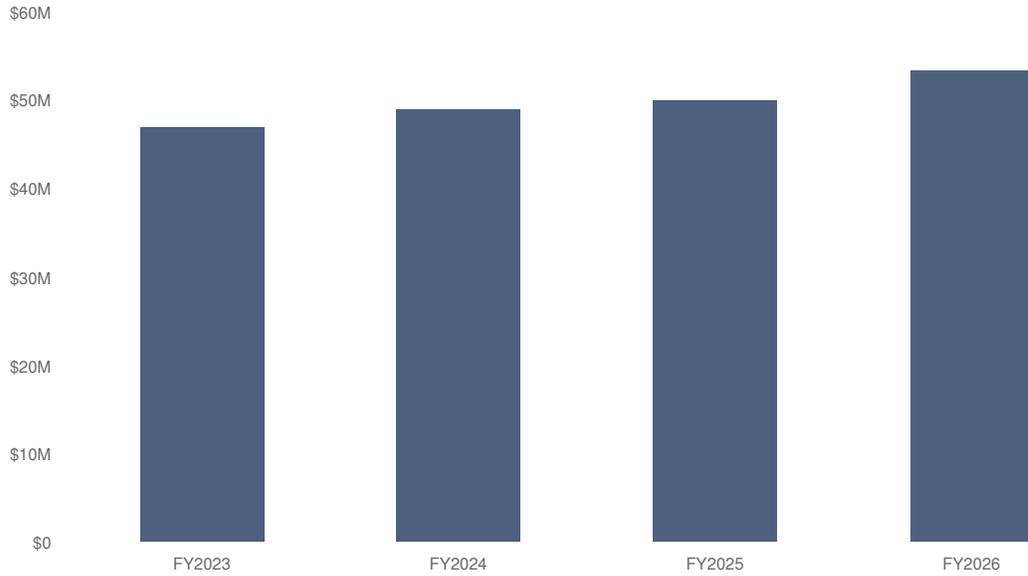
\$1,144,036 (2.34% vs. prior year)

FY2026 Expenditures

\$53,452,767

\$3,371,019 (6.73% vs. prior year)

Operations Proposed and Historical Budget vs. Actual



BUDGET OVERVIEW

Operating Budget

This is the seventh time Western Water has developed a biennial operating budget. In this section, you will find Western Water has summarized operating budget information by grouped funds. Western Water has many operating funds, which have been combined into five major groups for this budget document. These groups are General Fund, Wholesale Water, Desalters, Retail Water, Wastewater, and the Mills Gravity Line (MGL).

Western Water is a special purpose government that has enterprise activity and follows the reporting requirement for enterprise funds. The reporting structure of the budget differs from the audited financial statements, which present information in an aggregated and consolidated format. In addition, designated funds are included in the audited financial statements, but are not included in the operating budget. "Designated funds" are funds established for a specific, non-operating purpose, such as the construction of assets. Western Water does not appropriate funds in its budget process.



Fund Reporting and Structure Levels

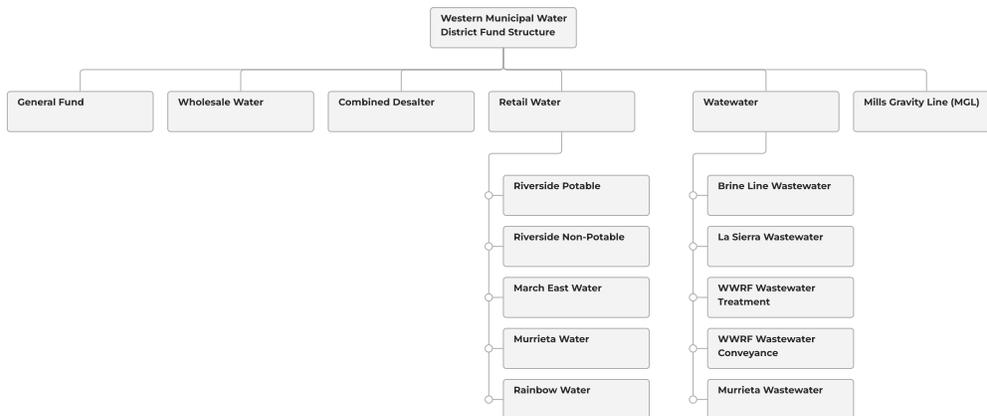
The budget document represents information at several reporting levels, as follows:

Consolidated: The Consolidated report presents information at a high-level summary.

Combined: The Combined report provides additional detail, combining similar enterprises into major fund groups:

- **General Fund** accounts for all general government activity not accounted for in other funds. This fund is used to aggregate administrative costs, which are allocated to enterprise funds as overhead.
- **Wholesale Water** accounts for activity related to the delivery of wholesale water to other agencies.
- **Combined Desalter** accounts for activity related to the Arlington Desalter, Victoria Recharge Basin, Chino Desalter, and Sterling Pump Station, and Chino Basin Desalter Authority. These facilities deliver desalinated water to other agencies
- **Retail Water** accounts for activity related to the delivery of water to retail customers
- **Wastewater** accounts for activity related to the treatment and conveyance of sewage.
- **Mills Gravity Line (MGL)** accounts for activity related to the conveyance of potable water to Western Water's retail customers through this pipeline.

Fund Structure



Major Budget Drivers

Various assumptions are used in projecting revenue and expenses for the budget. Specific assumptions are discussed in each fund; however, there are several over-arching budget drivers that affect the budget as a whole. This section will focus on providing more information on the major budget drivers of the two-year Operating Budget.

Adopted Water/Wastewater Rates for Fiscal Year 2024-2025

In June 2021 Western Water's Board adopted water and wastewater rates with a July 1, 2021 effective date as well as four subsequent years. The last effective date for that four year rate increase period was July 1, 2024. Western Water staff will be performing a new cost of service evaluation of both water and wastewater rates. Fiscal Year 2024-25 budget is funded in part by existing adopted water and wastewater rates. Fiscal Year 2025-26 assumes an increase in rate revenues.

Projected Water Demand

For wholesale water delivery estimates, Western Water utilizes historical information and input directly from wholesale customers to determine the budgeted water deliveries for the next Fiscal Year. For retail water delivery estimates, Western Water utilizes historical information along with projected water demand forecasted by Western Water's Water Resources department. Projected demands in each of the four billing tiers are based on the actual monthly indoor and outdoor consumption from the previous year, weather assumptions measured in inches of Evapotranspiration (ET), and the impact of water consumption, outreach, conservation messaging, and water use efficiency programs.

Customer Growth

For both revenue and expense projections, 1% customer growth was calculated. In order to best serve this increasing customer base.

New Positions

The budget includes twelve (12) new positions for the next two fiscal years. Total full-time personnel for Fiscal Year 2024-25 is budgeted to be 172 and in Fiscal Year 2025-26 is budgeted to be 177.

Inflationary Pressures and Additional Costs

The National Consumer Price index has increased by 18% from 2020-2023. Western is not exempt from these price increases, such as the cost of chemicals to manage the Wastewater Treatment plant.

Purchased Power Costs

Western Water uses electric, natural gas, and solar energy to provide water and wastewater services to our customers. Natural gas availability in Southern California is generally improved relative to past years. Western Water continues to improve managing energy costs by making this effort a strategic priority for Western Water and is actively creating models that help to maximize energy usage in both water and wastewater service systems.

Debt Service Obligations

Western Water issues debt to fund its Capital Improvements and Facilities Plan. Debt proceeds may be used to pay for the design, acquisition, and/or construction of capital projects. From time to time, Western Water may also issue debt to refinance outstanding debt obligations as market conditions warrant. The refinancing is typically done to lower Western Water's borrowing costs and related debt service payments.

Cost of Imported Water

Since our region does not have many natural sources of water, most of the water provided to our customers has traveled through hundreds of miles of open aqueducts and pipelines from the Sierra Nevada mountain snowpack in Northern California to our customers. The majority of water Western Water purchases for sale to customers comes from Metropolitan Water District of Southern California (MWD). MWD was created in 1928 by vote of the electorates of 11 Southern California cities at the time. MWD's primary purpose is to provide a supplemental supply of water for domestic and municipal uses at wholesale rates to its member agencies. Western Water is a member of MWD. Water purchased from MWD travels hundreds of miles from northern California, through the Bay-Delta, down the California Aqueduct, over the Tehachapi Mountains, to our treatment facility.

Other than limited groundwater sources in the Murrieta Service Area and temporary leased groundwater rights in the Bunker Hill Basin, Western Water is still heavily dependent upon MWD for potable water for its retail customers. MWD continues to experience increases in the cost of acquiring water and delivering that water to its member agencies, such as Western Water. As a result, MWD's rate for potable water will increase from \$1,256 per acre-foot to \$1,395 on January 1, 2025, an 11.1% increase. Western Water continues to closely monitor the rate increases from MWD as it is one of the major drivers for needing to increase rates.

The following schedule lists MWD water rates per acre-foot.

Imported WMWD Water Rates				
Rates Effective	Full Service			
	Potable		Non-potable	
	\$/AF	% Change	\$/AF	% Change
Jan. 1, 2017	\$ 979	4%	\$ 666	12%
Jan. 1, 2018	\$ 1,015	4%	\$ 695	4%
Jan. 1, 2019	\$ 1,050	3%	\$ 731	5%
Jan. 1, 2020	\$ 1,078	3%	\$ 755	3%
Jan. 1, 2021	\$ 1,104	2%	\$ 777	3%
Jan. 1, 2022	\$ 1,143	4%	\$ 799	3%
Jan. 1, 2023	\$ 1,209	6%	\$ 855	7%
Jan. 1, 2024	\$ 1,256	4%	\$ 903	6%
Jan. 1, 2025	\$ 1,395	11%	\$ 912	1%
Jan. 1, 2026	\$ 1,528	10%	\$ 985	8%

Cost of Administration

The budget includes twelve (12) new positions for the next two fiscal years. Total full-time personnel for Fiscal Year 2024-25 is budgeted to be 172 and in Fiscal Year 2025-26 is budgeted to be 177. The budget does not include any new part-time positions.

Full-Time Personnel Changes

Department	FY 2023-24 Headcount	FY 2024-25 Additions	FY 2025-26 Additions
Communications & Customer Experience	19		1
Engineering	20	1	
Finance	17		
Human Resources	5	1	
Information Services	6		1
Management	10		
Operations	79	5	3
Water Resources	9		
Total Headcount	165	172	177

Part-Time Personnel Changes

Department	FY 2023-24 Headcount	FY 2024-25 Additions	FY 2025-26 Additions
Communications & Customer Experience	5	0	0
Engineering	2	0	0
Finance	3	0	0
Human Resources	0	0	0
Information Services	0	0	0
Management	1	0	0
Operations	6	0	0
Water Resources	3	0	0
Total Headcount	9	9	9

Budget projections assume that all positions will be continuously filled for the entire 12 months of the year and that any vacancies, at the time of budget development, will be filled at the median salary for the position. The following schedule shows the number of budgeted full-time positions historically by Fiscal Year. In Fiscal Year 2021-22 Western Water experienced reorganization which resulted in multiple position shifts between departments as well as the consolidation and creation of departments.

A cost of living adjustment (COLA) is applied to staff labor rates, and is incorporated into the budget. The COLA is based on the Memorandum of Understanding (MOU) and Confirmation of Understanding (COU). The cost of living adjustment each year is based on the consumer price index 12-month change for the Riverside, San Bernardino, Ontario area through January of each year and has a floor of 1% and a ceiling 4%. The percentage change of Consumer Price Index – U for the Riverside, San Bernardino, Ontario area for the preceding twelve months ending in January was 2.9%. Therefore, the Cost of Living Adjustment to all Western Water employees shall be 2.9% effective at the beginning of the last pay period of June. A merit pool has also been incorporated into the budget for each Fiscal Year. The merit pool is typically used as an incentive for employees and is related to their annual performance evaluation. The merit pool also accommodates additional salaries from promotions and other salary adjustments.

Employee benefits are based on known rates and expected rate adjustments. Paid leave, such as Holiday, Sick Leave, Bereavement, Vacation and Administrative Leave are budgeted based on the expected accrual of each employee. Longevity Pay is budgeted based on the date of hire and the level of benefit based on the employee MOU or COU. Employee retirement is based on expected rates from the California Public Employee Retirement System (CalPERS). Social Security/FICA and Medicare are based on projected values from the Social Security Administration and Internal Revenue Service. Health Insurance is based on the actual cost of Health Insurance, Vision and Dental, and estimated increases. Budget projections assume the average cost of health insurance per employee for vacant positions. Other employee benefits, such as long-term disability, worker's compensation and life insurance are based on actual information.

Administration costs include labor, office supplies, and utilities, building maintenance, Board of Directors expenses, computer systems, legal costs, equipment, etc. These costs are allocated to water and wastewater funds, Operations Center, Vehicles funds, and to capital projects based on labor dollars and are shown in the Operating Budget summaries by Fund Groups as "Allocation and Other" expenses type.

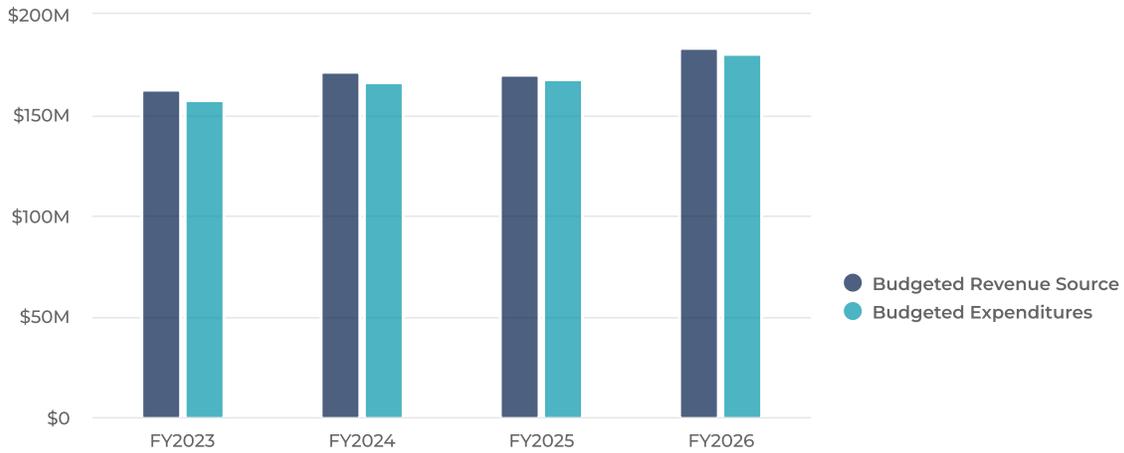
OPERATING BUDGET

The following schedule presents a consolidated view of the biennial Operating Budget and is a summary of the budget for all Western Water operating funds. Detailed information for each reporting category is discussed in the following pages. Explanation for major year-to-year budget variances will be provided.

Summary

Western Municipal Water District is projecting \$170.55M of revenue in FY2025, which represents a 0.6% decrease over the prior year and \$183.34M of revenue in FY2026, which represents a 7.5% increase over the prior year.

Budgeted expenditures are projected to increase by 1.2% or \$1.96M to \$168.46M in FY2025 and 7.1% or \$11.95M in FY2026.



Consolidated Summary

Name	FY2023 Budget	FY2024 Budget	FY 2025 Budget	FY 2026 Budget
Beginning Fund Balance:	N/A	N/A	N/A	N/A
Revenues				
Water Sales	\$99,395,351	\$106,107,095	\$102,699,343	\$111,605,074
Water Service	\$20,164,838	\$21,252,769	\$22,195,330	\$24,282,247
Wastewater Service	\$16,836,766	\$17,432,166	\$16,407,736	\$17,482,964
Contract Service & Other Charges	\$18,000	\$18,600	\$19,200	\$19,600
Taxes	\$25,975,063	\$26,412,755	\$28,866,383	\$29,595,633
Other Non Operating Revenue	\$361,096	\$353,445	\$357,609	\$352,272
Total Revenues:	\$162,751,114	\$171,576,830	\$170,545,601	\$183,337,789
Expenditures				
Labor & Benefit	\$30,271,440	\$32,582,532	\$36,409,233	\$40,030,759
Operating Expense	\$19,873,633	\$19,661,716	\$21,320,660	\$22,179,809
Purchased Water	\$84,465,871	\$90,070,721	\$85,537,816	\$92,498,399
Wastewater Disposal Charge	\$9,279,920	\$9,559,310	\$8,368,400	\$8,698,972
Purchased Power	\$4,164,833	\$4,381,303	\$6,091,787	\$6,638,322
Allocation & Other	-\$3,095,737	-\$3,089,740	-\$3,416,125	-\$4,127,481
Other Non Operating Expense	\$6,049,594	\$5,922,984	\$6,708,523	\$6,631,649
Interfund Transfers	-\$3,919,014	-\$3,800,962	-\$5,212,145	-\$5,300,073
Debt Service and Other Expenses	\$4,363,429	\$4,459,892	\$5,366,034	\$5,510,217
Asset Replacement Funding	\$6,432,963	\$6,750,919	\$7,288,868	\$7,654,735
Total Expenditures:	\$157,886,932	\$166,498,675	\$168,463,052	\$180,415,308
Total Revenues Less Expenditures:	\$4,864,182	\$5,078,155	\$2,082,549	\$2,922,481
Ending Fund Balance:	N/A	N/A	N/A	N/A

Revenues by Source

Sources of Operating Funds and Operating Revenue are synonymous and represent income from the primary activities of Western Water, which are comprised of Water Sales, Water Service, Wastewater Service, Contract Service & Other Charges, Taxes, and Other Non Operating Revenue.

Water Sales Revenue represents commodity charges from the delivery of water and is Western Water's largest source of revenue. Retail water sales projections are based on (1) projected water deliveries, (2) projected new customer growth and (3) projected annual rate adjustments. Water Budget Rates is a four-tiered inclining rate structure that incorporates penalty components in the upper tiers. The last rate adjustments occurred on July 1, 2024 and a new rate schedule for the preceding four years will start on July 1, 2025. Wholesale water sales are based on demand projections obtained directly from our wholesale agencies or usage trend over the past several years. Wholesale customers pay the MWD Tier 1 water rate plus Western's Administrative Charge.

Water Service Revenue is derived primarily from Fixed System Charges, Pumping Charges, Water Reliability Charges and a pass-through of Metropolitan Water District's (MWD) Readiness-to-Serve (RTS) Charge. The largest of these, in terms of revenue, is the Fixed System Charge. Revenue from the Fixed System Charge is used to cover costs associated with operating and maintaining the entire water system. The Pumping Charge recovers the cost of power to pump water to the end user, and varies depending on the distance and/or elevation from the system's water source. Revenue from the Water Reliability Charge is set aside in a designated fund to pay for construction projects and inter-agency agreements that will provide additional water sources to Western Water's Riverside Service Area retail customers. The RTS Charge is a pass-through of costs from MWD to pay for the cost of providing standby service, including emergency storage capacity.

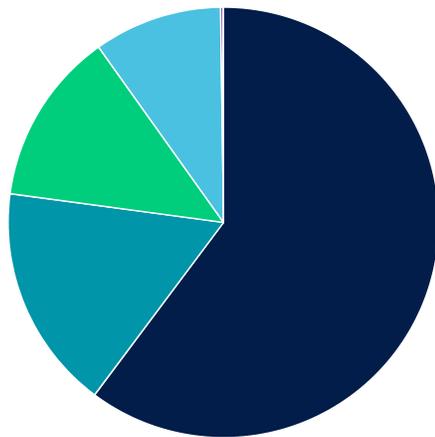
Wastewater Service Revenue is made up of funds waste disposal charges and waste disposal service charges. Disposal charges represents revenue earned from collecting, conveying and treating wastewater discharge. Waste disposal service charges represent revenues earned from the disposal of industrial wastewater that exceeds allowable concentration levels and excess quantity penalties.

Contract Services & Other Charges is revenue earned by Western Water as a result of the administration of various community facilities districts.

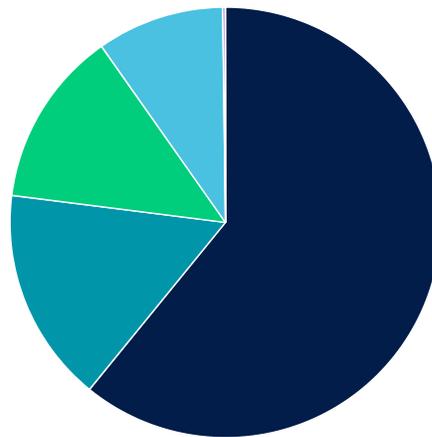
Tax Revenue is comprised of the property tax revenue that Western Water receives from the general ad valorem taxes collected by the County of Riverside.

Other Non Operating Revenue is comprised of interest revenue and property leases.

Projected 2025 Revenues by Source

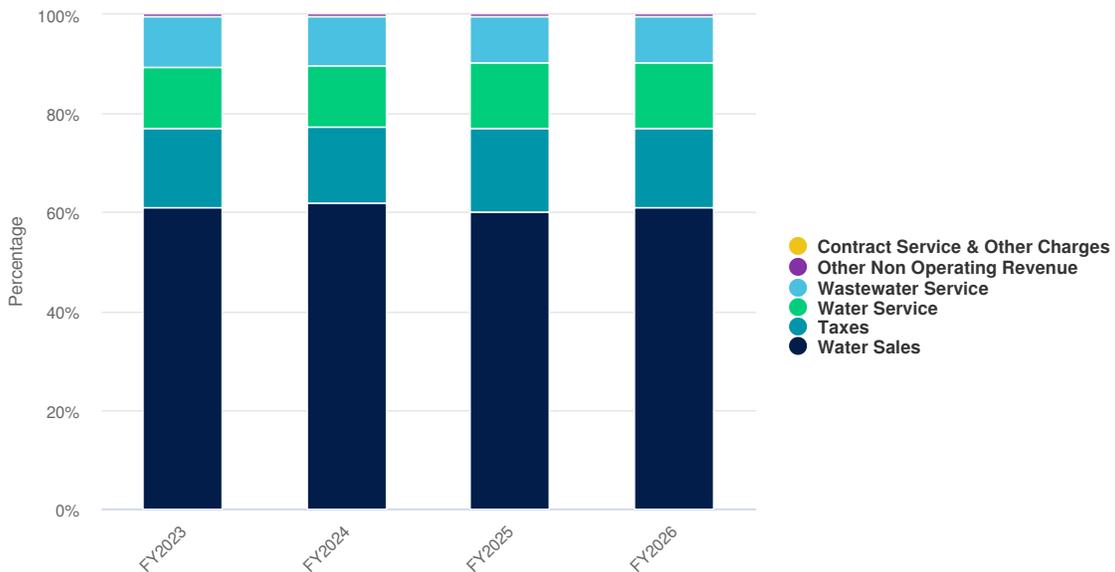


Projected 2026 Revenues by Source



- Water Sales
- Taxes
- Water Service
- Wastewater Service
- Other Non Operating Revenue
- Contract Service & Other Charges

Budgeted and Historical 2025 Revenues by Source



Water sales revenue decreased from FY2025 compared to FY2024 due to utilizing more refined demand assumptions and delivery projections compared to the last budget cycle. Some of the change is also a result of how the Finance department is recording Combined Dealer water sales under the new Combined Desalter Enterprise Program. Wastewater sales decreased from FY2025 to 2026 due to a reduction in assumed revenue from the Brine Line, particularly in excess penalties. Tax revenue increased for FY2025 compared to FY2024 due to projected growth of the region.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Revenue Source						
Water Sales	\$102,699,343	\$111,605,074	-3.2%	-\$3,407,752	8.7%	\$8,905,731
Water Service	\$22,195,330	\$24,282,247	4.4%	\$942,561	9.4%	\$2,086,917
Wastewater Service	\$16,407,736	\$17,482,964	-5.9%	-\$1,024,430	6.6%	\$1,075,228
Contract Service & Other Charges	\$19,200	\$19,600	3.2%	\$600	2.1%	\$400
Taxes	\$28,866,383	\$29,595,633	9.3%	\$2,453,628	2.5%	\$729,250
Other Non Operating Revenue	\$357,609	\$352,272	1.2%	\$4,164	-1.5%	-\$5,337
Total Revenue Source:	\$170,545,601	\$183,337,789	-0.6%	-\$1,031,229	7.5%	\$12,792,188

Expenditures by Expense Type

Operating Expenses for budgeting purposes include principal payments received by Western Water and paid by Western Water. The use of operating funds are separated into the following categories:

- Labor & Benefits
- Operating Expenses
- Purchased Water
- Wastewater Disposal Charge
- Purchased Power
- Allocation & Other
- Other Non-Operating Expense
- Interfund Transfers
- Debt Service and other Expenses
- Asset Replacement Funding

Labor & Benefits: This category is comprised of expenses related to payroll and benefits of Western Water employees.

Operating Expense: This category includes the cost of operating and administering Western Water's business.

Purchased Water: This expense category includes the cost of purchasing water for resale to wholesale and retail customers. There is always a difference between the purchased water and water expected to be sold.

Wastewater Disposal Charges: This expense category includes the cost of fixed and variable disposal charges, laboratory services, and excess discharge penalties.

Purchased Power: This expense category includes the cost of energy used to deliver water from supply sources to storage tanks and ultimately to end users.

Allocation & Other: This category is comprised of expenses related to general and administrative expenses for the general district, MWD's capacity and readiness to serve charge, overhead, special studies and produces, as well as vehicle usage.

Other non-operating Expense: Other Non-Operating Expenses include interest and expenses paid on bonds, debt service, or other miscellaneous non-operating expenses.

Interfund Transfers: This category captures the movement of money between fund and is primarily made up of transfers:

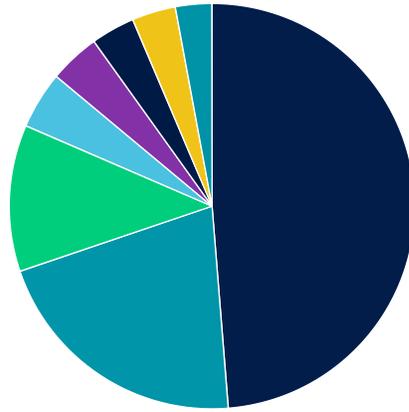
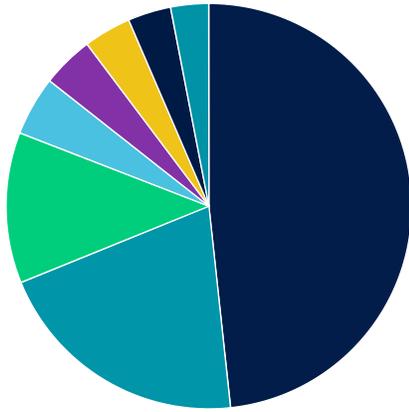
- 1) From Operating Funds to Asset Replacement Reserve Funds
- 2) From the Riverside Retail Water Funds to the Water Reliability Fund
- 3) From certain designated funds to Operating Funds to pay debt service obligations.

Debt Service and Other Expenses: This category is comprised of debt service principal payments.

Asset Replacement: This category is made up of the funding that is set aside for asset replacement purposes.

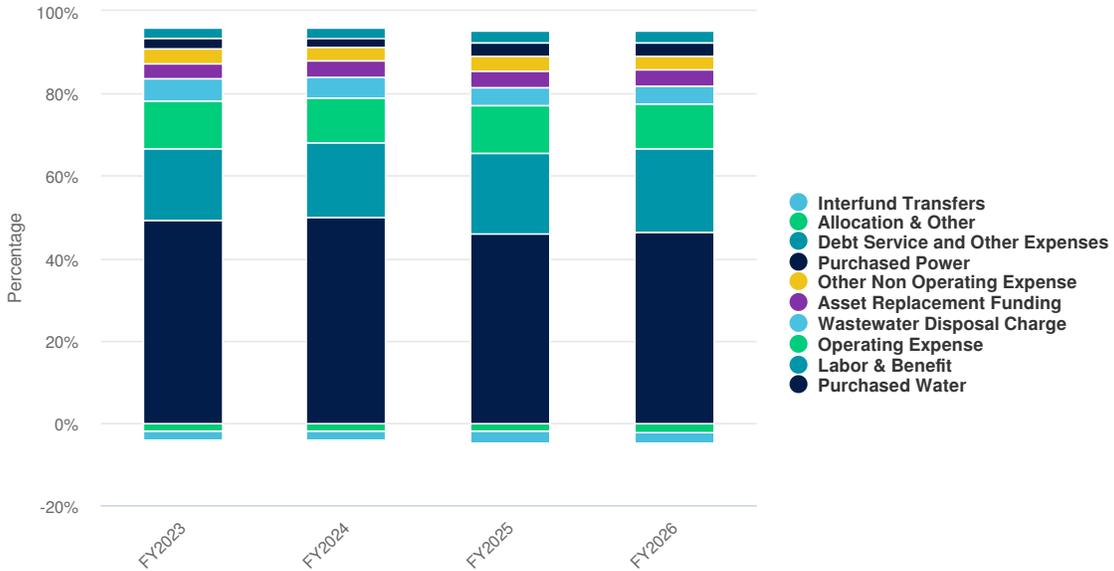
Budgeted 2025 Expenditures by Expense Type

Budgeted 2026 Expenditures by Expense Type



- Purchased Water
- Labor & Benefit
- Operating Expense
- Wastewater Disposal Charge
- Asset Replacement Funding
- Other Non Operating Expense
- Purchased Power
- Debt Service and Other Expenses
- Allocation & Other
- Interfund Transfers

Budgeted and Historical Expenditures by Expense Type



The Allocation & Other Expense category is higher for FY2025 and FY2026 compared to FY2024 due to a change in methodology in how the allocation is calculated. Debt service and Other Expenses increased compared to FY2023 due to increased debt obligations. Purchased Power for FY2025 and FY2026 increased due to the rising cost of gas and electric energy. Disposal charges decreased in this budget as the assumption for excess penalties was reduced based on recent trends.

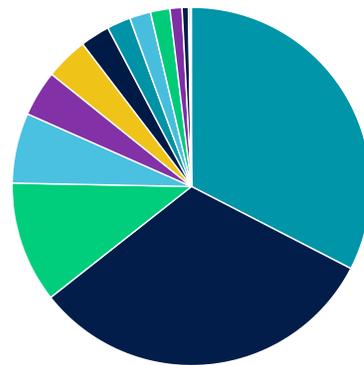
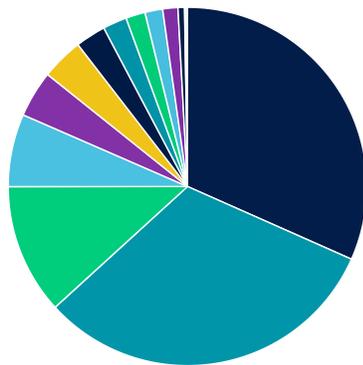
Note: Other variances between expense categories are largely explained due to Western Water's recent implementation of a new chart of accounts and realignment of expenses to different reporting categories.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Expense Objects						
Labor & Benefit	\$36,409,233	\$40,030,759	11.7%	\$3,826,701	9.9%	\$3,621,526
Operating Expense	\$21,320,660	\$22,179,809	8.4%	\$1,658,944	4%	\$859,149
Purchased Water	\$85,537,816	\$92,498,399	-5%	-\$4,532,905	8.1%	\$6,960,583
Wastewater Disposal Charge	\$8,368,400	\$8,698,972	-12.5%	-\$1,190,910	4%	\$330,572
Purchased Power	\$6,091,787	\$6,638,322	39%	\$1,710,484	9%	\$546,535
Allocation & Other	-\$3,416,125	-\$4,127,481	10.6%	-\$326,385	20.8%	-\$711,356
Other Non Operating Expense	\$6,708,523	\$6,631,649	13.3%	\$785,539	-1.1%	-\$76,874
Interfund Transfers	-\$5,212,145	-\$5,300,073	37.1%	-\$1,411,183	1.7%	-\$87,928
Debt Service and Other Expenses	\$5,366,034	\$5,510,217	20.3%	\$906,142	2.7%	\$144,183
Asset Replacement Funding	\$7,288,868	\$7,654,735	8%	\$537,949	5%	\$365,867
Total Expense Objects:	\$168,463,052	\$180,415,308	1.2%	\$1,964,377	7.1%	\$11,952,256

Revenue by Fund

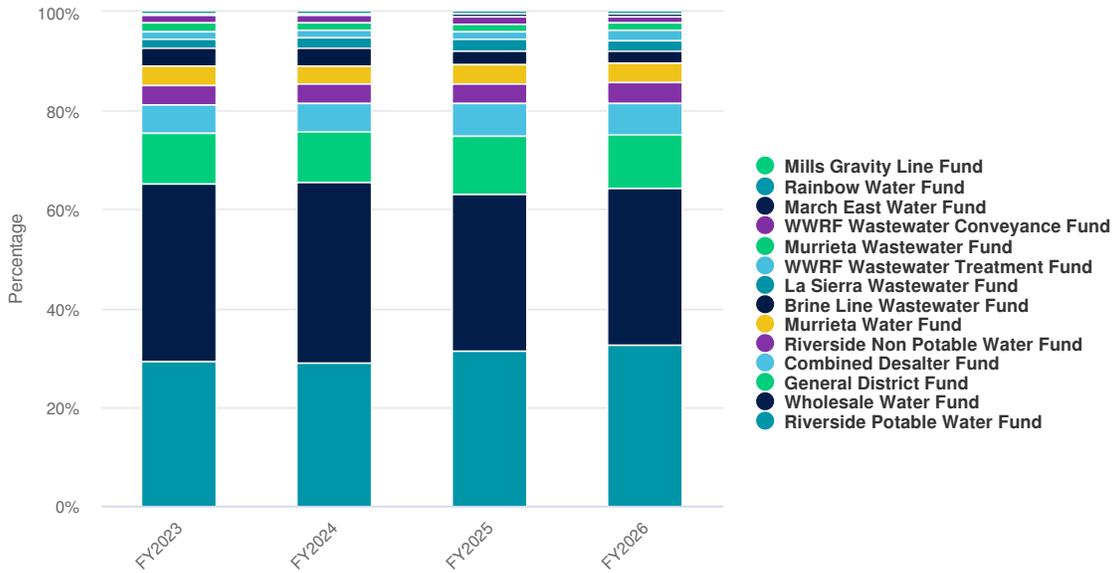
2025 Revenue by Fund

2026 Revenue by Fund



- Wholesale Water Fund
- Riverside Potable Water Fund
- General District Fund
- Combined Desalter Fund
- Riverside Non Potable Water Fund
- Murrieta Water Fund
- Brine Line Wastewater Fund
- La Sierra Wastewater Fund
- Murrieta Wastewater Fund
- WWRF Wastewater Treatment Fund
- WWRF Wastewater Conveyance Fund
- March East Water Fund
- Rainbow Water Fund
- Mills Gravity Line Fund

Budgeted and Historical 2025 Revenue by Fund

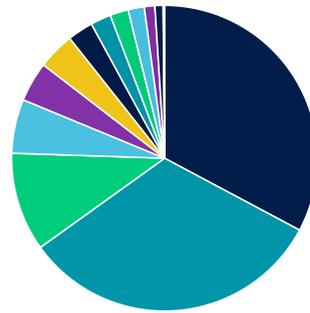
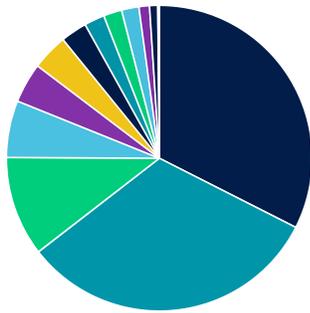


Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
General District Fund	\$20,050,820	\$20,059,823	15.7%	\$2,722,425	0%	\$9,003
Riverside Potable Water Fund	\$53,859,270	\$59,716,710	7.8%	\$3,877,749	10.9%	\$5,857,440
Riverside Non Potable Water Fund	\$7,170,154	\$7,592,875	5.5%	\$373,808	5.9%	\$422,721
March East Water Fund	\$1,003,625	\$1,042,454	7.7%	\$71,376	3.9%	\$38,829
Murrieta Water Fund	\$6,446,227	\$7,056,975	1.2%	\$75,720	9.5%	\$610,749
Rainbow Water Fund	\$261,915	\$284,054	8.5%	\$20,427	8.5%	\$22,139
Brine Line Wastewater Fund	\$4,692,251	\$4,875,105	-23.3%	-\$1,424,190	3.9%	\$182,854
La Sierra Wastewater Fund	\$3,690,805	\$3,904,146	6.8%	\$235,758	5.8%	\$213,341
WWRF Wastewater Treatment Fund	\$2,713,240	\$3,508,833	3.1%	\$81,203	29.3%	\$795,593
WWRF Wastewater Conveyance Fund	\$2,334,217	\$2,003,164	1.3%	\$29,428	-14.2%	-\$331,053
Murrieta Wastewater Fund	\$2,977,223	\$3,191,716	1.8%	\$53,371	7.2%	\$214,493
Combined Desalter Fund	\$11,178,128	\$11,614,088	15.3%	\$1,479,748	3.9%	\$435,960
Wholesale Water Fund	\$53,983,878	\$58,298,513	-13.7%	-\$8,596,160	8%	\$4,314,635
Mills Gravity Line Fund	\$183,848	\$189,333	-14.8%	-\$31,892	3%	\$5,485
Total:	\$170,545,601	\$183,337,789	-0.6%	-\$1,031,229	7.5%	\$12,792,188

Expenditures by Fund

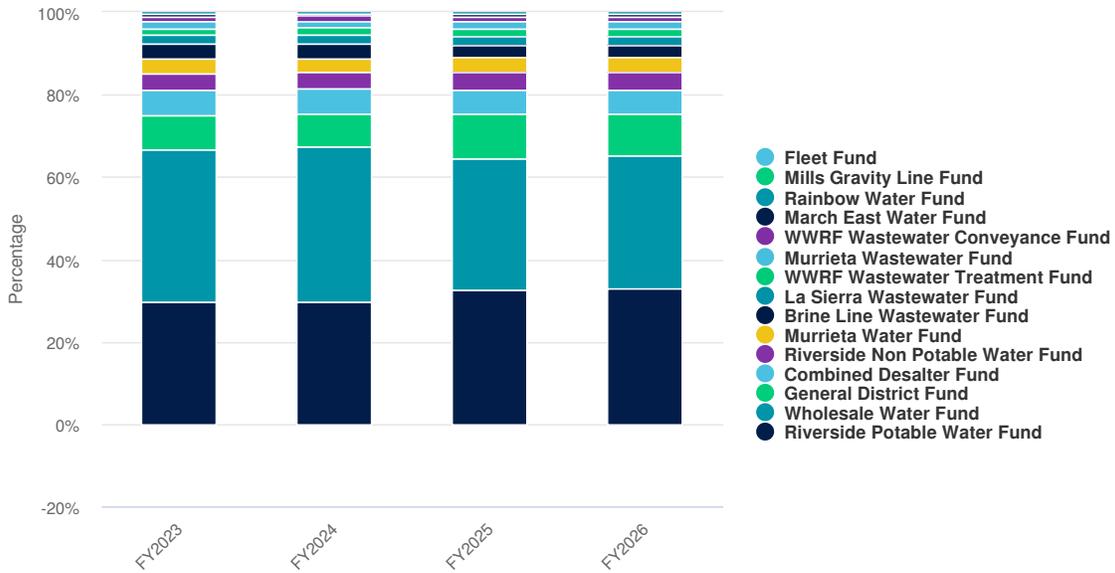
2025 Expenditures by Fund

2026 Expenditures by Fund



- Riverside Potable Water Fund
- Wholesale Water Fund
- General District Fund
- Combined Desalter Fund
- Riverside Non Potable Water Fund
- Murrieta Water Fund
- Brine Line Wastewater Fund
- La Sierra Wastewater Fund
- WWRF Wastewater Treatment Fund
- Murrieta Wastewater Fund
- WWRF Wastewater Conveyance Fund
- March East Water Fund
- Rainbow Water Fund
- Mills Gravity Line Fund
- Fleet Fund

Budgeted and Historical 2025 Expenditures by Fund

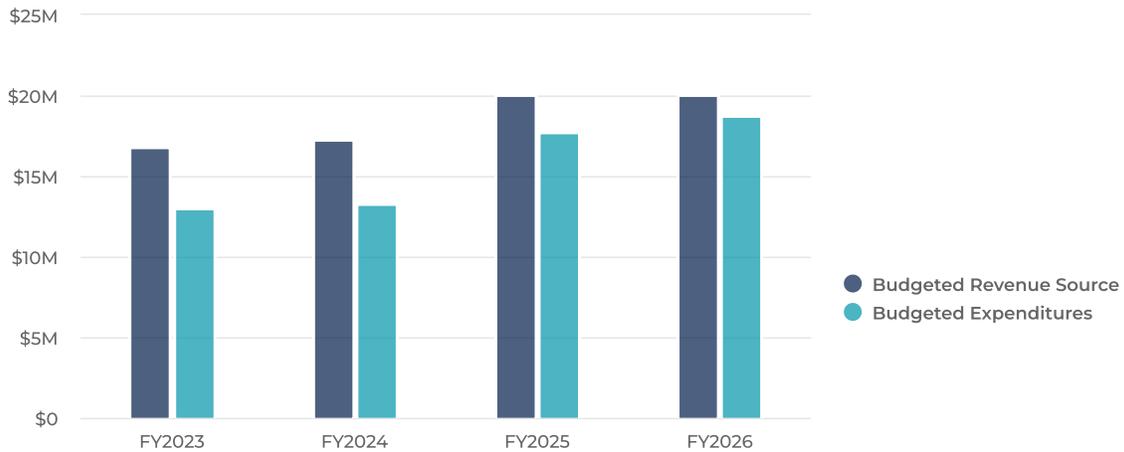


The General Fund is where general and administrative costs are accounted for. The costs are allocated to water and wastewater funds. Expenses with a direct relationship to funds are directly allocated; while indirect costs are pooled and allocated. Vehicle maintenance expenses are allocated to water or wastewater services based on vehicle usage.

Summary

Western Municipal Water District is projecting \$20.05M of revenue in FY2025, which represents a 15.7% increase over the prior year and \$20.06M of revenue in FY2026, which represents a 0.0% increase over the prior year.

Budgeted expenditures are projected to increase by 33.1% or \$4.42M to \$17.77M in FY2025 and 5.5% or \$980.97K in FY2026.



General District Fund Comprehensive Summary

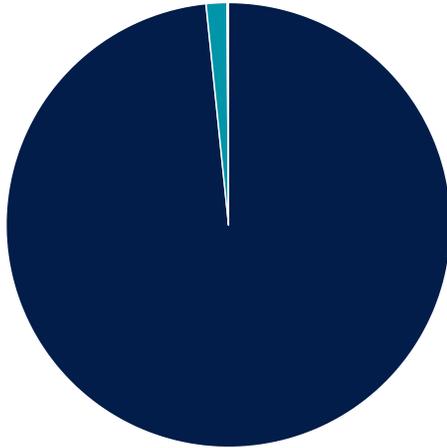
Name	FY2023 Budget	FY2024 Budget	FY 2025 Budget	FY 2026 Budget
Beginning Fund Balance:	N/A	N/A	N/A	N/A
Revenues				
Contract Service & Other Charges	\$18,000	\$18,600	\$19,200	\$19,600
Taxes	\$16,493,000	\$17,005,000	\$19,727,000	\$19,742,000
Other Non Operating Revenue	\$312,446	\$304,795	\$304,620	\$298,223
Total Revenues:	\$16,823,446	\$17,328,395	\$20,050,820	\$20,059,823
Expenditures				
Labor & Benefit	\$24,911,165	\$26,914,597	\$30,346,933	\$33,509,300
Operating Expense	\$10,443,329	\$10,192,355	\$11,995,631	\$12,726,494
Wastewater Disposal Charge	\$237,559	\$244,686	\$261,750	\$269,603
Allocation & Other	-\$27,907,615	-\$29,571,833	-\$30,234,938	-\$33,324,491
Other Non Operating Expense	\$1,910,313	\$1,864,434	\$1,880,719	\$1,835,048
Interfund Transfers	\$283,632	\$431,140	\$534,863	\$624,461
Debt Service and Other Expenses	\$1,799,097	\$1,813,916	\$1,455,923	\$1,504,862
Asset Replacement Funding	\$1,389,150	\$1,458,608	\$1,531,538	\$1,608,115
Total Expenditures:	\$13,066,630	\$13,347,903	\$17,772,419	\$18,753,391
Total Revenues Less Expenditures:	\$3,756,816	\$3,980,492	\$2,278,401	\$1,306,432
Ending Fund Balance:	N/A	N/A	N/A	N/A



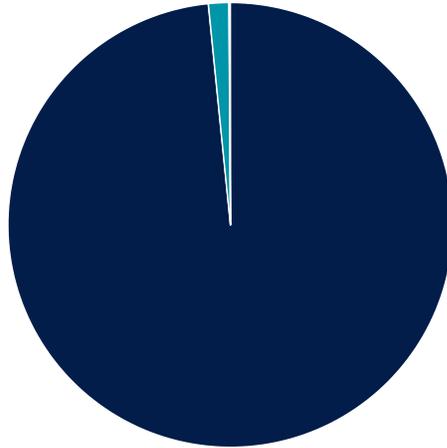
Revenues by Source

Sources of Revenue for the General District fund are made up of Non-operating Funds and are comprised of three main revenue categories: Property Tax Revenue, Contract Service & Other Charges, and Other Non-Operating Revenue.

Projected 2025 Revenues by Source

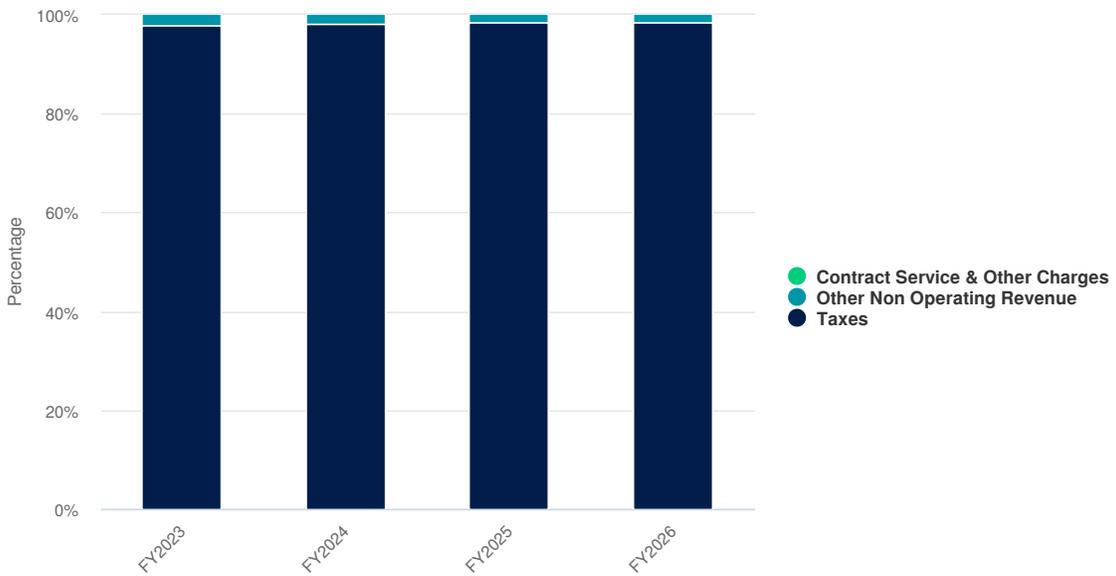


Projected 2026 Revenues by Source



● Taxes
 ● Other Non Operating Revenue
 ● Contract Service & Other Charges

Budgeted and Historical 2025 Revenues by Source



Taxes increased from FY2024 due to an increase in property tax revenue caused by the increase in home values and more property tax revenues from Western Water's general service area.

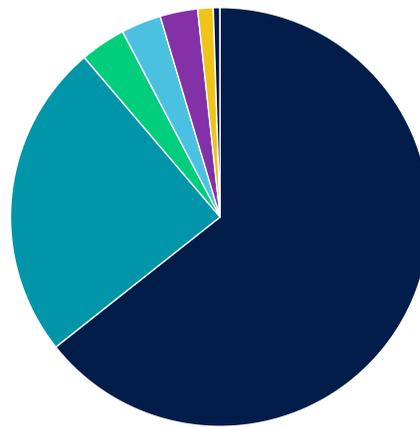
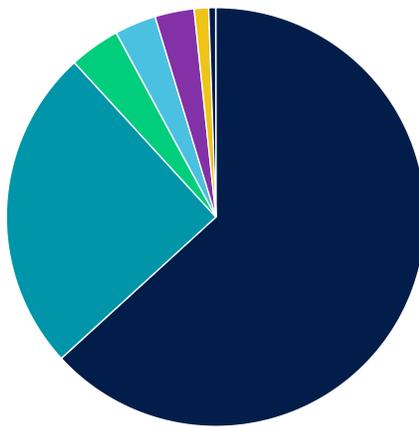
Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Revenue Source						
Contract Service & Other Charges	\$19,200	\$19,600	3.2%	\$600	2.1%	\$400
Taxes	\$19,727,000	\$19,742,000	16%	\$2,722,000	0.1%	\$15,000
Other Non Operating Revenue	\$304,620	\$298,223	-0.1%	-\$175	-2.1%	-\$6,397
Total Revenue Source:	\$20,050,820	\$20,059,823	15.7%	\$2,722,425	0%	\$9,003

Expenditures by Expense Type

General District Expenditures represent expenses from the primary activities of Western Water. Expenditures in this fund include Asset Replacement Funding, Allocation & Other, Debt Service, Inferfund Transfers, Labor & Benefits, Operating Expenses, Other Non-Operating Expenses, and Wastewater Disposal Charges.

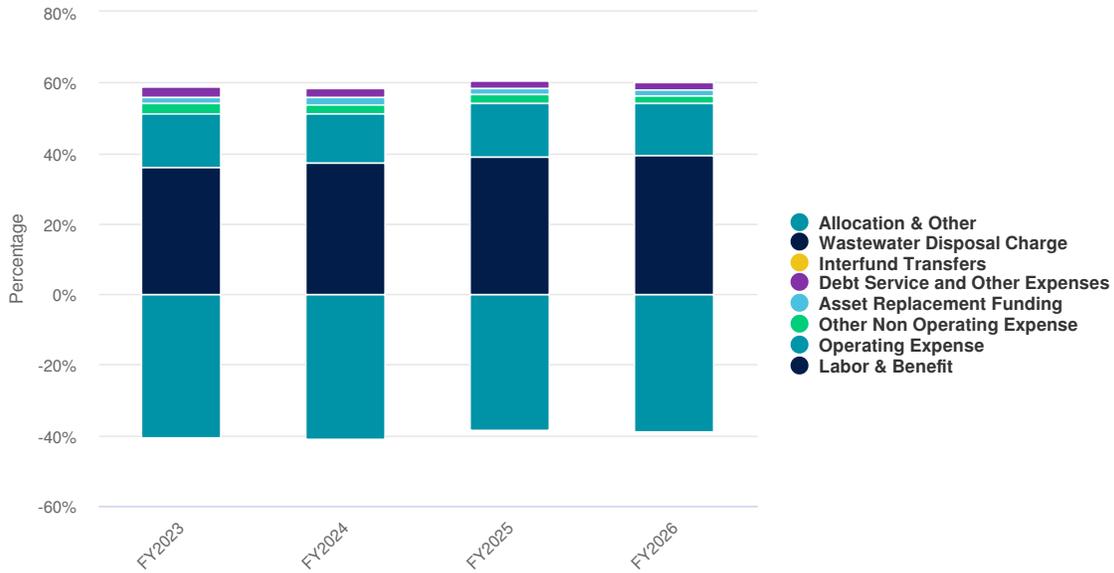
Budgeted 2025 Expenditures by Expense Type

Budgeted 2026 Expenditures by Expense Type



- Labor & Benefit
- Operating Expense
- Other Non Operating Expense
- Asset Replacement Funding
- Debt Service and Other Expenses
- Interfund Transfers
- Wastewater Disposal Charge
- Allocation & Other

Budgeted and Historical Expenditures by Expense Type



Debt service decreased in FY2025 compared to FY2024 mainly due to the recategorization of a portion of the debt service to the Combined Desalter fund. Operating expenses increased compared to FY2024 due to inflationary pressures across multiple categories experienced over the last several year, including utilities, cost of good and services, travel, etc.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Expense Objects						
Labor & Benefit	\$30,346,933	\$33,509,300	12.8%	\$3,432,336	10.4%	\$3,162,368
Operating Expense	\$11,995,631	\$12,726,494	17.7%	\$1,803,276	6.1%	\$730,863
Wastewater Disposal Charge	\$261,750	\$269,603	7%	\$17,064	3%	\$7,853
Allocation & Other	-\$30,234,938	-\$33,324,491	2.2%	-\$663,105	10.2%	-\$3,089,553
Other Non Operating Expense	\$1,880,719	\$1,835,048	0.9%	\$16,285	-2.4%	-\$45,672
Interfund Transfers	\$534,863	\$624,461	24.1%	\$103,723	16.8%	\$89,598
Debt Service and Other Expenses	\$1,455,923	\$1,504,862	-19.7%	-\$357,993	3.4%	\$48,939
Asset Replacement Funding	\$1,531,538	\$1,608,115	5%	\$72,930	5%	\$76,577
Total Expense Objects:	\$17,772,419	\$18,753,391	33.1%	\$4,424,516	5.5%	\$980,973

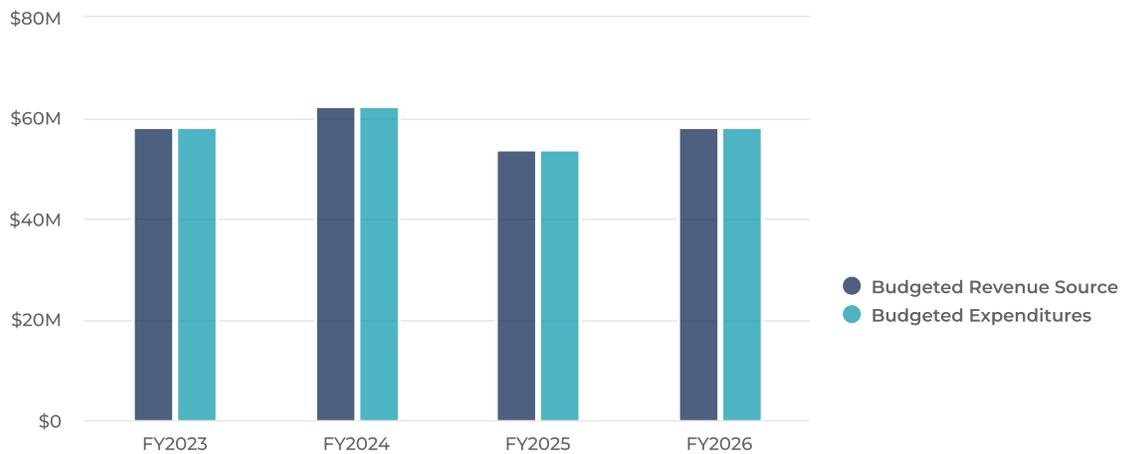


Wholesale customers are water agencies and municipalities that purchase water from Western Water for retail customers. Sales are projected at 46,144-acre-feet for 2024-25 and for 2025-26. Western Water's wholesale customers include: Box Springs Mutual Water Company, City of Corona, City of Norco, City of Riverside, Eagle Valley Mutual Water Company, Elsinore Valley Municipal Water District, Temescal Valley Water District and Rancho California Water District. Water sales to wholesale customers is the largest source of revenue for Western Water. Wholesale water is sold at-cost.

Summary

Western Municipal Water District is projecting \$53.98M of revenue in FY2025, which represents a 13.7% decrease over the prior year and \$58.3M of revenue in FY2026, which represents a 8.0% increase over the prior year.

Budgeted expenditures are projected to decrease by 13.7% or \$8.6M to \$53.98M in FY2025 and 8.0% or \$4.31M in FY2026.



Wholesale Water Fund Comprehensive Summary

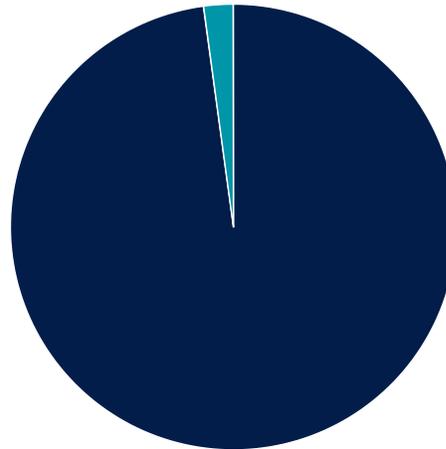
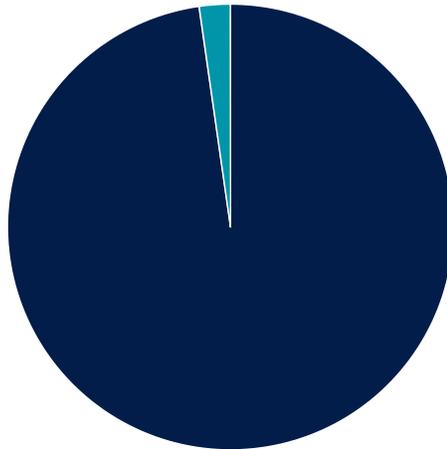
Name	FY2023 Budget	FY2024 Budget	FY 2025 Budget	FY 2026 Budget
Beginning Fund Balance:	N/A	N/A	N/A	N/A
Revenues				
Water Sales	\$56,880,220	\$61,158,223	\$52,770,770	\$57,048,951
Water Service	\$1,355,966	\$1,421,815	\$1,213,108	\$1,249,562
Total Revenues:	\$58,236,186	\$62,580,038	\$53,983,878	\$58,298,513
Expenditures				
Labor & Benefit	\$59,771	\$63,195	\$0	\$0
Operating Expense	\$83,200	\$84,864	\$70,075	\$100,126
Purchased Water	\$56,880,220	\$61,158,223	\$52,770,770	\$57,048,951
Allocation & Other	\$1,212,995	\$1,273,756	\$1,143,033	\$1,149,436
Total Expenditures:	\$58,236,186	\$62,580,038	\$53,983,878	\$58,298,513
Ending Fund Balance:	N/A	N/A	N/A	N/A

Revenues by Source

Water Sales and Service: Wholesale water is sold at cost and is based on rates from Metropolitan Water District.

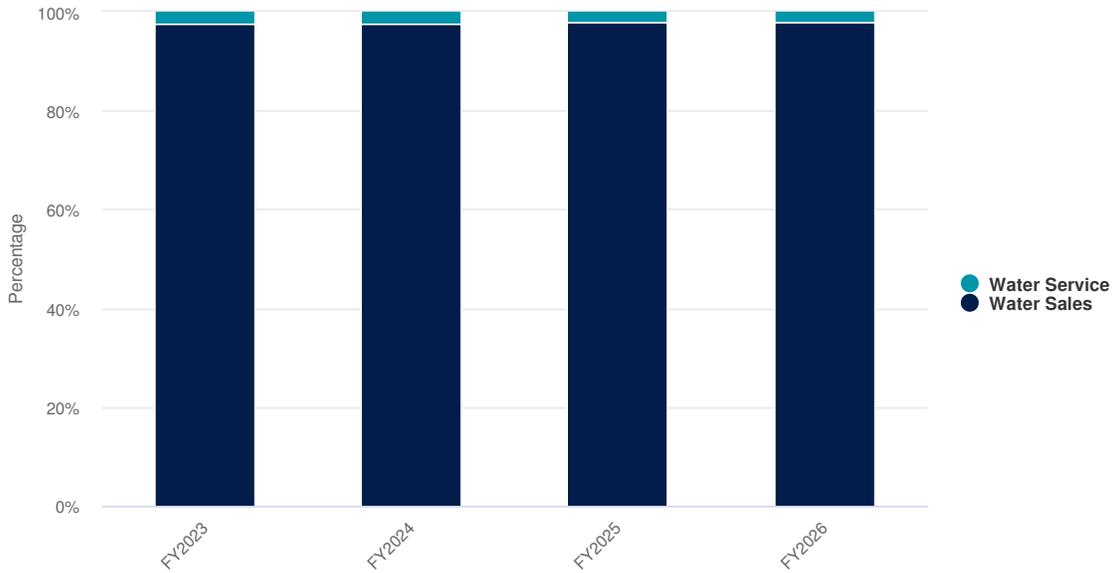
Projected 2025 Revenues by Source

Projected 2026 Revenues by Source



● Water Sales ● Water Service

Budgeted and Historical 2025 Revenues by Source



Water Sales and Service is expected to decrease in FY2025 due to a projected reduction in expected wholesale customer demand.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Revenue Source						
Water Sales	\$52,770,770	\$57,048,951	-13.7%	-\$8,387,453	8.1%	\$4,278,181
Water Service	\$1,213,108	\$1,249,562	-14.7%	-\$208,707	3%	\$36,454
Total Revenue Source:	\$53,983,878	\$58,298,513	-13.7%	-\$8,596,160	8%	\$4,314,635

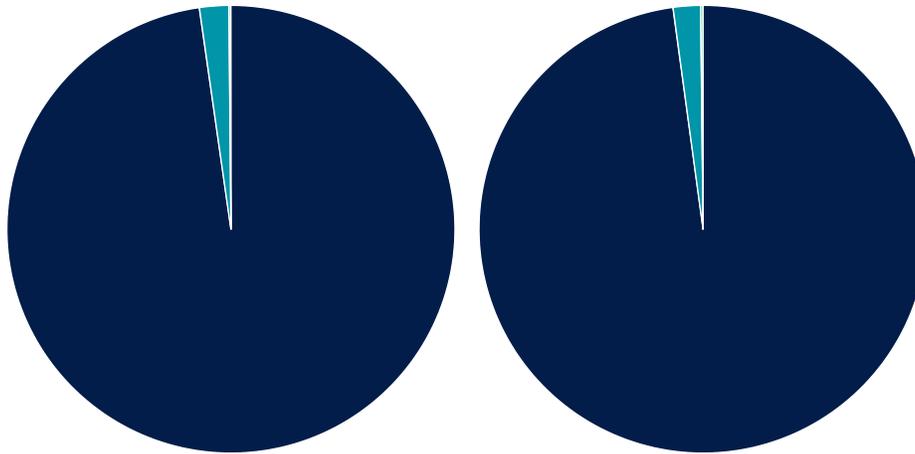
Expenditures by Expense Type

Purchased Water: This expense category includes the cost of purchasing water directly from Metropolitan Water District. Purchased Water, which has a direct correlation to Water Sales. It should be noted that Water Sales and Purchased Water are the same amounts and are based on the expected water deliveries to wholesale agencies. Thus, purchased water expense is expected to decrease.

Operating Expenses, Allocation & Other: This expense category includes the general and administrative support function of Western Water's activities. This category includes the cost of labor, materials, utilities, contract services and other administrative costs, which are distributed to water and wastewater funds as allocated costs. This expense category also includes expenses related to assisting both wholesale agencies and their customers throughout Western Water's service area to become more water efficient.

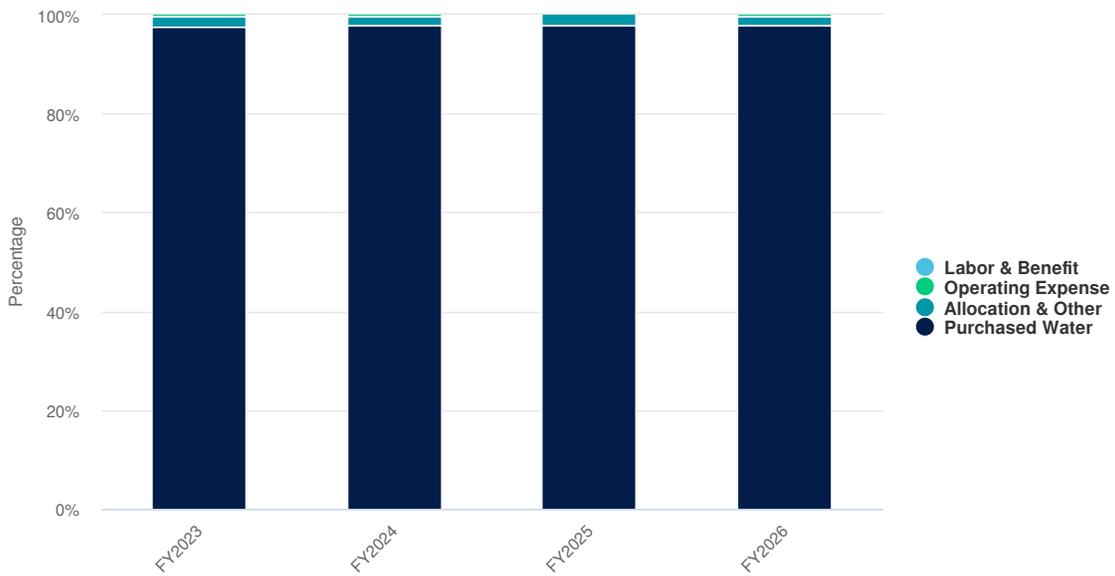
Budgeted 2025 Expenditures by Expense Type

Budgeted 2026 Expenditures by Expense Type



● Purchased Water ● Allocation & Other ● Operating Expense

Budgeted and Historical Expenditures by Expense Type



Expenses are expected to decrease in FY2025 due to a projected reduction in wholesale customer demand.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Expense Objects						
Operating Expense	\$70,075	\$100,126	-17.4%	-\$14,789	42.9%	\$30,051
Purchased Water	\$52,770,770	\$57,048,951	-13.7%	-\$8,387,453	8.1%	\$4,278,181
Allocation & Other	\$1,143,033	\$1,149,436	-10.3%	-\$130,723	0.6%	\$6,403
Total Expense Objects:	\$53,983,878	\$58,298,513	-13.7%	-\$8,596,160	8%	\$4,314,635



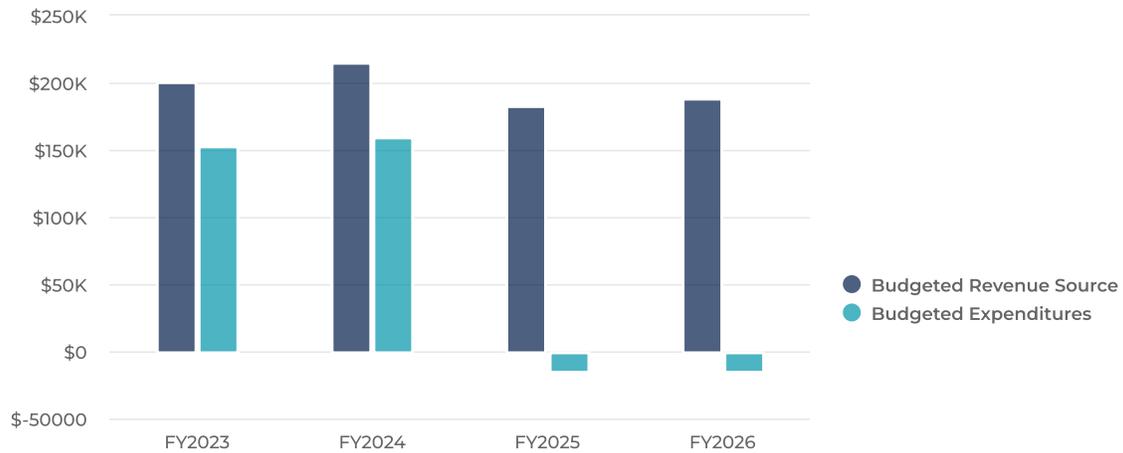
The Mills Gravity Line is a 14-mile gravity pipeline that begins at the Metropolitan Water District of Southern California's (MWD) Henry J. Mills Water Filtration Plant on Alessandro Boulevard and extends southwesterly toward the City of Corona, terminating near the intersection of Cajalco Road and Temescal Canyon Road near Interstate 15. The MGL was constructed in six reaches, designated by letters A-F, and was funded through a combination of United States Bureau of Reclamation (USBR) loan funding and third party funding. Agencies who contributed third party funds for construction and upsizing of the pipeline were given service rights in the MGL via service right purchase agreements. A service right is defined as the right to receive potable water at a continuous flow at a specified delivery point. Service rights are expressed in cubic feet per second (cfs) as constant flow.

The Mills Gravity Line (MGL) is a major pipeline serving Western Water's retail customers and several local agencies who own service rights in the pipeline. MGL service right owners include Western Municipal Water District, the City of Riverside, Metropolitan Water District of Southern California, the City of Corona, Temescal Valley Municipal Water District, and Elsinore Valley Municipal Water District. Western Water has begun assessing MGL service right holders annually to fund the Fixed Major Maintenance and Repair Reserve. These costs are divided among service right holders based on each holder's percent of allocated service right, regardless of the volume of water flowing through the pipeline.

Summary

Western Municipal Water District is projecting \$183.85K of revenue in FY2025, which represents a 14.8% decrease over the prior year and \$189.33K of revenue in FY2026, which represents a 3.0% increase over the prior year.

Budgeted expenditures are projected to decrease by 109.0% or \$173.98K to \$-14301.99 in FY2025 and 0.1% or \$18.33 in FY2026.



Mills Gravity Line Fund Comprehensive Summary

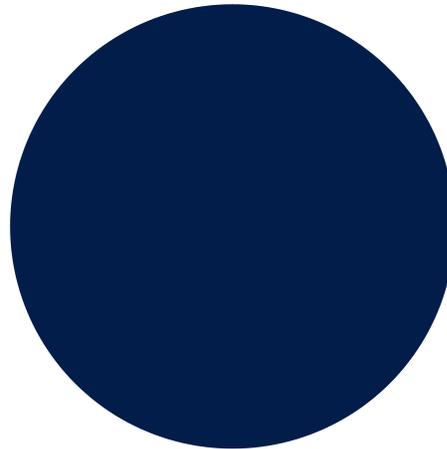
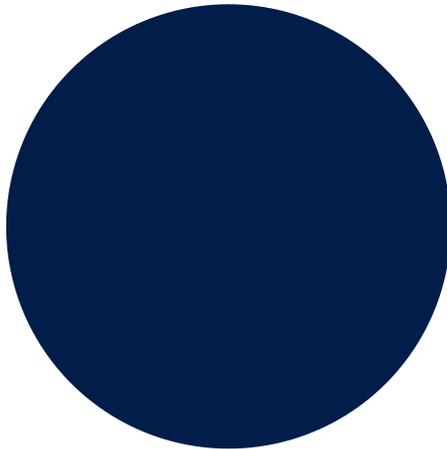
Name	FY2023 Budget	FY2024 Budget	FY 2025 Budget	FY 2026 Budget
Beginning Fund Balance:	N/A	N/A	N/A	N/A
Revenues				
Water Service	\$201,396	\$215,740	\$183,848	\$189,333
Total Revenues:	\$201,396	\$215,740	\$183,848	\$189,333
Expenditures				
Labor & Benefit	\$23,214	\$24,463	\$1,392	\$1,419
Operating Expense	\$123,283	\$125,749	\$25,097	\$25,599
Wastewater Disposal Charge	\$676	\$690	\$27	\$28
Purchased Power	\$0	\$0	\$2,015	\$2,277
Allocation & Other	-\$13,050	-\$11,064	-\$63,670	-\$65,486
Asset Replacement Funding	\$18,900	\$19,845	\$20,837	\$21,879
Total Expenditures:	\$153,023	\$159,683	-\$14,302	-\$14,284
Total Revenues Less Expenditures:	\$48,373	\$56,057	\$198,150	\$203,617
Ending Fund Balance:	N/A	N/A	N/A	N/A

Revenues by Source

Water Service: Revenue for the Mills Gravity Line fund is from the Mills Gravity Line Maintenance Fee that is charged to customers who take water from the Mills Gravity Line. This revenue is used to offset operations and maintenance expenses.

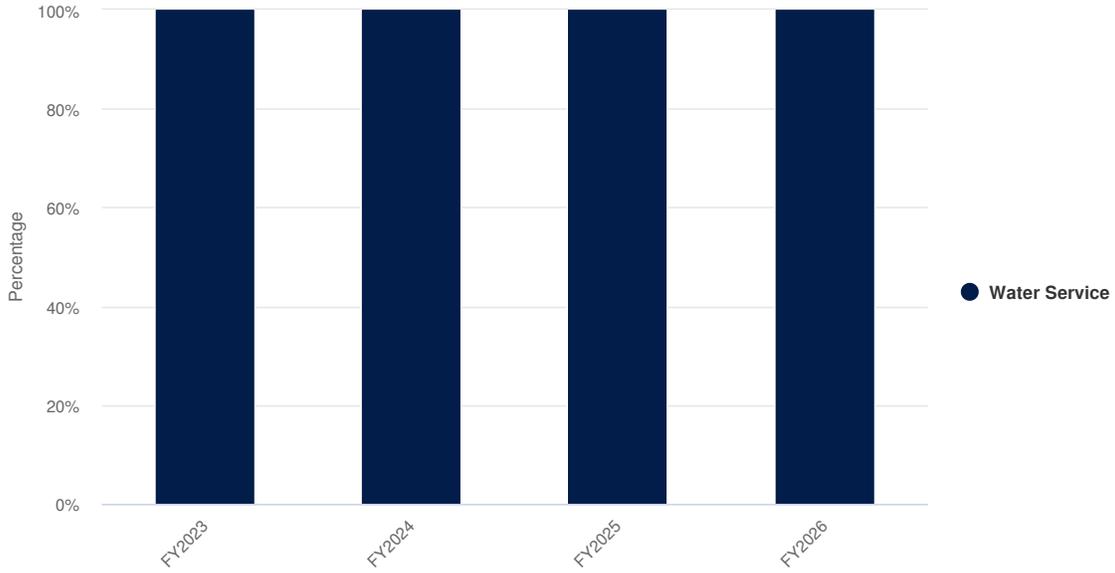
Projected 2025 Revenues by Source

Projected 2026 Revenues by Source



● Water Service

Budgeted and Historical 2025 Revenues by Source



Mills Gravity Line budgeted revenue decreased for FY2025 compared to FY2024 as a result of updated demand projections based on historical trends.

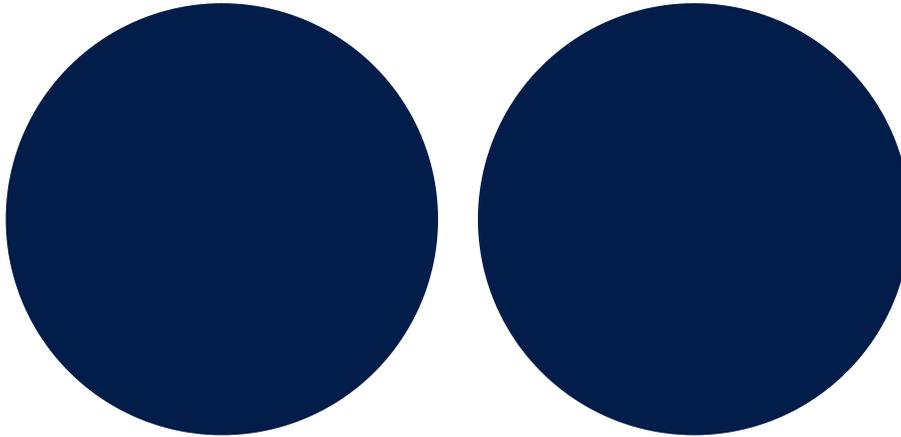
Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Revenue Source						
Water Service	\$183,848	\$189,333	-14.8%	-\$31,892	3%	\$5,485
Total Revenue Source:	\$183,848	\$189,333	-14.8%	-\$31,892	3%	\$5,485

Expenditures by Expense Type

Operating Expenses, Asset Replacement, Allocation & Other: This expense category includes the general and administrative support function of Western Water's activities. It also includes the cost of labor, materials, purchased power and utilities and asset replacement funding.

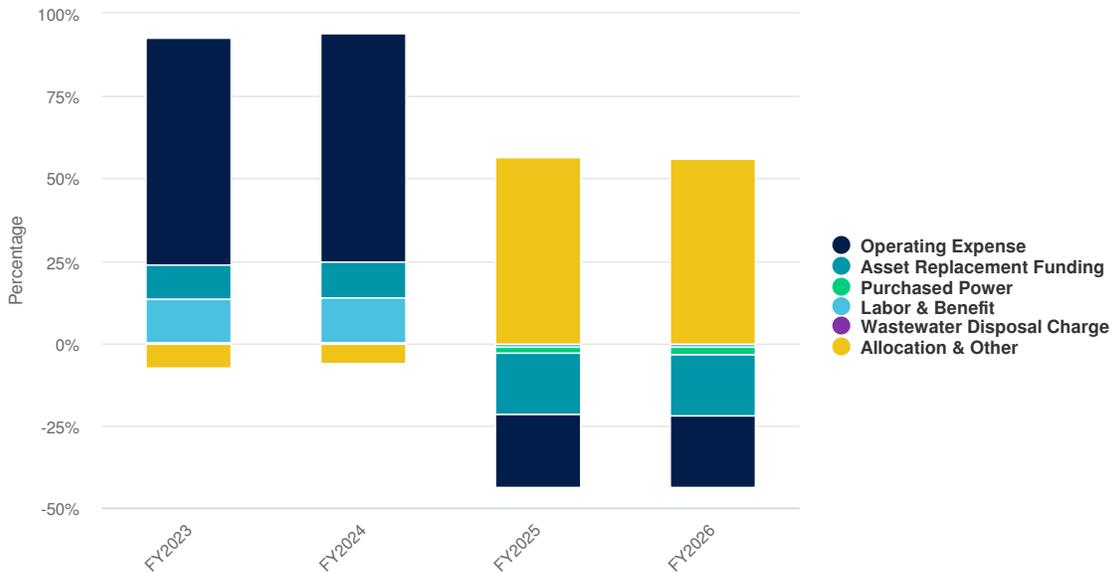
Budgeted 2025 Expenditures by Expense Type

Budgeted 2026 Expenditures by Expense Type



- Allocation & Other
- Wastewater Disposal Charge
- Labor & Benefit
- Asset Replacement Funding
- Operating Expense

Budgeted and Historical Expenditures by Expense Type



Operating Expense assumptions for the Mills Gravity Line fund decreased for FY2025 and FY2026 largely due to a decrease in system maintenance expenses that were allocated to the appropriate fund. Purchased Power increased for FY2025 compared to FY2024 due to increased energy costs due to utility provider rate increases.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Expense Objects						
Labor & Benefit	\$1,392	\$1,419	-94.3%	-\$23,071	2%	\$28
Operating Expense	\$25,097	\$25,599	-80%	-\$100,652	2%	\$502
Wastewater Disposal Charge	\$27	\$28	-96.1%	-\$663	2%	\$1
Purchased Power	\$2,015	\$2,277	N/A	\$2,015	13%	\$262
Allocation & Other	-\$63,670	-\$65,486	475.5%	-\$52,606	2.9%	-\$1,816
Asset Replacement Funding	\$20,837	\$21,879	5%	\$992	5%	\$1,042
Total Expense Objects:	-\$14,302	-\$14,284	-109%	-\$173,985	-0.1%	\$18



The Combined Desalter Fund includes activity related to the facilities, Arlington Desalter, Chino Desalter, and Sterling Pump Station/La Sierra Pipeline and the Victoria Recharge Basin.

The only potable water (drinking water) treatment facility owned and operated by Western is the Arlington Desalter. The Arlington Desalter is a 7.2 million-gallon per day (MGD) reverse osmosis water treatment plant that provided 4,144 acre-feet of high-quality drinking water to the city of Norco and Corona for fiscal year 2024, removing millions of pounds of salts from brackish (salty) groundwater in the Arlington Groundwater Basin. The salt-laden waste is sent to the Orange County Sanitation District for treatment and discharge to the ocean.

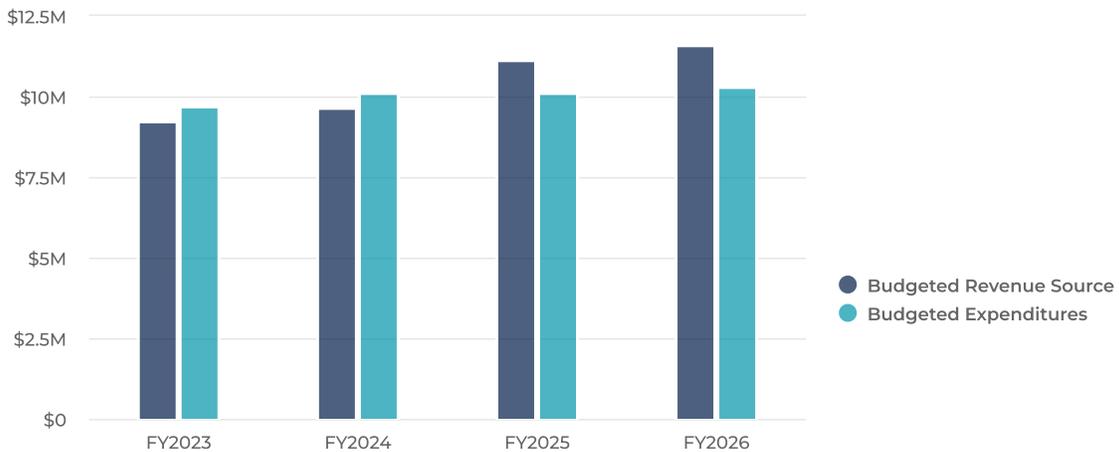
The Chino Desalter is a regional partnership with the agencies that are beneficiaries of the water including Western Municipal Water District, Inland Empire Utilities Agency, Jurupa Community Services District, the cities of Ontario, Norco, Chino and Chino Hills, and the Santa Ana River Water Company. The Chino Desalter underwent an expansion that more than doubled water production capacity at the facility in Jurupa Valley from 10 million gallons per day (MGD) to 20.5 MGD.

Some benefits of the Desalters are that they provide locally sourced drinking water and Western Water reduces its reliance on imported, more expensive water. As a result, customers can expect a local and reliable water supply. In addition, groundwater quality improves because pumping and treating more groundwater accelerates restoration of local water basin quality. Groundwater can also be stored underground and used during drier times or emergencies.

Summary

Western Municipal Water District is projecting \$11.18M of revenue in FY2025, which represents a 15.3% increase over the prior year and \$11.61M of revenue in FY2026, which represents a 3.9% increase over the prior year.

Budgeted expenditures are projected to decrease by 0.1% or \$8.41K to \$10.14M in FY2025 and 1.9% or \$189.44K in FY2026.



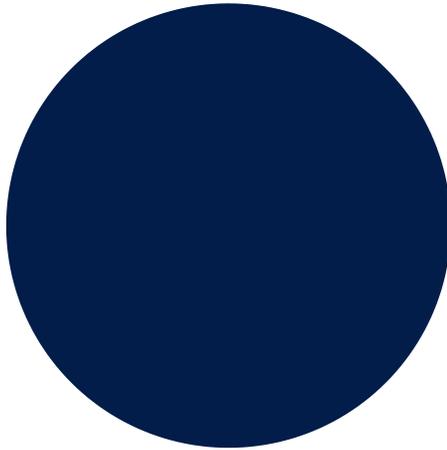
Combined Desalter Fund Comprehensive Summary

Name	FY2023 Budget	FY2024 Budget	FY 2025 Budget	FY 2026 Budget
Beginning Fund Balance:	N/A	N/A	N/A	N/A
Revenues				
Water Sales	\$9,266,569	\$9,698,380	\$11,178,128	\$11,614,088
Total Revenues:	\$9,266,569	\$9,698,380	\$11,178,128	\$11,614,088
Expenditures				
Labor & Benefit	\$662,075	\$699,064	\$637,356	\$679,685
Operating Expense	\$4,429,476	\$4,653,512	\$4,324,436	\$4,292,602
Wastewater Disposal Charge	\$725,123	\$746,547	\$730,293	\$749,061
Purchased Power	\$842,243	\$873,232	\$1,610,942	\$1,682,092
Allocation & Other	\$1,902,262	\$2,023,223	\$1,014,170	\$1,090,286
Other Non Operating Expense	\$231,629	\$213,729	\$680,027	\$645,596
Interfund Transfers	-\$144,479	-\$167,825	-\$1,236,162	-\$1,237,381
Debt Service and Other Expenses	\$661,562	\$679,953	\$1,726,430	\$1,761,996
Asset Replacement Funding	\$404,250	\$424,463	\$650,000	\$663,000
Total Expenditures:	\$9,714,141	\$10,145,898	\$10,137,492	\$10,326,937
Total Revenues Less Expenditures:	-\$447,572	-\$447,518	\$1,040,636	\$1,287,151
Ending Fund Balance:	N/A	N/A	N/A	N/A

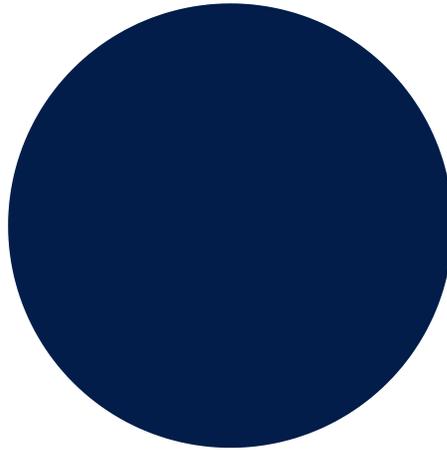
Revenues by Source

Revenue for the Combined Desalter fund comes directly from the sale of Combined Deatler water to participating customers.

Projected 2025 Revenues by Source

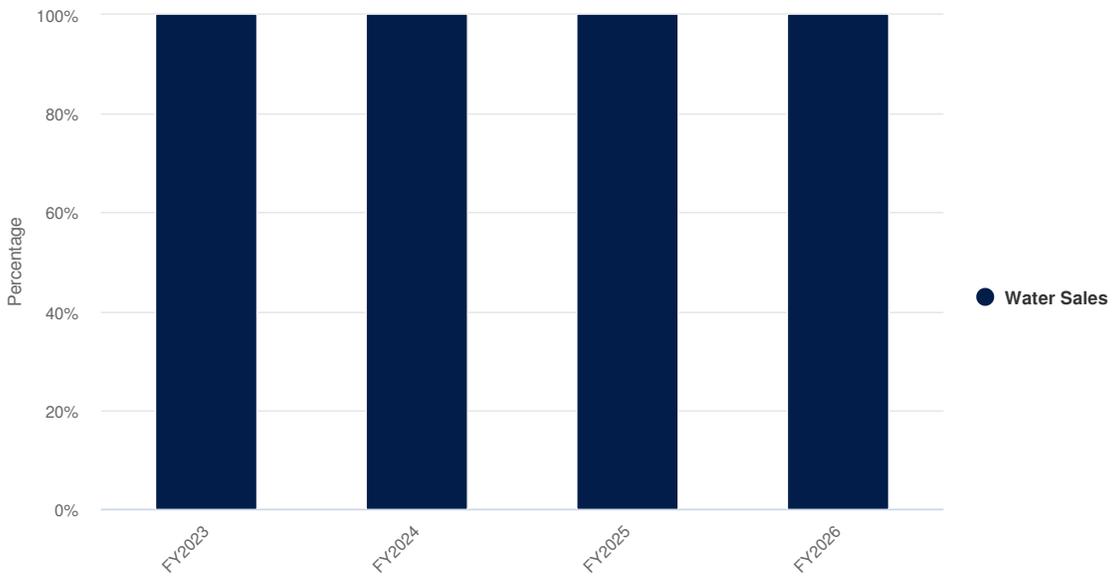


Projected 2026 Revenues by Source



● Water Sales

Budgeted and Historical 2025 Revenues by Source



The FY2024 budget assumptions were created before the Combined Desalter Enterprise Program was launched. Staff increased delivery assumptions for FY2025 and FY2026 which explains the increased revenue for this fund.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Revenue Source						
Water Sales	\$11,178,128	\$11,614,088	15.3%	\$1,479,748	3.9%	\$435,960
Total Revenue Source:	\$11,178,128	\$11,614,088	15.3%	\$1,479,748	3.9%	\$435,960

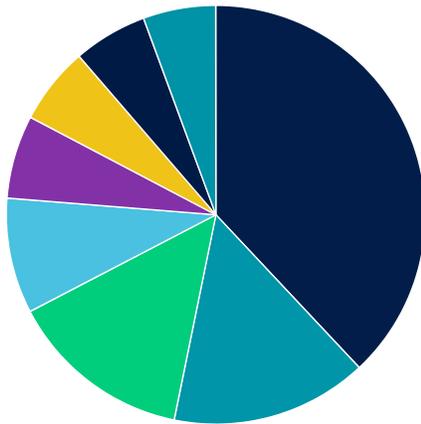
Expenditures by Expense Type

The following Expenses for the Combined Desalter Enterprise include expenses for the following facilities:

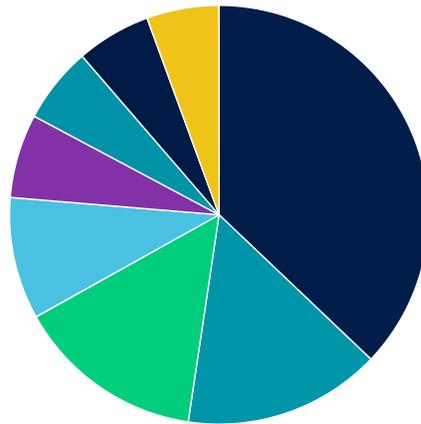
1. Arlington Desalter
2. Chino Desalter
3. Sterling Pump Station / La Sierra Pipeline
4. Victoria Recharge Basin

Expenses for these facilities were combined into one fund when the Combined Desalter Enterprise was launched in early 2023.

Budgeted 2025 Expenditures by Expense Type

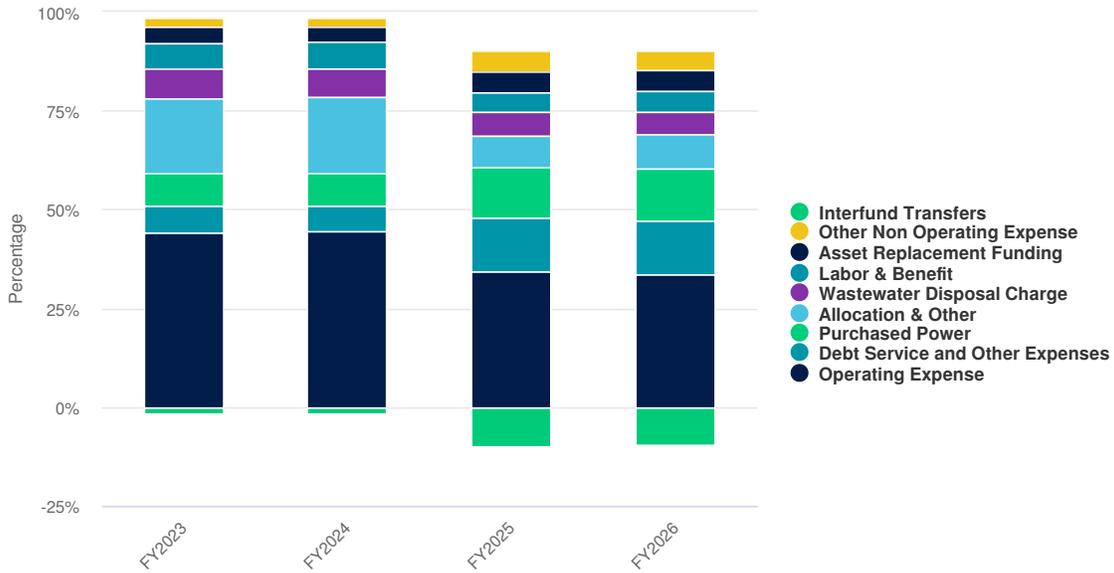


Budgeted 2026 Expenditures by Expense Type



- Operating Expense
- Debt Service and Other Expenses
- Purchased Power
- Allocation & Other
- Wastewater Disposal Charge
- Other Non Operating Expense
- Asset Replacement Funding
- Labor & Benefit
- Interfund Transfers

Budgeted and Historical Expenditures by Expense Type



The FY2025 and FY2026 Combined Desalter budget variance are largely due to the combination of multiple facilities into one fund, and the reorganization of expense categories due to the change in the chart of accounts. Purchased Power and Operating Expenses increased because staff assumed a larger quantity of water would be delivered through these facilities, thus increasing the need for more energy, increased chemical use, and operations and maintenance expenses.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Expense Objects						
Labor & Benefit	\$637,356	\$679,685	-8.8%	-\$61,708	6.6%	\$42,329
Operating Expense	\$4,324,436	\$4,292,602	-7.1%	-\$329,076	-0.7%	-\$31,834
Wastewater Disposal Charge	\$730,293	\$749,061	-2.2%	-\$16,254	2.6%	\$18,768
Purchased Power	\$1,610,942	\$1,682,092	84.5%	\$737,710	4.4%	\$71,150
Allocation & Other	\$1,014,170	\$1,090,286	-49.9%	-\$1,009,053	7.5%	\$76,116
Other Non Operating Expense	\$680,027	\$645,596	218.2%	\$466,298	-5.1%	-\$34,431
Interfund Transfers	-\$1,236,162	-\$1,237,381	636.6%	-\$1,068,337	0.1%	-\$1,219
Debt Service and Other Expenses	\$1,726,430	\$1,761,996	153.9%	\$1,046,477	2.1%	\$35,566
Asset Replacement Funding	\$650,000	\$663,000	53.1%	\$225,537	2%	\$13,000
Total Expense Objects:	\$10,137,492	\$10,326,937	-0.1%	-\$8,406	1.9%	\$189,445



Retail customers consist of domestic and agricultural users that receive their water directly from Western Water's distribution system and receive a monthly bill. Western Water has served approximately 25,000 residential and business accounts and eight water agencies and cities with water from both the Colorado River and the State Water Project (purchased from MWD), and from local sources. Western Water provides retail water service to customers generally located in the areas of El Sobrante, Eagle Valley, Orangecrest, Mission Grove, Temescal Creek, Woodcrest, Lake Matthews, March Air Reserve Base, Rainbow Canyon, and portions of the city of Riverside and the city of Murrieta.

Western Water's water system encompasses nearly 641 miles of pipeline, ranging in diameter from 4 to 60 inches. Our 35 water storage reservoirs have a capacity of roughly 92.3 million gallons. Approximately 68 percent of the purchased water Western Water delivered was potable; the balance was non-potable or raw water. In addition, 73 percent of deliveries were to wholesale customers and the rest to retail users.

Retail water service is accounted for in five funds that capture sources and uses of funds based on either the location of water deliveries or the type of water being delivered. The five funds are:

Riverside Potable water serves a portion of the cities of Riverside and Perris, and the communities of Orangecrest, Mission Grove, El Sobrante, Eagle Valley, Woodcrest, Lake Matthews, and portions of Mead Valley. This is Western Water's largest service area. The revenues in the Riverside potable water fund are made up of water sales and water service revenue from the respective service area. Additionally, a portion of revenues from taxes are allocated to this fund. This fund is utilized for expenses relating to the maintenance and operations of the Riverside potable system.

Riverside Non-Potable water fund is comprised of revenue and expenses for the Riverside area that includes commercial and agricultural customers. Non-potable water is recycled water that has been treated and can be used for purposes such as landscaping or irrigation. The revenues in the Riverside non-potable water fund are made up of water sales and water service revenue from the respective service area. Additionally, a portion of revenues from taxes are allocated to this fund. This fund is utilized for expenses relating to the maintenance and operations of the Riverside non-potable system.

March East Service Area serves properties east of the 215 Freeway on and around the March Air Reserve Base. The March East fund is made up of the March Air Reserve Base and other areas within Western Water's retail service boundaries east of the I-215 freeway.

Murrieta Service Area serves a portion of the city of Murrieta. The Murrieta service area, unlike most of Western Water's retail service area, has local groundwater that supplements imported water supplies. With the merger of the Murrieta County Water District into Western in 2005, Western Water now serves a 6.5-square mile section of the city of Murrieta, primarily in the historic downtown area.

Rainbow Service Area serves a community called Rainbow south of the city of Temecula. Western Water's most distant served community is a small, unincorporated area of southern Riverside County bordering San Diego County called Rainbow. The Rainbow community receives Colorado River water and State Water Project water via MWD's Robert F. Skinner Water Treatment Plant.

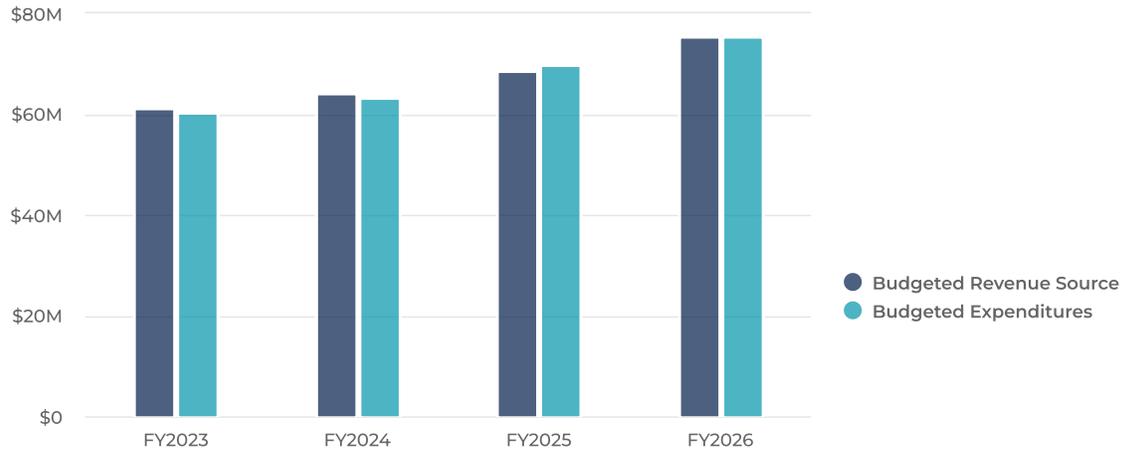
Retail Water Funds Comprehensive Summary

Name	FY2023 Budget	FY2024 Budget	FY 2025 Budget	FY 2026 Budget
Beginning Fund Balance:	N/A	N/A	N/A	N/A
Revenues				
Water Sales	\$33,248,562	\$35,250,492	\$38,750,445	\$42,942,035
Water Service	\$18,607,476	\$19,615,214	\$20,798,374	\$22,843,352
Taxes	\$9,482,063	\$9,407,755	\$9,139,383	\$9,853,633
Other Non Operating Revenue	\$48,650	\$48,650	\$52,989	\$54,049
Total Revenues:	\$61,386,751	\$64,322,111	\$68,741,191	\$75,693,068
Expenditures				
Labor & Benefit	\$3,433,378	\$3,631,431	\$4,048,029	\$4,364,879
Operating Expense	\$3,829,294	\$3,628,899	\$3,846,853	\$3,944,081
Purchased Water	\$27,585,651	\$28,912,498	\$32,767,046	\$35,449,448
Wastewater Disposal Charge	\$84,523	\$86,214	\$145,173	\$148,076
Purchased Power	\$2,936,230	\$3,104,326	\$3,677,365	\$4,050,820
Allocation & Other	\$17,835,783	\$19,059,604	\$20,673,894	\$22,571,907
Other Non Operating Expense	\$1,260,519	\$1,236,872	\$1,479,071	\$1,528,112
Interfund Transfers	-\$1,215,647	-\$1,235,863	-\$1,737,236	-\$1,826,203
Debt Service and Other Expenses	\$791,374	\$815,259	\$841,912	\$867,933
Asset Replacement Funding	\$3,909,150	\$4,104,609	\$4,309,840	\$4,570,332
Total Expenditures:	\$60,450,255	\$63,343,849	\$70,051,947	\$75,669,386
Total Revenues Less Expenditures:	\$936,496	\$978,262	-\$1,310,756	\$23,682
Ending Fund Balance:	N/A	N/A	N/A	N/A

Summary

Western Municipal Water District is projecting \$68.74M of revenue in FY2025, which represents a 6.9% increase over the prior year and \$75.69M of revenue in FY2026, which represents a 10.1% increase over the prior year.

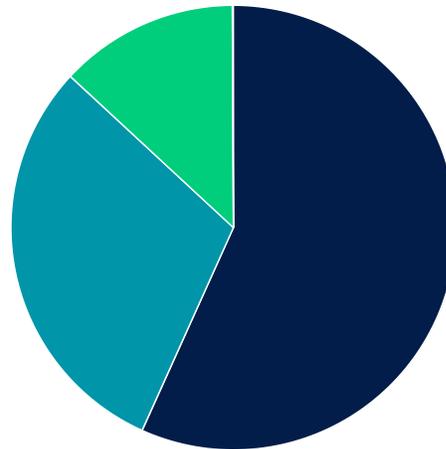
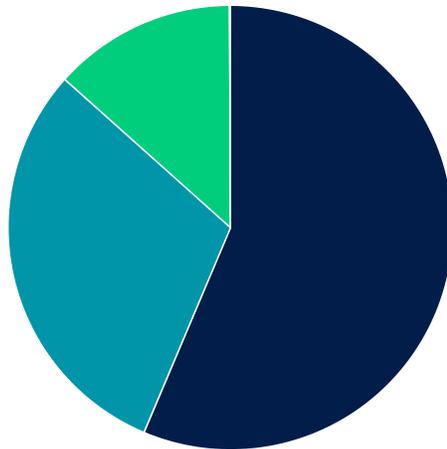
Budgeted expenditures are projected to increase by 10.6% or \$6.71M to \$70.05M in FY2025 and 8.0% or \$5.62M in FY2026.



Revenues by Source

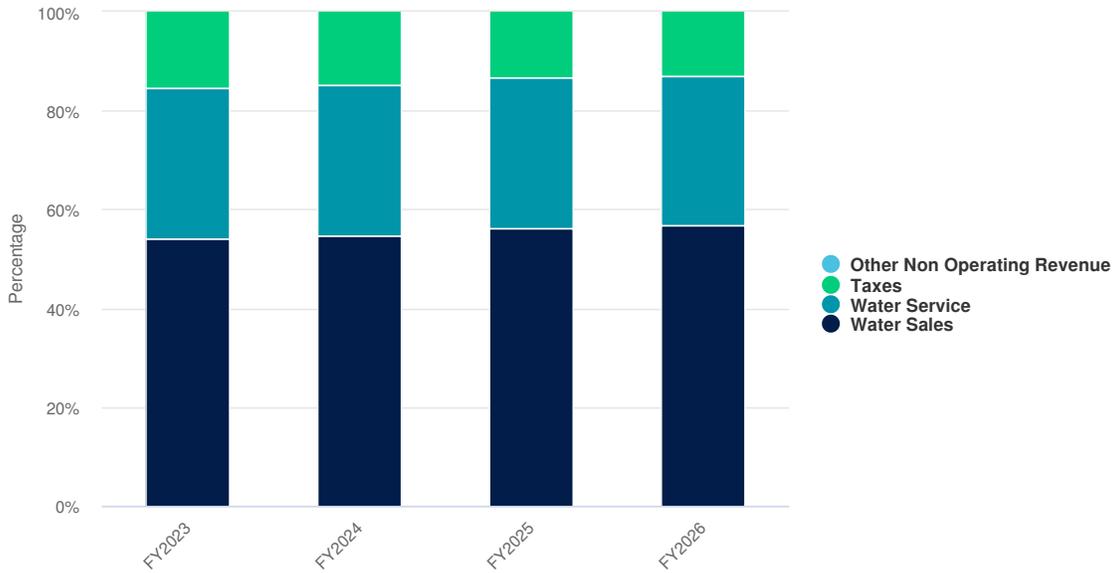
Projected 2025 Revenues by Source

Projected 2026 Revenues by Source



● Water Sales
 ● Water Service
 ● Taxes
 ● Other Non Operating Revenue

Budgeted and Historical 2025 Revenues by Source



Water Sales: Revenue from water sales represents commodity charges from the delivery of water. Retail water sales projections are based on (1) projected water deliveries, (2) projected new customer growth and (3) projected annual rate adjustments. Water Budget Rates is a four-tiered inclining rate structure that incorporates penalty components in the upper tiers. The last rate adjustments occurred on July 1, 2021 and the most recent changes were scheduled for July 1, 2025.

Water Service: Revenue from water service is derived from Fixed System Charges, Pumping Charges, Water Reliability Charges, Delinquent Penalties, and MWD Readiness to Serve Charges and other service charges.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Revenue Source						
Water Sales	\$38,750,445	\$42,942,035	9.9%	\$3,499,953	10.8%	\$4,191,590
Water Service	\$20,798,374	\$22,843,352	6%	\$1,183,160	9.8%	\$2,044,978
Taxes	\$9,139,383	\$9,853,633	-2.9%	-\$268,372	7.8%	\$714,250
Other Non Operating Revenue	\$52,989	\$54,049	8.9%	\$4,339	2%	\$1,060
Total Revenue Source:	\$68,741,191	\$75,693,068	6.9%	\$4,419,080	10.1%	\$6,951,877

Current and Future Rates

Western Water is able to fund the Fiscal Year 2025 with existing adopted and pass-through rates as well as utilizing existing reserves when existing rates are insufficient to cover increased costs. The Operating Budget for FY 2026 is estimating the amount of rate revenue that will be received contingent on the full rate cost of service process that will take place. Once the cost of service is performed, a budget amendment will be performed to correct the revenues using actual future rates. This future rate adjustment is necessary to pay for the cost of providing service. Any future adjustment to the rates is contingent upon Board approval. In compliance with Proposition 218, a public hearing will be requested to be set at a future date for the Board to receive input from the public, and consider proposed water and wastewater service rate adjustments. For all of the information regarding the existing rates including existing rate schedules and pass-through rates please visit <https://westernwaterca.gov/105/Water-Budgets-and-Rates> 

Below is a description of the water rates.

Water Charge

Western Water's treated water rates are per hundred cubic feet (HCF) of water sold to retail customers. A hundred cubic feet of water equals 748 gallons. Western Water has a four-tier budget-based rate structure. Every customer receives a personalized water budget designed to meet their specific indoor and outdoor water needs. Residential budgets are calculated based on each customer's amount of landscaping, real-time localized weather data and the number of residents, among other factors. Most customers' water use regularly remains within their water budget, and they are billed at the lowest available rates as a result. The only customers who are billed in the higher tiers (Tiers 3-4) are those whose use exceeds their water budget. For Western Water service areas not utilizing the Water Budget-Based Rate Structure, the rates vary depending on location and pressure zone.

Pumping Charge

The pumping charge is the price of the energy required to move water from its source to the Western Water storage reservoir that serves the area. The pumping charge is in addition to the variable water charge and is based on the pressure zone of the meter. Pressure zones have been grouped into Power Zones. Pumping charges are applicable to Riverside and Murrieta Service Areas only. Some service areas, or power zones, require more energy than others due to their location and elevation. To view the Power Zone, visit <https://westernwaterca.gov/572/Find-My-Power-Zon> 

Water Reliability Charge

The water reliability charge is in addition to the variable water charge and pumping charge. It is currently \$0.42 per HCF for all customers and became effective on January 1, 2015 and remains throughout fiscal year 2025. Revenue from the water reliability charge is dedicated to fund projects that increase system reliability and develop local water sources. The water reliability charge is used to invest in facilities that increase local water supplies, guard against imported-water shortages and ensure uninterrupted local access to water

Fixed System Charge

The system charge pays for the cost to provide instant, anytime access to clean water. It covers Western Water's fixed costs that are required to sustain access and keep the entire system running safely. These costs include water treatment, quality-control testing, environmental compliance, maintenance and repairs, administrative costs and more. The fixed system charge is based on meter size and not on water usage and covers a portion of operating and maintenance costs. The larger the meter, the greater the potential water capacity demand.

MWD Readiness to Service Charge (RTS)

The Metropolitan Water District of Southern California (MWD) supplies most of Western Water's imported water. This charge supports MWD's system capital costs for emergency and standby storage facilities, such as Lake Skinner and Diamond Valley Lake, that deliver supplies reliably during droughts, emergencies, major facility outages, hydrologic variability, and variances in local resources.

Commercial Customers - Private Fire Service Rates

Commercial buildings have at least one dedicated water pipeline for fire suppression use. This dedicated pipeline, called a "private fire service," is used to accommodate the rapid delivery of large volumes of water in the event of a fire.

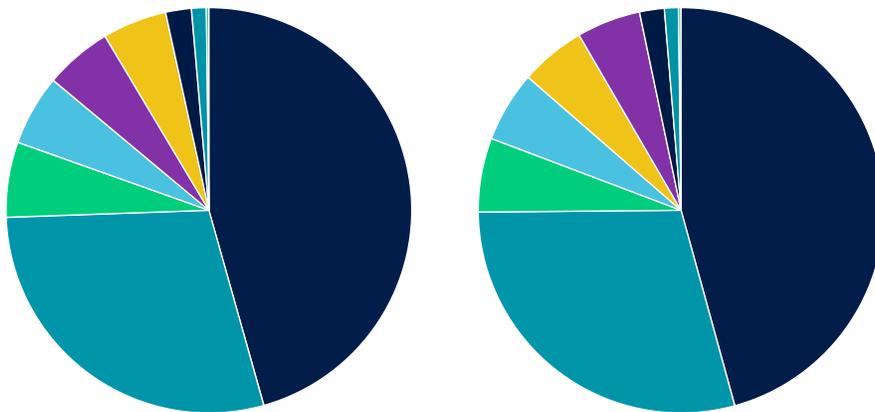
Pass-through Provision

The water Commodity and MWD Readiness-to-Serve (RTS) Charges are based on current and estimated future rates and charges to be imposed on Western Water by our water providers. If the actual rates and charges imposed on Western Water by our water treatment providers are higher than the estimated amounts, then Western Water passes the incremental difference by increasing the rates of the water Commodity and/or MWD RTS Charge. Such increases will not exceed 12 percent per year, and in no event will such rates be increased by more than the cost of providing water service. In addition, the water Pumping Charge is based on current and estimated future rates and charges to be imposed on Western Water by its energy providers. If the actual rates and charges imposed on Western Water are higher than the estimated amounts, then Western Water can pass through the incremental difference by increasing the rates of the water Pumping Charge.

Expenditures by Expense Type

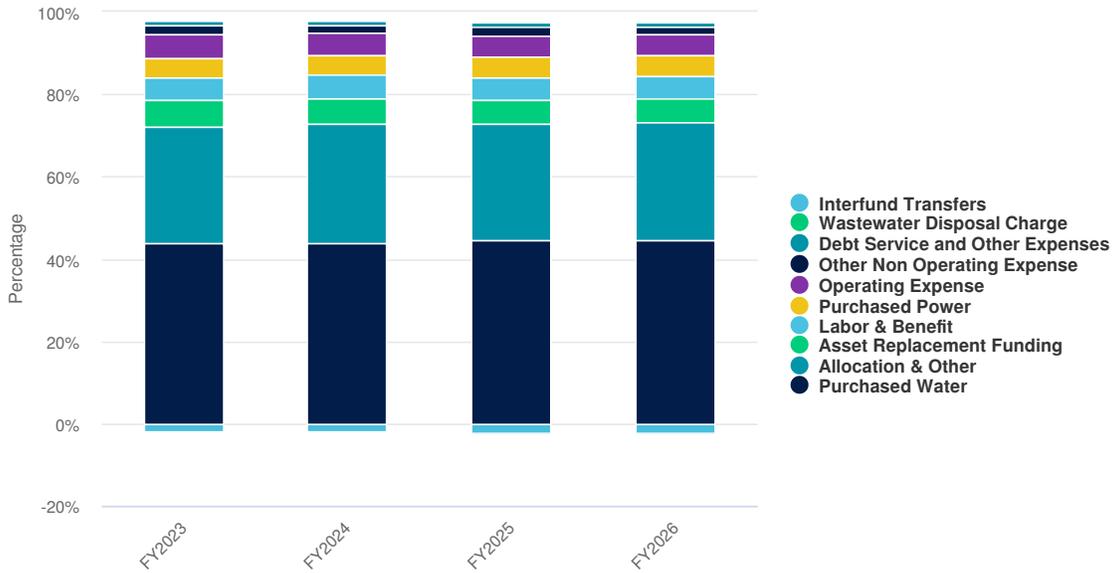
Budgeted 2025 Expenditures by Expense Type

Budgeted 2026 Expenditures by Expense Type



- Purchased Water
- Labor & Benefit
- Other Non Operating Expense
- Interfund Transfers
- Allocation & Other
- Operating Expense
- Debt Service and Other Expenses
- Asset Replacement Funding
- Purchased Power
- Wastewater Disposal Charge

Budgeted and Historical Expenditures by Expense Type



Purchased Water: This expense category includes the cost of purchasing water from Metropolitan Water District as well as local water suppliers. The budget projects increases in the cost of water supply.

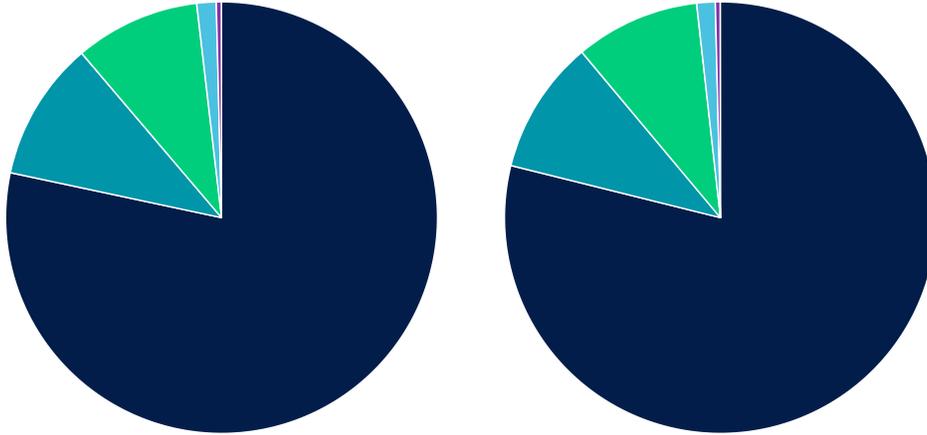
Purchased Power: This expense category includes costs associated for energy. The budget includes updating purchased power expenditures to reflect recent energy provider increases and projects future increases.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Expense Objects						
Labor & Benefit	\$4,048,029	\$4,364,879	11.5%	\$416,598	7.8%	\$316,849
Operating Expense	\$3,846,853	\$3,944,081	6%	\$217,954	2.5%	\$97,228
Purchased Water	\$32,767,046	\$35,449,448	13.3%	\$3,854,548	8.2%	\$2,682,402
Wastewater Disposal Charge	\$145,173	\$148,076	68.4%	\$58,959	2%	\$2,903
Purchased Power	\$3,677,365	\$4,050,820	18.5%	\$573,039	10.2%	\$373,455
Allocation & Other	\$20,673,894	\$22,571,907	8.5%	\$1,614,290	9.2%	\$1,898,014
Other Non Operating Expense	\$1,479,071	\$1,528,112	19.6%	\$242,199	3.3%	\$49,041
Interfund Transfers	-\$1,737,236	-\$1,826,203	40.6%	-\$501,373	5.1%	-\$88,967
Debt Service and Other Expenses	\$841,912	\$867,933	3.3%	\$26,653	3.1%	\$26,021
Asset Replacement Funding	\$4,309,840	\$4,570,332	5%	\$205,231	6%	\$260,492
Total Expense Objects:	\$70,051,947	\$75,669,386	10.6%	\$6,708,098	8%	\$5,617,439

Revenue by Fund

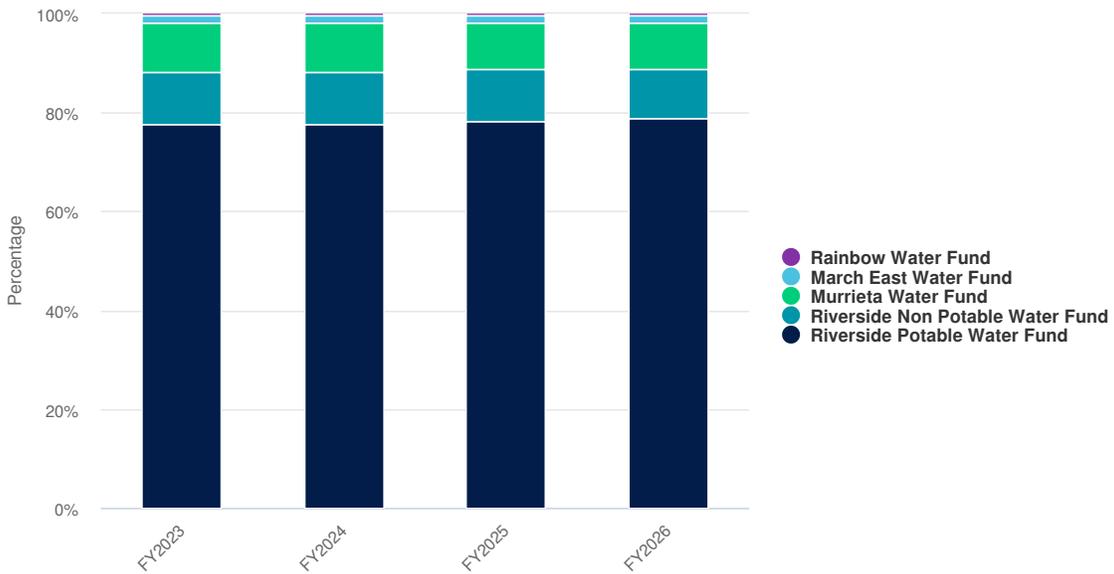
2025 Revenue by Fund

2026 Revenue by Fund



- Riverside Potable Water Fund
- Riverside Non Potable Water Fund
- Murrieta Water Fund
- March East Water Fund
- Rainbow Water Fund

Budgeted and Historical 2025 Revenue by Fund

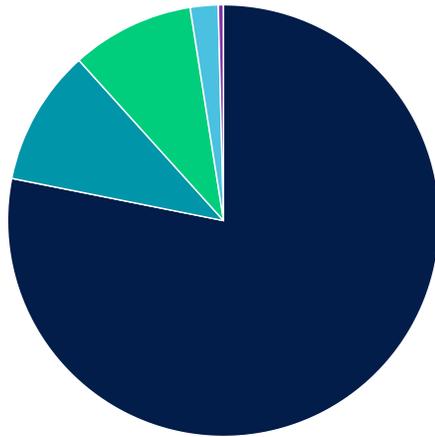


Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Riverside Potable Water Fund	\$53,859,270	\$59,716,710	7.8%	\$3,877,749	10.9%	\$5,857,440

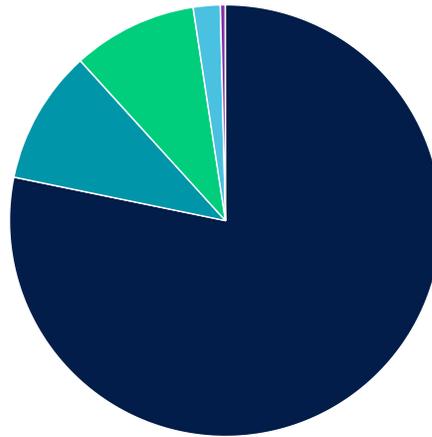
Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Riverside Non Potable Water Fund	\$7,170,154	\$7,592,875	5.5%	\$373,808	5.9%	\$422,721
March East Water Fund	\$1,003,625	\$1,042,454	7.7%	\$71,376	3.9%	\$38,829
Murrieta Water Fund	\$6,446,227	\$7,056,975	1.2%	\$75,720	9.5%	\$610,749
Rainbow Water Fund	\$261,915	\$284,054	8.5%	\$20,427	8.5%	\$22,139
Total:	\$68,741,191	\$75,693,068	6.9%	\$4,419,080	10.1%	\$6,951,877

Expenditures by Fund

2025 Expenditures by Fund

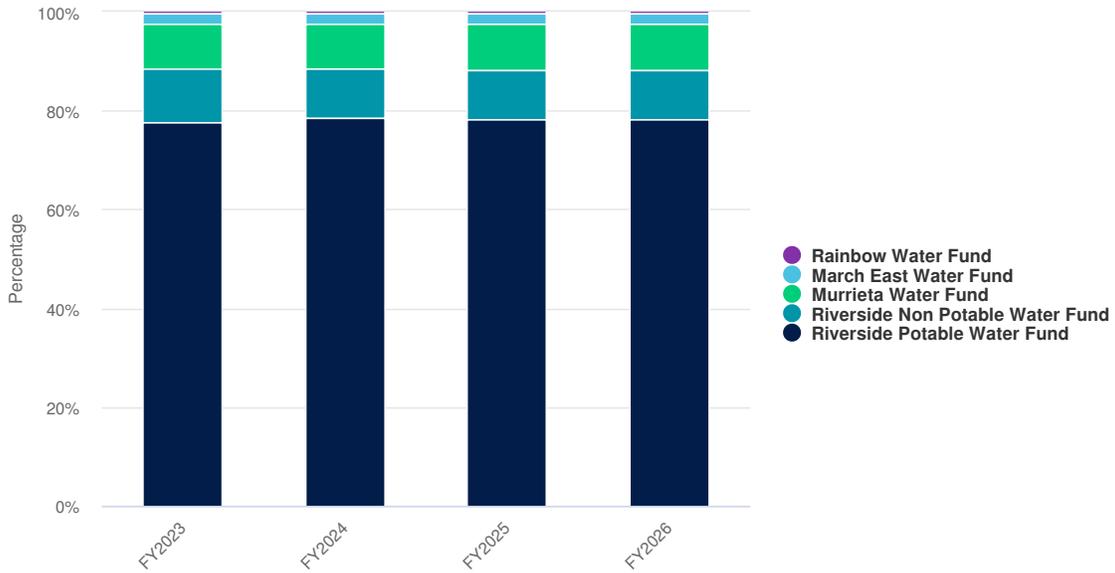


2026 Expenditures by Fund



- Riverside Potable Water Fund
- Riverside Non Potable Water Fund
- Murrieta Water Fund
- March East Water Fund
- Rainbow Water Fund

Budgeted and Historical 2025 Expenditures by Fund



Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Riverside Potable Water Fund	\$54,741,805	\$59,207,007	10.2%	\$5,088,064	8.2%	\$4,465,202
Riverside Non Potable Water Fund	\$7,131,798	\$7,592,318	10.3%	\$666,699	6.5%	\$460,520
March East Water Fund	\$1,456,696	\$1,532,575	18%	\$222,296	5.2%	\$75,879
Murrieta Water Fund	\$6,448,700	\$7,053,447	12.1%	\$698,396	9.4%	\$604,747
Rainbow Water Fund	\$272,948	\$284,039	13.6%	\$32,643	4.1%	\$11,090
Total:	\$70,051,947	\$75,669,386	10.6%	\$6,708,098	8%	\$5,617,439

Wastewater Services is accounted for in five funds that capture sources and uses of funds based on either the location of wastewater services or the type of wastewater services being provided.

The five funds are:

Fund 30 - Inland Empire Brine Line

The Inland Empire Brine Line (Brine Line), formerly known as the Santa Ana Regional Interceptor, is an industrial wastewater disposal system owned by the Santa Ana Watershed Project Authority (SAWPA). The Brine Line is designed to convey 30 MGD of non-reclaimable wastewater from the upper Santa Ana River basin area to the ocean for disposal after treatment by the Orange County Sanitation District. The non-reclaimable wastewater consists of desalter brine concentrate and industrial wastewater. The Brine Line dischargers include desalters operated by Western, EMWD, the Chino Desalter Authority, the City of Corona, and other industrial commercial entities. Western Water is a member agency of SAWPA and is contracted by SAWPA for periodic maintenance. Western Water operates a wastewater disposal station located at the City of Corona's Wastewater Treatment Plant No. 1, which has a connection to the Brine Line.

Fund 31 - La Sierra

Western Water provides wastewater collection services to approximately 5,100 customers in the La Sierra area of Riverside. The collected wastewater averaging approximately 0.75 MGD flows to the WRCRWA plant for treatment with ultimate disposal of the tertiary treated wastewater into the Prado Basin. Western Water personnel who ensure lines are clear and functioning properly maintain the collection system serving La Sierra. Western Water is one of the five member agencies comprising WRCRWA. Since 1998, Western Water has been the contract operator of the WRCRWA wastewater treatment plant located near the Santa Ana River, west of the city of Norco. Agencies and communities served by the plant include the City of Corona; Home Gardens Sanitary District; Jurupa Community Services District; the city of Norco; and Western Water. The treatment plant has a total capacity of 14.0 MGD, and currently processes an average of 7.81 MGD from residential and commercial wastewater customers, some of which are in Western Water's retail service area. Of the total plant capacity of 14.0 MGD, Western Water owns capacity rights of 1.93 MGD. Wastewater flows from Western Water's customer's average about 0.75 MGD, or 39 percent of Western Water's capacity rights.

Fund 32/33 - Western Water Recycling Facility (WWRF) Treatment/Conveyance

Western owns and operates the Western Water Recycling Facility (WWRF), providing wastewater collection and treatment for the March Air Reserve Base and other residential and commercial customers located southeast of the city of Riverside. WWRF has a 3.0 million gallon per day (MGD) capacity and is currently operating at about 2.1 MGD. WWRF currently provides wastewater treatment services for about 1,700 customers as well as the March Air Reserve Base and several industrial customers. All treated wastewater from the WWRF facility is fully utilized in Western Water's recycled water system. Supplemented with non-potable local groundwater from the Riverside Canal and surface water from the Colorado River Aqueduct, the tertiary treated recycled water from the WWRF plant is used to irrigate landscaping and agriculture. The Wastewater Treatment Fund includes costs for the proper care and preservation of Western Water's assets. These costs include maintenance activities throughout Western Water's boundaries. These costs are essential to ensuring the reliability of Western Water's assets for providing consistent services. The Wastewater Conveyance Fund includes the cost of collecting wastewater from customers and transferring it to treatment facilities. This category includes the cost of labor, allocated costs, materials and maintenance.

Fund 35 - Murrieta Wastewater

Western Water is one of the three member agencies comprising the Santa Rosa Regional Resources Authority (SRRRA), located in Murrieta. SRRRA is responsible for collecting, treating and disposing of or recycling wastewater for residents and businesses in the Murrieta, Temecula and Wildomar communities. The joint powers authority comprises Elsinore Valley Municipal Water District, Rancho California Water District, and Western Water. Wastewater flows originating in the SRRRA service area are treated at the Santa Rosa Water Reclamation Facility. The treatment plant has a capacity of 5.0 MGD. On average, the plant currently treats 2.8 MGD.

The Wastewater Treatment Fund includes costs for the proper care and preservation of Western Water's assets. These costs include maintenance activities throughout Western Water's boundaries. These costs are essential to ensuring the reliability of Western Water's assets for providing consistent services.

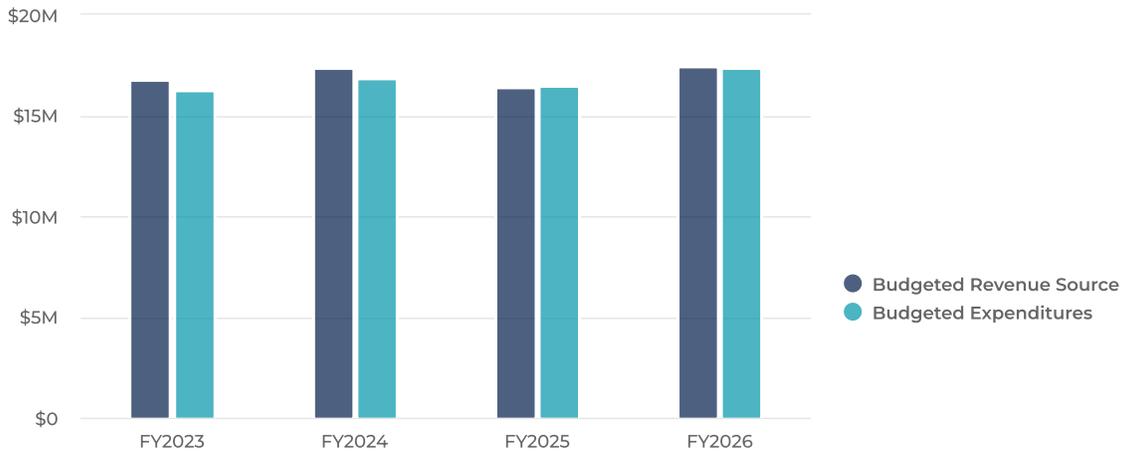
Wastewater Comprehensive Summary

Name	FY2023 Budget	FY2024 Budget	FY 2025 Budget	FY 2026 Budget
Beginning Fund Balance:	N/A	N/A	N/A	N/A
Revenues				
Wastewater Service	\$16,836,766	\$17,432,166	\$16,407,736	\$17,482,964
Total Revenues:	\$16,836,766	\$17,432,166	\$16,407,736	\$17,482,964
Expenditures				
Labor & Benefit	\$1,181,837	\$1,249,782	\$1,375,524	\$1,475,476
Operating Expense	\$965,051	\$976,337	\$1,058,567	\$1,090,906
Wastewater Disposal Charge	\$8,232,039	\$8,481,173	\$7,231,157	\$7,532,204
Purchased Power	\$386,360	\$403,745	\$801,465	\$903,133
Allocation & Other	\$3,873,888	\$4,136,574	\$4,051,387	\$4,450,867
Other Non Operating Expense	\$2,647,133	\$2,607,949	\$2,668,706	\$2,622,893
Interfund Transfers	-\$2,842,520	-\$2,828,414	-\$2,773,610	-\$2,860,950
Debt Service and Other Expenses	\$1,111,396	\$1,150,764	\$1,341,769	\$1,375,426
Asset Replacement Funding	\$711,513	\$743,394	\$776,653	\$791,409
Total Expenditures:	\$16,266,697	\$16,921,304	\$16,531,619	\$17,381,365
Total Revenues Less Expenditures:	\$570,069	\$510,862	-\$123,883	\$101,599
Ending Fund Balance:	N/A	N/A	N/A	N/A

Summary

Western Municipal Water District is projecting \$16.41M of revenue in FY2025, which represents a 5.9% decrease over the prior year and \$17.48M of revenue in FY2026, which represents a 6.6% increase over the prior year.

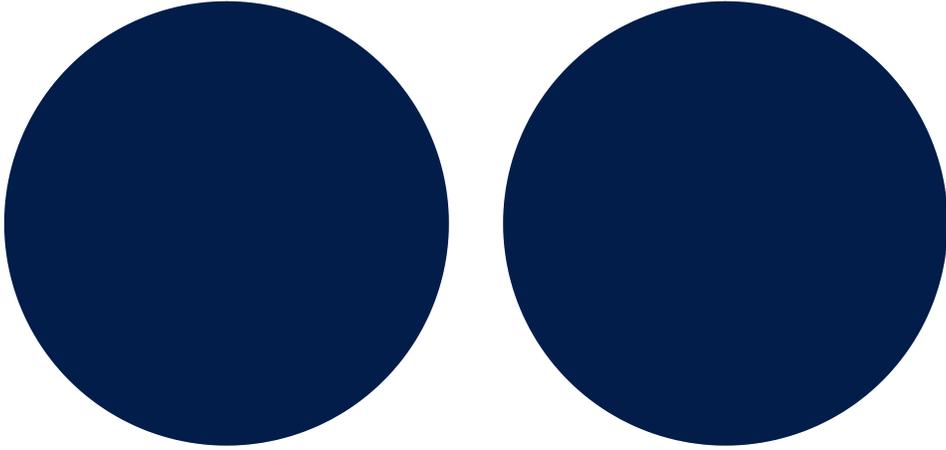
Budgeted expenditures are projected to decrease by 2.3% or \$389.69K to \$16.53M in FY2025 and 5.1% or \$849.75K in FY2026.



Revenues by Source

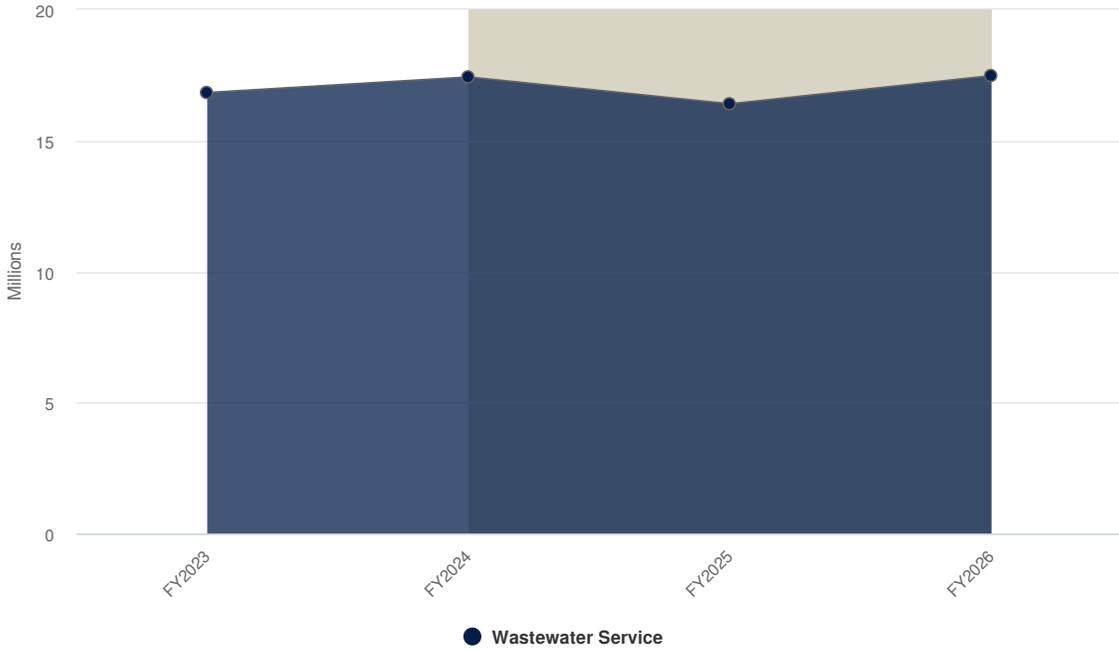
Projected 2025 Revenues by Source

Projected 2026 Revenues by Source



● Wastewater Service

Budgeted and Historical 2025 Revenues by Source



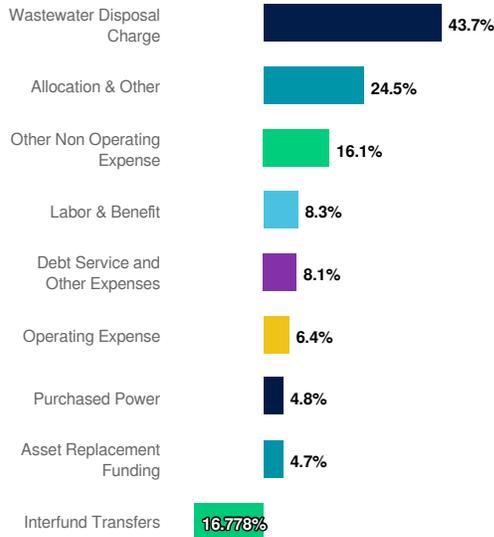
Grey background indicates budgeted figures.

Wastewater Service Revenue: Represents revenue earned from collecting and treating wastewater discharge. It also includes revenues earned from heavy biochemical oxygen demand/total suspended solids, and excess quantity penalties.

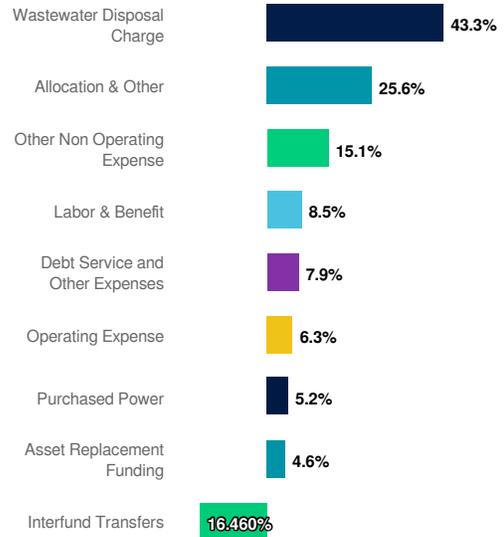
Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Revenue Source						
Wastewater Service	\$16,407,736	\$17,482,964	-5.9%	-\$1,024,430	6.6%	\$1,075,228
Total Revenue Source:	\$16,407,736	\$17,482,964	-5.9%	-\$1,024,430	6.6%	\$1,075,228

Expenditures by Expense Type

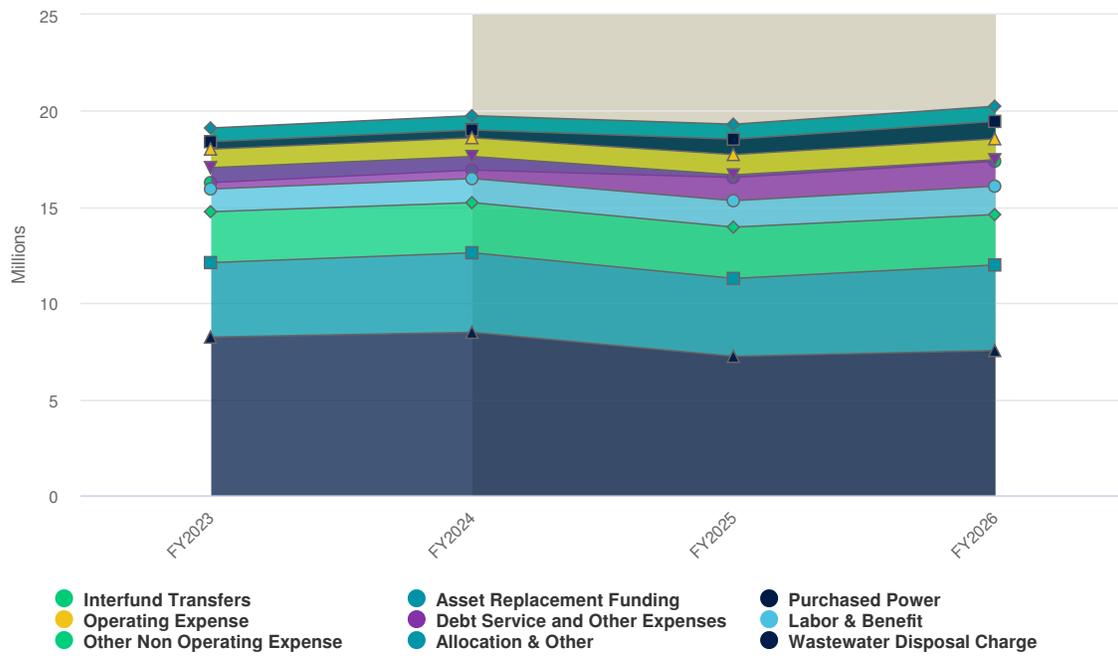
Budgeted 2025 Expenditures by Expense Type



Budgeted 2026 Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type



Grey background indicates budgeted figures.

Wastewater Disposal Charge in FY2025 decreased from FY2024 budget amount due to a refinement of assumptions based on more recent expenses.

Purchased Power in FY2025 increased to better reflect actual energy increases. Energy prices are expected to continue rising every year.

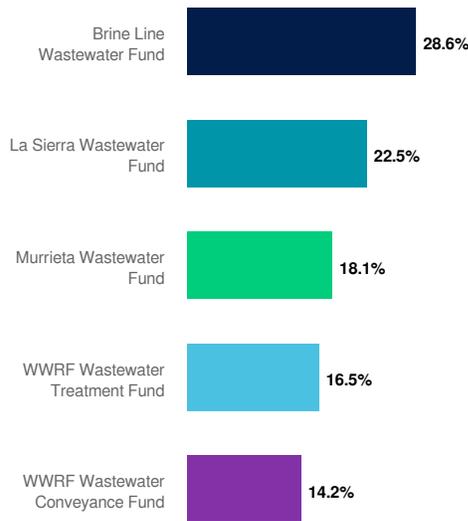
Debt and Other Expenses in FY2025 increased from FY2024 budget amount due to updated debt service obligations.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Expense Objects						
Labor & Benefit	\$1,375,524	\$1,475,476	10.1%	\$125,742	7.3%	\$99,952
Operating Expense	\$1,058,567	\$1,090,906	8.4%	\$82,230	3.1%	\$32,339
Wastewater Disposal Charge	\$7,231,157	\$7,532,204	-14.7%	-\$1,250,016	4.2%	\$301,047
Purchased Power	\$801,465	\$903,133	98.5%	\$397,720	12.7%	\$101,668
Allocation & Other	\$4,051,387	\$4,450,867	-2.1%	-\$85,187	9.9%	\$399,480
Other Non Operating Expense	\$2,668,706	\$2,622,893	2.3%	\$60,757	-1.7%	-\$45,813
Interfund Transfers	-\$2,773,610	-\$2,860,950	-1.9%	\$54,804	3.1%	-\$87,340
Debt Service and Other Expenses	\$1,341,769	\$1,375,426	16.6%	\$191,005	2.5%	\$33,657
Asset Replacement Funding	\$776,653	\$791,409	4.5%	\$33,259	1.9%	\$14,756

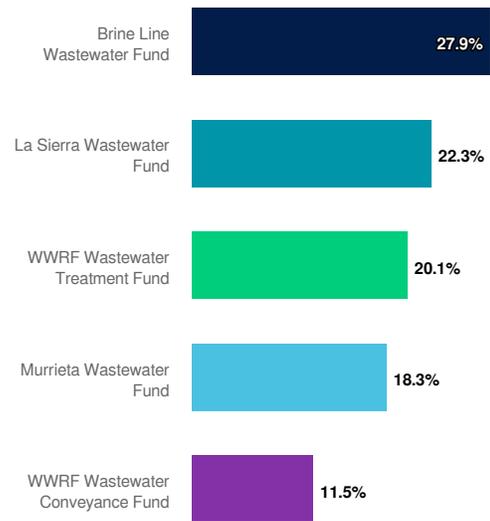
Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Total Expense Objects:	\$16,531,619	\$17,381,365	-2.3%	-\$389,685	5.1%	\$849,746

Revenue by Fund

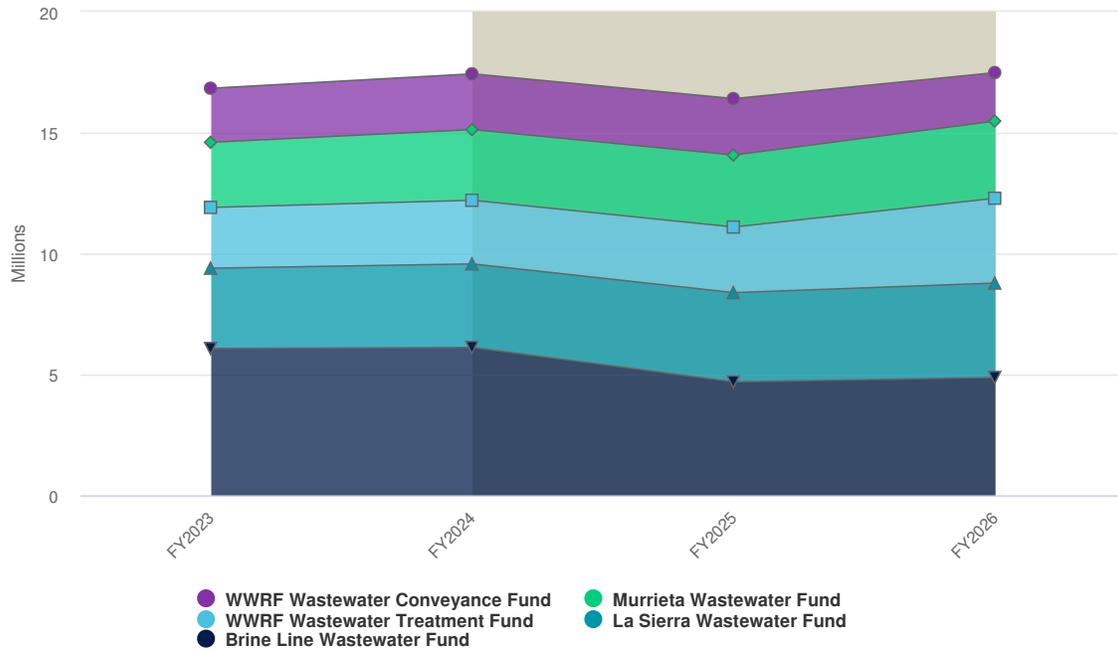
2025 Revenue by Fund



2026 Revenue by Fund



Budgeted and Historical 2025 Revenue by Fund



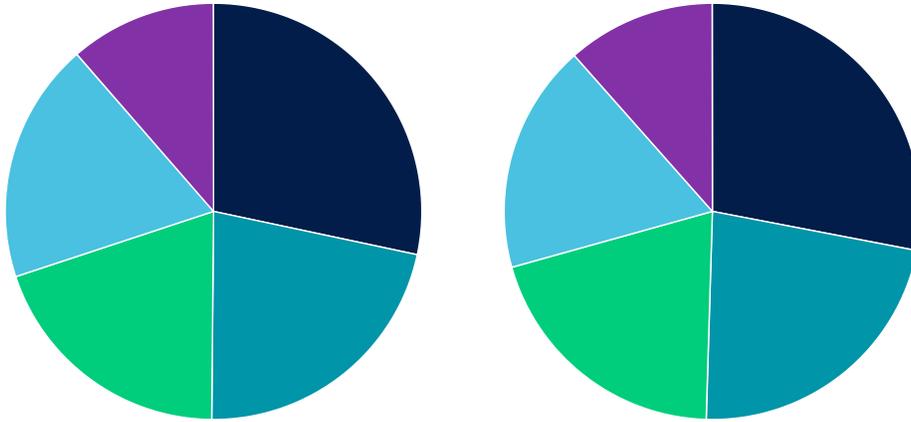
Grey background indicates budgeted figures.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Brine Line Wastewater Fund	\$4,692,251	\$4,875,105	-23.3%	-\$1,424,190	3.9%	\$182,854
La Sierra Wastewater Fund	\$3,690,805	\$3,904,146	6.8%	\$235,758	5.8%	\$213,341
WWRW Wastewater Treatment Fund	\$2,713,240	\$3,508,833	3.1%	\$81,203	29.3%	\$795,593
WWRW Wastewater Conveyance Fund	\$2,334,217	\$2,003,164	1.3%	\$29,428	-14.2%	-\$331,053
Murrieta Wastewater Fund	\$2,977,223	\$3,191,716	1.8%	\$53,371	7.2%	\$214,493
Total:	\$16,407,736	\$17,482,964	-5.9%	-\$1,024,430	6.6%	\$1,075,228

Expenditures by Fund

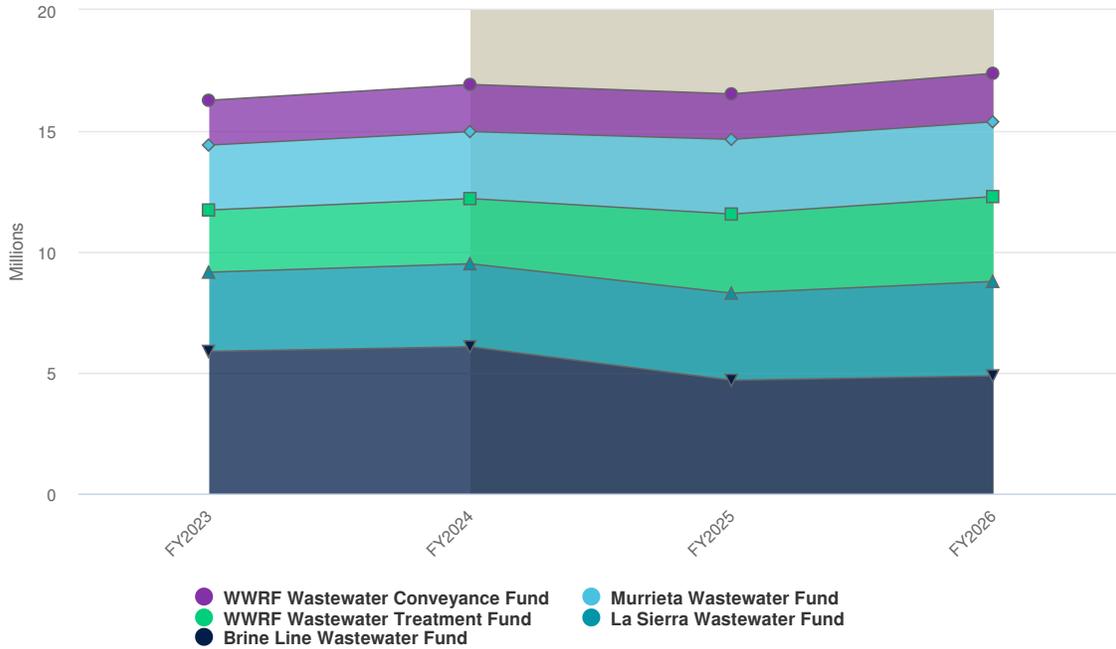
2025 Expenditures by Fund

2026 Expenditures by Fund



- Brine Line Wastewater Fund
- La Sierra Wastewater Fund
- WWRF Wastewater Treatment Fund
- Murrieta Wastewater Fund
- WWRF Wastewater Conveyance Fund

Budgeted and Historical 2025 Expenditures by Fund



Grey background indicates budgeted figures.

Name	FY 2025 Budget	FY 2026 Budget	FY2024 Budget vs. FY 2025 Budget (% Change)	FY2024 Budget vs. FY 2025 Budget (\$ Change)	FY 2025 Budget vs. FY 2026 Budget (% Change)	FY 2025 Budget vs. FY 2026 Budget (\$ Change)
Brine Line Wastewater Fund	\$4,686,667	\$4,869,889	-22.8%	-\$1,386,248	3.9%	\$183,222
La Sierra Wastewater Fund	\$3,603,222	\$3,904,918	5%	\$171,391	8.4%	\$301,696
WWRF Wastewater Treatment Fund	\$3,271,881	\$3,509,012	21.4%	\$576,929	7.2%	\$237,131
WWRF Wastewater Conveyance Fund	\$1,882,000	\$2,002,989	-3.5%	-\$67,344	6.4%	\$120,990
Murrieta Wastewater Fund	\$3,087,849	\$3,094,557	11.4%	\$315,587	0.2%	\$6,707
Total:	\$16,531,619	\$17,381,365	-2.3%	-\$389,685	5.1%	\$849,746

HISTORICAL FINANCIAL CHARTS & FUND BALANCES

Historical Sources of Operating Funds by Category

The following pages present historical information that is used for comparison purposes and identification of trends in Sources and Uses of Operating funds. Budgeted information is presented for Fiscal Year 2024-25 and 2025-26.

Four main reports are presented on this page:

- Historical Sources of Operating Funds by Category: This report excludes Capital Contributions from developers and Special Items, and presents Operating and Non-operating Sources by major category.
- Historical Uses of Operating Funds by Category: This report represents Operating and Non-operating uses by major category.

(Excluding capital contributions and special items)

Fiscal Year	Operating Sources						Non-Operating Sources					Combined Sources
	Water Sales	Water Service	Wastewater Disposal	Contractual Services	Other Operating	Total Operating Sources	Property Taxes	Investment Earnings	Capacity Rights Sales	Other Non-Operating Sources	Total Non-Operating Sources	
2026 (1)	114,679,642	24,282,247	17,482,964	-	-	156,444,853	29,595,633	54,049	-	317,823	29,967,505	186,412,358
2025 (1)	105,628,391	22,195,330	16,407,736	-	-	144,231,457	28,866,383	52,989	-	323,820	29,243,192	173,474,649
2024 (2)	106,107,095	21,252,769	17,432,166	-	-	144,792,030	26,412,755	48,650	-	323,395	26,784,800	171,576,830
2023	79,412,015	23,920,251	15,710,393	6,044,627	126,399	125,213,685	32,871,464	911,945	222,552	2,367,088	36,373,049	161,586,734
2022	90,804,160	24,263,833	15,243,153	5,376,463	150,211	135,837,820	939,433	(14,568,475)	208,018	1,650,291	16,230,267	152,068,087
2021	96,387,528	24,574,875	14,592,692	4,860,581	141,389	140,557,065	27,416,336	(446,251)	15,940,572	988,019	43,898,676	184,455,741
2020	80,000,798	23,149,760	14,174,941	4,940,400	80,992	122,346,891	24,616,030	11,084,735	84,469	1,922,873	37,708,107	160,054,998
2019	74,974,766	20,717,986	12,409,135	4,633,486	167,127	112,902,500	23,641,810	8,673,064	47,212	2,263,940	34,626,026	147,528,526
2018	81,720,213	19,845,736	12,169,527	3,966,995	565,389	118,267,860	21,728,238	(19,896)	41,426	6,961,562	28,711,330	146,979,190
2017	70,698,068	17,355,249	11,512,039	4,007,195	617,029	104,189,580	20,053,770	(212,898)	1,548,535	1,880,972	23,270,379	127,459,959
2016	63,988,478	16,669,887	10,234,040	3,575,488	782,375	95,250,268	18,837,852	4,759,409	338,202	1,209,100	25,144,563	120,394,831
2015	69,533,791	16,841,065	10,292,222	2,501,677	923,401	100,092,156	18,266,670	2,221,947	414,280	1,939,874	22,842,771	122,934,927
2014	76,319,361	15,969,208	10,002,414	2,517,042	867,097	105,675,122	16,327,069	2,436,903	6,260,725	1,833,296	26,857,993	132,533,115
2013	71,596,096	14,290,510	9,875,780	2,152,509	878,348	98,793,243	16,695,696	(3,831)	1,915,041	1,573,844	20,180,750	118,973,993
2012	66,310,917	12,479,514	10,364,865	1,945,167	-	91,100,463	15,221,864	5,578,084	828,459	1,544,818	23,173,225	114,273,688
2011	56,473,710	10,477,058	10,862,351	1,569,409	88,520	79,471,048	15,106,222	3,802,289	99,710	1,008,052	20,016,273	99,487,321

1 - Budget

2 - Amended Budget

Source: Western Water

Historical Users of Operating Funds by Category

Operating Uses											
Fiscal Year	Purchased Water	Pumping, Transmission and Dist	General and Admin	Contractual Services (4)	Depreciation	Other	Wastewater Disposal	Total Operating Uses	Total Non-Operating Uses	Combined Uses	
2026 (1)	100,153,267	23,052,500	21,337,430	-	-	7,529,346	14,343,933	166,416,476	8,414,524	174,831,000	
2025 (1)	93,016,041	21,501,309	19,428,728	-	-	7,240,716	13,565,484	154,752,278	8,247,373	162,999,651	
2024 (2)	97,228,895	21,812,247	16,459,053	-	-	4,607,027	14,243,106	154,350,328	8,247,373	162,597,701	
2023	66,588,834	18,799,381	13,133,141	4,947,799	16,039,268	9,711,048	12,021,543	141,241,014	6,230,236	147,471,250	
2022	78,965,903	17,694,205	11,992,745	4,331,625	14,369,632	9,331,380	12,044,690	148,730,180	4,694,850	153,425,030	
2021	82,239,192	17,693,153	12,930,326	4,294,338	14,022,593	9,289,722	11,769,591	152,238,915	6,805,560	159,044,475	
2020	67,906,312	15,913,099	14,982,493	4,629,855	13,405,239	11,743,192	10,999,326	139,579,516	7,628,777	147,208,293	
2019	67,250,907	15,831,975	14,458,740	3,793,232	13,092,797	5,799,883	10,275,481	130,503,015	6,541,298	137,044,313	
2018	72,045,551	15,763,386	14,041,869	3,559,405	12,735,181	7,133,114	10,254,410	135,532,916	6,018,369	141,551,285	
2017	62,906,377	14,305,357	11,064,591	3,508,952	12,722,189	6,493,358	10,746,113	121,746,937	6,296,498	128,043,435	
2016	55,342,184	14,744,612	8,239,639	3,261,688	12,787,432	7,100,179	9,610,188	111,085,922	6,850,690	117,936,612	
2015	60,519,291	12,347,650	11,671,604	2,413,961	12,904,209	7,297,502	9,032,370	116,186,587	7,331,433	123,518,020	
2014	66,430,723	12,541,083	10,824,019	2,460,561	13,124,128	5,988,141	9,047,386	120,416,041	10,047,835	130,463,876	
2013	61,600,436	12,334,486	10,955,531	2,113,211	13,166,694	(3)	9,537,963	118,408,651	7,227,857	125,636,508	
2012	57,873,634	11,499,925	10,888,801	1,867,917	10,740,215	(3)	7,623,646	109,473,041	8,217,010	117,690,051	
2011	51,890,617	10,087,945	11,456,106	1,528,335	10,262,842		9,086,468	100,249,983	6,040,143	106,290,126	

1 - Budget

2 - Amended Budget

3 - The balance has been retrospectively restated for the implementation of GASB statement No. 65

4 - Contractual services was not budgeted starting in Fiscal Years 2018-18

* Different from budgeted asset replacement reserve funding

Source: Western Water

Fund Balances

The fund balance table below shows the fund balances by fund groupings and is categorized as follows:

- Net investments in capital assets - This component consists of capital assets, net of accumulated depreciation, and reduced by an outstanding debt associated with the acquisition, construction or improvement of those assets.
- Restricted for capacity charges - Restricted fund balances have constraints placed on it imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of a fund balance consists of fund balances that do not meet the definition of restricted or invested in capital assets.

When both restricted and unrestricted resources are available for use, it is Western Water's policy to use restricted resources first and then unrestricted resources as they are needed.

	Wholesale Mills Gravity Combined						Total
	General District	Water	Line	Desalter	Retail Water	Wastewater	
Projected Beginning Net Assets as of July 1, 2023	115,675,737	(740,501)	6,420,599	91,235,452	255,373,885	47,903,296	515,868,469
Estimated Change in Net Asset Fiscal Year 2023-24	4,242,376	-	56,057	(447,518)	(613,432)	510,862	3,748,345
Projected Beginning Net Assets as of July 1, 2024	119,918,113	(740,501)	6,476,656	90,787,934	254,760,453	48,414,158	519,616,814
Sources of Operating Funds	-	53,983,878	183,848	14,107,176	59,548,819	16,407,736	144,231,457
Uses of Operating Funds	11,849,050	54,543,646	(35,140)	9,735,483	64,141,136	14,518,103	154,752,278
Net Operating Sources/(Uses)	(11,849,050)	(559,768)	218,988	4,371,693	(4,592,317)	1,889,633	(10,520,821)
Sources of Non-Operating Funds	19,491,052	559,768	-	-	9,192,372	-	29,243,192
Uses of Non-Operating Funds	3,832,065	-	-	2,681,058	1,600,972	133,278	8,247,373
Net Non-Operating Sources/(Uses)	15,658,987	559,768	-	(2,681,058)	7,591,400	(133,278)	20,995,819
Transfers To/(From) Reserves	1,531,538	-	20,837	650,000	4,309,840	1,880,240	8,392,455
Change in Net Assets Fiscal Year 2024-25	2,278,399	-	198,151	1,040,635	(1,310,757)	(123,885)	2,082,543
Projected Ending Net Assets as of June 30, 2025	122,196,512	(740,501)	6,674,807	91,828,569	253,449,696	48,290,273	521,699,357

	Wholesale Mills Gravity Combined						Total
	General District	Water	Line	Desalter	Retail Water	Wastewater	
Projected Beginning Net Assets as of July 1, 2025	122,196,512	(740,501)	6,674,807	91,828,569	253,449,696	48,290,273	521,699,357
Sources of Operating Funds	-	58,298,513	189,333	14,688,656	65,785,387	17,482,964	156,444,853
Uses of Operating Funds	12,576,353	58,942,511	(36,161)	10,057,530	69,423,653	15,452,590	166,416,476
Net Operating Sources/(Uses)	(12,576,353)	(643,998)	225,494	4,631,126	(3,638,266)	2,030,374	(9,971,623)
Sources of Non-Operating Funds	19,415,825	643,998	-	-	9,907,682	-	29,967,505
Uses of Non-Operating Funds	3,924,930	-	-	2,680,974	1,675,402	133,218	8,414,524
Net Non-Operating Sources/(Uses)	15,490,895	643,998	-	(2,680,974)	8,232,280	(133,218)	21,552,981
Transfers To/(From) Reserves	1,608,115	-	21,879	663,000	4,570,332	1,795,560	8,658,886
Change in Net Assets Fiscal Year 2025-26	1,306,427	-	203,615	1,287,152	23,683	101,596	2,922,473
Projected Ending Net Assets as of June 30, 2026	123,502,939	(740,501)	6,878,422	93,115,721	253,473,379	48,391,869	524,621,830

FIVE YEAR OPERATING FORECAST

Five Year Operating Forecast

The following five-year operating forecast builds on the biennial budget. It includes a forecast of future operating and non-operating costs and the necessary revenues to support these costs for the next five fiscal years, Fiscal Years 2027 through 2031.

For the Five-Year Operating Forecast, Western Water has made several assumptions as described below.

(1) Water sales revenues are based on projected annual revenue increases of 8.0% and include projected annual new customer growth of 1.0% in the Riverside and Murrieta service areas. Along with the currently adopted rates. The annual rate increases for wholesale and retail is believed to be sufficient to cover anticipated Metropolitan Water District (MWD) rate increases on water purchased by Western Water for this budget period. For Retail water rates in the future, rate increases are subject to the notice, hearing and protest provisions of Proposition 218, and there can be no assurance that rate increases which are projected will be approved.

(2) Water service revenue is based on projected annual revenue increases of 8.0% from wholesale customers and the Retail service area. The projection also reflects new retail customer growth and annual revenue increases with current adopted rates and projections.

(3) Waste Disposal revenues and Waste Disposal service charges are based on projected annual new customer growth of 1.0%, and projected annual revenue increases of 8.0% for the La Sierra, WWRF and Murrieta service areas.

(4) Water and Wastewater Operations expenses are based on increases of 6% per annum. General and Administrative expense is based on increases of 6.0% per annum.

(5) Purchased water expense is based on anticipated MWD Tier 1 rate increases on water purchases by Western Water, which are estimated at 8.0%.

(6) Investment Income is budgeted flat. Interest earnings on Western Water's investment portfolio are allocated to designated funds first, with residual earnings, if any, allocated to the general district.

(7) Property Tax revenue is projected to increase 1.0% for the operating funds.

(8) Debt Service is based on actual debt schedules.

(9) Asset replacement reserves are based on a 5% growth per annum.

	Budget		Projected				
	FY 2025 Total	FY 2026 Total	FY 2027 Total	FY 2028 Total	FY 2029 Total	FY 2030 Total	FY 2031 Total
Sources of Operating Funds							
Water Sales	\$ 105,628,391	\$ 114,679,642	\$ 123,854,013	\$ 133,762,334	\$ 144,463,321	\$ 156,020,387	\$ 168,502,018
Water Service	22,195,330	24,282,247	\$ 26,224,827	\$ 28,322,813	\$ 30,588,638	\$ 33,035,729	\$ 35,678,587
Waste Disposal	15,079,293	16,088,667	\$ 17,375,760	\$ 18,765,821	\$ 20,267,087	\$ 21,888,454	\$ 23,639,530
Waste Disposal Svc Charges	1,328,443	1,394,297	\$ 1,505,841	\$ 1,626,308	\$ 1,756,413	\$ 1,896,926	\$ 2,048,680
Total Sources of Operating Funds	\$ 144,231,457	\$ 156,444,853	\$ 156,444,853	\$ 182,477,277	\$ 197,075,459	\$ 212,841,496	\$ 229,868,815
Uses of Operating Funds							
Source of Supply	\$ 2,029,324	\$ 2,193,607	\$ 2,325,223	\$ 2,464,737	\$ 2,612,621	\$ 2,769,378	\$ 2,935,541
Purchased Water	84,520,591	91,392,839	\$ 98,704,266	\$ 106,600,607	\$ 115,128,655	\$ 124,338,948	\$ 134,286,064
Pumping Costs	8,719,371	9,413,840	\$ 9,978,670	\$ 10,577,391	\$ 11,212,034	\$ 11,884,756	\$ 12,597,841
Water Treatment	6,466,126	6,566,821	\$ 6,960,830	\$ 7,378,480	\$ 7,821,189	\$ 8,290,460	\$ 8,787,888
Transmission & Distribution	12,781,938	13,638,660	\$ 14,456,980	\$ 15,324,398	\$ 16,243,862	\$ 17,218,494	\$ 18,251,604
Customer Accounts	1,879,125	2,117,440	\$ 2,244,486	\$ 2,379,156	\$ 2,521,905	\$ 2,673,219	\$ 2,833,612
Disposal Charges	8,521,789	9,108,084	\$ 9,654,569	\$ 10,233,843	\$ 10,847,874	\$ 11,498,746	\$ 12,188,671
Pre Treatment	4,632,060	4,796,853	\$ 5,084,664	\$ 5,389,744	\$ 5,713,129	\$ 6,055,916	\$ 6,419,271
Conveyance System	411,635	438,996	\$ 465,336	\$ 493,256	\$ 522,851	\$ 554,222	\$ 587,476
General & Administrative	19,428,728	21,337,430	\$ 22,404,302	\$ 23,524,517	\$ 24,700,742	\$ 25,935,780	\$ 27,232,569
Water Use Efficiency	1,390,856	1,320,291	\$ 1,399,508	\$ 1,483,479	\$ 1,572,488	\$ 1,666,837	\$ 1,766,847
Other Expense Allocation	-	-	-	-	-	-	-
Other Operating Expenses	3,970,735	4,091,615	\$ 4,337,112	\$ 4,597,339	\$ 4,873,179	\$ 5,165,570	\$ 5,475,504
Total Uses of Operating Funds	\$ 154,752,278	\$ 166,416,476	\$ 166,416,476	\$ 190,446,946	\$ 203,770,529	\$ 218,052,327	\$ 233,362,888
Net Operating Sources/(Uses)	\$ (10,520,821)	\$ (9,971,622)	\$ (9,971,622)	\$ (7,969,669)	\$ (6,695,071)	\$ (5,210,831)	\$ (3,494,072)
Sources of Non-Operating Funds							
Investment Interest	\$ 52,989	\$ 54,049	\$ 55,130	\$ 56,233	\$ 57,357	\$ 58,504	\$ 59,674
Property Tax Revenue	28,866,383	29,595,633	\$ 29,891,589	\$ 30,190,505	\$ 30,492,410	\$ 30,797,334	\$ 31,105,308
Property Tax Transfer	-	-	-	-	-	-	-
Debt Payments from Other Entities	124,451	111,524	\$ 113,754	\$ 116,030	\$ 118,350	\$ 120,717	\$ 123,132
Other Non-Operating Revenue	199,369	206,299	\$ 218,677	\$ 231,798	\$ 245,705	\$ 260,448	\$ 276,075
Total Sources of Non-Operating Funds	\$ 29,243,192	\$ 29,967,505	\$ 29,967,505	\$ 30,594,565	\$ 30,913,823	\$ 31,237,004	\$ 31,564,188
Uses of Non-Operating Funds							
Debt Service	\$ 6,909,586	\$ 6,988,391	\$ 5,555,762	\$ 5,921,561	\$ 6,156,393	\$ 6,166,035	\$ 6,175,768
Other Non-Operating Expense	1,337,787	1,426,133	\$ 1,511,701	\$ 1,602,403	\$ 1,698,547	\$ 1,800,460	\$ 2,795,112
Total Uses of Non-Operating Funds	\$ 8,247,373	\$ 8,414,524	\$ 8,414,524	\$ 7,523,964	\$ 7,854,940	\$ 7,966,495	\$ 8,970,880
Net Non-Oper. Sources/(Uses)	\$ 20,995,819	\$ 21,552,981	\$ 21,552,981	\$ 23,070,601	\$ 23,058,883	\$ 23,270,509	\$ 22,593,308
Net Sources/(Uses)	\$ 10,474,998	\$ 11,581,359	\$ 11,581,359	\$ 15,100,932	\$ 16,363,812	\$ 18,059,677	\$ 19,099,236
Transfers To/(From) Reserves							
Asset Replacement Reserve Funding	\$ 7,609,035	\$ 7,990,910	\$ 8,390,456	\$ 8,809,978	\$ 9,250,477	\$ 9,713,001	\$ 10,198,651
Other Reserves *	783,420	667,976	667,976	783,420	667,976	(0)	2,119,372
	\$ 2,082,543	\$ 2,922,473	\$ 2,522,927	\$ 5,507,534	\$ 6,445,359	\$ 8,346,677	\$ 6,781,213

Long Range Financial Model

Long-term financial planning combines financial forecasting with strategizing. The Long Range Financial Model (Model) considers elements identified in both the Business Plan and the Strategic Plan. The Model projects revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables. The Model aligns financial capacity with long-term service objectives and uses forecasts to provide insight into future financial capacity so that strategies can be developed. The Model stimulates discussion and engenders a long-range perspective for decision makers. It is used as a tool to prevent financial challenges; it stimulates long-term and strategic thinking; it can give consensus on long-term financial direction; and it is useful for communications with internal and external stakeholders. The Model facilitates the development of the Operating Budget and Capital Improvements and Facilities Plan by assessing the feasibility of projects and financial capabilities of Western Water.

DEBT

Debt Overview

Western Water issues debt to fund its Capital Improvements and Facilities Plan. Debt proceeds may be used to pay for the design, acquisition, and/or construction of capital projects. From time to time, Western Water may also issue debt to refinance outstanding debt obligations as market conditions warrant. The refinancing is typically done to lower Western Water's borrowing costs and related debt service payments.

Debt Policy and Administration

There is no statutory regulation setting debt limitations on Western Water. Western Water has adopted its own debt management policies, which determine the objectives and conditions for issuing debt. Per the policy, Western Water will seek to issue debt only in the case where there is an identified source of repayment. Through Western Water's long-range financial planning process, borrowing needs are anticipated and revenue streams to repay borrowings are identified. The ability of the revenue streams to meet current and projected borrowing needs determines the bonding capacity of Western Water.

Bond Ratings

Western Water's historically sound financial and operational management has allowed it to achieve excellent credit ratings. Western Water, as part of its formalized debt policy, meets with the rating agencies periodically to provide a financial update. A sound credit rating results in lower borrowing costs.

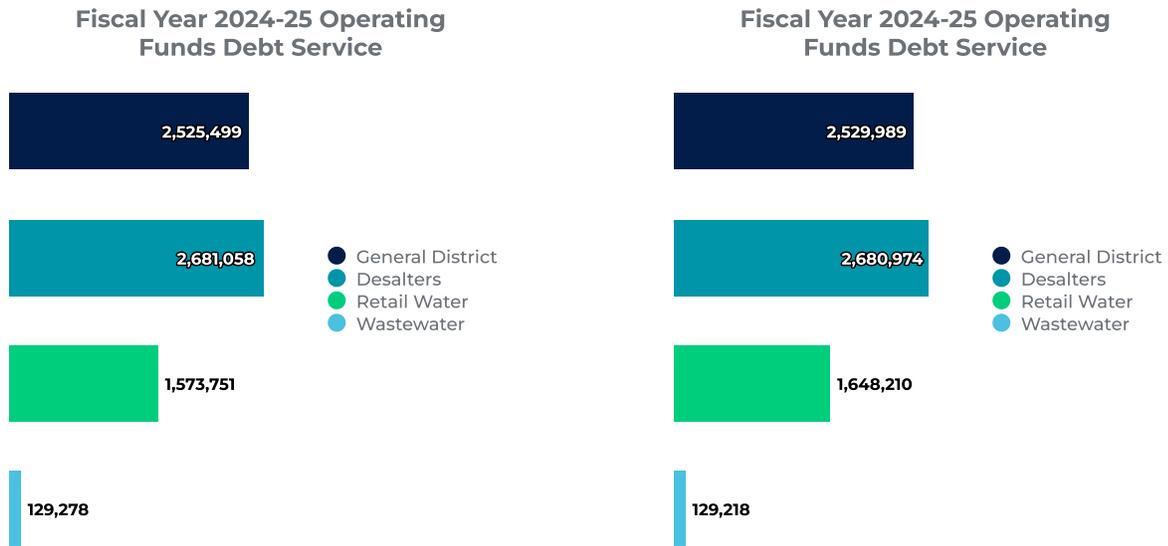
Western Water's credit ratings are as follows:

Standard & Poor's: AA+ with positive outlook.

Fitch: AAA with stable outlook.

At June 30, 2023 Western Water had \$151,440,064 in revenue bonds outstanding.

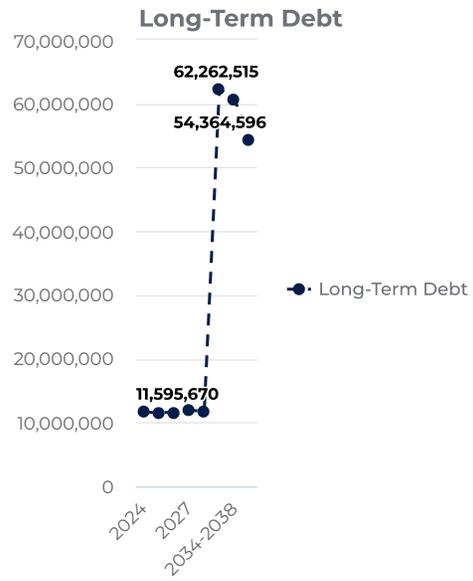
Below are some graphs showing the Operating Funds Debt Service obligations by Fund Groups.



	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Current Portion	Long-Term Portion
Due to other governments:						
Public Offering:						
Santa Rosa Regional Resources Authority						
SRRRA 2017 Bond Issuance	7,002,827	-	(488,733)	6,514,094	504,409	6,009,685
Direct Borrowing:						
Western Riverside County Regional						
Wastewater Authority:						
State Water Resources Control Board	540,338	-	(29,214)	511,124	29,770	481,354
Santa Rosa Regional Resources Authority						
SRRRA SRF Loan	6,034,026	-	(155,067)	5,878,959	156,173	5,722,786
La Sierra Pipeline						
State Water Resources Control Board	32,814,088	1,527,299	(1,002,451)	33,338,936	1,010,679	32,328,257
Total due to other governments	46,391,279	1,527,299	(1,675,465)	46,243,113	1,701,031	44,542,082
Bonds payable:						
Public Offering:						
2012 Series A bonds	35,710,000	-	(1,810,000)	33,900,000	1,875,000	32,025,000
2020 Series A bonds	89,965,000	-	(310,000)	89,655,000	325,000	89,330,000
Unamortized premium	27,698,311	-	(1,909,216)	25,789,095	-	25,789,095
Swap liability	2,500,528	-	(404,559)	2,095,969	-	2,095,969
Total bonds payable	155,873,839	-	(4,433,775)	151,440,064	2,200,000	149,240,064
Note payable:						
Direct Borrowing:						
Note payable - headquarters building	5,328,622	-	(1,287,396)	4,041,226	1,316,786	2,724,440
Note payable - vehicle lease	191,080	-	(145,328)	45,752	45,752	0
Revolving Notes - Line of Credit						
Revolving Notes, Series of 2022A	-	1,000,000	-	1,000,000	-	1,000,000
Total note payable	5,519,702	1,000,000	(1,432,724)	5,086,978	1,362,538	3,724,440
Lease Payables						
Lease Payable - Vehicle	546,418	773,428	(271,079)	1,048,767	273,373	775,394
Lease Payable - Land	488,455	-	(6,329)	482,126	6,538	475,588
Total lease payable	1,034,873	773,428	(277,408)	1,530,893	279,911	1,250,982
Subscription Based Payable						
Subscription Liability	-	318,581	(57,207)	261,374	44,525	216,849
Total Subscription Based Payable	-	318,581	(57,207)	261,374	44,525	216,849
Total long-term debt	208,819,693	3,619,308	(7,876,579)	204,562,422	5,588,005	198,974,417

Fiscal Year	Principal	Interest	Total
2024	5,263,569	6,332,101	11,595,670
2025	5,366,026	6,198,943	11,564,969
2026	5,510,207	6,061,511	11,571,718
2027	5,970,552	5,927,651	11,898,203
2028	6,011,793	5,778,946	11,790,739
2029-2033	36,835,373	25,427,142	62,262,515
2034-2038	42,932,044	17,817,587	60,749,631
2039-2043	46,688,175	7,676,421	54,364,596
2044-2048	12,900,015	2,288,772	15,188,787
2049-2052	7,407,337	462,663	7,870,000
Total	174,885,091	83,971,737	258,856,828
Unamortized premium	25,789,095		
SWAP Liability	2,095,969		
Total	202,770,155		
Less current portion	(5,263,569)		
Total non-current	197,506,586		

Scheduled future debt service requirements of long-term debt excluding lease payable and subscription-based payables, for years subsequent to June 30, 2023 are as follows, assuming that the 2021 Series A is remarketed and the liquidity agreement for 2021 Series A is not renewed in September 2027, amounts due in fiscal year 2028 will increase by \$25,935,000 higher than the amount reported below.



CAPITAL

Capital Improvement and Facilities Plan

This year, the Board of Directors approved Western Water's third biennial CIPF. The objective of the Capital Improvement and Facilities Plan (CIPF) process is to develop a forward-looking, comprehensive report that provides summary information about necessary capital project investments in the coming years. The plan sets immediate capital priorities for the two-year period, while forecasting project needs over a five-year span. The CIPF highlights Western Water's projects by describing each project's linkage to Western Water's Strategic Priorities, the project's necessity, costs and funding source, as well as the implementation timeline. The capital projects listed within will create, maintain, and improve the systems that serve customers. Western Water staff thoroughly reviewed and prioritized the projects listed in the attached listing through a collaborative, multi-departmental process. Projects were prioritized following careful consideration of current asset condition, availability of funding, regulatory requirements, safety, and consequences of failure, just to list a few. The goal of the team's collaborative approach to project selection and ranking is to provide the Board with the confidence to approve the individual projects as they are both considered collectively and brought individually before the Board. In addition to a review of the need and timing of these specific projects, staff also reviewed the individual project workloads, as well as the combined workload of the entire proposed plan, to ensure that we have the workforce to complete the projects listed in a timely manner.

The CIPF includes proposed Fiscal Year 2024-2025 projected expenditures of \$40,702,504, and funding offsets for select projects of \$12,233,843, which results in a net Fiscal Year 2024-2025 total of \$28,468,662 in Western Water cash reserve expenditures necessary to advance the identified projects. The CIPF also includes proposed Fiscal Year 2025-2026 projected expenditures of \$49,414,511, and funding offsets for select projects of \$16,640,312 which result in a net Fiscal Year 2025-2026 total of \$32,774,200 in Western Water cash reserve expenditures necessary to advance the identified projects in the second year. Funding offsets are derived from Federal and State grant funding, and third-party agreements with commitments for specific projects, such as the Enhanced and Active Recharge Projects in the San Bernardino Basin Area.

The project listing for Fiscal Year 2024-2025 also includes the projects and associated funding obligations related to Western Water's Joint Powers Authority partnerships in the Chino Basin Desalter Authority (CDA), the Santa Rosa Regional Resources Authority (SRRRA) and the Western Riverside County Regional Wastewater Authority (WRCRWA). The complete listing also includes known projects in the three years following Fiscal Year 2025-2026. Although these future projects were evaluated in the current process, they will be reevaluated in advance of the next two-year CIPF cycle to ensure that Western Water remains focused on the most important projects.

Minor Capital Projects:

The Minor Capital Projects Program is continuing for this next CIPF cycle for \$1 million per fiscal year, to be purposefully allocated to the minor replacement, refurbishment, or upgrade of Western Water's assets. This is an effective capital budget strategy, especially for Western Water's many routine projects. These smaller, but important projects will be prioritized based upon ongoing condition assessment protocols. In cases where an asset fails in advance of its expected lifetime, immediate need will escalate the priority of a minor project. The Minor Capital Projects fund allows smaller projects to be performed quickly and efficiently based on business needs and as prioritized by Western Water trained professionals. Minor capital projects are defined as efforts that will refurbish, replace, or upgrade assets less than or equal to \$100,000, on a project-by-project basis. A significant number of these projects are small assets required to keep the systems operational, safe, and well maintained. Similarly, these projects may allow staff to bring tools, equipment, or services in-house to increase efficiency and reduce costs.

Examples of projects include, but are not limited to:

- Replacement or refurbishment of various pumps and motors
- Re-coating or replacement of the asphalt at reservoirs and pump station sites
- Valve and meter replacements or additions
- Vault-hatch lid replacements
- Variable frequency drive (VFD) replacements
- Water quality analyzer replacements
- Computer software or hardware
- Tools and equipment
- Minor facility repairs

Individual projects meeting the criteria may be authorized under Western Water's current Purchasing Policy.

The following activities would be excluded from the program:

- Planning activities, research, or studies
- Design activities that would lead to additional expenses
- Land or facility acquisition
- Motor vehicles

Risk Mitigation Program:

The Risk Mitigation Program for \$200,000 per fiscal year will be included this year as well, to be purposefully allocated to the capital projects designed to mitigate either safety, security, or emergency management risks. The Risk Mitigation Program ensures that Western Water consistently promotes and completes projects for not only the resilience of its water supply, but also the resilience of its staff, resources, and infrastructure. Projects for consideration under the Risk Mitigation Program will include those that are less than \$100,000 in cost, can be implemented quickly, and provide the perceived greatest value in reducing Western Water’s risk. Larger projects, those in excess of \$100,000, will be listed separately in the CIFP and board authorization will be sought prior to proceeding with the project. Such projects may include, but are not limited to: Site Cameras, Site Fencing, Intrusion Detection Switches, etc.

Top 10 Projects - FY 2024-25

FY 2024-25			
Project	Gross Total Cost	Offset	Net Total Cost
Magnolia Avenue Interconnection with Riverside Public Utilities	\$6.5M	\$5.2M	\$1.3M
Linear Asset Management Program – Carry Over	\$5.3M	NA	\$5.3M
McKinley Grade Separation Project	\$2.2M	NA	\$2.2M
Enhanced Recharge Project: Santa Ana River Spreading Basins	\$2.1M	\$2.1M	\$0
Permanent Power Generator at Mockingbird Pump Station	\$2.0M	\$1.4M	\$0.6M
SARCCUP Non-Potable Well #7 and Pipeline	\$1.8M	\$1.5M	\$0.3M
Master Plan – Rancho California Water District Regional Intertie	\$1.4M	NA	\$1.4M
Woodcrest – Rinehart Relocations	\$1.0M	NA	\$1.0M
Rainbow – Upsize Metropolitan Water District of Southern California Connection	\$1.0M	NA	\$1.0M
Minor Capital Project Program	\$1.0M	NA	\$1.0M
Total	\$24.3M	\$10.2M	\$14.1M

Top 10 Projects - FY 2025-26

FY 2025-26			
Project	Gross Total Cost	Offset	Net Total Cost
Jefferson Avenue Water Improvement – Rancho California Water District Interconnection	\$7.2M	\$4.1M	\$3.1M
PFAS Removal Facility at WWRF	\$5.9M	\$4.7M	\$1.2M
Linear Asset Management Program – Carry Over	\$4.7M	NA	\$4.7M
SARCCUP Non-Potable Well #7 and Pipeline	\$4.0M	\$3.0M	\$1.0M
Master Plan – Rancho California Water District Regional Intertie	\$3.9M	\$1.1M	\$2.8M
Arlington Desalter Granular Activated Carbon for PFAS Removal	\$3.0M	NA	\$3.0M
WWRF Automation Upgrade	\$1.7M	\$1.4M	\$0.3M
Riverside New Pressure Reducing Valves	\$1.3M	NA	\$1.3M
Madison Avenue Sewer Improvement	\$1.3M	NA	\$1.3M
Madison Avenue Water Improvement	\$1.3M	NA	\$1.3M
Total	\$34.3M	\$14.3M	\$20M

DEBT & FINANCIAL POLICIES

Cash Reserve Policy

The policy states the purpose, source, and minimum/maximum funding levels for each of its designated reserves. These reserves have been established to meet internal requirements and/or external legal requirements. These policy guidelines enable restricting funds for future infrastructure needs, replacement of aging facilities, bond reserves and various operating reserves to mitigate unexpected occurrences. These reserves are critical to Western Water's financial strength and high credit rating.

Cash Reserve Policy - Adopted by the Board of Directors on March 20, 2013

INTRODUCTION

The complex nature of Western Municipal Water District's operations and its various legal, legislative, and contractual requirements dictate a multifaceted and sophisticated financial structure. The District has implemented operating programs in order to secure water and wastewater service resources at the lowest possible cost to its customers without compromising service reliability or quality. These operating programs and strategies include a major investment in local water distribution facilities, recycled water facilities, wastewater treatment and disposal facilities, and contractual obligations and commitments.

I. POLICY STATEMENT

A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital, and debt service needs. Additionally, fiscal responsibility requires anticipating the likelihood of, and preparing for, unforeseen events. Western Municipal Water District ("District" or "WMWD") will at all times strive to have sufficient funding available to meet its operating, capital, and debt service obligations. This funding will be accumulated and maintained in order to pay for operating expenses and capital expenditures in a manner consistent with its Operating Budget and Capital Spending Plan, respectively, and avoid significant customer rate fluctuations due to changes in cash flow requirements.

The Board of Directors of WMWD ("Board") may designate specific reserves and maintain minimum balances consistent with statutory obligations that it has determined to be in the best interest of the District. The policy directives outlined in this document are intended to ensure WMWD has sufficient funds to meet current and future needs. Reserve balances will be reviewed by District staff and the Board during the preparation and approval of the annual Capital Spending Plan.

As an issuer of revenue bonds, the District understands and is committed to its contractual obligation to pay debt service and other financial obligations that are imposed by bond indentures. Therefore, should it be necessary, the Board will modify reserve levels in order to meet indenture requirements.

In order to protect the District's investment in its various assets and to satisfy its commitments under its financial, regulatory, and contractual obligations, the District has developed and segregated a number of reserves. The efficient and discrete management of these reserves, when combined with their appropriate fortification, add additional assurance that the current levels of service reliability and quality will continue into the future.

II. DEFINITIONS

The District's reserves can be classified into three categories that include Restricted Cash and Investments, Capital Reserve Funds, and Operating Reserve Funds. A "fund" is a segregation within the District's accounting system to keep sources and uses for a particular purpose easily identifiable and reportable.

Restricted Cash and Investments: Restrictions on the use of these monies are imposed by an outside source such as creditors, grantors, contributors, laws or regulations governing use.

Capital Reserve Funds: These funds are established by action of the Board and are designated for the construction or acquisition of capital assets, including the replacement of existing assets. Similar to Restricted Cash and Investments above, there may be restrictions associated with the use of reserves in some Funds imposed by an outside source, such as Added Facility Funds where funding comes from capacity charges.

Operating Reserve Funds: These funds are established by action of the Board to safeguard the financial flexibility, liquidity, and stability of the District, and to maintain stable customer charges and rates from year to year. Operating Reserve Funds may be funded from accumulated net revenues and, when appropriate, available short-term liquidity arrangements.

III. GENERAL PROVISIONS

The District maintains its capital and operating reserves in separate funds within its accounting system in a manner that ensures accurate tracking of transactions and provides transparency to its ratepayers. The reserve balances are considered the minimum necessary to maintain the District's creditworthiness and adequately provide for:

- Compliance with applicable statutory requirements
- Financing of future capital facilities and replacement of existing assets
- Cash flow requirements
- Economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy
- Contingencies for unforeseen operating or capital needs

In the context of funding future capital facilities and replacing existing assets, the District will analyze the most cost effective and efficient method to finance a project, be it through debt financing, pay-as-you go financing, use of reserves, use of grant proceeds or State loans, or through some combination of those various sources.

The District has established the following categories that comprise its reserves, with each accounted for individually.

- Restricted Cash and Investments – comprised of unspent bond proceeds, bond reserve funds, customer deposits, construction advances, and other customer-paid balances that have a corresponding liability
- Capital Reserve Funds consist of two major categories:
 - Restricted – comprised of capacity charges, such as Water Added Facility Funds, Wastewater Added Facility Funds, and Distribution System Funds.
 - Unrestricted – comprised of System Improvement Funds, Asset Replacement Funds, and Water Reliability Funds.
- Operating Funds – comprised of 1) operating reserves for the Headquarters Fund, SARI Fund, Wholesale Water Fund, Arlington Desalter Fund, as well as for Retail Water and Wastewater funds; and 2) major maintenance reserves.

A principal tenet of this Reserve Policy shall be crediting of interest income to specific reserve funds until the respective fund's maximum, if any, is achieved. Once the maximum balance is reached within a specific reserve fund, the surplus interest earnings will be reallocated to other reserve funds whose funding level is below the minimum or maximum requirement recommended by this policy, as long as there is no legal prohibition in doing so.

Reserve balances will be reviewed on an annual basis at, or near, the end of the fiscal year during the preparation and approval of the Capital Spending Plan to ensure compliance with this Policy. In the event an Operating Fund balance exceeds the established aggregate maximum, excess monies will be transferred annually into its associated Asset Replacement Fund.

The minimum established for each fund represents the baseline financial condition that is acceptable to the District from risk and long-range financial planning perspectives. Maintaining reserves at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating alternatives. These alternatives (either alone or in combination with each other) include, but are not limited to: fees and charges, water service, wastewater service, capital financing, investment of funds and levels of capital expenditures.

In general, reserve balances approximate the District's cash and investments.

To preserve its strong credit ratings, in every fiscal year the District shall endeavor to maintain 90 to 270 days of operating cash without regard to any liquidity facility.

The board shall approve any reallocation of funds or any transfers among funds.

IV. FUND TARGET LEVELS AND MANAGEMENT

1. Restricted Cash and Investments

Unspent Bond Proceeds: these funds are considered restricted for the use designated in the bond's Official Statement.

Bond Reserve Fund:

- Definition and Purpose – Established as a condition of each bond issue. The funds are legally protected by bond covenants and can only be used in the event of default by the District or to pay down principal at maturity.
- Target Level – The bond reserve requirement is established at the time of the bond issue. The amount could be recalculated as the bonds are paid down depending on the bond covenant.
- Events or Conditions Prompting the Use of the Reserves – May be used by the Trustee if the amounts in the Principal Fund, Mandatory Redemption Fund or Interest Fund are insufficient or for the retirement of all bonds then outstanding.

Customer Deposits and Construction Advances:

- Definition and Purpose – Monies held on behalf of the District's customers as required to pay for expenses associated with customer-funded development projects, as well as deposits held on behalf of retail water and wastewater customer accounts ("retail customers").
- Target Level – Customer deposits related to development are collected based on policies and procedures outlined in the District's *Developer Handbook and Standard Drawings [for] Water, Recycled Water, and Sewer Facilities*. Customer deposits related to retail customers are collected based on Board adopted policy. The balance will fluctuate depending on the size and complexity of the project(s), the overall number of development projects in process, and the number of retail customers. Therefore, no minimum or maximum levels will be established in aggregate.

1. Capital Reserve Funds

Capital Reserve Funds are used to fund capital projects including water and wastewater system infrastructure, vehicle and major equipment acquisition, and information technology. They are classified as either "restricted" if there is a use restriction placed on the funds by an outside source, or "unrestricted."

Restricted Capital Reserve Funds

Water Added Facility Fund:

- Definition and Purpose – Established with monies from developer capacity charges. The collection and use are restricted under state law. These monies are used to construct Water Master Plan facilities in areas impacted by growth.
- Conformity to Plans – The District maintains separate master plans for future water facilities that will be constructed in various areas within its jurisdiction for retail water service. Expenditures from this reserve must comply with the District's Water Master Plans
- Target Level – The ultimate funding level for a Water Added Facility Fund inherently fluctuates depending on the degree of development activity and the cost of new infrastructure yet is to align with projected expenditures in the District's Water Master Plan documents. These documents are reviewed annually and are generally updated every five years.
- Events or Conditions Prompting the Use of the Fund – When staff identifies facilities that are necessary to accommodate growth, construction projects may be recommended to the Board of Directors. Amounts for projects or improvements greater than \$100,000 must be requested by District staff and approved by the Board of Directors. Projects or improvements amounting to less than \$100,000 may be authorized by the appropriate staff.
- Funding Source – Capacity charges (Added Facilities Charges, or "AFC").

Wastewater Added Facility Fund:

- Definition and Purpose – Established with monies provided by developers per contracts negotiated for the provision of sewer service by the District. These monies are used to construct Wastewater Master Plan facilities in areas impacted by growth.
- Conformity to Plans – All projects funded from a Wastewater Added Facility Fund will be included in the District's five-year capital improvement plan and the District Wastewater Master Plans currently in process.
- Target Level – Targets are established on a contract by contract basis and are estimated by the District's consulting engineers until target levels are established when the Master Plans are adopted by the Board of Directors. Once adopted by the Board, the funding level for a Wastewater Added Facility Fund will inherently fluctuate depending on the degree of development activity and the cost of new infrastructure yet is to align with projected expenditures in the District's Wastewater Master Plan documents. These documents are reviewed annually and are generally updated every five years.
- Events or Conditions Prompting the Use of the Fund – When staff identifies facilities that are necessary to accommodate growth, construction projects may be recommended to the Board of Directors. Amounts for projects or improvements greater than \$100,000 must be requested by District staff and approved by the Board of Directors. Projects or improvements amounting to less than \$100,000 may be authorized by the appropriate staff.

- Funding Source – Capacity charges (Added Facilities Charges, or “AFC”).

Distribution System Fund:

- Definition and Purpose – Established to upgrade and improve the distribution system within the District’s retail service area. This reserve primarily funds smaller projects and improvements not covered by the Water Added Facility Funds.
- Target Level – The funding levels for this reserve inherently fluctuates depending on the degree of development activity and the cost of new infrastructure.
- Events or Conditions Prompting the Use of the Fund – Amounts for projects or improvements greater than \$100,000 must be requested by District staff and approved by the Board of Directors. Projects or improvements amounting to less than \$100,000 may be authorized by the appropriate staff.
- Funding Source – Distribution System Fees charged on new development as established by the Board of Directors.

Unrestricted Capital Reserve Funds

System Improvement Fund:

- Definition and Purpose – Established to make improvements to existing water or wastewater systems.
- Target Level – This reserve has no specific target level and will be funded on an as needed basis. Any amounts not utilized and no longer needed will be returned to the operating reserve that funded the project.
- Events or Conditions Prompting the Use of the Fund – Improvement projects will be identified by District staff and recommended to the Board during the preparation of the annual capital budget. Approved projects will be funded from the appropriate operating reserve.
- Funding Source – Retail water / wastewater user rates.

Asset Replacement Fund:

- Definition and Purpose – Established to accumulate amounts for the replacement or major refurbishment of aging capital assets.
- Target Level – Minimum funding shall be targeted at the estimated current replacement cost^[1] of assets associated with the Fund that are expected to be replaced within the next five years (i.e. will be fully depreciated) excluding certain assets^[2].

Maximum funding shall be targeted at the sum of a) the minimum target level calculated above plus b) 25% of the estimated current replacement cost for capital assets associated with the Fund that have a replacement cost of more than \$7,000,000. Events or Conditions Prompting the Use of the Fund – Replacement projects are deemed needed when an existing asset is no longer adequately functioning and the cost to repair the asset or to retrofit to meet current regulations and standards exceeds its replacement cost. Replacement projects will be identified by District staff and recommended to the

[1] The current replacement cost is the original asset cost escalated annually by the Engineering News-Record Construction Cost Index (“ENR CCI”).

[2] Certain assets excluded from the calculation are those that: (a) are not subject to replacement based on an Operations and Engineering analysis, (b) are non-depreciable assets, (c) have an adjusted useful life of less than or equal to five years (“short-life assets”), (d) have a replacement cost of less than or equal to \$50,000 (“low-cost assets”), or (e) have a replacement cost of more than \$7,000,000 (“high-cost assets”).

Interest and Financial Risk Management Policy

The purpose of this policy is to establish guidelines for the use and management of all interest rate and risk management agreements incurred in connection with the expected issuance of new bonds, notes, and other obligations, to accompany bonds already issued, or to manage other risks of Western Water. This policy sets forth the manner of execution of swaps, and provides for security and payment provisions, risk considerations and certain other relevant provisions.

Interest and Financial Risk Policy - Adopted April 1, 2020

I. INTRODUCTION

The purpose of this Interest Rate Swap and Hedge Agreement Policy ("Policy") of the Western Municipal Water District ("the District") is to establish guidelines for the use and management of all interest rate and risk management agreements, including, but not limited to, interest rate and other financial risk management swaps, swaptions, rate locks, caps, collars, floors and other similar products (collectively "Swaps" or "Agreements") incurred in connection with the expected issuance of new bonds, notes, and other obligations (collectively the "Bonds"), or to accompany Bonds already issued, or to manage other risks of the District.

This Policy sets forth the manner of execution of swaps, provides for security and payment provisions, risk considerations and certain other relevant provisions in the context of being responsive to the 2003 Recommended Practices of the Government Finance Officers Association (GFOA) regarding the contents of an interest rate swap and financial risk management policy. The failure by the District to comply with any provision of this Policy shall not invalidate or impair any Agreement.

II. AUTHORITY

The District is authorized to issue Bonds and to enter into Swaps from time to time to: (1) better manage assets and liabilities; (2) take advantage of market conditions to lower overall costs and reduce interest rate risk; (3) achieve product diversification; (4) manage its risk exposures; and/or (5) achieve an objective not available with traditional products.

The District has promulgated this Policy to provide guidance as to how the District intends to use and manage Swaps. While it is the intention of the District to adhere to this Policy in applicable circumstances, the District recognizes that changes in the capital markets and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy which will require modifications or exceptions to achieve policy goals.

The General Manager and Chief Financial Officer and their authorized designee(s) (the "Authorized Representative") are the designated administrators of this Policy. The Board of Directors of the District (the "Board") shall have "oversight" on the approval of each Agreement. However, the Authorized Representative, subject to Board approval, shall have the authority to enter into each Swap. Each Agreement shall be structured by staff and members of the financing team. The Authorized Representative shall have the day-to-day responsibility for implementing and managing the Agreements.

The District shall be authorized to enter into Swaps only with qualified counterparties (each a "Counterparty"). Counterparties shall be selected pursuant to the criteria set forth in this Policy.

This Policy shall be reviewed on an annual basis by the Authorized Representative. Any recommended changes shall be presented to the Board of Directors/Finance Committee for consideration.

III. PURPOSE

The issuance of Bonds involves a variety of interest payment obligations and risks that a variety of financial instruments are available to reduce, offset, or insulate. The structure of the District's debt is often designed to manage the assets and liabilities on its balance sheet or to achieve desired risk parameters. It is the policy of the District to also consider the use of Swaps and other financial instruments to better manage its assets and liabilities and manage its risk exposures. The District may execute a Swap if the transaction can be expected to result in one or more of the following or any similar type of benefit:

- Reduce exposure to changes in interest rates on a particular financial transaction or in the context of the management of interest rate risk derived from the District's overall asset/liability balance.
- Result in a lower net expected cost of borrowing with respect to Bonds.
- Manage variable interest rate exposure consistent with prudent debt practices.
- Manage exposure to changing market conditions in advance of anticipated issuance of Bonds (through the use of anticipatory financial instruments).
- Achieve more flexibility in meeting overall financial objectives that cannot be achieved in conventional markets. For example, entering into a swaption with an upfront payment.
- Provide customized cash flows to match required payment obligations or revenue projections.
- Manage the District exposure to risks in its portfolio, such as financial risks (interest rates, costs) or event risks (credit enhancer downgrades, market dislocations).

The District will not use Agreements that:

- Are speculative or create extraordinary leverage;
- Lack adequate liquidity to terminate without incurring a significant bid/ask spread;
- Provide insufficient price transparency to allow reasonable valuation;

- Provide exposure to currency risk, sovereignty risk, or the use of credit derivatives – unless directly linked to the District's or the Counterparty's credit.

IV. ASPECTS OF EXPOSURE ASSOCIATED WITH SWAPS

Before entering into a Swap, the District shall evaluate all the risks inherent in the Agreement. These risks to be evaluated should include basis risk, yield curve/maturity mismatch, tax risk, Counterparty risk, termination risk, rollover risk, liquidity risk, and the inherent credit risk.

Type of Risk	Description	Evaluation Methodology
Basis risk	The mismatch between actual variable rate debt service and variable rate indices used to determine Swap cashflows. Defines the risk that the normal relationship between indices or prices might change.	The District will review and consider based on the historical trading differentials between the indices relevant to the Swap agreement.
Yield Curve / Maturity Mismatch	This type of position is typically to take advantage of the shape of the yield curve. The risk created when swap payments are based on indices that lie along different parts of the yield curve (e.g. 7-day rates vs. 30-year rates)	The District will evaluate historical trading relationships, and make sure to have adequate reserves or a hedging mechanism to offset unexpected movements.
Tax risk	The risk created by potential tax events that could affect the economic substance of a particular transaction.	The District will review the tax events in proposed Agreements. The District will evaluate the impact of potential changes in tax law on LIBOR indexed Swaps.
Counterparty risk	The failure of the Counterparty to make timely required payments; maintain ratings at acceptable level; and post collateral timely.	The District will monitor exposure levels, ratings thresholds, and collateralization requirements.
Termination risk	The need to terminate the Agreement in a market that dictates a termination payment by the issuer. The need to terminate the Agreement when the counterparty may be unable to make a payment to the District.	The District will compute its termination exposure for all existing and proposed Swaps at market value and under adverse economic conditions.
Rollover / Mismatch risk	The mismatch of the maturity of the Swap and the maturity of the underlying Bonds.	The District will determine its capacity to tolerate the residual position should the Swap not be extended.
Liquidity risk	The inability to continue or renew a liquidity facility; and the ratings downgrade of the liquidity provider.	The District will evaluate the expected availability of liquidity support for swapped and unhedged variable rate debt (and/or products that do not require liquidity).
Credit risk	The occurrence of an event modifying the credit rating of the Issuer or its Counterparty or its credit enhancer.	The District will monitor the ratings of its Counterparties and guarantors.

Risk exposure should not be measured solely in terms of notional amount, but rather in terms of how changes in interest rates or other market factors/indices would affect the District's exposure on all of its Swaps (as measured by mark-to-market and termination risk exposure, and measured on a net basis, e.g. taking into account offsetting transactions).

The mark-to-market and termination value of the entire swap portfolio should be measured at least annually by an independent third party. In addition, the District should measure the termination risk for the respective Counterparty each time it enters into a new Agreement.

Termination Value Risk Limit

The aggregate termination payment risk for all existing and projected Swaps shall equal that amount that would be paid by an individual Counterparty based on the reasonably expected termination payment to the proposed Counterparty for the existing swaps and the proposed swap.

Maximum Portfolio Termination Value

The District shall measure the mark-to-market termination payment for all Counterparties, collectively, the Maximum Portfolio Termination Value.

The District's goal is to limit entering into swaps when the Maximum Portfolio Termination Value is equal to approximately 50% of the District's Available Reserves. The District may enter into additional agreements to unwind or offset any existing agreements, even if the Maximum Portfolio Termination Value exceeds 50% of the District's Available Reserves. The District shall not include in such calculations commodity Swaps that are designed to manage cost exposure for budgetary purposes. The District will attempt to maintain liquidity approximately equal to the mark-to-market value of its swap portfolio taking into account the value of any collateral pledged by the District to any counterparty.

Maximum Counterparty Termination Value

The District shall endeavor to diversify its exposure to Counterparties. To that end, before entering into an Agreement, it should determine its exposure to the relevant Counterparty and determine how the proposed Agreement would affect the District's additional risk to termination.

Maximum Counterparty Termination Exposure refers to the aggregate mark-to-market exposure to a counterparty net of the mark-to-market value of any collateral pledged to the District by such counterparty.

The District's goal is to limit its Maximum Counterparty Termination Exposure attributable to a single swap counterparty, based on a three tier structure.

- o The District shall establish a minimum mark to market termination value to one counterparty equal to 25% of the District's Available Reserves. The District shall not seek to diversify counterparties if its Maximum Portfolio Termination Value is below this level.
- o The District shall seek to diversify its counterparty termination exposure, once this minimum value has been met, as set forth in the table below. In the event of split ratings, the District shall use the lower of the ratings if only two ratings are assigned. In the event that the counterparty has three ratings, the District shall use the rating assigned more frequently without regard to "+" and "-" nomenclature.

Credit Rating of Counterparty	Maximum Counterparty Termination Exposure *
AAA Category	Equal to 75% of the District's Maximum Portfolio Termination Value
AA Category	Equal to 65% of the District's Maximum Portfolio Termination Value
A Category	Equal to 50% of the District's Maximum Portfolio Termination Value

*** The table above provides general exposure guidelines with respect to whether the District should enter into an additional agreement with an existing Counterparty. The District may make exceptions to the guidelines at any time to the extent that the execution of a Swap achieves one or more of the outlined benefits in this Policy or provides other benefits to the District. These limits shall only apply as of the time a Swap or related transaction, such as a cap, collar, etc. is entered into, and thus may be exceeded during the term of a Swap or Swaps with the same Counterparty.**

- o The District shall seek to limit its aggregate exposure to all counterparties, or the Maximum Portfolio Termination Value, equal to 50% of the District's Available Reserves.

Additional limits may be established for each Counterparty as well as the relative level of risk associated with each existing and projected Swap.

The District will enter into no further Swaps with any Counterparty within the above rating categories once the threshold is reached for such specific category.

Case-by-Case Analysis

The District also should take into account the District's financial position and overall asset/liability management strategy when evaluating its termination exposure for each transaction. The District may choose a swap for a limited term if such a structure is deemed a prudent strategy or approach, recognizing the potential rollout mismatch risk.

The Authorized Representative shall determine the appropriate term for a Swap on a case-by-case basis. The slope of the swap curve, the marginal change in swap rates from year to year along the swap curve, and the impact that the term of the swap has on the overall exposure of the District in connection with its Bonds shall be considered in determining the appropriate term of any Swap. In connection with the issuance of Bonds, the term of a Swap shall not extend beyond the expected final maturity date of the applicable issue of Bonds, or in the case of a refunding transaction, beyond the expected final maturity date of the refunding Bonds.

The total net notional amount of all Swaps related to an issue of Bonds should not exceed the amount of the related outstanding Bonds. For purposes of calculating the net notional amount, credit shall be given to any Swaps that offset (or augment other Swaps) for a specific bond transaction.

V. LONG-TERM IMPLICATIONS

In evaluating a particular transaction involving the use of swaps, the District shall review long-term implications associated with entering into each agreement, including costs of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, liquidity capacity, opportunities to refund related debt obligations, exposure to the counterparty, and other similar considerations.

Impact of use of Liquidity

The District shall consider the impact of any variable rate bonds issued in combination with a Swap on the availability and cost of liquidity support (if required) and the risk of a liquidity provider's rating downgrade.

Call Option Value Considerations

When considering the relative advantage of variable rate bonds issued in combination with a Swap versus fixed rate Bonds, the District will take into consideration the value of any call option on fixed rate Bonds. When comparing potential cost savings by utilizing a swap, the District should take into consideration, among other things, that a synthetic fixed-rate swap does not usually have an optional call provision; and therefore, should evaluate the potential impact on future cost savings and flexibility. The District shall evaluate the cost of adding call options on Swaps at the time of execution.

Qualified Financial Risk Management Products

The District understands that, (1) if payments on and receipts from the Agreement are to be taken into account in computing the yield on the related Bonds, the Agreement must meet the requirements for a "qualified hedge" under federal tax law (sometimes referred to as an "integrated" Swap); and (2) if one of the goals of entering into the Agreement is to convert variable yield bonds into fixed yield bonds (sometimes referred to as a "super integrated swap"), then certain additional requirements must be met. In both of these situations, the terms of the Agreement and the process for entering into the Agreement must be reviewed and approved in advance by tax counsel.

VI. QUALIFIED SWAP COUNTERPARTIES

Unless approved by the Board, the District will work with qualified Swap Counterparties or their guarantors that, at the time of execution of swap documentation, have a general credit rating of: (i) at least "A1" or "A+" by two of the nationally recognized rating agencies **and not rated lower than "A2" or "A" by any** nationally recognized rating agency, or (ii) at least "A1" or "A+" by two of the nationally recognized rating agencies and has a continuing "AAA" subsidiary as rated by at least two nationally recognized credit rating agencies. The nationally recognized rating agencies are Moody's Investors Services, Inc., Standard and Poor's Rating Services, and Fitch Ratings.

Swap Counterparties or other guarantors must have a demonstrated record of successfully executing Swap agreements as well as minimum capitalization of at least \$500 million.

Swap counterparties should serve as principal on each transaction, not as "agent" in order to assure most efficient pricing and direct responsibility.

In addition to the rating criteria specified herein, the District will seek additional credit enhancement and safeguards in the form of:

Contingent credit support or enhancement;

Collateral consistent with the policies contained herein;

Ratings downgrade triggers;

Guaranty of parent, if any.

VII. FORM OF SWAP AGREEMENT

It is the District's intention to have a form of Swap Agreement to be used in all Swap Agreements, modified as necessary to meet the needs of a particular transaction. The form of the Agreement executed by the District shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, including any schedules, credit support documents and confirmations. All Agreements shall be subject to the approval of the Authorized Representative. The Agreements shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the Authorized Representative deems necessary or desirable.

The District must use legal counsel and/or outside professional advisors to assist in preparation of the swap documents.

VIII. TERMINATION PROVISIONS

The District shall consider including in all Agreements provisions granting the District the right to optionally terminate an Agreement at any time over the term of the Agreement. Any termination of an Agreement shall be made by the Authorized Representative.

A termination event is deemed to occur should the Swap Counterparty (or its credit support provider) fail to maintain the ratings below and the Swap Counterparty has not delivered any collateral as required under the Credit Support Annex with the District:

Credit Rating of at least "A3" from Moody's; or

Credit Rating of at least "A-" from S&P; or,

Credit Rating of at least "A-" from Fitch

An equivalent rating determined by a nationally recognized ratings service acceptable to both parties.

Furthermore, an additional termination event is deemed to occur should the Swap Counterparty (or its credit support providers) have one or more outstanding issues of rated unsecured, unenhanced senior debt and none of such issues has a rating of at least (i) Baa3 or higher as determined by Moody's Investors Service, Inc., or (ii) BBB- or higher as determined by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. or (iii) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties.

A termination payment to or from the District may be required in the event of termination of an Agreement due to a default or a decrease in credit rating of either the District or the Swap Counterparty.

It is the intent of the District to avoid making a termination payment out of available District funds to a Counterparty that does not meet its contractual obligations. Prior to making any such termination payment, the Authorized Representative shall evaluate whether it is financially advantageous for the District to obtain a replacement Counterparty to avoid making such termination payment or finance the termination payment through a long-term financing product.

For payments on early termination and optional termination, Market Quotation and the Second Method, as defined in the 1992 Form of the ISDA will apply.

IX. SECURITY AND SOURCE OF REPAYMENT

While the District has a preference to subordinate swap payments to debt service payments, the District may use the same security and source of repayment (*pari passu*) for the Swap as is used for the underlying Bonds. The District shall subordinate the termination payment under the swap to the debt service on its senior lien bonds. The District shall consult with Bond Counsel regarding the legal requirements and compliance with the District's Master Resolution associated with making the payments under the Swap on a parity or non-parity basis with the applicable outstanding Bonds.

X. SPECIFIED INDEBTEDNESS

The specified indebtedness related to credit events in any Agreement should be narrowly defined and should refer only to indebtedness of the District that could have a materially adverse effect on the District's ability to perform its obligations under the Swap. Debt typically only should include obligations within the same, or higher, lien as the Swap obligation.

XI. GOVERNING LAW

The District prefers the governing law for Swaps to be New York or California, but will consult with its legal counsel for each transaction. The capacity, power and authority of the District to enter into a Swap shall be governed by and construed in accordance with the law of the State of California.

XII. EVENTS OF DEFAULT

Events of default of a Swap Counterparty shall include, but are not limited to the following:

1. Failure to make payments when due
2. Breach of representations and warranties
3. Illegality
4. Failure to comply with downgrade provisions and/or provide collateral as required
5. Failure to comply with any other provisions of the Agreement after a specified notice period

XIII. COLLATERAL REQUIREMENTS

As part of any Agreement, the District may require, or be required to post collateral or other credit enhancement to secure any or all Swap payment obligations. As appropriate, the Authorized Representative may require collateral or other credit enhancement to be posted by each Swap Counterparty under the following circumstances:

- Each Swap Counterparty may be required to post collateral if the credit rating of the Swap Counterparty or parent falls below the "A- or A3". Collateral for further decreases in credit ratings of each Swap Counterparty shall be posted by each Swap Counterparty in accordance with the provisions contained in the credit support annex to each Agreement.
- Collateral shall consist of cash, U.S. Treasury Securities, or Agency Securities
- Collateral shall be deposited with a third party trustee, or as mutually agreed upon between the District and each Swap Counterparty.
- A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the Agreement.
- The market value of the collateral shall be determined on at least a monthly basis.
- The District will determine reasonable threshold limits for increments of collateral posting based on a sliding scale reflective of credit ratings.
- The Authorized Representative shall determine on a case-by-case basis whether other forms of credit enhancement are more beneficial to the District.

XIV. OTHER CRITERIA

The District may select a Swap Counterparty through either a competitive or negotiated process. The selection of a Swap Counterparty shall be done on a case-by-case basis. The conditions to be considered in determining the process shall include:

- Traditional swap or financial products such as synthetic fixed-rate swaps, reverse swaps, caps, floors, collars, and swaptions without significant deviations from standard ISDA contract.
- The proposed structure does not require customized features.
- Several counterparties are eligible and willing to provide bid(s).
- Terms of the swap match the underlying bond structure (i.e. same or shorter maturity, payment dates, amortization schedule).
- Marketing of the Swap will require complex explanations about the security for repayment or credit quality.
- Demand is limited among Swap Counterparties.
- Coordination of multiple components of the financing is required.
- The Swap has non-standard features, such as one way collateral.
- Bond insurance is not available or not offered.
- Counterparty risk (termination exposure) to other providers is limited.
- Counterparties are likely to demand individual changes in bid documents.
- A Swap Counterparty has provided a structure or concept that is unique.
- The timing and facilitation benefit to the District of using a Swap Counterparty that is also managing an accompanying bond issue.
- The transaction structure or financing structure has been developed for the District by a Counterparty and the District has determined that it is in its best interest to proceed with proposed transaction or a similar structure.

The District shall use outside professional advisors to assist in the structuring and price negotiation. The District shall select, through a competitive process, an outside professional advisor, or designated swap representative ("Swap Advisor") as part of the financing team where a Swap is expected to be executed. However, the District may, without a competitive process, select its then-current financial advisor to act as its Swap Advisor so long as the financial advisor:

- i. has sufficient knowledge to evaluate the swap transaction and risks;
- ii. is not subject to a statutory disqualification;
- iii. is independent of the swap dealer or major swap participant;

- iv. undertakes a duty to act in the best interests of the District;
- v. provides appropriate and timely disclosures to the District;
- vi. evaluates fair pricing and the appropriateness of the swap;
- vii. provides a written certification to the District to the effect that such Swap Advisor agrees to meet and meets requirements (i), (iv), (v) and (vi) above.
- viii. has in connection with previously representing the District demonstrated its ability to meet requirements (i), (iv), (v), and (vi) above.

The District will monitor the performance of Swap Advisor consistent with requirements (i) through (vi) above.

The District shall obtain an opinion from its Swap Advisor that the terms and conditions of any financial product entered into reflect a fair market value as of the execution date.

XV. ONGOING REPORTING REQUIREMENTS

Written records noting the status of all Agreements will be maintained by the District and shall include the following information:

- Highlights of all material changes to Agreements or new Agreements entered into by the District since the last report, and a summary of any Agreements that were terminated.
- Basic term sheet containing trade date, effective date and termination date of each of the Agreement, as well as key terms such as: notional amount, rate paid by each Counterparty, day count basis, payment dates, and amortization/accretion schedules. This term sheet will also contain Counterparty contact information.
- The District staff will report to the Board, from time to time, the following:
 - Most recent (at least annually) mark-to-market valuation, performed by an independent third party advisor.
 - For each Swap Counterparty, the total notional amount position, the average life of each Agreement, the available capacity to enter into a Swap, and the remaining term of each Agreement.
 - The credit rating of each Swap Counterparty and credit enhancer insuring the Swap payments.
 - Actual collateral posting by the Swap Counterparty, if any, per Agreement and in total by Swap Counterparty.
 - Information concerning any default by a Swap Counterparty and the results of the default, including but not limited to, the financial impact to the District if any.

The District shall reflect the use of derivatives on its financial statements in accordance with generally accepted accounting principles. The disclosure requirements include:

1. Objective of the Derivative
2. Significant Terms
3. Fair Value
4. Associated Debt
5. Risks

GLOSSARY OF TERMS

Agency Security – Negotiable debt obligations which are issued and/or guaranteed as to both principal and Interest by the Federal Home Loan Mortgage Corporation (“FHLMC”), the Federal National Mortgage Association (“FNMA”), or the Government National Mortgage Association (“GNMA”) excluding interest only securities, principal only securities, residual interest, and Collateralized Mortgage Obligations (“CMO’s”).

Amortization Risk – Amortization risk refers to the cost of servicing debt or making swap payments due to a mismatch between the bonds and the notional amount of the related outstanding Swap.

Available Reserves – Cash balances, assets and investments of the District established as Reserves pursuant to the District’s Reserves Policies. **Amounts on deposit in the following reserve funds will be considered Available Reserves:**

- Reserve for Asset Replacement and Major Maintenance
- Reserve for System Improvements
- Contingency Reserve
- Exposure Reserve
- Working Capital Reserve
- Unrestricted and Undesignated Reserves

Basis Risk – Basis risk refers to a mismatch between the payment received from the swap contract and the payment actually owed on the District’s bonds. The risk, for example, in a floating to fixed rate swap is that the variable rate interest payments will be less than the variable interest payments actually owed on the associated bonds.

Confirmation – A form that is executed for a specific swap or financial product transaction and details the specific terms and conditions applicable to that agreement (fixed rate, floating rate index, payment dates, calculation methodology, amortization, maturity date, etc.).

Continuing AAA subsidiary – A wholly owned subsidiary of a Bank or Broker/Dealer organized to transact business as a “AAA” Counterparty to eligible clients. Eligible clients are those clients acceptable to the rating agencies. To the extent a “Trigger Event” occurs, the entity will maintain all of its Agreements to their original maturity with the assistance of an independent derivatives portfolio manager. A Trigger Event is typically a downgrade of the parent company, a bankruptcy of the parent company, failure to make a payment and/or failure to deliver collateral.

Counterparty – A principal to a swap or other derivative agreement, as opposed to an agent such as a broker.

Counterparty Risk – The risk that the swap Counterparty will not fulfill its obligations as specified by the terms of an ISDA Master Agreement or other similar contract. Under a fixed payer swap, for example, if the Counterparty defaults, the District would be exposed to a variable rate bond position. The creditworthiness of the Counterparty is indicated by its credit rating. The District has established minimum rating criteria for swap counterparties.

Credit Risk – The occurrence of an event modifying the credit rating of the District or its Counterparty. Credit Events can trigger certain termination provisions or collateral provisions as outlined in the Agreements.

Credit Support Annex – An attachment to the ISDA that covers the mutual posting of collateral, if required. This schedule is based on the net mark-to-market values of the swap.

Forward Starting Swap – An interest rate swap in which the “swap coupon” and terms of the agreement are established today, but the start of the swap is delayed until some date in the future.

Hedge – A position taken in order to offset the risk associated with some other position. Most often, the initial position is a future anticipated bond issuance whose cash position and the hedge position involves a risk-management instrument such as a swap.

Interest Rate Cap – An instrument that pays off on each settlement date based on the market value of a reference rate (i.e. SIFMA or LIBOR) and a specified contract rate; effectively establishing a maximum on a variable rate.

Interest Rate Collar – An instrument that provides protection within a band of interest rates; a combination of purchasing an Interest Rate Cap and selling Interest Rate Floor. Generally, it is structured so that the net cost of the collar is zero or close to zero. This means that the expense for the interest rate cap premium is offset by the credit received for the interest rate floor.

Interest Rate Floor – An instrument that pays off on each settlement date based on the market reset of a reference rate (i.e. SIFMA or LIBOR) and a specified **strike** rate; effectively establishing a minimum on a variable rate.

Interest Rate Risk – The risks that (i) variable rates will increase and thereby cause an increase in variable rate debt service costs and negatively impact cash flow margins and (ii) long term rates will increase before a new issuance can be priced.

Interest Rate Swap – A contract between two parties to exchange cash flows over a predetermined length of time. Cash flows are calculated periodically based on a fixed or variable interest rate against a set notional amount (amount used only for calculation of interest payments). Principal is not exchanged.

The International Swap Dealers Association (ISDA) – The global trade association whose members are dealers in the derivatives industry. Most Swaps are executed under standard documentation created by ISDA.

ISDA Master Agreement – The primary document for the terms and conditions governing the swaps market. The ISDA Master Agreement contains the terms for events of default, termination events, representations and covenants, early termination provisions and payment calculations.

The London InterBank Offered Rate (LIBOR) – The rate at which banks will lend Eurodollars to each other over various length terms: (e.g., 1-month, 3-month, 6-month, 12-month etc.). The most active dollar-based taxable interest rate benchmark utilized globally.

Notional Amount – The stipulated principal amount for a swap transaction. There is no transfer of ownership of the principal for a swap; but there is an exchange of the cash flows for the designated interest rates based upon the notional amount.

Rollover Risk – The risk that the term of the swap contract ends before the term of the related bonds. Upon the maturity of the swap, the risk may need to be evaluated and a new financial risk product may need to be contracted, causing the District to incur additional costs.

SIFMA Index – Securities Industry & Financial Market Association (SIFMA) Index, formerly known as the Bond Market Association Municipal Swap Index, the principal benchmark for short-term, tax-exempt rates among municipal issuers. A market basket index of over 200 actively traded, highly rated, non-AMT tax-exempt variable rate issues that reset their rates every Wednesday.

Schedule to the ISDA Master Agreement – An attachment(s) to the ISDA Master Agreement that specifies what options for the various terms in the Master Agreement have been selected to govern the derivative transactions executed under the agreement.

Swap – A contractual agreement evidenced by a single document in which two or more parties agree to exchange / make periodic (net) payments for an agreed period of time based upon a notional amount of principal.

Swaption – An option on a swap. The swaption purchaser has the right to enter a specific swap for a defined period of time. This option can be exercised on a specific exercise date or series of exercise dates

Tax Risk – All issuers who issue tax-exempt variable rate debt inherently accept risk stemming from changes in marginal income tax rates. This is a result of the tax codes impact on the trading value of tax-exempt bonds. As marginal tax rates decline, the after tax value of tax-exempt income declines, forcing the tax-exempt rates to increase relative to their taxable equivalent. This risk is also known as a “tax event” risk, a form of basis risk under swap contracts. Percentage of LIBOR swaps and certain SIFMA swaps with tax event triggers, which can change the basis under the swap to a LIBOR basis from BMA, can expose issuers to tax event risk.

Termination Risk – The risk that the swap could be terminated as a result of any of several events, which may include a ratings downgrade for the District or the swap Counterparty, covenant violation by either party, bankruptcy of either party, swap payment default by either party, and default events under a bond indenture. The District could owe a termination payment to the Counterparty or receive a termination payment from the Counterparty, depending on how interest rates at the time of termination compare with the market conditions at execution, and the rate on the swap.

Yield Curve – Refers to the graphical or tabular representation of interest rates across different maturities. The presentation often starts with the shortest-term rates and extends towards longer maturities. It reflects the market's views about implied inflation/deflation, liquidity, economic and financial activity, and other market forces.

Debt and Financial Management Policy

Western Water's debt and financial management policy is designed to establish parameters for issuing debt and provide guidance to decision makers with respect to all options available to finance infrastructure and other capital projects, so that the most prudent, equitable and cost-effective method of financing is selected. The policy also documents the objectives to be achieved by staff both prior and subsequent to debt issuance. It promotes objectivity in the decision-making process and facilitates the financing process by establishing important policy decisions in advance.

Debt and Financial Management Policy

INTRODUCTION

The District's overriding goal in issuing debt is to respond to and to provide for the infrastructure and capital project needs of its customers, while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality. The District issues debt instruments (either directly or through conduit agencies), administers District-held debt proceeds and makes debt service payments, acting with prudence and diligence, and attention to prevailing economic conditions. This policy documents the District's goals for the use of debt instruments and provide guidelines for the use of debt for financing the District's infrastructure and project needs.

The District believes that debt is an equitable means of financing projects and represents an important means of providing for the infrastructure and project needs of the District's customers. Debt will be used to finance projects (i) if it meets the District's goal of equitable treatment of all customers, both current and future, (ii) if it is the most cost-effective means available to the District, and (iii) if it is fiscally prudent and responsible under the prevailing economic conditions. The pay-as-you go method (using current revenues to pay for long-term infrastructure and other projects) may be the preferred means of financing when sufficient revenues and reserves can be available as it avoids interest expense. The District will endeavor to pay for all infrastructure and other projects from a combination of current revenues, available reserves, and prudently issued debt.

The District's debt and financial management policy is designed to:

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

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

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

I. GENERAL MANAGEMENT POLICIES

The District will provide for a periodic review of its financial performance, including its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting and rate setting process.

- In recognition of periodic changes in the cost of providing service to system users, service costs and fees will be reviewed annually and adjusted commensurately.
- The District will present any proposed adjustments to existing rates, fees and charges at public meetings, and will consider recommendations and input from the public as it relates to such proposed changes.
- All District funds will be invested according to the Investment Policy of the District.
- Necessary appropriations for annual debt service requirements will be routinely included in the District's biennial budget.
- The District will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible rates.

II. FINANCIAL MANAGEMENT POLICIES

The District utilizes a comprehensive planning process to determine its long-term capital needs. The District evaluates each capital project in relation to established levels of reserves, current rate structure, expected asset life/replacement timeline, and available revenue sources to ensure that adequate financial resources are available to support the District's financial obligations.

The District's Debt and Financial Management, Reserve, Investment, and Swap Policies, as such policies may be adopted from time to time, are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such, the following policies outline the District's approach to debt management.

- The District will evaluate financing for each capital project on a case-by-case basis. The District will evaluate funding each capital project from current revenues and available reserves prior to or in combination with the potential use of debt.

- The District will seek to issue debt only in the case where there is an identified source of repayment. Bonds will be issued to the extent that (i) projected revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.
- Debt issuance for a capital project will not be considered unless such issuance has been incorporated into the Capital Improvement Facilities Plan and Long Range Financial Plan.
- User fees, water rates, and sewer rates will be set at adequate levels, which are fair and nondiscriminatory, to generate sufficient revenues to pay Operating and Maintenance costs, to maintain sufficient operating reserves, to pay debt service costs, and to satisfy legal and/or policy covenants, if necessary.
- To the extent practical, capacity charges will be set at a level sufficient to finance growth-related capital costs and cover related annual debt service requirements.

III. DEBT AND CAPITAL MANAGEMENT POLICIES

The following policies formally establish parameters for evaluating, issuing, and managing the District's debt. The policies outlined below are not intended to serve as a list of rules to be applied to the District's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management.

In issuing debt, the District's objectives will be to:

- Achieve the lowest expected cost of capital consistent with the District's risk tolerance
- Ensure ratepayer equity
- Maintain high credit ratings and access to credit enhancement
- Preserve financial flexibility

Standards for Use of Debt Financing

When appropriate, the District will use long-term debt financing to: achieve an equitable allocation of capital costs/charges between current and future system users; to provide more manageable rates in the near and medium term; and to minimize rate volatility.

- For growth related projects, debt financing will be utilized, as needed, to better match the cost of anticipated facility needs with timing of expected new connections to the system.
- The District shall not construct or acquire a facility if it does not expect to be able to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life.
- Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.
- Lease Revenue, Installment Sale Agreements and Certificates of Participation (COPs) may be considered as an alternative to long-term debt. Although these forms of alternative financing may be subject to annual appropriation, they shall be considered as long-term fixed rate debt until maturity.

Financing Criteria

Each debt issuance should be evaluated on an individual basis within the framework of the District's Long Range Financing Plan, as well as within the context of the District's overall financing objectives and current market conditions.

The District will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions.

Credit Enhancement – The District will consider the use of credit enhancement on a case-by-case basis. Credit enhancement will only be utilized in situations where there is a benefit to the District.

Cash-Funded Reserve vs. Surety – If a Debt Service Reserve Fund is funded in connection with a debt issuance or loan, the District may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund and evaluate investment alternatives for such funds when deemed prudent and advantageous.

Call Provisions – In general, the District's securities should include optional call provisions. The District will avoid the sale of non-callable long-term fixed rate bonds, absent careful evaluation of the value of the call option.

Additional Bonds Test/Rate Covenants - The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and this policy.

Short-Term Debt – The District may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.

Use of Variable Rate Debt - The District will not issue variable interest rate debt unless: i) the proposed debt is converted to a fixed rate or hedged (for an interim period or to maturity) by use of a put-type mode, swap agreement or hedging mechanism (e.g., interest rate cap), or ii) all outstanding (unhedged) variable rate debt, including the proposed new variable debt, does not exceed 1.2x the District's "hedge position" in aggregate. For this purpose, the District's hedge position will be calculated as the District's cash reserves multiplied by a 1.5 hedge factor.

Use of Swaps & Derivatives - The use of any swap agreement in conjunction with the issuance or management of debt instruments will be governed by the District's Interest Rate Swap & Hedge Agreement Policy.

Investment of Bond Proceeds - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction, unless further restricted or limited in the District's Investment Policy. The District will seek to maximize investment earnings within the investment parameters set forth in each respective bond indenture as well as in compliance with Federal Tax Law. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a "net" debt service basis, where appropriate.

Procedures for Use of Tax-Exempt Obligations and Tax Advantaged Obligations

The District will ensure compliance with all Federal laws and regulations ("Federal Requirements") associated with the issuance of tax-exempt debt ("Tax-Exempt Obligations") and tax-advantaged direct pay notes, bonds or other form of repayment obligations issued under Section 54A or Section 1400U 2 of the Internal Revenue Code ("Tax Advantaged Obligations").

Unless otherwise instructed by bond counsel, at least five business days before distributing a preliminary official statement in which the District contemplates offering Tax Advantaged Obligations for sale, the District will obtain the advice of bond counsel regarding applicable Internal Revenue Code compliance with respect to the Tax Advantaged Obligations and provide a written notice to financial advisor, underwriter, and its counsel, that none of the maturities which represent Tax Advantaged Obligations can have an issue price with more than a de minimis amount of premium as required by Section 54AA(d)(2)(c) of the Internal Revenue Code (or other applicable Section of the Internal Revenue Code or guidance provided thereunder as instructed by bond counsel) and that costs of issuance (including underwriter's discount) cannot exceed 2% of the proceeds of the sale of the Tax Advantaged Obligations.

Unless otherwise instructed by bond counsel, prior to executing any purchase contract with respect to Tax Advantaged Obligations, the District will require written confirmation from the underwriter that at least the first ten percent of each maturity of Tax Advantaged Obligations has been sold to the public (and not to bond houses, brokers, or other intermediaries) at a price that does not have more than a de minimis amount of premium as required by Section 54AA(d)(2)(c) of the Internal Revenue Code (or other applicable section of the Internal Revenue Code or guidance provided thereunder as instructed by bond counsel) and that costs of issuance do not exceed 2% of the proceeds of the sale of the Tax Advantaged Obligations.

Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not commingled with other forms of District cash. The District's trustee will administer the disbursement of bond proceeds pursuant to each bond indenture. Requisition for the disbursement of bond funds will be approved by the Chief Financial Officer.

Unless otherwise instructed by bond counsel, on an annual basis, the Chief Financial Officer will provide a written report to the Board of the expenditure of proceeds derived from Tax-Exempt Obligations and Tax Advantaged Obligations certifying the amount expended in the prior year, the total amount expended from the date of the closing of the transaction; that the expenditure was for capital projects (as defined by the applicable provisions of the Internal Revenue Code and guidance provided thereunder, or as otherwise permitted by bond counsel); the amount remaining to be spent; and the amount remaining invested in a reasonably required reserve fund, if any.

Unless otherwise instructed by bond counsel, at closing the District will execute documentation covenanting to comply with Federal rebate and arbitrage requirements. Unless otherwise instructed by bond counsel, annually the District will engage a consultant to calculate and report the arbitrage rebate liability of the District. Unless otherwise instructed by bond counsel, every five years the District will file (if arbitrage rebate is owed) with the Internal Revenue Service the appropriate required documentation demonstrating arbitrage rebate liability and provide payment of at least 90% to the US Treasury for arbitrage rebate liability, if any.

Unless otherwise instructed by bond counsel, at least 67 days before an interest payment date pertaining to fixed rate Tax Advantaged Obligations, the District will calculate, or cause to be calculated, 1) the interest amount due on the next interest payment date; and 2) the refundable credit to be reported on Form 8038-CP.

Unless otherwise instructed by bond counsel, the Chief Financial Officer will file, or cause to be filed, the completed and executed Form 8038-CP with the Department of the Treasury not later than 45 days prior to the applicable interest payment date. The Chief Financial Officer is hereby designated as the staff person responsible for the District's compliance with this policy.

Refinancing Outstanding Debt

The District shall have the responsibility to evaluate potential refunding opportunities presented by underwriting and/or financial advisory firms. The District will consider the following issues when analyzing potential refinancing opportunities:

Debt Service Savings – The District shall establish a target savings level equal to 3% to 5% of par refunded on a net present value (NPV) basis. These figures should serve only as a guideline. The District must evaluate each refunding opportunity on a case-by-case basis, and must take into consideration: the time to maturity, size of the issue, current interest rate environment, annual cash flow savings, and the value of the call option. The decision to take all savings upfront or on a deferred basis must be explicitly approved by the Board of Directors.

Restructuring – The District may seek to refinance a bond issue on a non-economic basis, in order to restructure debt, mitigate irregular debt service payments, accommodate revenue shortfalls, release reserve funds, comply with and/or eliminate rate/bond covenants, or terminate a swap.

Term/Final Maturity – The District may consider the extension of the final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is legal. The term of the bonds should not extend beyond the reasonably remaining useful life of the asset being financed. The District also may consider shortening the final maturity of the bonds. The remaining useful life of the assets and the concept of inter-generational equity should guide these decisions.

Escrow Structuring – The District shall utilize the least costly securities available in structuring each escrow. A certificate will be required from a third party agent who is not acting as a broker-dealer, stating that the securities were purchased through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Series Securities (SLGS), and that the price paid was reasonable and within Federal guidelines.

When evaluating the economic viability of an economic versus legal defeasance, the District shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The District shall take all necessary steps to optimize its escrows and to avoid negative arbitrage in its refundings.

Method of Issuance

The District will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation.

Competitive Sale – In a competitive sale, the District's bonds shall be awarded to the bidder providing the lowest true interest cost ("TIC"), as long as the bid adheres to requirements set forth in the official notice of sale.

Negotiated Sale – The District recognizes that some securities are best sold through negotiation. In consideration of a negotiated sale, the District shall assess the following circumstances:

- Issuance of variable rate or taxable bonds
- Complex structure or credit considerations (such as non-rated bonds), which requires a strong pre-marketing effort
- Significant par value, which may limit the number of potential bidders
- Unique/ proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process
- Market volatility, such that the District would be better served by flexibility in the timing of its sale in a changing interest rate environment
- When an Underwriter has identified new financing opportunities or presented alternative structures that financially benefit the District
- As a result of an Underwriter's familiarity with the project/financing, which enables the District to take advantage of efficiency and timing considerations.

Private Placement – From time to time the District may elect to issue debt on a private placement basis. Such method only shall be considered if it is demonstrated to result in cost savings or provide advantages relative to other methods of debt issuance or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

Market Communication, Debt Administration and Reporting Requirements

Rating Agencies and Investors – The Chief Financial Officer shall be responsible for maintaining the District's relationships with each rating agency then rating the District. The District may, from time to time, choose to deal with only one or two of these agencies as circumstances dictate.

In addition to general communication, the Chief Financial Officer shall: (1) meet with credit analysts, ideally, once each fiscal year, and (2) prior to each competitive or negotiated sale, offer conference calls or meetings with agency analysts in connection with the planned sale.

Board Communication – Following communications with credit analysts, the Chief Financial Officer shall report to the Board of Directors feedback from rating agencies and/or investors regarding the District's financial strengths and weaknesses and recommendations for addressing any weaknesses, if any.

Continuing Disclosure – The District shall remain in compliance with Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefit of its bondholders within 270 days of the close of the fiscal year or such earlier timeframe as required by District covenant. In addition to the annual disclosure, the District shall provide timely reporting of certain event notices, pursuant to any continuing disclosure obligation. The inability to make timely filings must be disclosed and would be a negative reflection on the District. While also relying on a timely audit and preparation of the District's annual report, the Chief Financial Officer will ensure the District's timely filing with each Nationally Recognized Municipal Securities Information Repository.

Disclosure Procedures – The Disclosure Procedures attached as Exhibit A to this policy specify procedures to be followed in connection with issuing obligations to ensure that the District complies with all applicable disclosure obligations and requirements of Rule 15c2-12.

Record-Keeping – A copy of all debt-related records shall be retained at the District's offices. At minimum, these records shall include all official statements, bid documents, bond documents / transcripts, resolutions, trustee statements, leases, and title reports for each District financing (to the extent available). To the extent possible, the District shall retain an electronic copy of each document - preferably in pdf.

Arbitrage Rebate – The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code Arbitrage Rebate Requirements. The Chief Financial Officer shall ensure that all bond proceeds and investments are tracked in a manner which facilitates accurate calculation; and, if rebate is due, such payments are made in a timely manner.

Senate Bill (SB) 1029 Compliance – SB 1029 requires issuers to:

1. Adopt debt policies addressing each of the five items below.
 1. The purposes for which the debt proceeds may be used.
 2. The types of debt that may be issued.
 3. The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.
 4. Policy goals related to the issuer's planning goals and objections.
 5. The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use
 6. The District believes this Policy is in compliance with SB 1029.
2. File an annual report known as the Annual Debt Transparency Report (ADTR) detailing debt authorized, debt outstanding, and use of proceeds for any issue of debt for which a report of final sale was submitted on or after January 21, 2017. The District will timely file the ADTR by the January 31st due date, as applicable.

Exhibit A
Disclosure Procedures

Purpose: To establish a framework for carrying out the District's disclosure obligations pursuant to the Securities and Exchange Commission (the SEC) Rule 15c2-12 (Rule 15c2-12), as amended. The core requirement of Rule 15c2-12 is that potential investors in District-issued obligations (revenue bonds, notes or other obligations) must be provided with all material information that are important in determining whether or not to purchase the securities being offered.

I. Initial Disclosure Requirements:

A. Chief Financial Officer's Office assembles District financing team, including Bond Counsel, Disclosure Counsel, Municipal Advisor, and Underwriter, as applicable.

B. The Preliminary Official Statement will be reviewed by members of the Finance Department, specifically, the Chief Financial Officer, Director of Finance, Controller and Accounting Supervisor. This group shall be called the "Disclosure Working Group." The goal of the Disclosure Working Group is to provide full and fair disclosure to the investors purchasing the securities being offered.

C. The Disclosure Working Group shall discuss the following topics in connection with the review of the Preliminary Official Statement:

1. Review and Analyze Reports and Other Information. The members of the Disclosure Working Group shall review and discuss (1) the most recently published budget, (2) the most recently published comprehensive annual financial report and the Retiree Medical's financial statement, including any letters or communications containing recommendations by the District's independent auditors, (3) the most recently published Periodic Reports such as the Budget vs. Actual, and (4) any other documents as directed by the Director of Finance.

2. Financial Condition of the District. The members of the Disclosure Working Group shall discuss the current internal projections of revenues and expenditures of the District in connection therewith, (a) if there exists a structural deficit or surplus, (b) if the assumptions underlying such internal projections are reasonable, and (c) if any risks in the operations of the District or risks that are external from the District challenge any of such assumptions.

3. Contingent Risks. The members of the Disclosure Working Group shall discuss the following contingent risk matters: (1) whether the District is properly insured against the risks to its operations, (2) exposure to investment losses in any investment pool or other investments, (3) any material litigation that is pending or, to the knowledge of the members, threatened against the District and (4) whether disclosure of uninsured risks is adequate.

After the Disclosure Working Group has discussed the topics above, the members shall review the draft Preliminary Official Statement to determine if the draft fully and accurately presents the financial condition and operations of the District and does not omit any material information that is necessary to be included to prevent the Official Statement from being misleading to investors.

D. In addition to the Disclosure Working Group, the Preliminary Official Statement will also be reviewed by representatives of: 1) the General Manager's Office, 2) Engineering Department, and 3) the District's General or Disclosure Counsel.

E. Disclosure Working Group shall provide comments to financing team.

F. The Official Statement and financing documents must be approved as discussion items on a Board meeting agenda and may not be placed on the consent calendar.

G. For financings which are to be privately placed, the Disclosure Working Group shall review all information assembled by the District to be delivered to the proposed purchaser for its evaluation of the credit of the District for the particular financing.

II. Disclosure Coordinator:

The Chief Financial Officer's Office will designate a disclosure coordinator to regularly monitor compliance with Rule 15c2-12 (the Disclosure Coordinator).

The Disclosure Coordinator is responsible for the following:

(a) documenting the District's disclosure processes (e.g., review process, source of information, internal certifications) with respect to each Offering Statement and each periodic report.

(b) compiling all information required by Continuing Disclosure Agreements (Agreements) and preparing a calendar of due dates for annual disclosure and preparation dates ahead of annual disclosure dates.

(c) preparing and ensuring the timely filing of the required annual reports pursuant to any continuing disclosure obligation.

(d) monitoring, on a regular basis, whether any material events listed in any such continuing disclosure agreement shall have occurred and, in appropriate situations, shall coordinate the timely filing of material event reports.

(e) maintaining a catalog of financial obligations, including privately placed obligations and interest rate swap agreements, determining materiality, under the direction of the Chief Financial Officer and Bond Counsel, of any new financial obligation or modifications to existing obligations, that would be subject to disclosure under Rule 15c2-12.

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

1. Bank loans or other obligations which are privately placed;
2. Letters of credit, including letters of credit which are provided to third parties to secure the District's, the Western Municipal Water District Facilities Authority's or other affiliated District entity's obligation to pay or perform;
3. Capital leases for property, facilities or equipment; and
4. 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:

1. Payment agreements which obligate the District, the Western Municipal Water District Facilities Authority or other affiliated District entity to pay a share of another public agency's debt service (for example, an agreement with a joint powers agency whereby the District, the Western Municipal Water District Facilities Authority or other affiliated District entity agrees to pay a share of the joint powers agency's bonds, notes or other obligations);
2. Service contracts with a public agency or a private party pursuant to which the District, the Western Municipal Water District Facilities Authority or other affiliated District entity are 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);
3. Agreements pursuant to which the District, the Western Municipal Water District Facilities Authority or other affiliated District entity is obligated to pay amounts expressly tied to another party's debt service obligations, regardless of whether service is provided or not;
4. Agreements which include a rate component that expressly passes through debt service or capital obligation of the other party; and
5. 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.

(f) evaluating whether any default, event of acceleration, termination event, modification of terms (only if material or reflecting financial difficulties), or other similar events under any agreement or financial obligation, as discussed above, to which the District, Western Municipal Water District Facilities Authority or other affiliated District entity is a party, have occurred, and would be subject to disclosure.

(g) identifying any incidents of non-compliance and reporting to the General Manager, Chief Financial Officer, Finance Director and General Counsel. Such report shall include recommendations to cure any non-compliance issue.

(h) reporting on an annual basis to the representative of General Manager's Office, Finance Department and General Counsel's Office compliance with disclosure requirements.

III. Public Statements Regarding Financial Information

Whenever the District makes statements or releases information relating to its finances to the public that is reasonably expected to reach investors and the trading markets (including Periodic Reports, financial reports and statements contained on the District's web site, and other financial reports and statements of the District), the District will ensure that such statements and information are complete, true, and accurate in all material respects. The Chief Financial Officer's Office shall have primary responsibility for ensuring that such statements and information are accurate and not misleading in any material aspect.

IV. Disclosure Training

At least every two (2) years, the Disclosure Coordinator and members of the Disclosure Working Group will undergo training regarding the Rule 15c2-12.

Investment Policy

The investment policy is intended to outline the guidelines and practices to be used in effectively managing Western Water's available cash and investment portfolio. It applies to all cash and investment assets of Western Water except those funds maintained in deferred compensation accounts for employees. All Western Water monies, including those not required for immediate expenditure, are to be invested in compliance with governing provisions of law (California Government Code Sections 53600 et seq.). The policy lists in detail authorized investments as well as the percentage of portfolio limitations and required ratings for each investment type.

Investment Policy - Adopted July 6, 2016

I. INTRODUCTION

The purpose of this investment policy is to identify various policies and procedures that will foster a prudent and systematic investment program designed to seek Western Municipal Water District's (the District) objectives of safety, liquidity and yield through a diversified investment portfolio. This policy also serves to organize and formalize the District's investment-related activities, while complying with all applicable statutes governing the investment of public funds.

This investment policy was adopted by the District's Board of Directors and is effective as of the 6th day of July, 2016, and replaces any previous versions.

II. SCOPE

This policy covers all funds and investment activities under the direct authority of the District, as set forth in the State Government Code, Sections 53600 et seq., with the following exceptions:

- Proceeds of debt issuance shall be invested in accordance with the District's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.
- Funds maintained in Deferred Compensation accounts for employees.
- Any other funds specifically exempted by the Board of Directors.

POOLING OF FUNDS

Except for cash in certain restricted and special funds, the District will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

III. OBJECTIVES

The District's overall investment program shall be designed and managed with a degree of professionalism worthy of the public trust. The overriding objectives of the program are to preserve principal, provide sufficient liquidity, and manage investment risks, while seeking a market-rate of return.

- **SAFETY.** Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- **LIQUIDITY.** The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- **YIELD.** The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

In order to facilitate the management of the investment program, the District's portfolio is divided into two sub-portfolios: The Liquidity Portfolio, which is comprised of funds needed for current operating expenses and capital requirements, and The Reserve Portfolio, comprised of funds reserved for longer term needs.

The investment goals of the Liquidity Portfolio shall be:

- To provide liquidity for operating expenses and capital requirements,
- To preserve capital, and
- To earn a total rate of return commensurate with the first two goals.

The investment goals of the Reserve Portfolio shall be:

- To preserve real capital, and
- To provide growth over the long term by earning the rate of return that is available from the longer-term investments permitted under the California Government Code.

IV. INVESTMENT PERFORMANCE OBJECTIVES AND PERFORMANCE EVALUATION

The investment performance objectives for the Liquidity Portfolio shall be to earn a rate of return over a market cycle which equals or exceeds the return on 90-day Treasury Bills.

The investment performance objective for the Reserve Portfolio shall be to earn a rate of return over a market cycle which exceeds the return on the Merrill Lynch One-to-Ten Year Government Index, or an equivalent index determined by the District.

In addition, the investment portfolio shall take into account the District's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Chief Financial Officer shall monitor and evaluate the portfolio's performance relative to market benchmark, which will be included in the Chief Financial Officer's quarterly report.

V. DELEGATION OF AUTHORITY

Authority to manage the District's investment program is derived from California Government Code, Sections 53600 et seq.

Management responsibility for the investment program is hereby delegated to the Chief Financial Officer under the supervision of the Deputy Secretary-Treasurer and General Manager, with Board of Directors approval of any new investment vehicle type prior to purchase of the investment via the annual approval of the Investment Policy.

The Chief Financial Officer will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate employees. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Chief Financial Officer.

The District may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

The District recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the District. The Chief Financial Officer and other authorized persons responsible for managing District funds acting in accordance with written procedures and the investment 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.

VI. PRUDENCE

Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the *Prudent Investor Standard*:
"...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. 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 District, 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 District. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

VII. ETHICS AND CONFLICTS OF INTEREST

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus employees and officials involved in the investment process shall refrain from personal business activity that create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Employees shall disclose to the Chief Financial Officer if any such activity has occurred. Such activities include, but are not limited to:

1. Knowingly using for personal investments the same broker who is managing District investments;
2. Knowingly accepting gifts or entertainment from any broker who is managing District investments, or who has expressed a desire to manage District investments. The term "broker" here refers to an individual, not to a brokerage.

VIII. INTERNAL CONTROLS

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Periodically, as deemed appropriate by the District and/or the Board of Directors, an independent analysis by an external auditor shall be conducted to review internal controls, account activity and compliance with policies and procedures.

IX. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

To the extent practical, the Chief Financial Officer shall endeavor to complete investment transactions using a competitive bid process whenever possible. The Chief Financial Officer will determine which financial institutions are authorized to provide investment services to the District. It shall be the District's policy to purchase securities only from authorized institutions and firms.

The Chief Financial Officer shall maintain procedures for establishing a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence determined by the District. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

Institutions eligible to transact investment business with the District include:

- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the District, except where the District utilizes an external investment adviser in which case the District may rely on the adviser for selection.

All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the District with a statement certifying that the institution has reviewed the California Government Code, Section 53600 et seq. and the District's investment policy.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

EXTERNAL INVESTMENT ADVISERS

Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, the investment adviser shall make their best efforts to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities as the same original issue price.

X. AUTHORIZED INVESTMENTS

The District's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence.

Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

1. MUNICIPAL SECURITIES include obligations of the District, the State of California, any of the other 49 states, and any local agency within the State of California, provided that:

- The securities are rated "A" or higher by at least one nationally recognized statistical rating organization.
- No more than 5% of the portfolio may be invested in any issuer.
- No more than 30% of the portfolio be in Municipal Securities.
- The maximum maturity does not exceed five years.

2. U.S. TREASURIES and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the District may invest in U.S. Treasuries, provided that:

- The maximum maturity is ten years.

3. FEDERAL AGENCIES or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the District may invest in Federal Agency or Government-Sponsored Enterprises (GSEs), provided that:

- No more than 25% of the portfolio may be invested in any Agency/GSE issuer.
- The maximum maturity does not exceed ten years.

4. BANKER'S ACCEPTANCES, provided that:

- They are issued by institutions which have short-term debt obligations rated "A-1" or higher by at least one nationally recognized statistical-rating organization; or long-term debt obligations which are rated "A" or higher by at least one nationally recognized statistical rating organization.
- No more than 40% of the portfolio may be invested in Banker's Acceptances.
- No more than 5% of the portfolio may be invested in any issuer.
- The maximum maturity does not exceed 180 days.

5. FEDERALLY INSURED TIME DEPOSITS (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

- The amount per institution is limited to the maximum covered under federal insurance.
- No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
- The maximum maturity does not exceed five years.

6. COLLATERALIZED TIME DEPOSITS (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

- No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
- The maximum maturity does not exceed five years.

7. CERTIFICATE OF DEPOSIT PLACEMENT SERVICE (CDARS)

- No more than 30% of the total portfolio may be invested in a combination of Certificates of Deposit, including CDARS.
- The maximum maturity does not exceed five years.

8. NEGOTIABLE CERTIFICATES OF DEPOSIT (NCDS), provided that:

- The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
- For any amount above the FDIC insured limit they must be issued by institutions which have short-term debt obligations are rated "A-1" or higher by at least one nationally recognized statistical rating organization; or long-term obligations are rated "A" or higher by at least one nationally recognized statistical rating organization.
- No more than 30% of the total portfolio may be invested in NCDs (combined with CDARS).
- No more than 5% of the portfolio may be invested in any issuer.
- The maximum maturity does not exceed five years.

9. REPURCHASE AGREEMENTS collateralized with securities authorized under by California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement, provided that:

- Securities used as collateral for Repurchase Agreements will be delivered to the District's custodian.
- Repurchase Agreements are subject to a Master Repurchase Agreement between the District and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
- The maximum maturity does not exceed 90 days.
- No more than 5% of the portfolio may be invested in any issuer.

10. COMMERCIAL PAPER, provided that:

- The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million.
- The securities are rated "A-1" or higher by at least one nationally recognized statistical rating organization.
- They are issued by corporations which have long-term obligations are rated "A" or higher by at least one nationally recognized statistical rating organization.
- No more than 25% of the portfolio may be invested in Commercial Paper.
- No more than 5% of the portfolio may be invested in any issuer.
- The maximum maturity does not exceed 270 days.

11. STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF), provided that:

- The District may invest up to the maximum permitted amount, or \$50 million, in LAIF.
 - LAIF's investments in instruments prohibited by or not specified in the District's policy do not exclude it from the District's list of allowable investments, provided that the fund's reports allow the Chief Financial Officer to adequately judge the risk inherent in LAIF's portfolio.

12. LOCAL GOVERNMENT INVESTMENT POOLS

- County Pooled Investment Funds
- CalTrust Pooled Investment

13. CORPORATE MEDIUM TERM NOTES (MTNS), provided that:

- The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- The securities are rated "A" or higher by at least one nationally recognized statistical rating organization.
- No more than 30% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any one issuer.
- The maximum maturity does not exceed five years.

14. ASSET-BACKED, MORTGAGE-BACKED, MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATIONS, provided that:

- The securities are rated “AA” or higher by a nationally recognized statistical rating organization.
- They are issued by an issuer which have long-term obligations are rated “A” or higher by at least one nationally recognized statistical rating organization.
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any Asset-Backed or Commercial Mortgage security issuer. There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a Federal Agency/GSE besides the 25% total issuer limitation for Federal Agencies referenced in Section X, item 3.
- The maximum maturity does not exceed five years.

15. MONEY MARKET MUTUAL FUNDS that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

- Such Funds meet either of the following criteria:
 - Have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations; or
 - Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.
- No more than 20% of the total portfolio may be invested in Money Market Mutual Funds.
- No more than 10% of the portfolio may be invested in any Fund.

XI. INVESTMENT POOLS/MUTUAL FUNDS

The District shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. There shall be a questionnaire developed which will answer the following general questions:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

XII. COLLATERALIZATION

CERTIFICATES OF DEPOSIT (CDS). The District shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

REPURCHASE AGREEMENTS. The District requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The District shall receive monthly statements of collateral.

XIII. DELIVERY, SAFEKEEPING AND CUSTODY

DELIVERY-VERSUS-PAYMENT (DVP). Settlement of all investment transactions will be completed using standard delivery-vs.-payment procedures.

SAFEKEEPING AND CUSTODY. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the District's portfolio shall be held in safekeeping in the District's name by a third party custodian, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the District from the custodian listing all securities held in safekeeping with current market data and other information.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money mutual funds, since the purchased securities are not deliverable.

XIV. MAXIMUM MATURITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The District will not invest in securities maturing more than five years (except US Agencies and Treasuries) from the date of trade settlement, unless the Board of Directors has by resolution granted authority to make such an investment. Since the Reserve Portfolio has the specific purpose of providing for long-term growth, and because cash flow requirements of the District are met through other investments, the Board of Directors hereby grants authority for the purchase of securities with maturities in excess of five years in the Reserve Portfolio only. The maximum stated final maturity of individual investments in the Reserve Portfolio shall be ten years.

XV. PROHIBITED INVESTMENT VEHICLES AND PRACTICES

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.

XVI. RISK MANAGEMENT AND DIVERSIFICATION

MITIGATING CREDIT RISK IN THE PORTFOLIO

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The District will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the "Authorized Investments" section of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be invested in securities of any single issuer per each category in Section IX of this policy, except where the issuer is the US Government, its Agencies and GSEs, or where the security is Money Market Mutual Funds or Local Government Investment Pools.
- The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or District's risk preferences.
- If securities owned by the District are downgraded by a nationally recognized statistical ratings organization to a level below the quality required by this investment policy, it will be the District's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
- If a security is downgraded, the Chief Financial Officer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
- If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board of Directors.

MITIGATING MARKET RISK IN THE PORTFOLIO

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The District recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The District will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cashflow purposes.

The District further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The District will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- The maximum percent of callable securities (does not include “make whole call” securities as defined in the Glossary) in the portfolio will be 20%.
- The maximum stated final maturity of individual securities in the portfolio will be five years, except as otherwise stated in this policy.
- The duration of the portfolio will at all times be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, referenced in section IV for the specific portfolios.

XVII. REVIEW OF INVESTMENT PORTFOLIO

The Chief Financial Officer shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish protocols for reporting major and critical incidences of noncompliance to the Board of Directors.

XVIII. REPORTING

MONTHLY REPORTS

Monthly investment reports will be submitted by the Chief Financial Officer to the Board of Directors. These reports will disclose, at a minimum, the following information about the characteristics of the District's portfolio:

1. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, maturity date and interest rate.
2. Monthly transactions for the period.
3. A one-page summary report that shows:
 1. Average maturity of the portfolio and modified duration of the portfolio;
 2. Maturity distribution of the portfolio;
 3. Average portfolio credit quality; and,
 4. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months, year to date, and since inception compared to the District's market benchmark returns for the same periods;
4. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.
5. A statement that the District has adequate funds to meet its cash flow requirements for the next six months.

ANNUAL REPORTS

A comprehensive annual report will be presented to the Board of Directors. This report will include comparisons of the District's return to the market benchmark return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

XIX. REVIEW OF INVESTMENT POLICY

The investment policy will be reviewed and adopted at least annually within 120 days of the end of the fiscal year to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends. Any recommended modifications or amendments shall be presented by Staff to the Board of Directors for their consideration and adoption.

Glossary of Investment Terms

Agencies. Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

Asked. The price at which a seller offers to sell a security.

Asset Backed Securities. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

Average Life. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

Banker's Acceptance. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

Benchmark. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

Bid. The price at which a buyer offers to buy a security.

Broker. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

Callable. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

Certificate of Deposit (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

Certificate of Deposit Account Registry SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

Collateral. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

Collateralized Mortgage Obligations (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

Commercial Paper. The short-term unsecured debt of corporations.

Cost Yield. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

Coupon. The rate of return at which interest is paid on a bond.

Credit Risk. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

Current Yield. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

Dealer. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

Debenture. A bond secured only by the general credit of the issuer.

Delivery vs. Payment (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

Derivative. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

Discount. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

Diversification. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

Duration. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See [modified duration](#)).

Federal Funds Rate. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

Federal Open Market Committee. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

Leverage. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

Liquidity. The speed and ease with which an asset can be converted to cash.

Local Agency Investment Fund (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

Local Government Investment Pool. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

Make Whole Call. A type of call provision on a bond that allows the issuer to pay off the remaining debt (<http://www.investopedia.com/terms/m/make-wholecall.asp>) early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

Margin. The difference between the market value of a security and the loan a broker makes using that security as collateral.

Market Risk. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

Market Value. The price at which a security can be traded.

Marking to Market. The process of posting current market values for securities in a portfolio.

Maturity. The final date upon which the principal of a security becomes due and payable.

Medium Term Notes. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

Modified Duration. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

Money Market. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

Mortgage Pass-Through Securities. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

Municipal Securities. Securities issued by state and local agencies to finance capital and operating expenses.

Mutual Fund. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

Negotiable CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

Premium. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

Prepayment Speed. A measure of how quickly principal is repaid to investors in mortgage securities.

Prepayment Window. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

Primary Dealer. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

Prudent Person (Prudent Investor) Rule. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

Realized Yield. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

Regional Dealer. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

Repurchase Agreement. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

Safekeeping. A service to bank customers whereby securities are held by the bank in the customer's name.

Structured Note. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the LIBOR rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

Total Rate of Return. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. Treasury Obligations. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury Bills. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

Treasury Notes. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

Treasury Bonds. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

Volatility. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

Yield to Maturity. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

APPENDIX

Glossary

Abatement: A reduction or elimination of a real or personal property tax, motor vehicle excise, a fee, charge, or special assessment imposed by a governmental unit. Granted only on application of the person seeking the abatement and only by the committing governmental unit.

Accounting System: The total structure of records and procedures that identify record, classify, and report information on the financial position and operations of a governmental unit or any of its funds, account groups, and organizational components.

Accrued Interest: The amount of interest that has accumulated on the debt since the date of the last interest payment, and on the sale of a bond, the amount accrued up to but not including the date of delivery (settlement date). (See Interest)

ACFR: Annual Comprehensive Financial Report: The official annual report of Western, which includes a Statements of Net Positions, Statements of Revenue, Expenses, and Changes in Net Position, Statement of Cash Flow, statistical information, and a management discussion and analysis of the information reported.

Acre-Foot (AF): The volume of water equal to 325,949 gallons or 435.6 hundred cubic feet of water. An Acre-Foot of water would cover one acre to the depth of one foot.

ACWA: Association of California Water Agencies: A statewide association of water agencies

AFC: Added Facilities Charge

ADS: Arlington Desalter: A facility that treats groundwater for use as drinkable water

AFY: Area Feet per Year

AMI: Advanced Metering Infrastructure: "smart" water meters that communicate information from the customer to Western

Amortization: The gradual repayment of an obligation over time and in accordance with a predetermined payment schedule.

Appropriation: A legal authorization from the community's legislative body to expend money and incur obligations for specific public purposes. An appropriation is usually limited in amount and as to the time period within which it may be expended.

AQMD: Air Quality Management District: regulates air quality and pollution

Arbitrage: As applied to municipal debt, the investment of tax-exempt bonds or note proceeds in higher yielding, taxable securities. Section 103 of the Internal Revenue Service (IRS) Code restricts this practice and requires (beyond certain limits) that earnings be rebated (paid) to the IRS.

Assessed Valuation: A value assigned to real estate or other property by a government as the basis for levying taxes.

Audit: An examination of a community's financial systems, procedures, and data by a certified public accountant (independent auditor), and a report on the fairness of financial statements and on local compliance with statutes and regulations. The audit serves as a valuable management tool in evaluating the fiscal performance of a community.

Audit Report: Prepared by an independent auditor, an audit report includes: (a) a statement of the scope of the audit; (b) explanatory comments as to application of auditing procedures; (c) findings and opinions. It is almost always accompanied by a management letter which contains supplementary comments and recommendations.

Available Funds: Balances in the various fund types that represent non-recurring revenue sources. As a matter of sound practice, they are frequently appropriated to meet unforeseen expenses, for capital expenditures or other one-time costs.

Balance Sheet: A statement that discloses the assets, liabilities, reserves and equities of a fund or governmental unit at a specified date.

Betterments (Special Assessments): Whenever a specific area of a community receives benefit from a public improvement (e.g., water, sewer, sidewalk, etc.), special property taxes may be assessed to reimburse the governmental entity for all or part of the costs it incurred. Each parcel receiving benefit from the improvement is assessed for its proportionate share of the cost of

such improvements. The proportionate share may be paid in full or the property owner may request that the assessors apportion the betterment over 20 years. Over the life of the betterment, one year's apportionment along with one year's committed interest computed from October 1 to October 1 is added to the tax bill until the betterment has been paid.

Bond: A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of money, alternately referred to as face value, par value or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic interest at a specified rate. The term of a bond is always greater than one year. (See Note)

Bond and Interest Record: (Bond Register) – The permanent and complete record maintained by a treasurer for each bond issue. It shows the amount of interest and principal coming due each date and all other pertinent information concerning the bond issue.

Bonds Authorized and Unissued: Balance of a bond authorization not yet sold. Upon completion or abandonment of a project, any remaining balance of authorized and unissued bonds may not be used for other purposes, but must be rescinded by the community's legislative body to be removed from community's books.

Bond Issue: Generally, the sale of a certain number of bonds at one time by a governmental unit.

Bond Rating (Municipal): A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the municipality (bond issuer) to make timely debt service payments. Stated otherwise, a rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Rating agencies, such as Moody's and Standard and Poors, use rating systems, which designate a letter or a combination of letters and numerals where AAA is the highest rating and C1 is a very low rating.

Budget: A plan for allocating resources to support particular services, purposes and functions over a specified period of time. (See Performance Budget, Program Budget)

Capital Assets: All real and tangible property used in the operation of government, which is not easily converted into cash, and has an initial useful life extending beyond a single financial reporting period. Capital assets include land and land improvements; infrastructure such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles, machinery and equipment. Communities typically define capital assets in terms of a minimum useful life and a minimum initial cost. (See Fixed Assets)

Capital Budget: An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method of financing each recommended expenditure, i.e., tax levy or rates, and identify those items that were not recommended. (See Capital Assets, Fixed Assets)

Cash: Currency, coin, checks, postal and express money orders and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits.

Cash Management: The process of monitoring the ebb and flow of money in and out of municipal accounts to ensure cash availability to pay bills and to facilitate decisions on the need for short-term borrowing and investment of idle cash.

Certificate of Deposit (CD): A bank deposit evidenced by a negotiable or non-negotiable instrument, which provides on its face that the amount of such deposit plus a specified interest payable to a bearer or to any specified person on a certain specified date, at the expiration of a certain specified time, or upon notice in writing.

Classification of Real Property: Assessors are required to classify all real property according to use into one of four classes: residential, open space, commercial, and industrial. Having classified its real properties, local officials are permitted to determine locally, within limitations established by statute and the Commissioner of Revenue, what percentage of the tax burden is to be borne by each class of real property and by personal property owners.

Collective Bargaining: The process of negotiating workers' wages, hours, benefits, working conditions, etc., between an employer and some or all of its employees, who are represented by a recognized labor union. regarding wages, hours and working conditions.

Consumer Price Index: The statistical measure of changes, if any, in the overall price level of consumer goods and services. The index is often called the "cost-of-living index."

Cost-Benefit Analysis: A decision-making tool that allows a comparison of options based on the level of benefit derived and the cost to achieve the benefit from different alternatives.

Debt Burden: The amount of debt carried by an issuer usually expressed as a measure of value (i.e., debt as a percentage of assessed value, debt per capita, etc.). Sometimes debt burden refers to debt service costs as a percentage of the total annual budget.

Debt Service: The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue.

Encumbrance: A reservation of funds to cover obligations arising from purchase orders, contracts, or salary commitments that are chargeable to, but not yet paid from, a specific appropriation account.

Enterprise Funds: An enterprise fund is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital costs—are identified. This allows the community to recover total service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the "surplus" or net assets unrestricted generated by the operation of the enterprise rather than closing it out to the general fund at year-end. Services that may be treated as enterprises include, but are not limited to, water, sewer, hospital, and airport services.

Equalized Valuations (EQVs): The determination of the full and fair cash value of all property in the community that is subject to local taxation.

Estimated Receipts: A term that typically refers to anticipated local revenues often based on the previous year's receipts and represent funding sources necessary to support a community's annual budget. (See Local Receipts)

Exemptions: A discharge, established by statute, from the obligation to pay all or a portion of a property tax. The exemption is available to particular categories of property or persons upon the timely submission and approval of an application to the assessors. Properties exempt from taxation include hospitals, schools, houses of worship, and cultural institutions. Persons who may qualify for exemptions include disabled veterans, blind individuals, surviving spouses, and seniors.

Expenditure: An outlay of money made by municipalities to provide the programs and services within their approved budget.

Fiduciary Funds: Repository of money held by a municipality in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These include pension (and other employee benefits) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Fixed Assets: Long-lived, assets such as buildings, equipment and land obtained or controlled as a result of past transactions or circumstances.

Fixed Costs: Costs that are legally or contractually mandated such as retirement, FICA/Social Security, insurance, debt service costs or interest on loans.

Float: The difference between the bank balance for a local government's account and its book balance at the end of the day. The primary factor creating float is clearing time on checks and deposits. Delays in receiving deposit and withdrawal information also influence float.

Full Faith and Credit: A pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full faith and credit bonds.

Fund: An accounting entity with a self-balancing set of accounts that are segregated for the purpose of carrying on identified activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Fund Accounting: Organizing financial records into multiple, segregated locations for money. A fund is a distinct entity within the municipal government in which financial resources and activity (assets, liabilities, fund balances, revenues, and expenditures) are accounted for independently in accordance with specific regulations, restrictions or limitations. Examples of funds include the general fund and enterprise funds. Communities whose accounting records are organized according to the Uniform Municipal Accounting System (UMAS) use multiple funds.

GASB 34: A major pronouncement of the Governmental Accounting Standards Board that establishes new criteria on the form and content of governmental financial statements. GASB 34 requires a report on overall financial health, not just on individual funds. It requires more complete information on the cost of delivering value estimates on public infrastructure assets, such as bridges, roads, sewers, etc. It also requires the presentation of a narrative statement of the government's financial performance, trends and prospects for the future.

GASB 45: This is another Governmental Accounting Standards Board major pronouncement that each public entity account for and report other post-employment benefits in its accounting statements. Through actuarial analysis, municipalities must identify the true costs of the OPEB earned by employees over their estimated years of actual service.

General Fund: The fund used to account for most financial resources and activities governed by the normal appropriation process.

General Obligation Bonds: Bonds issued by a municipality for purposes allowed by statute that are backed by the full faith and credit of its taxing authority.

Governing Body: A board, committee, commission, or other executive or policymaking body of a municipality or school district.

Indirect Cost: Costs of a service not reflected in the operating budget of the entity providing the service. An example of an indirect cost of providing water service would be the value of time spent by non-water department employees processing water bills. A determination of these costs is necessary to analyze the total cost of service delivery. The matter of indirect costs arises most often in the context of enterprise funds.

Interest: Compensation paid or to be paid for the use of money, including amounts payable at periodic intervals or discounted at the time a loan is made. In the case of municipal bonds, interest payments accrue on a day-to-day basis, but are paid every six months.

Interest Rate: The interest payable, expressed as a percentage of the principal available for use during a specified period of time. It is always expressed in annual terms.

Investments: Securities and real estate held for the production of income in the form of interest, dividends, rentals or lease payments. The term does not include fixed assets used in governmental operations.

Line Item Budget: A budget that separates spending into categories, or greater detail, such as supplies, equipment, maintenance, or salaries, as opposed to a program budget.

Local Aid: Revenue allocated by the state or counties to municipalities and school districts.

Maturity Date: The date that the principal of a bond becomes due and payable in full.

Municipal(s): (As used in the bond trade) "Municipal" refers to any state or subordinate governmental unit. "Municipals" (i.e., municipal bonds) include not only the bonds of all political subdivisions, such as cities, towns, school districts, special districts, counties but also bonds of the state and agencies of the state.

Note: A short-term loan, typically with a maturity date of a year or less.

Objects of Expenditures: A classification of expenditures that is used for coding any department disbursement, such as "personal services," "expenses," or "capital outlay."

Official Statement: A document prepared for potential investors that contains information about a prospective bond or note issue and the issuer. The official statement is typically published with the notice of sale. It is sometimes called an offering circular or prospectus.

Operating Budget: A plan of proposed expenditures for personnel, supplies, and other expenses for the coming fiscal year.

Overlapping Debt: A community's proportionate share of the debt incurred by an overlapping government entity, such as a regional school district, regional transit authority, etc.

Performance Budget: A budget that stresses output both in terms of economy and efficiency.

Principal: The face amount of a bond, exclusive of accrued interest.

Program: A combination of activities to accomplish an end.

Program Budget: A budget that relates expenditures to the programs they fund. The emphasis of a program budget is on output.

Purchased Services: The cost of services that are provided by a vendor.

Refunding of Debt: Transaction where one bond issue is redeemed and replaced by a new bond issue under conditions generally more favorable to the issuer.

Reserve Fund: An amount set aside annually within the budget of a town to provide a funding source for extraordinary or unforeseen expenditures.

Revaluation: The assessors of each community are responsible for developing a reasonable and realistic program to achieve the fair cash valuation of property in accordance with constitutional and statutory requirements. The nature and extent of that program will depend on the assessors' analysis and consideration of many factors, including, but not limited to, the status of the existing valuation system, the results of an in-depth sales ratio study, and the accuracy of existing property record information.

Revenue Anticipation Note (RAN): A short-term loan issued to be paid off by revenues, such as tax collections and state aid. RANs are full faith and credit obligations.

Revenue Bond: A bond payable from and secured solely by specific revenues and thereby not a full faith and credit obligation.

Revolving Fund: Allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service.

Sale of Real Estate Fund: A fund established to account for the proceeds of the sale of municipal real estate other than proceeds acquired through tax title foreclosure.

Stabilization Fund: A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose.

Surplus Revenue: The amount by which cash, accounts receivable, and other assets exceed liabilities and reserves.

Tax Rate: The amount of property tax stated in terms of a unit of the municipal tax base; for example, \$14.80 per \$1,000 of assessed valuation of taxable real and personal property.

Tax Title Foreclosure: The procedure initiated by a municipality to obtain legal title to real property already in tax title and on which property taxes are overdue.

Trust Fund: In general, a fund for money donated or transferred to a municipality with specific instructions on its use. As custodian of trust funds, the treasurer invests and expends such funds as stipulated by trust agreements, as directed by the commissioners of trust funds or by the community's legislative body. Both principal and interest may be used if the trust is established as an expendable trust. For nonexpendable trust funds, only interest (not principal) may be expended as directed.

Uncollected Funds: Recently deposited checks included in an account's balance but drawn on other banks and not yet credited by the Federal Reserve Bank or local clearinghouse to the bank cashing the checks. (These funds may not be loaned or used as part of the bank's reserves and they are not available for disbursement.)

Undesignated Fund Balance: Monies in the various government funds as of the end of the fiscal year that are neither encumbered nor reserved, and are therefore available for expenditure once certified as part of free cash.

Unreserved Fund Balance (Surplus Revenue Account): The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to a "stockholders' equity" account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected. (See Free Cash)

Valuation (100 Percent): The legal requirement that a community's assessed value on property must reflect its market, or full and fair cash value.