

# *the* PIPELINE



[FISCAL YEAR ENDED JUNE 30, 2023]

## *Popular Annual Financial Report*

HIGHLAND, CALIFORNIA



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## BOARD OF DIRECTORS

**Phillip R. Goodrich**  
*Chairman of the Board*

**James Morales, Jr.**  
*Vice Chairman of the Board*

**Chris Carrillo**  
*Governing Board Member*

**Ronald L. Coats**  
*Governing Board Member*

**David E. Smith**  
*Governing Board Member*

### DISTRICT MANAGEMENT

**Michael Moore, P.E.**  
*General Manager/CEO*

**Kerrie Bryan**  
*Director of  
Administrative Services*

**Justine Hendricksen**  
*District Clerk*

**Patrick Milroy**  
*Operations Manager*

**Jeff Noelte, PhD, P.E.**  
*Director of Engineering &  
Operations*

**Brian Tompkins**  
*Chief Financial Officer*

**Rocky Welborn**  
*Water Reclamation Manager*

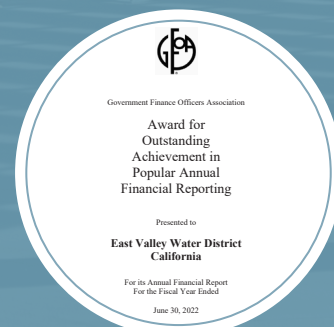


## POPULAR ANNUAL FINANCIAL REPORTING AWARD

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, for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2022.

In order to receive this award, a government agency 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.



# Transmittal Letter

## 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, 2023 (FY 2022-23). This report summarizes financial information appearing in the 2023 Annual Report and was created to provide valuable information related to District finances and the Five-Year Capital Improvement Program, that support the quality and reliability 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/PAFR2023](http://eastvalley.org/PAFR2023).

For more detailed information, the District's 2023 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/2023AnnualReport](http://eastvalley.org/2023AnnualReport).

*The organizational chart, District-at-a-Glance, and financial data represent the District during the timeframe reflected in this document.*

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

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



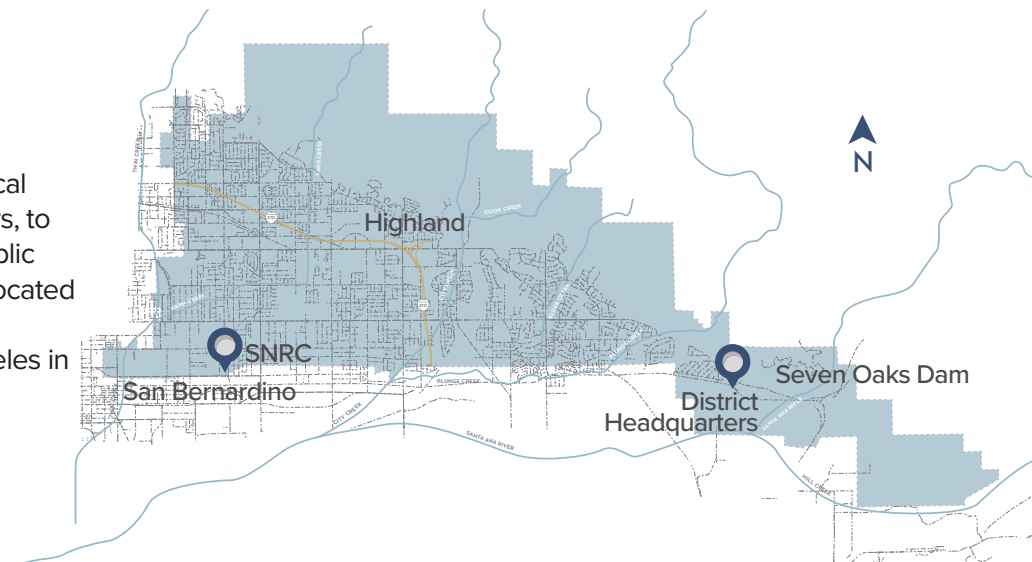
Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Michael Moore".

Michael Moore, P.E.  
General Manager/CEO

## ABOUT THE DISTRICT

The District was formed through a local election of mostly citrus grove farmers, 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.







# 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.

**I. *Implement Effective Solutions Through Visionary Leadership***

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**II. *Maintain a Commitment to Sustainability, Transparency, and Accountability***

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**III. *Deliver Public Service with Purpose While Embracing Continuous Growth***

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**IV. *Promote Planning, Maintenance and Preservation of District Resources***

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## Serving the Community

East Valley Water District strives to be a community partner by working with organizations and schools within its service area to identify where there is a need. Through this effort, the District has helped provide meals and educational resources to residents.

### CANNED & BOXED FOOD DRIVE

East Valley Water District partners with community organizations. This year the District partnered with with the San Bernardino City Mission, Highland Senior Center, and San Bernardino Sheriff's Department to supply canned and boxed food. Through the combined efforts and generosity of staff, the District supported residents in the local mountain community by providing food during the historic snow storm.



### EDUCATIONAL PROGRAMS

The District has developed a comprehensive educational program designed to engage, enlighten, develop youth in the community and create future water leaders. The program includes a range of educational opportunities, including a pathway internship program, facility field trip tours, vehicle equipment demos, and classroom demonstrations. Over the last year, multiple local students participated in the District's educational program.



# Capital Improvement Projects

## ENHANCING AND INVESTING IN THE WATER INFRASTRUCTURE

### *Plant 134 Process Improvements – Granular Activated Carbon (GAC) Installation*

The District completed the installation of GAC technology at the District's Water Treatment Plant to remove organics and mitigate the possibility of high Total Trihalomethane (TTHM) levels.

**Date Completed:** April 2023    **Project Cost:** \$3,821,340

**Benefits:** The completion of this enhancement will allow the District to continue meeting local, State, and Federal water quality requirements and maintain the quality and safety of water provided to the community. Up to 4 million gallons of water per day will be treated by GAC Technology.



### *Water Main Rehabilitation Pleasant Hill Drive*

Performed in-house by District Water Maintenance crews, 675 feet of water main were replaced on Pleasant Hill Drive. The previous pipe did not meet current minimum water main size standards. Installing new 6-inch ductile iron pipe enhances fire flow capacity while contributing to more efficient system circulation and service to residents.

**Date Completed:** October 2022    **Project Cost:** \$102,030

**Benefits:** By replacing the undersized pipeline, the need for maintenance and leak repairs is significantly reduced. Additional project enhancements included the installation of fire hydrants to assist the fire department during an emergency, as well as aid in the maintenance of the water system.



### *Reservoir Rehabilitation Project – Plant 108*

The District contracted for the rehabilitation of a reservoir at Plant 108 to extend the life of the tank. The 2 million gallon capacity tank serves customers located in the District's Foothill pressure zone.

**Date Completed:** June 2023    **Project Cost:** \$1,077,048

**Benefits:** Rehabilitation included removal of aged coating, internal recoating, installation of anti-corrosion system, tank repairs, and access point enhancements to meet current safety requirements.

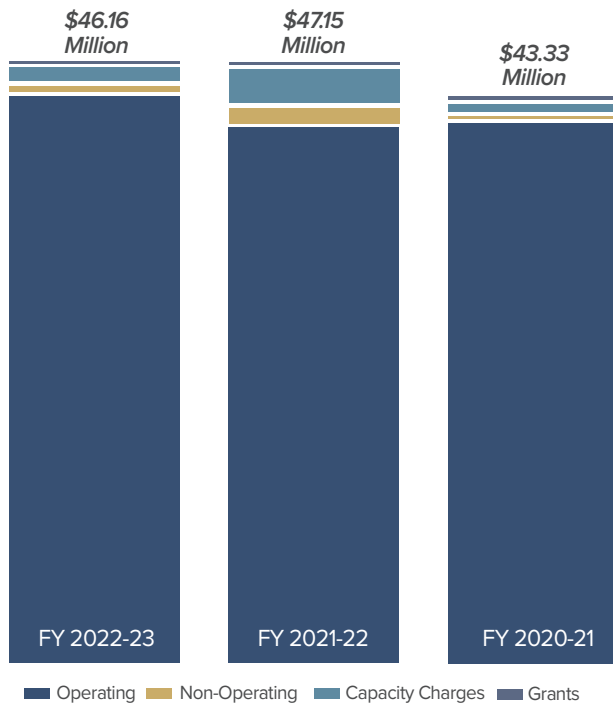


# Revenues and Expenses

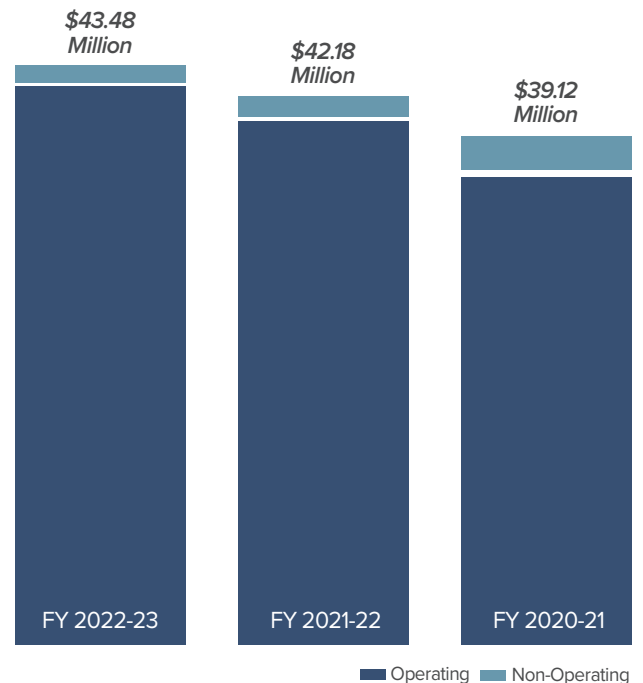
Providing safe drinking water to over 104,000 residents every day is the District's top priority and also one of its most significant expenses. The graphs below represent the District's combined revenue and expenses for FY 2022-23. For comparison purposes, FY 2020-21 and FY 2021-22 revenue and expenses have also been included.

Please refer to the District's 2023 Annual Report for a comprehensive breakdown of expenses.

## REVENUE



## 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 added to reserves or 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 District's Vision of providing world-class public service.

Revenue also provides funding for conservation programming, which empowers customers to be efficient water users and encourages water savings indoors and out.



# Revenues by Sources

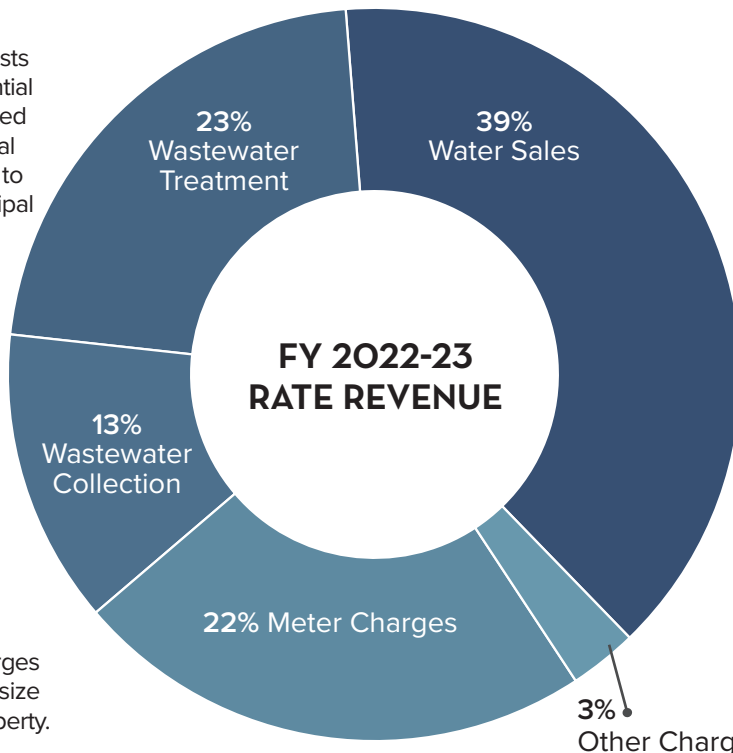
The District relies on user rates/fees to fund day-to-day operations.

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 to meet the costs of providing services to customers.

**Wastewater treatment** revenue consists of 1) fixed monthly charges for residential customers and 2) a combination of fixed and volumetric charges for commercial customers. These revenues are used to pay the City of San Bernardino Municipal Water Department, which is currently contracted to treat all wastewater generated by District Customers.

**Wastewater collection** revenue consists of 1) fixed monthly charges for residential customers and 2) a combination of fixed and volumetric charges for commercial customers.

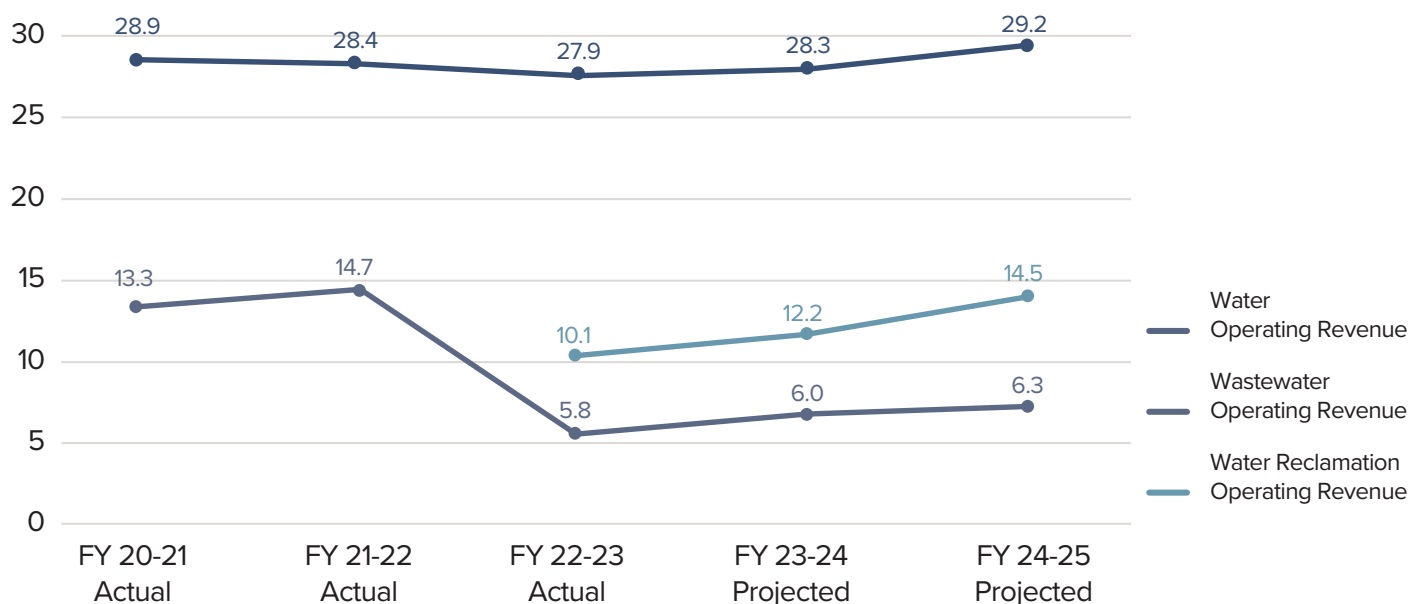
**Meter charges** are fixed monthly charges assessed to customers based on the size of the service connection to their property.



**Water sales** are based on the volume of water used by a customer during the monthly billing period.

**Other charges** are assessed according to an adopted fee schedule, but are only charged to users who request, or require, use of District resources beyond the scope of delivering normal water and wastewater services.

## REVENUE HISTORY & FORECAST (IN MILLIONS)



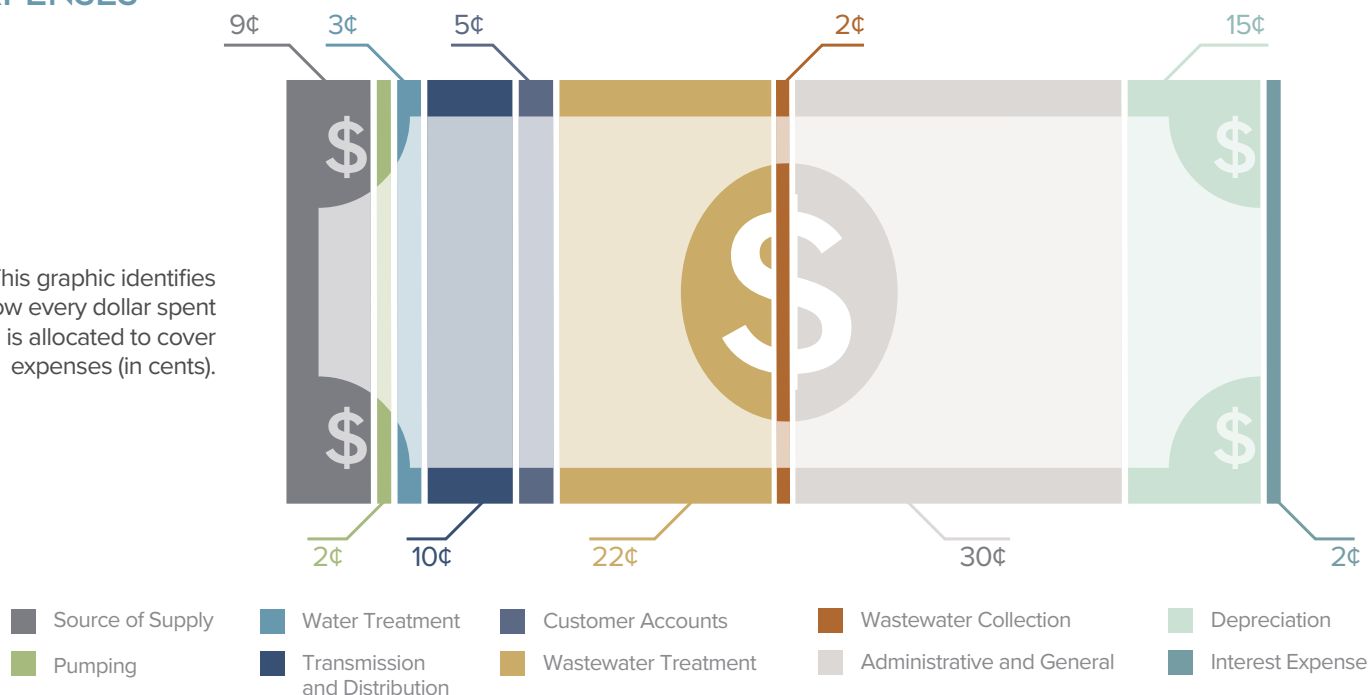


# Breakdown of Expenses

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. The District has put forth significant effort to overcome the challenges of maintaining a fiscally sustainable and operationally dependable organization.

## EXPENSES

This graphic identifies how every dollar spent is allocated to cover expenses (in cents).



## 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.
- **Interest Expense** - Expenses incurred for borrowing funds.

# 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 Fitch and 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.

**\$400,000**  
US Bank Loan

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

**\$15.1 million**  
2020A Bonds

**\$13.1 million**  
2020B Bonds

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

**\$1.3 million**  
SBVMWD Loan

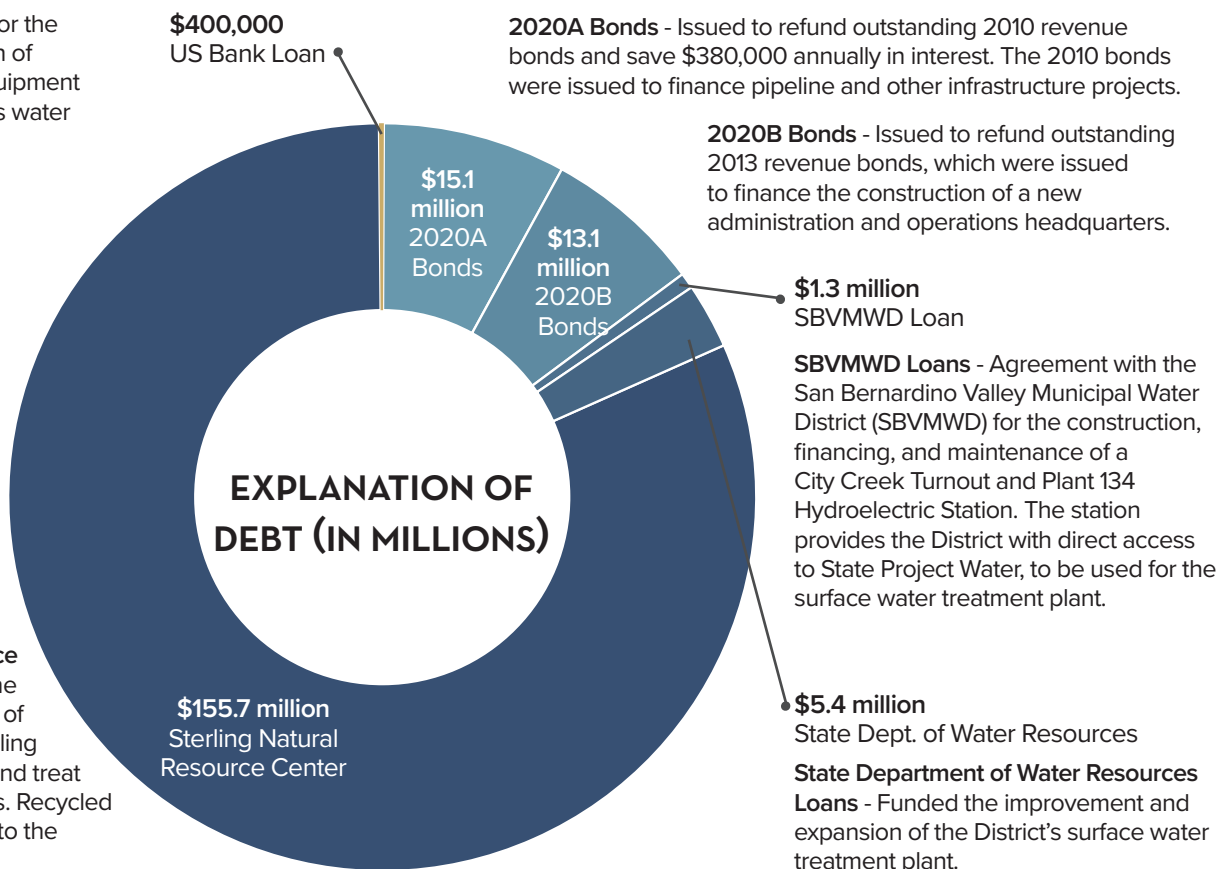
**SBVMWD Loans** - Agreement with the San Bernardino Valley Municipal Water District (SBVMWD) for the construction, financing, and maintenance of a City Creek Turnout and Plant 134 Hydroelectric Station. The station provides the District with direct access to State Project Water, to be used for the surface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

**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 Weaver basin.

**\$155.7 million**  
Sterling Natural Resource Center

**\$5.4 million**  
State Dept. of Water Resources

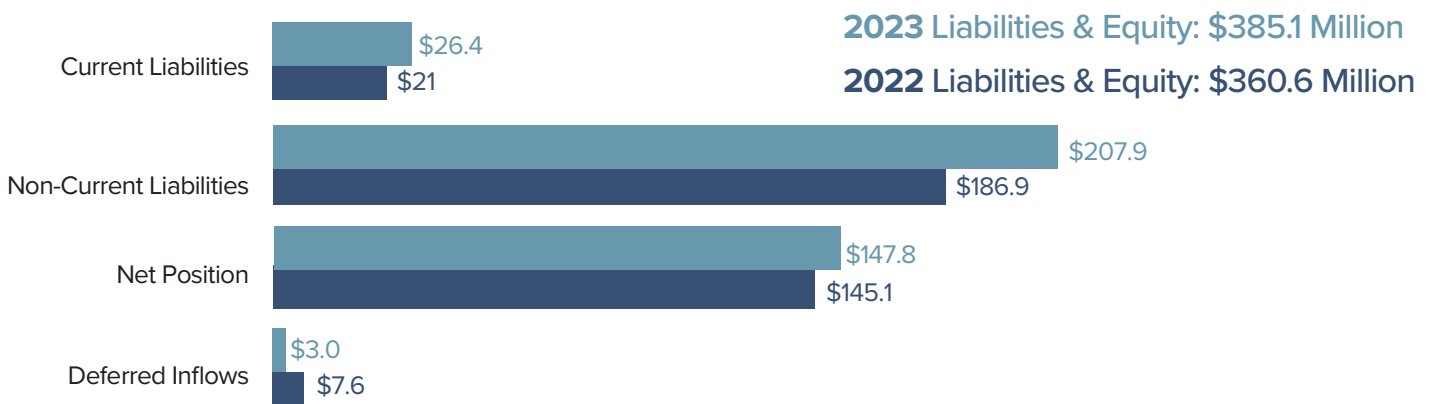
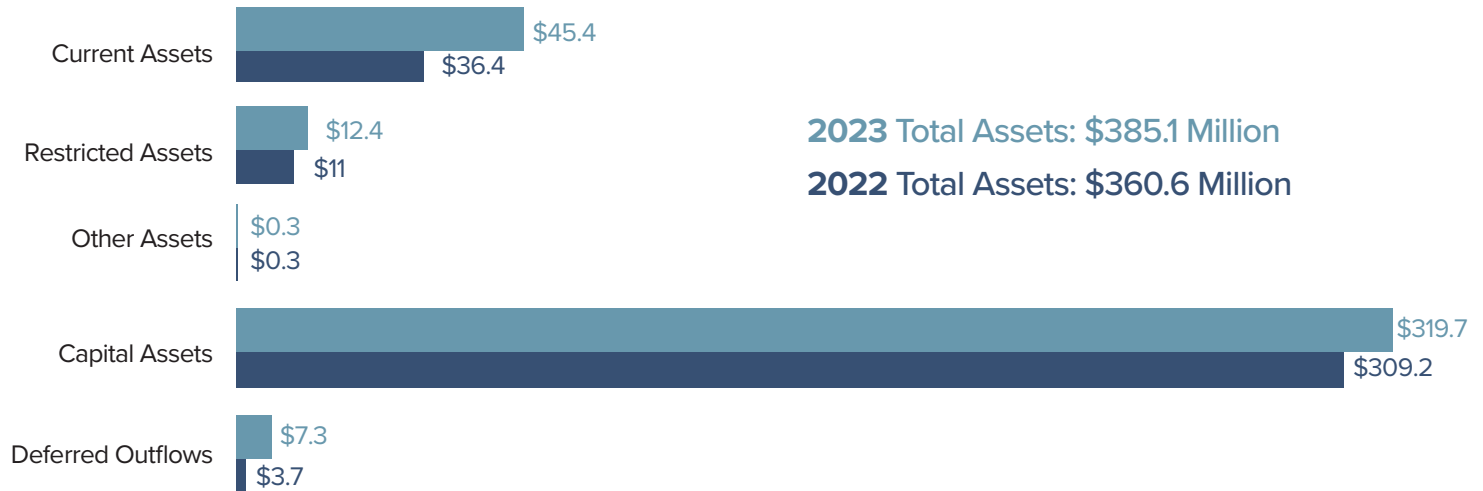
**State Department of Water Resources Loans** - Funded the improvement and expansion of the District's surface water treatment plant.



*The 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, 2023 and 2022.



## 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.

# EAST VALLEY WATER DISTRICT

31111 Greenspot Road  
Highland, California 92346



East Valley Water District was formed in 1954 and provides water and wastewater services to over 104,000 residents within the cities of Highland and San Bernardino, and portions of San Bernardino County. The District operates under the direction of a 5-member elected Board.



## District Headquarters

31111 Greenspot Road  
Highland, California 92346

## Sterling Natural Resource Center

25318 5th Street  
Highland, California 92410

## Customer Service & After-Hours Emergency Service

(909) 889-9501

[eastvalley.org](http://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

## Office Hours

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

    [@eastvalleywater](https://www.instagram.com/eastvalleywater)