

the PIPELINE



Popular Annual Financial Report
Fiscal Year Ended June 30, 2021

HIGHLAND, CALIFORNIA



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GOVERNING BOARD OF DIRECTORS

Chairman of the Board PHILLIP R. GOODRICH	Governing Board Member RONALD L. COATS
Vice Chairman JAMES MORALES, JR.	Governing Board Member DAVID E. SMITH
Governing Board Member CHRIS CARRILLO	

DISTRICT MANAGEMENT

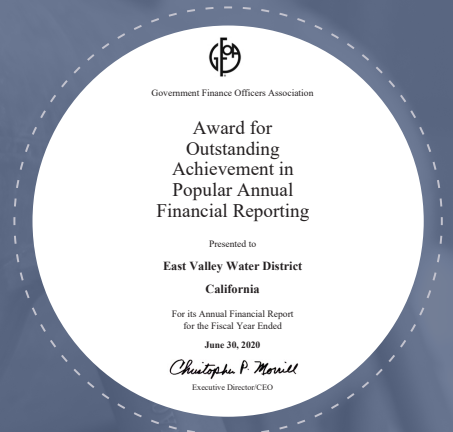
General Manager/CEO JOHN MURA	Operations Manager PATRICK MILROY
Director of Administrative Services KERRIE BRYAN	Director of Engineering & Operations JEFF NOELTE, PHD, PE
District Clerk JUSTINE HENDRICKSEN	Chief Financial Officer BRIAN TOMPKINS
Director of Strategic Services KELLY MALLOY	Water Reclamation Manager ROCKY WELBORN

Popular Annual Financial Reporting Award

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to East Valley Water District, California for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2020.

In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

We believe our current PAFR continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another Award. We also welcome and encourage feedback from District ratepayers to help make this publication more useful and/or informative.



To Our Ratepayers & Community

We are pleased to present East Valley Water District's (District) Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2021. This report summarizes financial information appearing in the 2021 Annual Report and was created to provide valuable information related to District finances and the Five-Year Capital Improvement Program, that support the expansion and improvement of our community's distribution system.

The PAFR is unaudited; however, the financial data presented in the PAFR is developed based on the audited Annual Report, which is consistent with Generally Accepted Accounting Principles. This document can also be reviewed on the District's website at eastvalley.org/PAFR2021.

For more detailed information, the District's 2021 Annual Report is available for interested individuals at the District Headquarters, 31111 Greenspot Road, Highland, California 92346. It can also be viewed on the District's website, along with other key financial documents, at eastvalley.org/2021AnnualReport.

Questions, comments, and feedback regarding this report are encouraged. Please do not hesitate to contact Brian Tompkins, Chief Financial Officer, at finance@eastvalley.org or (909) 381-6463.

On behalf of the District, thank you for the opportunity to serve you.



Respectfully submitted,

A handwritten signature in blue ink that reads "John Mura". The signature is fluid and cursive, written over a white background.

John Mura
General Manager/CEO

Core Values

LEADERSHIP

Motivating a group of people to act towards achieving a common goal or destination.

PARTNERSHIP

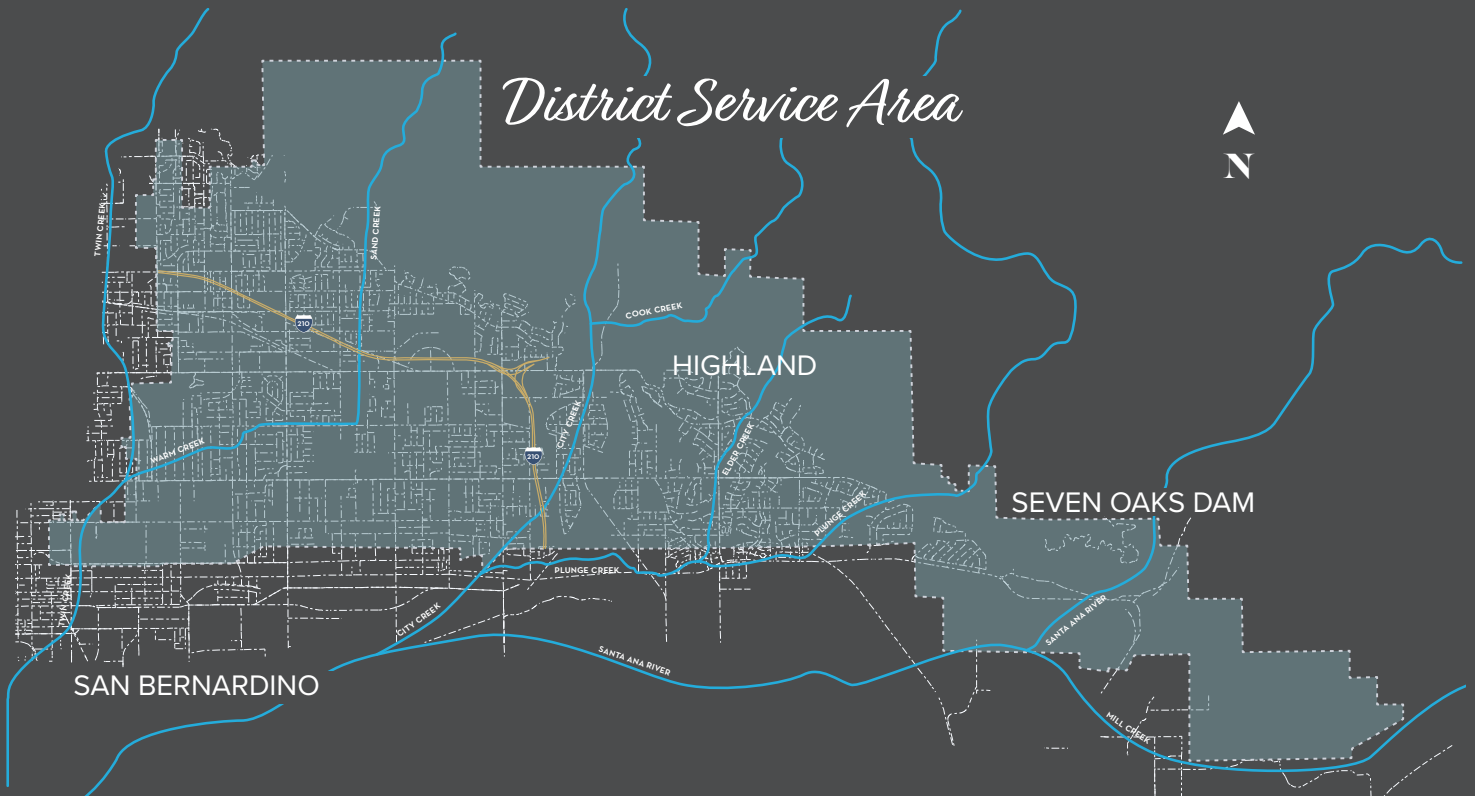
Developing relationships between a wide range of groups and individuals through collaboration and shared responsibility.

STEWARDSHIP

Embracing the responsibility of enhancing and protecting resources considered worth caring for and preserving.

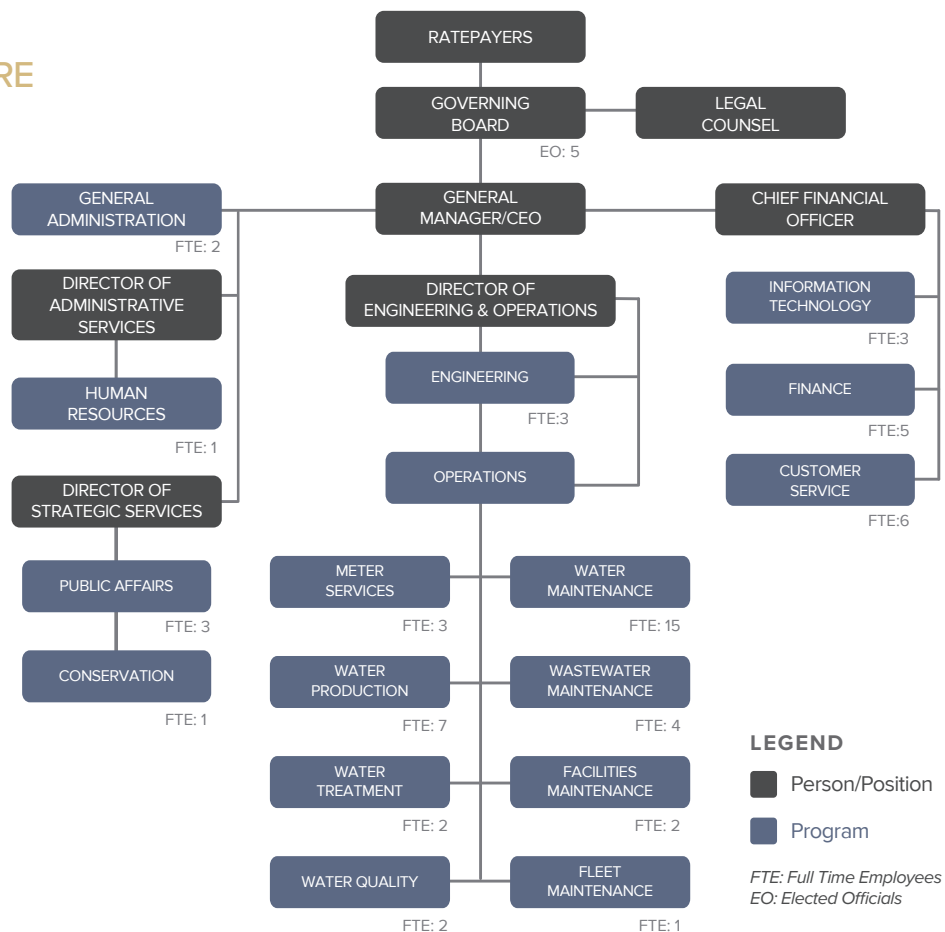
ABOUT THE DISTRICT

The District was formed through a local election of mostly citrus grove operators, to have water service provided by a public agency. East Valley Water District is located in the foothills of the San Bernardino Mountains, 65 miles east of Los Angeles in the County of San Bernardino.



ORGANIZATIONAL STRUCTURE

Presented to the right is an overview of East Valley Water District's organizational structure*. The District employs 66 full-time positions.



*The organizational chart reflects the District during the timeframe reflected in this document.

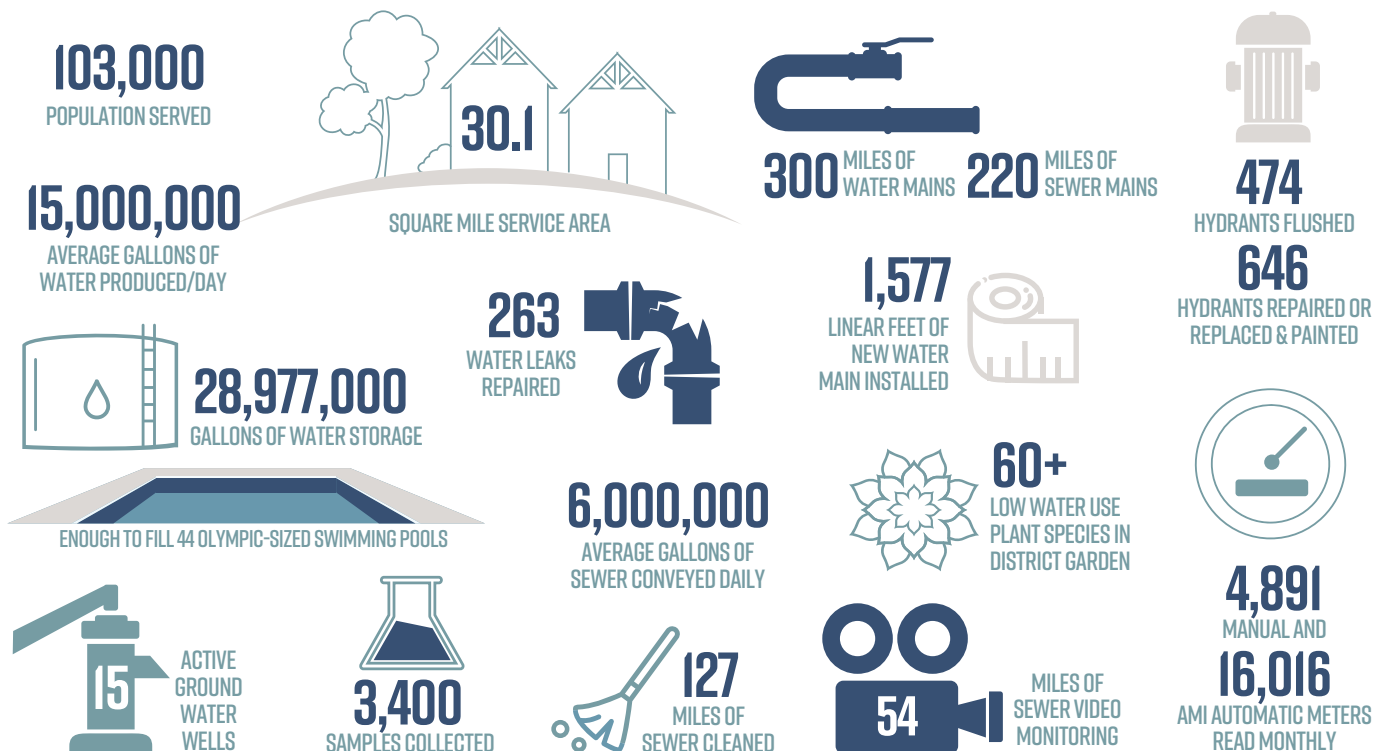
Enhance and Preserve the Quality of Life

FOR OUR COMMUNITY THROUGH INNOVATIVE LEADERSHIP &

World Class Public Service

DISTRICT AT-A-GLANCE

East Valley Water District provides water and wastewater services to residents within a 30.1 square mile area. This includes more than 103,000 people in the cities of Highland and San Bernardino, portions of the unincorporated County of San Bernardino, the San Manuel Band of Mission Indians, and Patton State Hospital.



DISTRICT WIDE GOALS & OBJECTIVES

As part of the annual budget process, District wide goals are established by the Governing Board to identify priority programs and projects. More specific goals were established for each program consistent with District wide goals.

- 1** Optimize Infrastructure 
- 2** Financial Stability with Full Understanding of Operational Complexities 
- 3** Protect Organizational Investments 
- 4** Maximize the District's Position 
- 5** Have Others See the District as a Premier Agency 

CAPITAL IMPROVEMENT PROJECTS

The District achieved a number of different accomplishments during Fiscal Year 2020-21. As a results-oriented organization, each program has clearly defined goals and objectives. During this period, there were five priority projects that contributed to supporting not only the District wide goals, but also the District Vision. These projects are included in the Five-Year Capital Improvement Program.

Each year as part of the budget process, the District's program managers and supervisors compile and submit a list of capital outlay requests for consideration. Staff reviews and prioritizes the list of equipment based on a needs assessment and the amount of funding available. Proposed Capital Improvement Projects for the budgeted fiscal year were submitted by the Engineering, Operations and Maintenance Programs in accordance with the anticipated needs of the District as outlined in the 2019 Sewer System Master Plan and 2019 Water System Master Plan.



Final Phase of AMI Meter Upgrades

Installed 4,891 Advanced Metering Infrastructure meters to automate the collection of consumption information. Over 20,000 meters were upgraded throughout the community.

Date Completed: March 2021 **Project Cost:** \$1,921,604

Project Benefits: Enhances service and allows customers to monitor consumption in near 'real time', receive leak alerts, and more.



Elm Street Water Main Relocation

Coordinated with the City of Highland to relocate an existing 4-inch water main pipeline that conflicted with a city project and upgraded it with an 8-inch pipeline.

Date Completed: April 2021 **Project Cost:** \$418,049

Project Benefits: Increased fire flow capability for customers in this area. Addressed a need identified in the District's Water Master Plan.



Plant 129 Storage Tank Mixers

Installed tank mixers in the reservoir at Plant 129 to keep the water circulating and reduce potential for Total Trihalomethanes (TTHM).

Date Completed: September 2020 **Project Cost:** \$25,645

Project Benefits: Maintain the quality and safety of water provided to the community.



Barton Street Water Main Replacement

Completed land survey necessary for new main alignment and replaced approximately 1,000 lineal feet of 4-inch steel water main with 6-inch ductile iron pipe; and installed 18 new water services and two new fire hydrants.

Date Completed: April 2021 **Project Cost:** \$144,019

Project Benefits: Allows the District to continue meeting the community's water needs and minimize future leaks.



Plant 134 Process Improvements

Evaluated the necessary process for sludge removal to enhance the surface water treatment process; completed the Phase 1 Engineering Analysis in preparation for the addition of a Granular Activated Carbon system to the treatment process.

Date Completed: September 2020 **Project Cost:** \$357,448

Project Benefits: Once completed, it will remove organics and mitigate the occurrence of high Total Trihalomethanes (TTHM) levels to help maintain the quality and safety of water provided to the community.



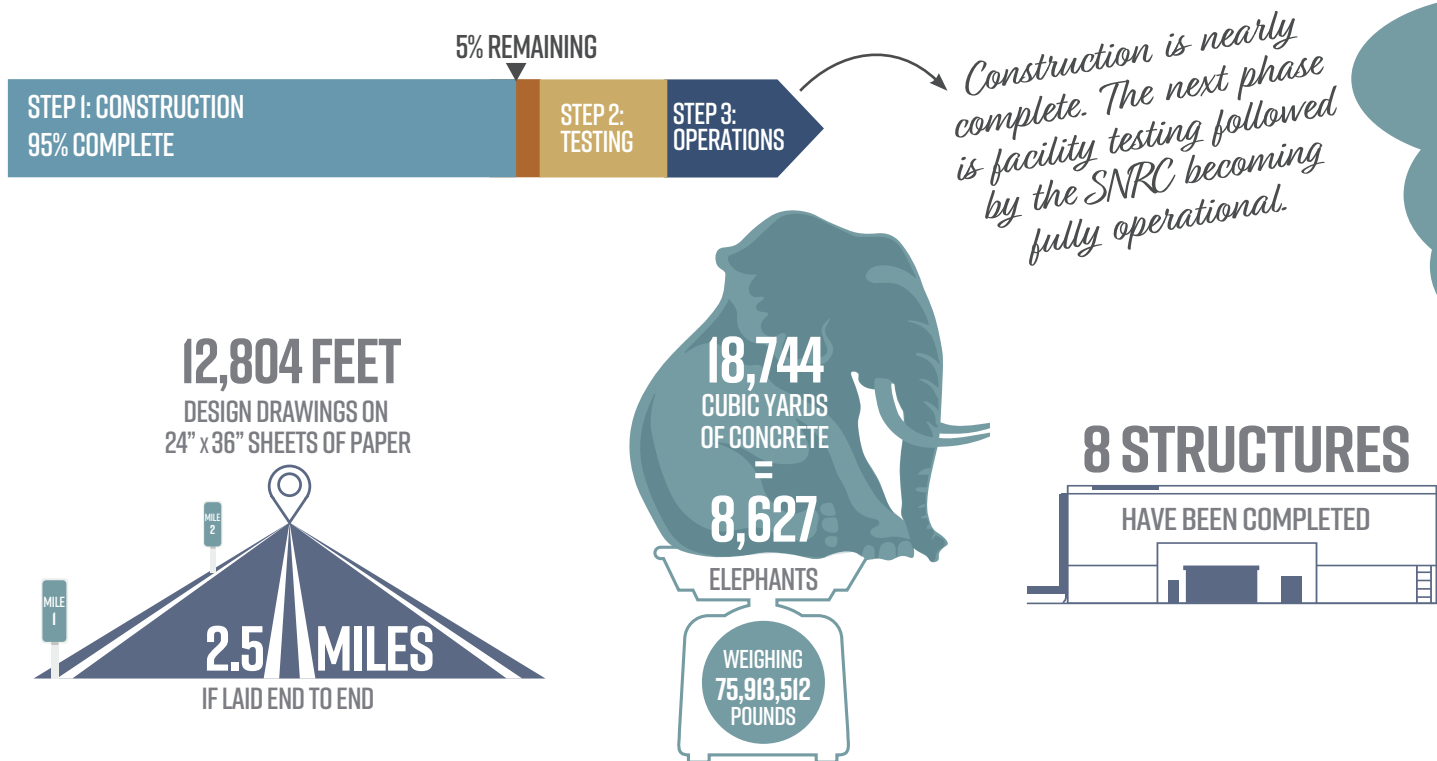
Sterling Natural Resource Center

PROGRESSING TOWARD THE FINISH LINE

In 2018, East Valley Water District broke ground on the Sterling Natural Resource Center (SNRC) to provide a sustainable new water supply for the region. Since then, the site has transformed into a facility with structures, technology, and pipelines that will be used to recycle wastewater and replenish the local groundwater aquifer. October marked the three-year construction milestone of the project and the District anticipates operations to begin in 2022. Included in the project, an Administrative Center will house new customer service offices, a special community events area, and demonstration garden.

CONSTRUCTION MILESTONES

Construction of the Sterling Natural Resource Center has required a complex series of regulatory approvals, technical design, and world-class construction working together as a team. Members of Team Sterling are preparing for the final year of construction, testing, and celebrating full operation.



PROJECT BENEFITS

The SNRC will provide benefits beyond replenishing our groundwater aquifer.



Picnic area, demonstration garden, walking paths, workshop space, and special events area.



Water treated at the SNRC will recharge the local Bunker Hill Groundwater Basin.



Hands-on training and career experiences in wastewater treatment available to students and residents.



Improvements to the surrounding area include street paving, water lines, sidewalks, and more.

A NEW PLACE TO GATHER

In addition to creating a sustainable source of water for the region, the SNRC provides over 204,000 square feet of new outdoor space. The demonstration garden has not only been created using water efficient, lush and colorful plants but it has been designed to:

- Build a space for the community to gather
- Provide beautiful examples of water efficient landscaping
- Deter wildlife from impacting the local airport
- Benefit the environment by supporting carbon sequestration

Trees Help Reduce the Amount of Carbon Dioxide in the Atmosphere

All plants, trees, and grass installed at the SNRC will have low water use.

PREVENTING UNWANTED GROUND AND SKY WILDLIFE

The SNRC has a unique mission to create a beautiful community space without inviting feathered friends. In order to protect the safety of aircraft flying into and out of the San Bernardino International Airport, the site has creatively incorporated some landscaping features that are less welcoming to wildlife.

For example, the grass that has been selected for the amphitheater has an unpleasant taste for geese, which discourages them from gathering around. Staff will also be specially trained to discourage wildlife from calling the SNRC home.

DID YOU KNOW?

- 15 Different Tree Species Will be Planted at the SNRC
- Over 20,000 Plants and Trees Will be Part of the Garden

Watch Now 

Learn more about the SNRC and watch construction progress at eastvalley.org/snrc.



The SNRC is Funded in Part By:



*Funding for this Sterling Natural Resource Center project has been provided in full or in part by the Proposition 1 - the Water Quality, Supply, and Infrastructure Improvement Act of 2014 and the Clean Water State Revolving Fund through an agreement with the State Water Resources Control Board. California's Clean Water State Revolving Fund is capitalized through a variety of funding sources, including grants from the United States Environmental Protection Agency and state bond proceeds.

The Urban Greening Program is part of California Climate Investments, a statewide program that puts billions of cap-and-trade dollars to work reducing greenhouse gas emissions, strengthening the economy and improving public health and the environment—particularly in disadvantaged communities. The cap-and-trade program also creates a financial incentive for industries to invest in clean technologies and develop innovative ways to reduce pollution. California Climate Investment projects include affordable housing, renewable energy, public transportation, zero-emission vehicles, environmental restoration, more sustainable agriculture, recycling and much more. At least 35 percent of these investments are made in disadvantaged and low-income communities. For more information, visit www.climateinvestments.ca.gov.

SERVING THE COMMUNITY

The COVID-19 pandemic temporarily changed the way East Valley Water District interacted with the community, but not the essence of public service. The District maintained its commitment to serving the community, even if it was at a distance.



CELEBRATING AND INSPIRING TOMORROW'S LEADERS

The COVID-19 pandemic encouraged everyone to practice social distancing to protect the health and safety of the community. Students adapted to this new reality by attending and completing their schooling virtually. East Valley Water District donated commemorative t-shirts to Jefferson Hunt Elementary students graduating to middle school. To inspire students to stay engaged with their education, the District also donated a new mountain bike and helmet for the school's attendance contest. One lucky student won the new bike in recognition of their achievement.

Hope on Wheels

East Valley Water District is proud to support local non-profit organizations with fulfilling their mission of serving the community through its Surplus Vehicle Donation Program. This program provides fully functional vehicles to organizations that provide valuable services to the community. This fiscal year, the District donated vehicles to The Can Man, a handyman service that assists veterans and seniors with home repairs and cleaning; the Yucaipa Animal Placement Society (YAPS), a local no-kill animal shelter; and the Highland Senior Center.



Canned Food Drive

While there is always a need for food supplies, the pandemic elevated the demand for meals within our community. East Valley Water District partnered with the San Bernardino City Mission, a local non-profit that assists residents in need, to conduct a food drive. Through the combined effort and generosity of staff and public, over 470 items were donated. Each food donation was included in a meal box and cash donations served to purchase additional items.

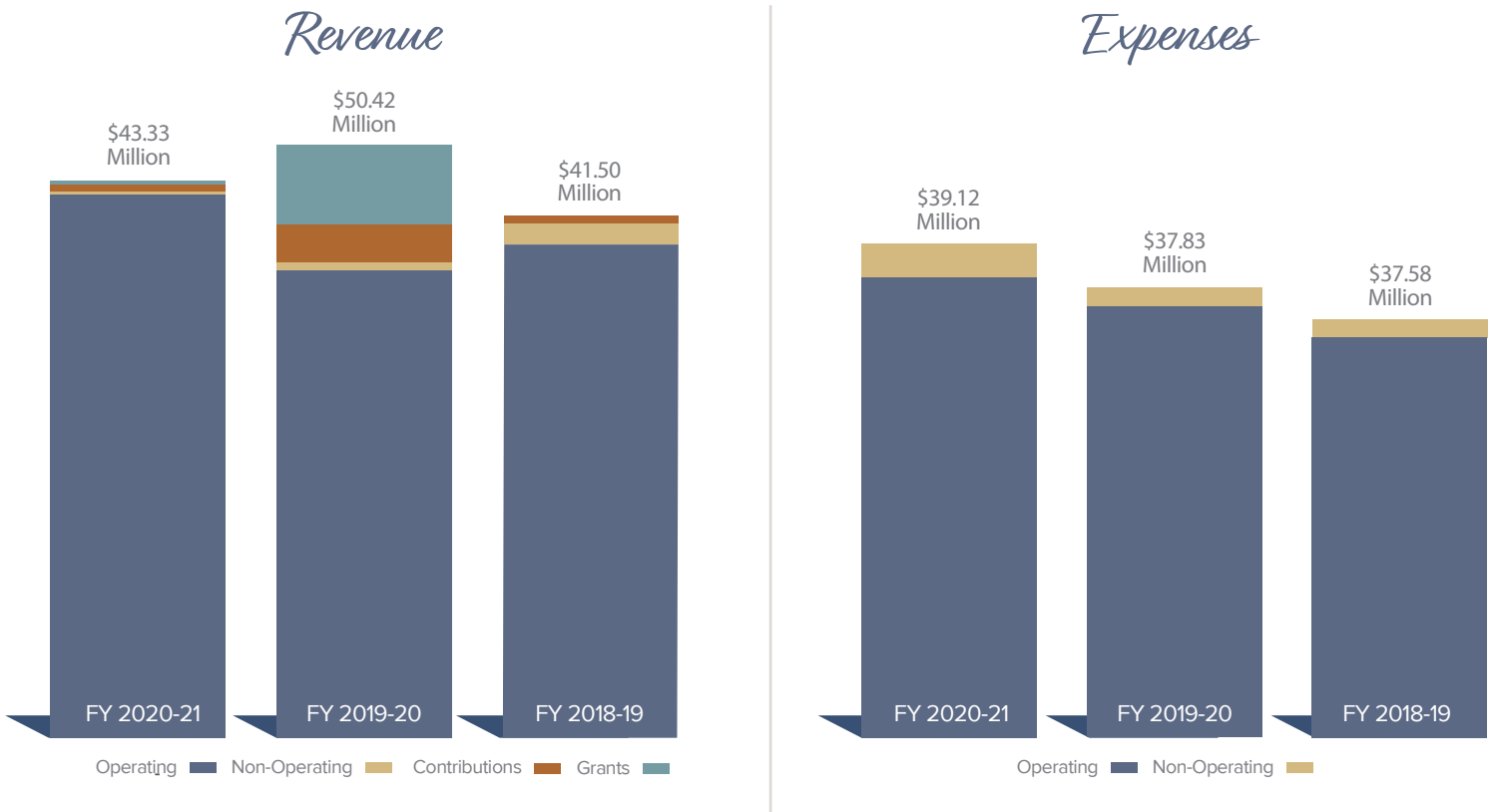


Revenue & Expenses



Providing safe drinking water to over 103,000 residents every day is the District’s top priority and also one of its most significant expenses. The graphs below represent the District’s combined revenue and expenses for FY 2020-21. For comparison purposes, FY 2018-19 and FY 2019-20 revenue and expenses have also been included.

Please refer to the District’s 2021 Annual Report for a comprehensive breakdown of expenses.



HOW IS REVENUE MANAGED?

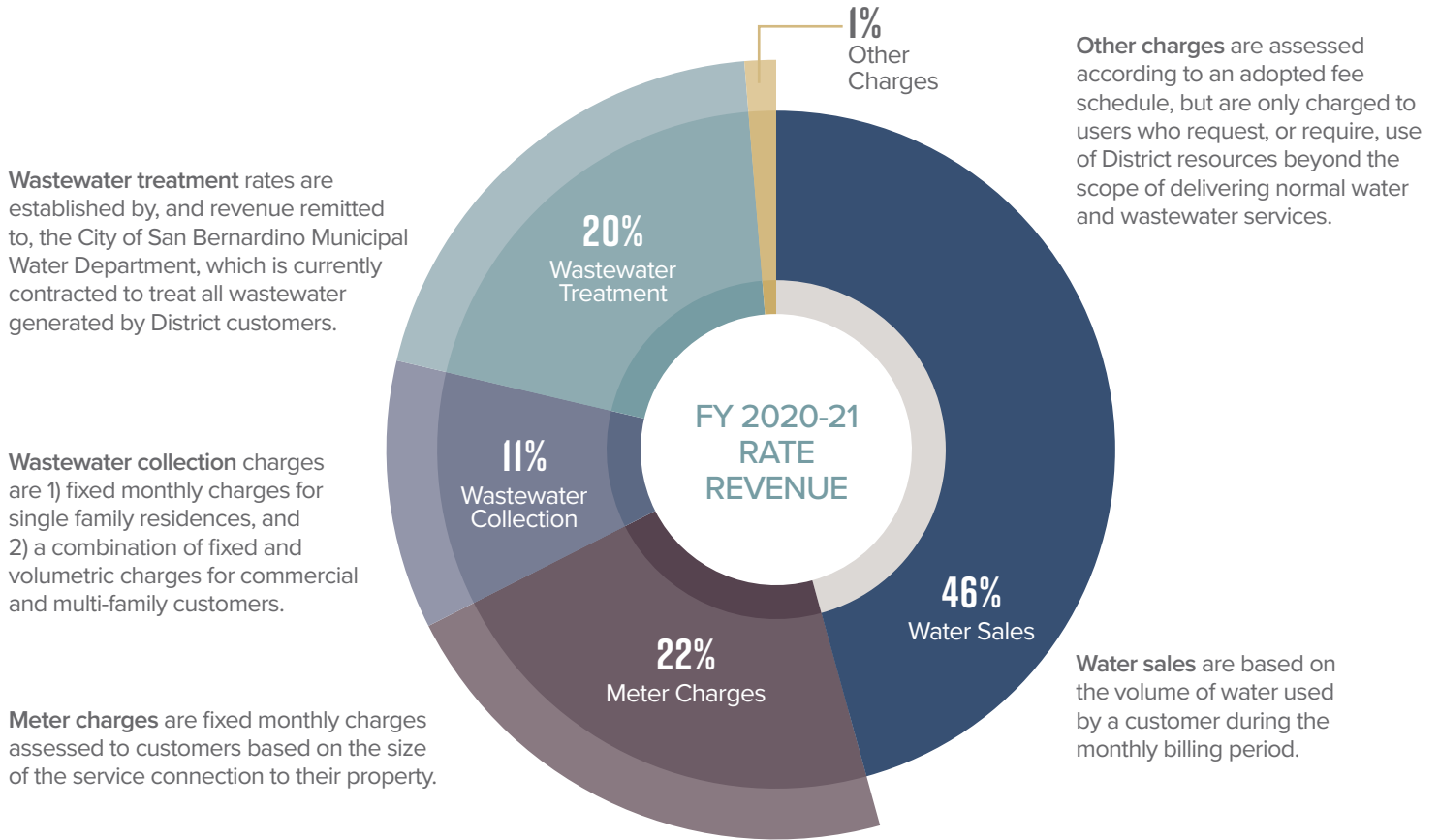
East Valley Water District utilizes revenue to fund daily operations, scheduled capital improvements and replacements, and principal and interest for debt financed construction projects. Remaining revenue is invested back into capital improvement projects to help maintain and improve the system's reliability so that East Valley Water District may continue taking steps to support the Vision Statement of providing world-class public service.

Revenue also provides funding for conservation and rebate programs, which empowers customers to be efficient water users and encourages water savings indoors and out. Excess net revenue after covering expenses and payments is added to reserves for capital replacements and unforeseen emergency expenses.

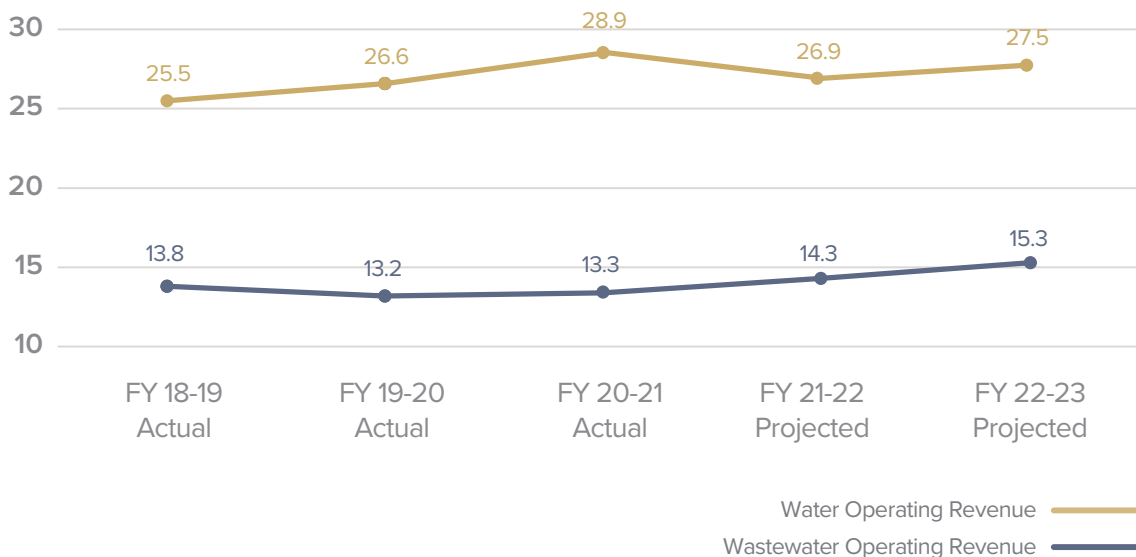
REVENUE BY SOURCES

The District uses revenue to fund day-to-day operations.

East Valley Water District receives 99 percent of its revenue from user rates and fees; the District receives no funding from property or sales taxes. Rates and fees are reviewed on 3 to 5 year cycles and are adjusted as necessary to meet the costs of providing services to customers.



Revenue History & Forecast (in millions)



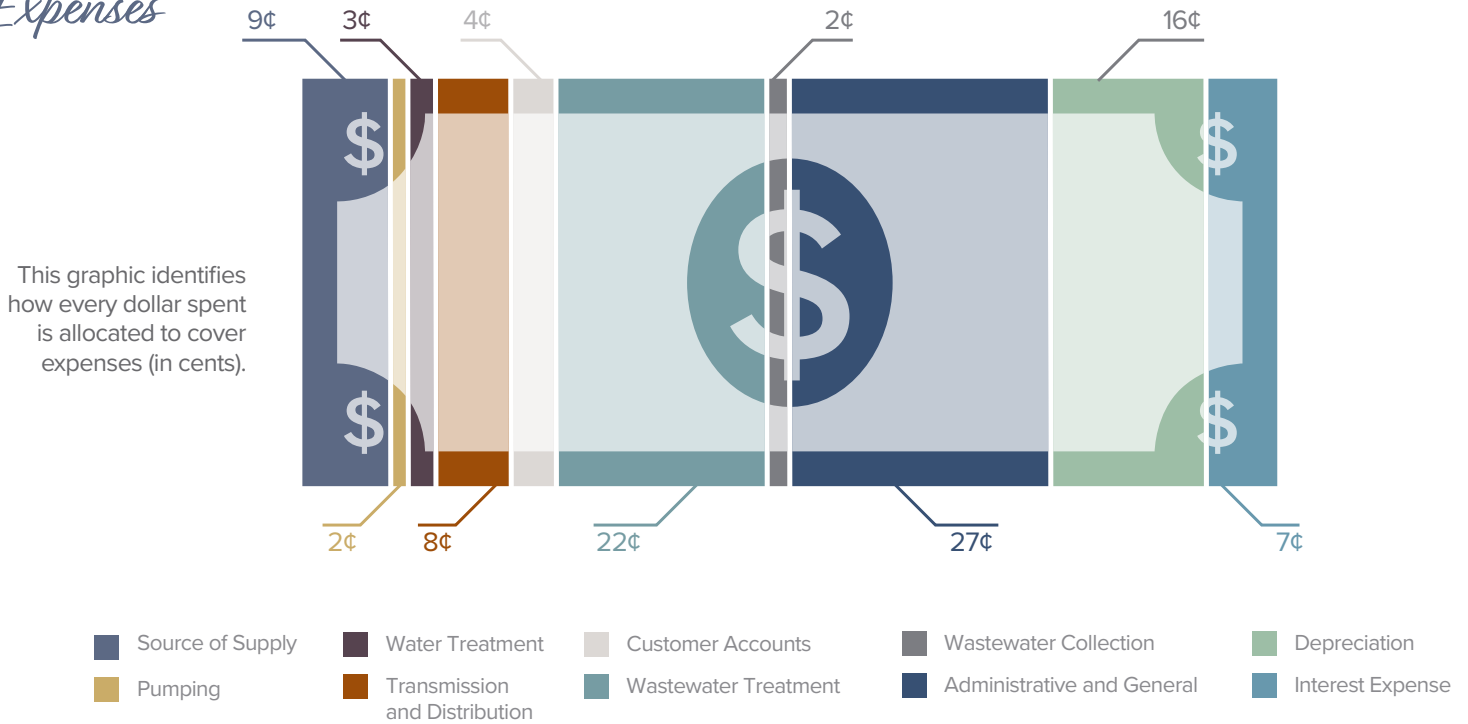
Note: The District's water sales and meter charge revenue is expected to decrease through FY 2021-22. Due to rate increases, residents tend to reduce their water usage.

Additional information regarding the approved rates can be found at eastvalley.org/rates.

BREAKDOWN OF EXPENSES

Expenses are the cost of providing water to meet customer demand and collecting and treating wastewater from customer residences or places of business. East Valley Water District strives to provide safe and reliable water delivery services. Despite the severity of the current drought, the District has put forth significant effort to overcome the challenges of maintaining a fiscally sustainable and operationally dependable organization.

Expenses



EXPLANATION OF EXPENSES

- **Source of Supply** - Expenses related to the extraction of groundwater, and for procuring water from the Santa Ana River or State Water Project when supply is available.
- **Pumping** - Expenses related to moving water throughout the District's water distribution system.
- **Water Treatment** - Expenses related to the treatment of water.
- **Transmission and Distribution** - Expenses for transmitting water to treatment plants and storage reservoirs for distribution to commercial and residential customers.
- **Customer Accounts** - Expenses related to the service of customer accounts including, postage, telephone, printing and publishing, and billing services.
- **Wastewater Treatment** - Expenses related to the contracted service currently provided by the City of San Bernardino Municipal Water Department.
- **Wastewater Collection** - Expenses for the operation and maintenance of the District's system of wastewater collection pipelines.
- **Administrative and General** - Expenses related to the administration of District operations. For example, employee compensation, benefits, conservation rebates, office supplies, banking services, materials and supplies, utilities, fuel, permits, insurance claims, legal services, and printing and publishing.
- **Depreciation** - Expenses related to the use of capital assets over time.
- **Other Expenses** - Expenses not related to the District's current cost of utility service delivery.

OUTSTANDING LONG-TERM DEBT

Much like how a mortgage is financed to spread costs over 30 years, East Valley Water District has incurred debt to fund large capital projects. The District has adopted a Debt Management Policy to clearly state that long-term borrowing is only to be used for Capital Improvement Projects that cannot be funded from current revenues.

Similar to an individual's credit score, public agencies have a bond rating used by investors to determine risk. The District has a bond rating of AA- by both the Fitch and the Standard and Poor's rating services. This is considered a high quality investment grade.

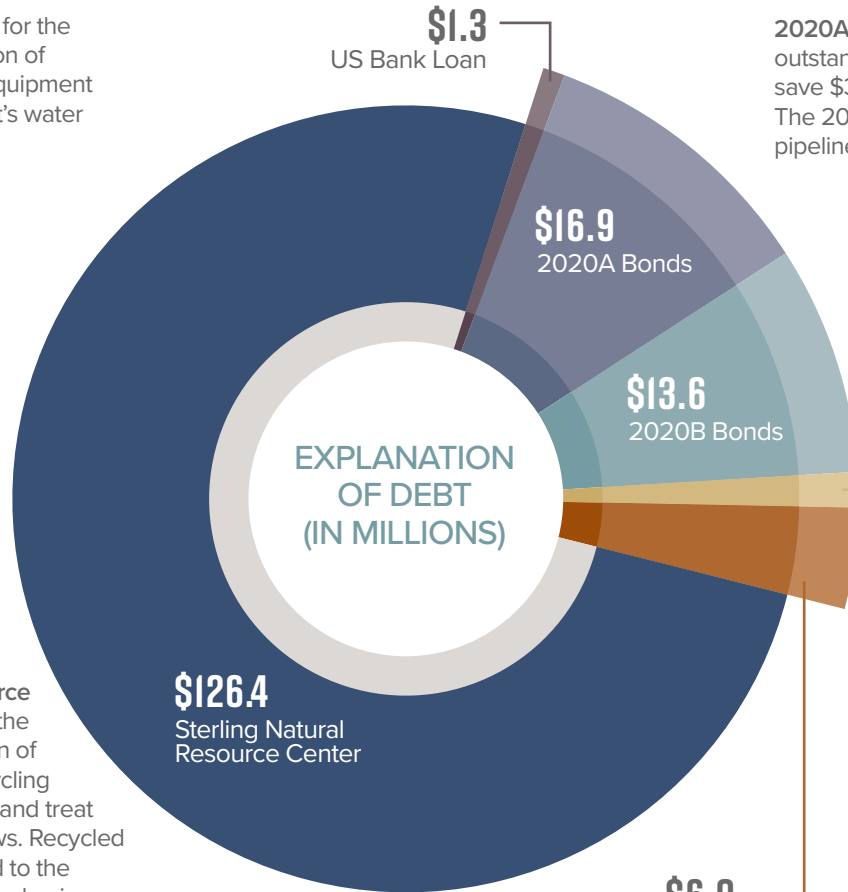
US Bank Loan - Issued for the purchase and installation of energy conservation equipment at several of the District's water production facilities.

2020A Bonds - Issued to refund outstanding 2010 revenue bonds and save \$380,000 annually on interest. The 2010 bonds were issued to finance pipeline and other infrastructure projects.

2020B Bonds - Issued to refund outstanding 2013 revenue bonds, which were issued to finance the construction of a new administration and operations headquarters.

Sterling Natural Resource Center Loan - Funded the design and construction of the District's water recycling facility that will capture and treat District wastewater flows. Recycled water will be recharged to the Bunker Hill Groundwater basin.

\$2.1 SBVMWD Loan
SBVMWD Loans - Agreement with the San Bernardino Valley Municipal Water District for the construction, financing, and maintenance of a City Creek Turnout and Plant 134 Hydroelectric Station. The station provides the District with direct access to State Project Water, to be used for the surface water treatment plant.

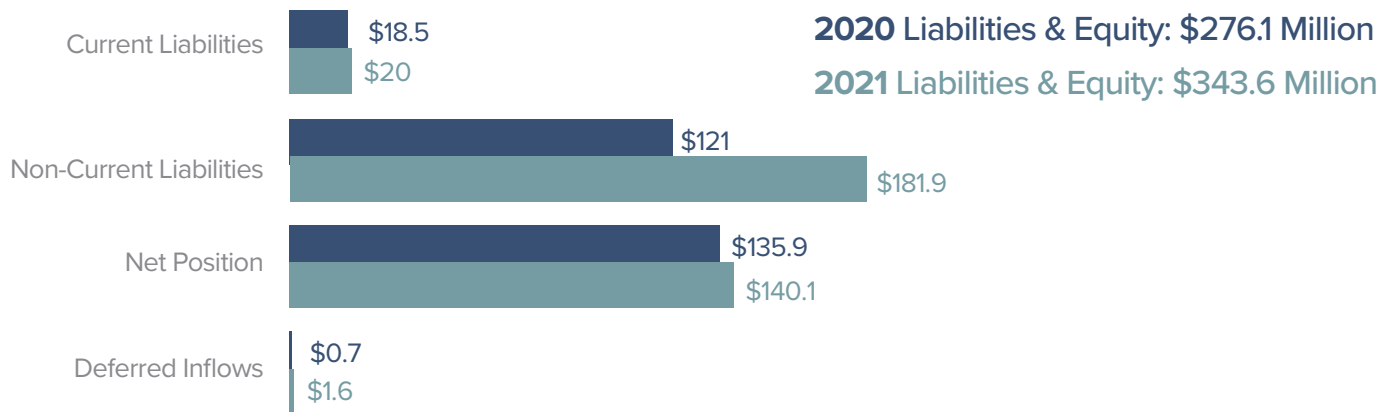
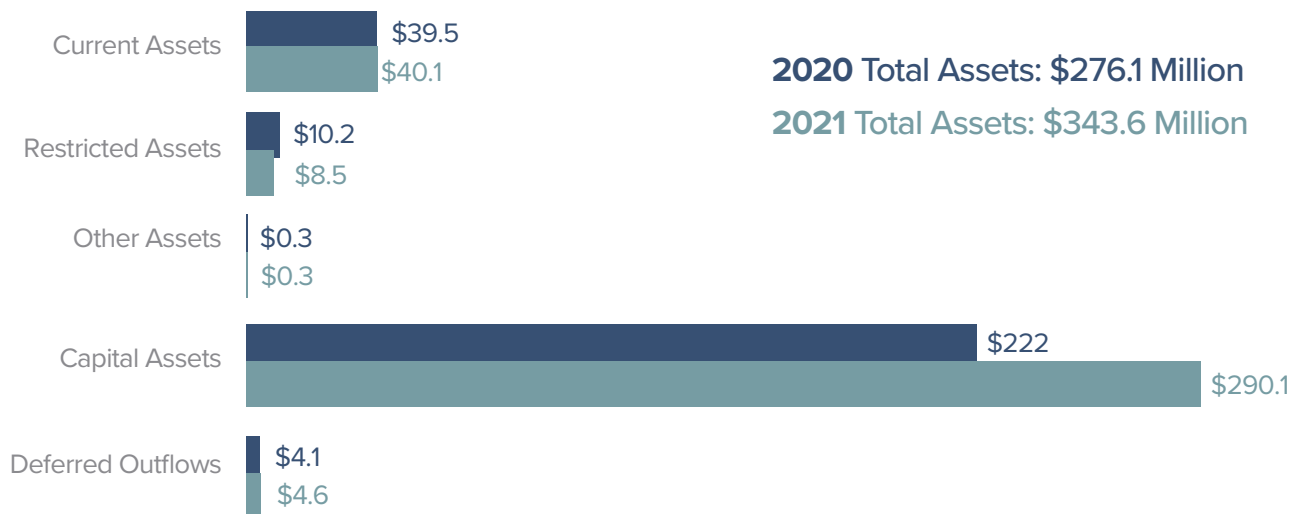


\$6.0 State Dept. of Water Resource
State Department of Water Resources Loans - Funded the improvement and expansion of the District's surface water treatment plant.

East Valley Water District's long-term debt consists of bonds, loans and installment purchases.

TWO-YEAR COMPARATIVE NET POSITION (IN MILLIONS)

As an infrastructure based organization, the District directs significant resources in capital investments to maintain and improve its water and wastewater system. Comparative net position offers perspective of the District's assets, liabilities, and equity. The information presented below applies to fiscal years ended June 30, 2021 and 2020.



EXPLANATION OF ASSETS

Current Assets - Cash and cash equivalents, customer utility receivables, inventory, prepaid expenses, and other liquid assets that can be readily converted to cash.

Restricted Assets - Cash equivalents, grants and bonds restricted for a specific purpose and therefore not readily available to use.

Other Assets - Special assessments receivable from certain property owners for system improvements that benefit only their properties.

Capital Assets - Any land, building, equipment, vehicles, inventory, treatment plants, pipeline, and water distribution systems owned by the District.

Deferred Outflow of Resources - Use of net assets attributed to future reporting periods, such as prepaid items and deferred charges.

EXPLANATION OF LIABILITIES AND EQUITY (NET POSITION)

Current Liabilities - Present financial obligations including, payments to vendors, payroll, and employee benefits.

Non-Current Liabilities - Long-term financial obligations including payments for loans, bonds, and employee retirement benefits.

Deferred Inflow of Resources - Receipt of net assets attributed to future reporting periods, such as deferred revenue and advance collections.

Equity (Net Position) - Represents the excess of assets over liabilities.



DISTRICT HEADQUARTERS

31111 Greenspot Road
Highland, California 92346

Safe Reliable Water & Wastewater Service Provider



East Valley Water District was formed in 1954 and provides water and wastewater services to over 103,000 residents within the cities of Highland and San Bernardino, and portions of San Bernardino County. EVWD operates under the direction of a 5-member elected Board.

Office Hours

Monday – Thursday 8:00am – 5:00pm
2nd and 4th Tuesday 9:00am – 5:00pm
Friday 7:30am – 4:30pm

Customer Service & After-Hours

Emergency Service
(909) 889-9501

District Headquarters

31111 Greenspot Road
Highland, California 92346
(909) 889-9501 eastvalley.org

District Board Meetings

Second and Fourth Wednesday of Each Month at 5:30pm
District Headquarters Board Room
31111 Greenspot Road
Highland, CA 92346

Virtual Board Meetings (Temporary COVID-19 Measure)

Second and Fourth Wednesday
To attend online or telephonically visit
eastvalley.org/boardmeetings for details and login information.