

the PIPELINE

Popular Annual Financial Report
Fiscal Year Ended June 30, 2022

Highland, California



Transmittal Letter3

Core Values.....3

About the District.....4

Organizational Structure.....4

District Vision5

District-at-a-Glance5

District Wide Goals & Objectives.....6

Capital Improvement Projects6

Sterling Natural Resource Center8

Community Involvement10

Financial Performance 11

Revenue and Expenses..... 11

Revenue by Sources..... 12

Breakdown of Expenses 13

Outstanding Long-Term Debt..... 14

Comparative Net Position 15

BOARD OF DIRECTORS

Phillip R. Goodrich <i>Chairman of the Board</i>	Ronald L. Coats <i>Governing Board Member</i>
James Morales, Jr. <i>Vice Chairman of the Board</i>	David E. Smith <i>Governing Board Member</i>
Chris Carrillo <i>Governing Board Member</i>	

DISTRICT MANAGEMENT

Michael Moore, P.E. <i>General Manager/CEO</i>	
Kerrie Bryan <i>Director of Administrative Services</i>	Jeff Noelte, PhD, P.E. <i>Director of Engineering & Operations</i>
Justine Hendricksen <i>District Clerk</i>	Brian Tompkins <i>Chief Financial Officer</i>
Kelly Malloy <i>Director of Strategic Services</i>	Rocky Welborn <i>Water Reclamation Manager</i>
Patrick Milroy <i>Operations Manager</i>	

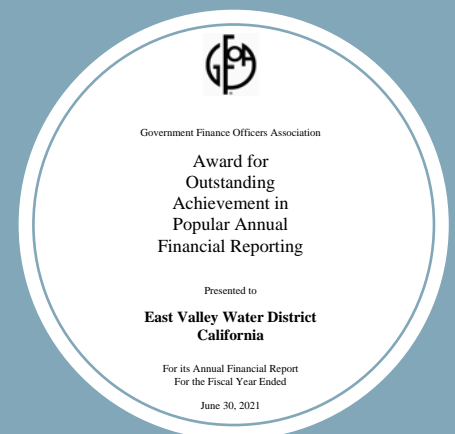


Popular Annual Financial Reporting Award

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, 2021.

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, 2022 (FY 2021-22). This report summarizes financial information appearing in the 2022 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/PAFR2022.

For more detailed information, the District’s 2022 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/2022AnnualReport.

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,

Michael Moore, P.E.
General Manager/CEO

CORE VALUES

Leadership

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

Partnership

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

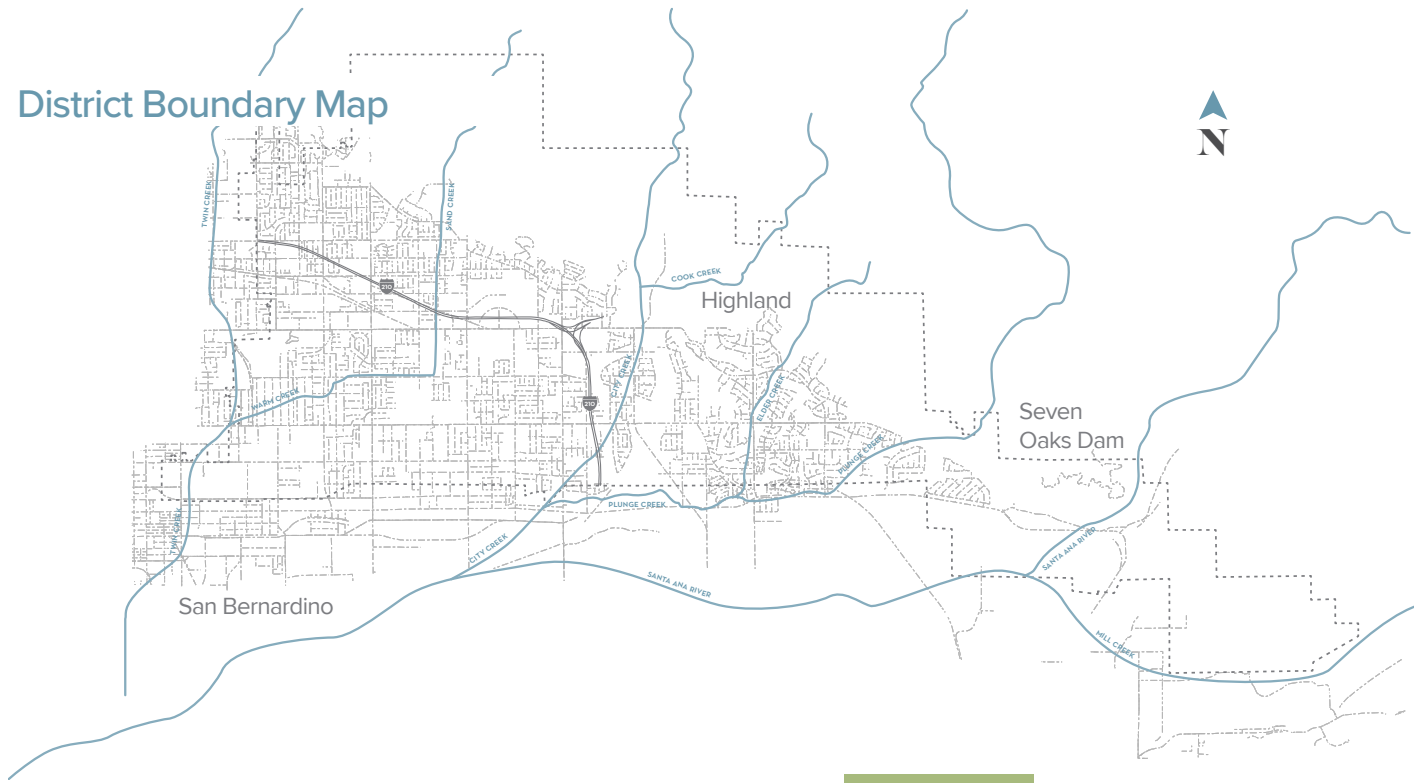
Stewardship

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

ABOUT THE DISTRICT

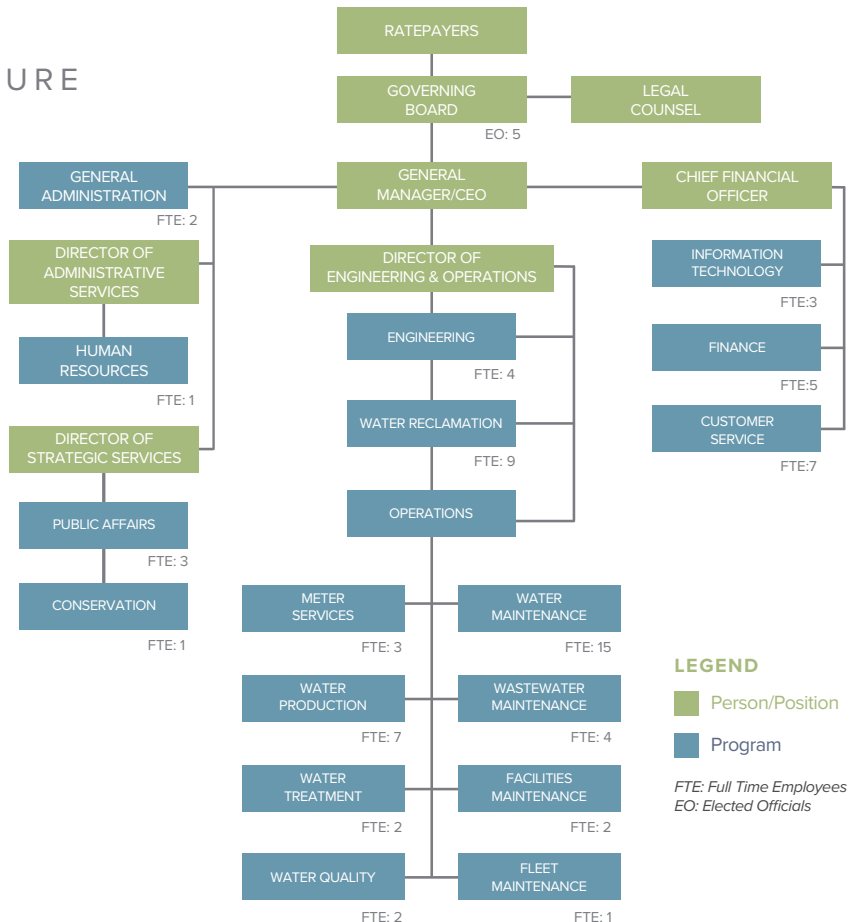
The District was formed through a local election of mostly citrus grove operators, to have water service provided by a public agency. East Valley Water District is located in the foothills of the San Bernardino Mountains, 65 miles east of Los Angeles in the County of San Bernardino.

District Boundary Map



ORGANIZATIONAL STRUCTURE

Presented to the right is an overview of East Valley Water District's organizational structure*. The District employed 76 full-time positions during FY 2021-22.

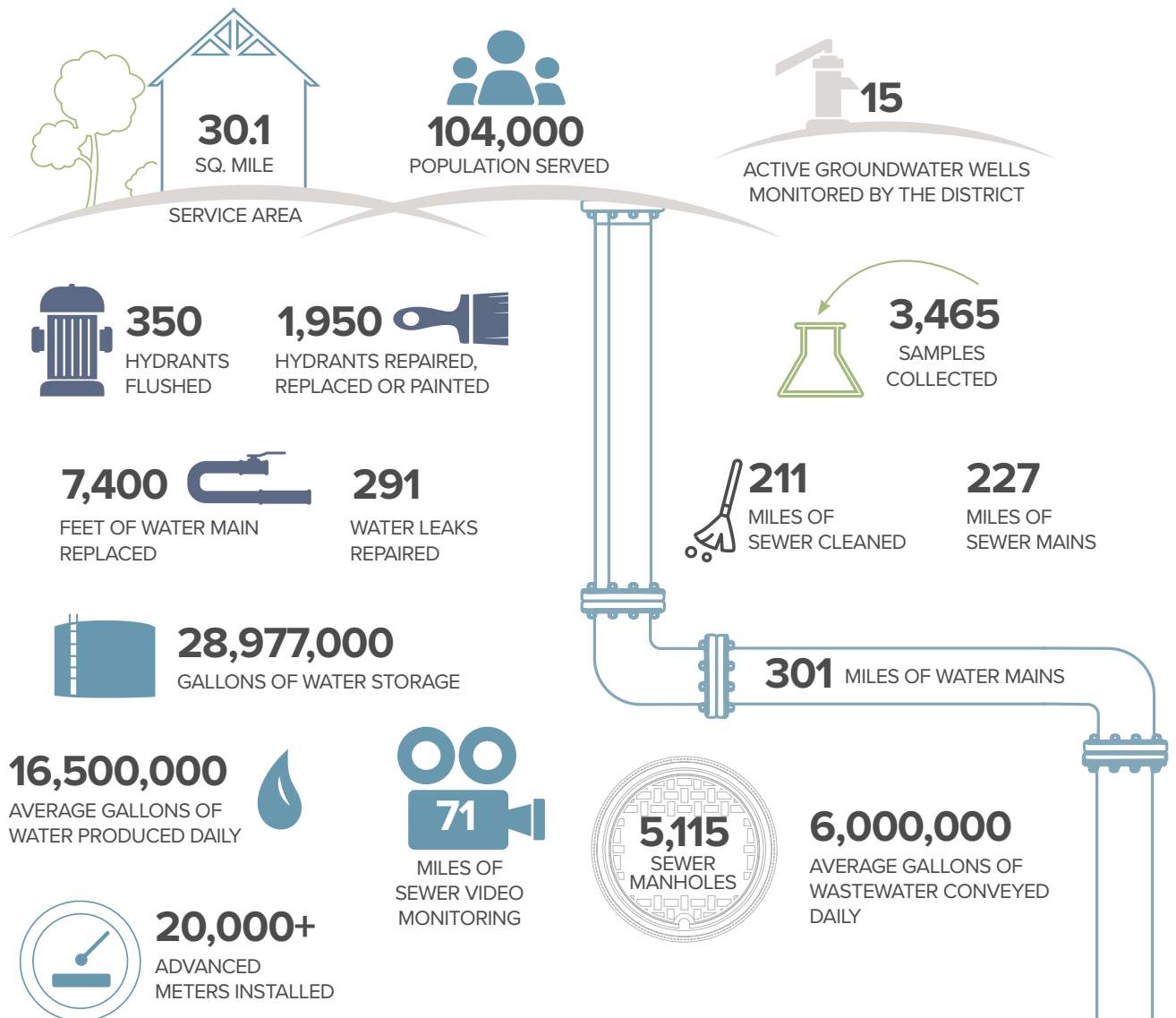


*The organizational chart reflects the District during the timeframe reflected in this document.

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 104,000 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.



Implement Effective Solutions Through Visionary Leadership



Maintain a Commitment to Sustainability, Transparency, and Accountability



Deliver Public Service with Purpose While Embracing Continuous Growth



Promote Planning, Maintenance and Preservation of District Resources

CAPITAL IMPROVEMENT PROJECTS

The District achieved a number of accomplishments during Fiscal Year 2021-22. As a results-oriented organization, each program has clearly defined goals and objectives. During this period, there were three 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.



Plant 134 Process Improvements – Granular Activated Carbon Design

The District contracted for design documents and specifications related to GAC technology at the District's Water Treatment Plant to remove organics and mitigate the possibility of high Trihalomethane (THM) levels.

Date Completed: July 2021 **Project Cost:** \$278,400

Project Benefits: Design of GAC technology is the step prior to installation, which 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.



Engineering Seismic Study for Reservoirs

The study will include main line assessments, project designs, and a prevention plan to enhance water system reliability in the event of an earthquake.

Date Completed: March 2022 **Project Cost:** \$170,870
(CalOES Grant Funding of \$90,005)

Project Benefits: East Valley Water District was awarded a \$1.1 million Hazard Mitigation Grant Program (HMGP) grant from the Federal Emergency Management Agency (FEMA) to fund a District Water Main Seismic Retrofit Study (Study).

Upon completion of the Study, the District will become eligible to receive additional funding available through FEMA. During the secondary phases, East Valley Water District could receive funding needed to retrofit pipelines identified during the Study.



Plants 56 and 59 Storage Tank Mixers

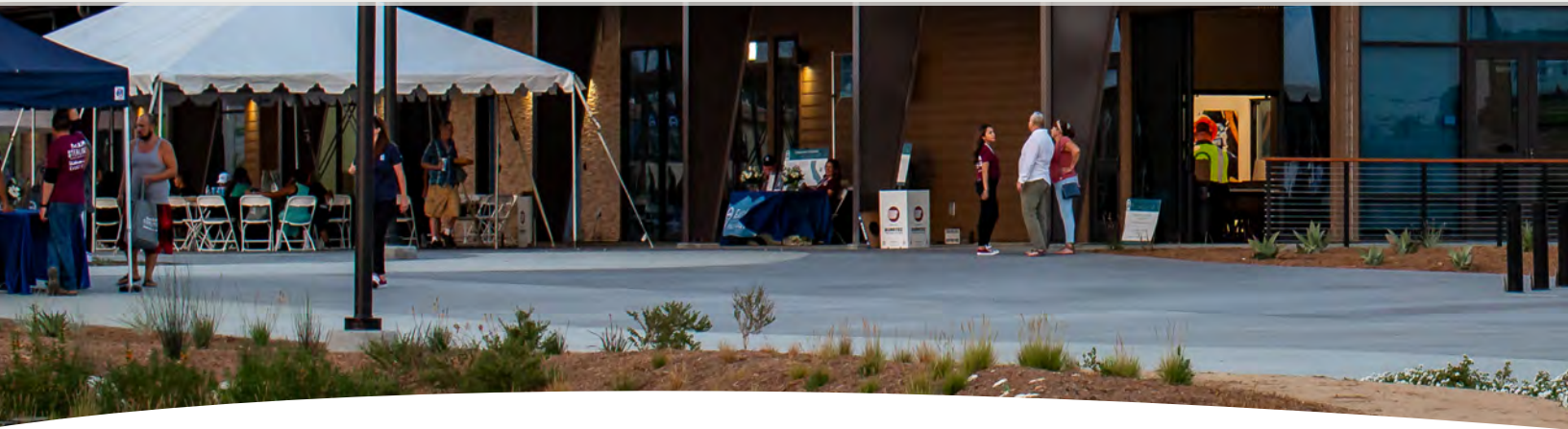
Installed tank mixers in the reservoirs at Plants 56 and 59 to keep the water circulating and reduce potential for THM.

Date Completed: May 2022 **Project Cost:** \$34,894

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




STERLING NATURAL RESOURCE CENTER





The Sterling Natural Resource Center (SNRC) is a 20-acre state-of-the-art facility located in Highland, California. Capable of creating 8 million gallons per day of replenished water, the SNRC will create a sustainable water supply for the region and enhance the quality of life for residents by providing new and training, community space, and neighborhood improvements. opportunities in the form of education


A Sustainable Future for Generations to Come

California is not a stranger to drought cycles. The Sterling Natural Resource Center has been built to serve the community for over 100 years and provide a sustainable new water supply for the region.

 Over 600,000 regional residents rely on groundwater as a source of water.

 The SNRC will replenish the local groundwater basin with up to 8 million gallons of recycled water per day.

 Recycled water is treated, clean, clear, and odorless.

 Water meets strict local, state, and federal guidelines for water quality standards.





Did You Know?

The SNRC's treatment facility will utilize state-of-the-art technology to produce recycled water and renewable energy. As part of our commitment to being a good neighbor, the facility includes advanced odor control systems to help prevent noticeable smells coming from the SNRC.



Administration Center

The Sterling Natural Resource Center's Administration Center is a community resource where residents can speak with a Customer Service Representative, attend free workshops, host special events, and get inspired on ways to be more water efficient by visiting the demonstration garden.



Payment Kiosk
No fee for using this service.



Facility Rental
Contact us to host your next special event.

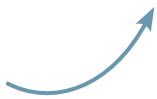


Customer Service
Get assistance in English and Spanish.



Community Resource
Attend special conservation workshops and trainings.

Services now available at the SNRC





East Valley Water District is committed to public service beyond providing water and wastewater services. In addition to year-round drives that benefit Jefferson Hunt Elementary, the District also works with organization within its service area to identify where there is a need. Through this effort, the District has helped provide meals to those in need.

Giving Warmth



Cold weather and limited access to warm clothing often prevents Jefferson Hunt Elementary students from attending school. To help bridge the gap between education and essential comfort, East Valley Water District staff held a drive and collected 105 sweatshirts.

Sweatshirts provided students with warmth and motivation to attend classes during the winter months.

Canned Food Drive



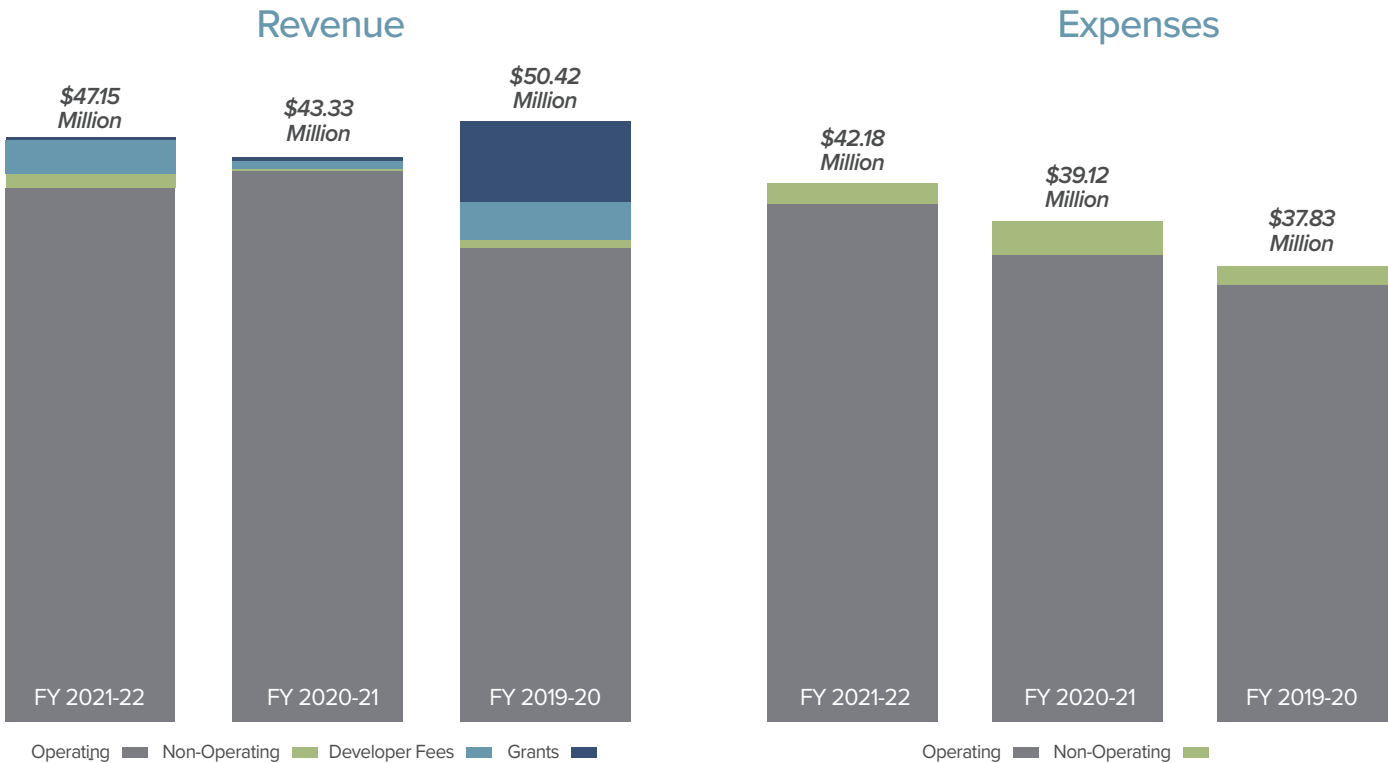
During the Thanksgiving season, East Valley Water District partnered with the San Bernardino City Mission, a local non-profit that assists residents in need, to conduct a food drive. Through the combined efforts and generosity of staff and public, over 300 items were donated.

Each food donation was included in a meal box and cash donations served to purchase additional items.

Revenues & 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 2021-22. For comparison purposes, FY 2019-20 and FY 2020-21 revenue and expenses have also been included.

Please refer to the District’s 2022 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 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. Excess net revenue after expenses and payments is added to reserves for capital replacements and unforeseen emergency expenses.

REVENUE BY SOURCES

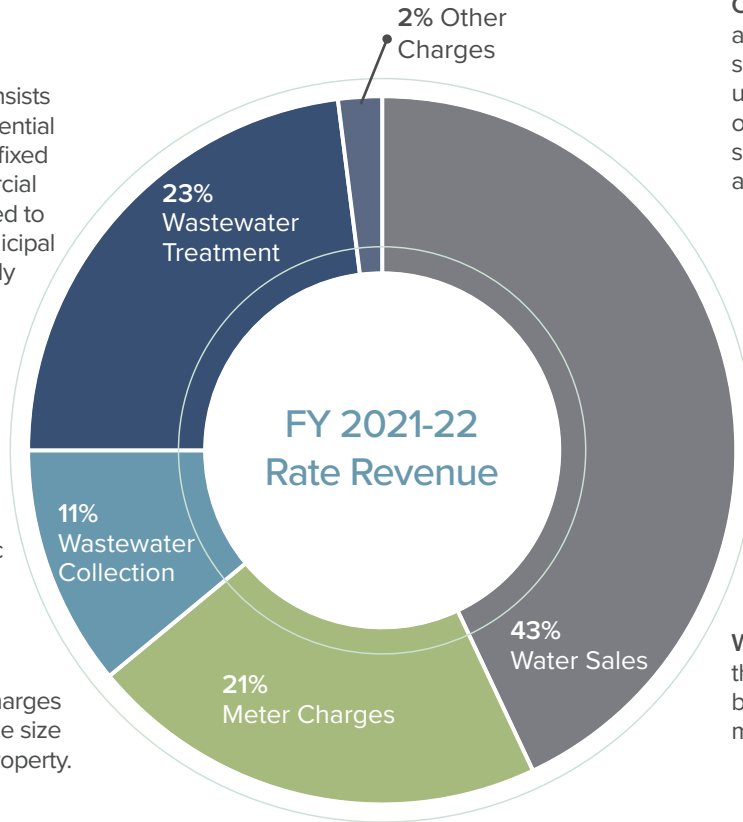
The District uses relies on user rates/fees to fund day-to-day operations.

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 as necessary 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.

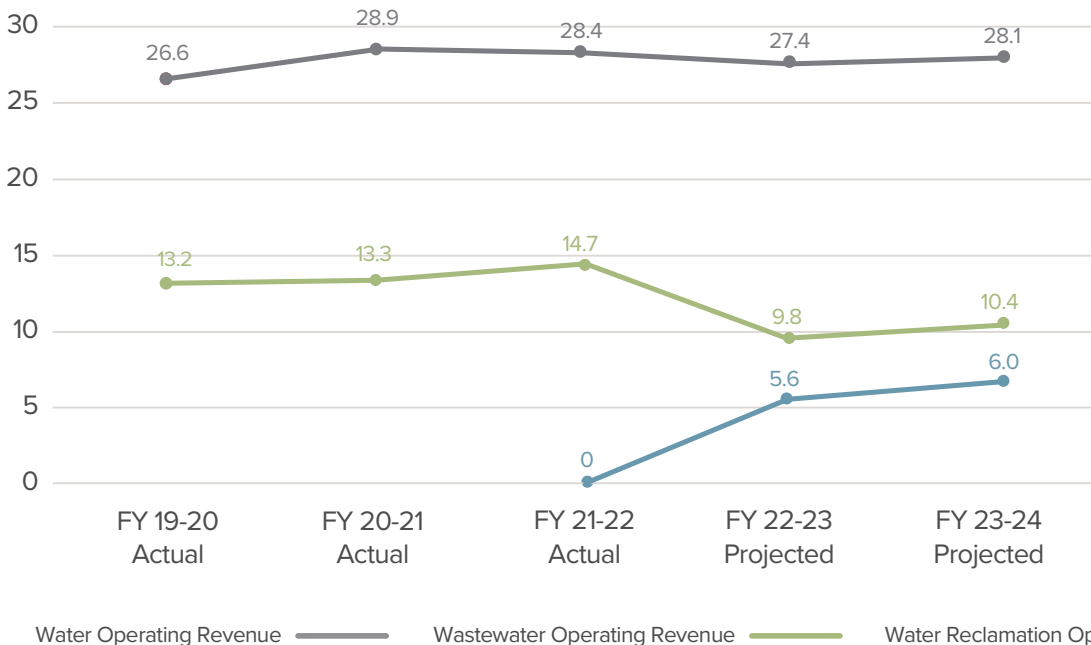
Meter charges are fixed monthly charges assessed to customers based on the size of the service connection to their property.



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.

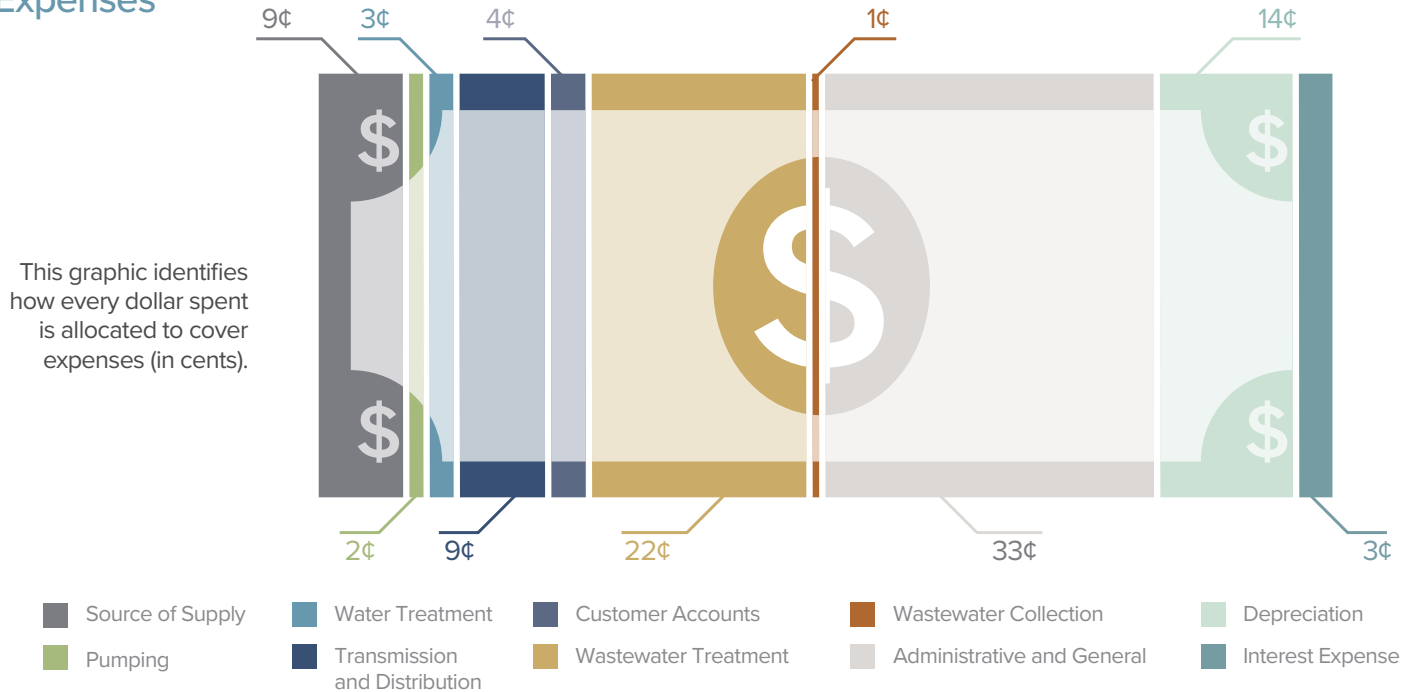
Water sales are based on the volume of water used by a customer during the monthly billing period.

Revenue History & Forecast (in millions)



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.

\$900,000
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.

\$16
million
2020A
Bonds

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

\$13.3
million
2020B
Bonds

\$1.7 million
SBVMWD Loan

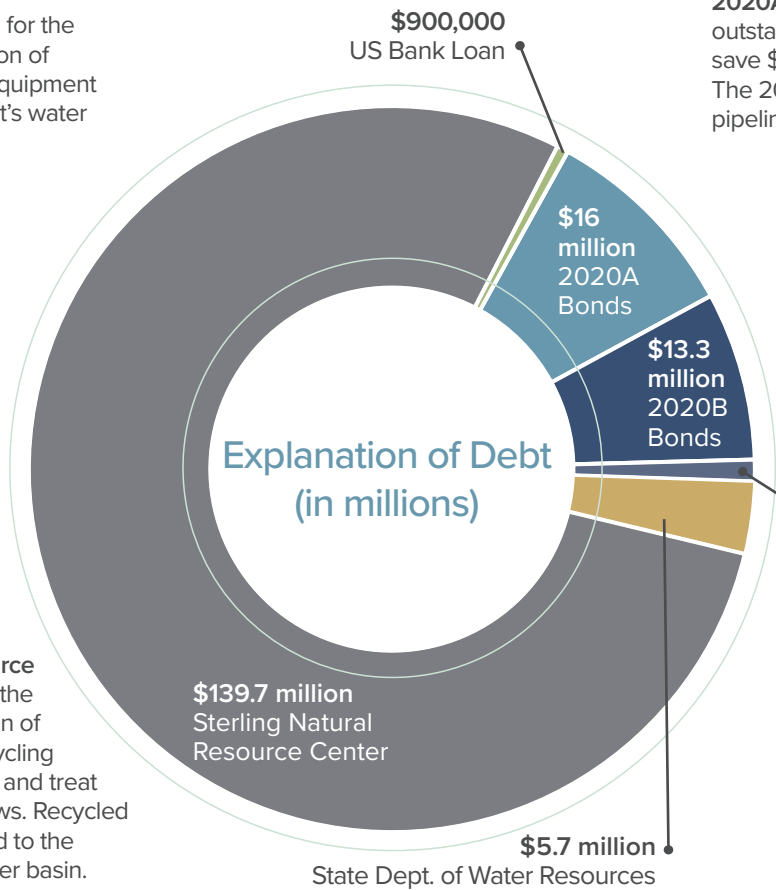
SBVMWD Loans - Agreement with the San Bernardino Valley Municipal Water District for the construction, financing, and maintenance of a City Creek Turnout and Plant 134 Hydroelectric Station. The station provides the District with direct access to State Project Water, to be used for the surface water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

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.

\$139.7 million
Sterling Natural
Resource Center

\$5.7 million
State Dept. of Water Resources

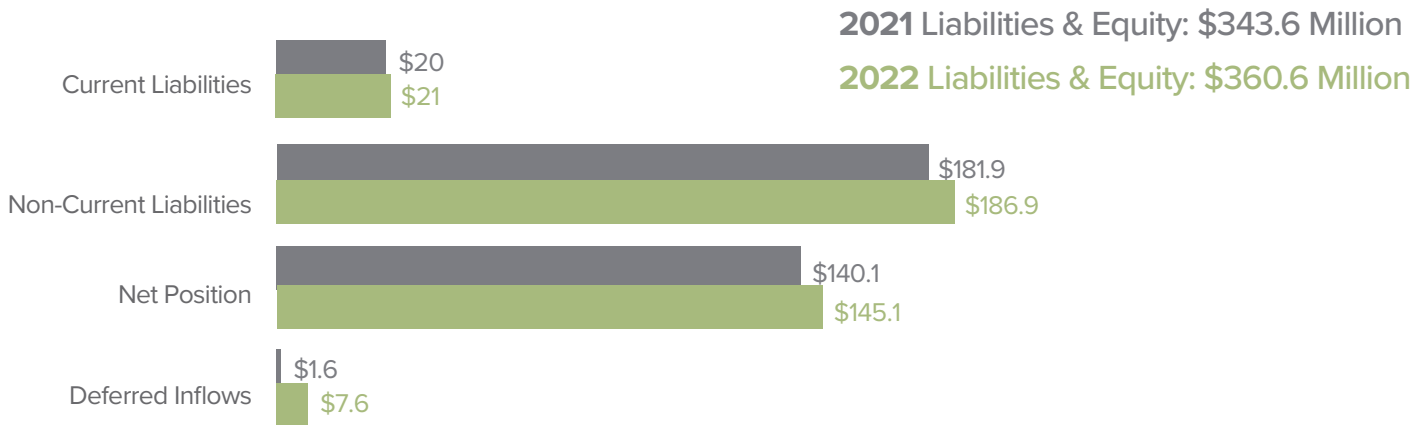
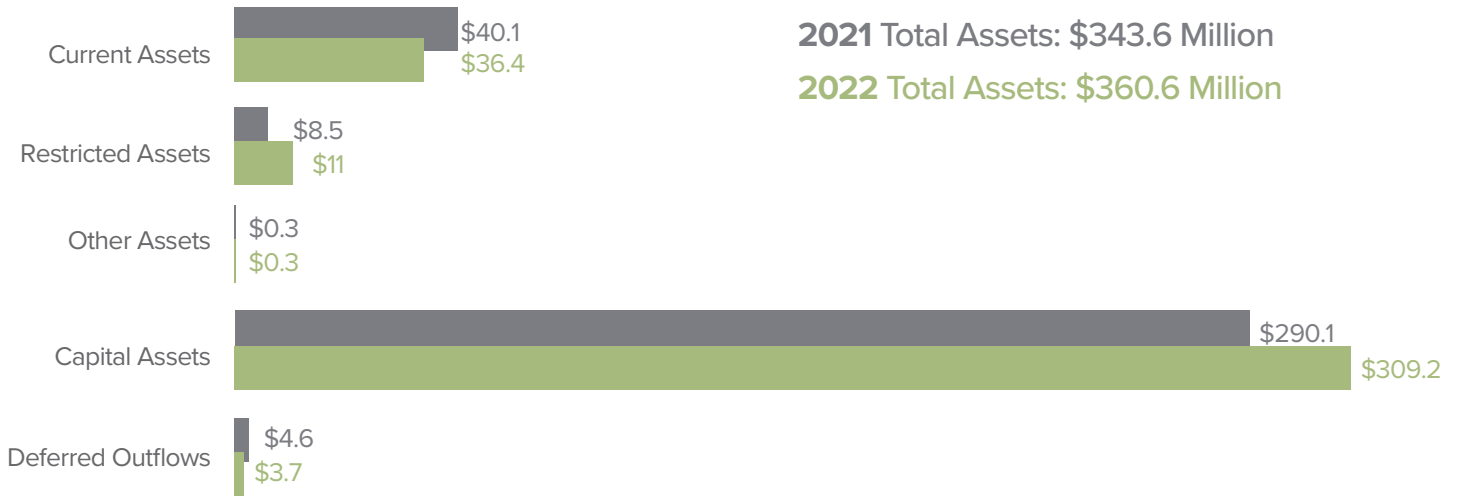
State Department of Water Resources Loans - Funded the improvement and expansion of the District's surface water treatment plant.



“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, 2022 and 2021.



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
3111 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 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.

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

3111 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
3111 Greenspot Road
Highland, CA 92346

Sterling Natural Resource Center

25318 5th Street
Highland, CA 92410