Countywide Water and Wastewater Municipal Service Review

Riverside Local Agency Formation Commission

LAFCO 2019-01-1,2,3,4,5

Volume 1

Western County Region Water and Wastewater Agencies

City of Corona, City of Hemet, City of Norco, City of Perris, City of Riverside, City of San Jacinto, Eastern Municipal Water District, Edgemont Community Services District, Elsinore Valley Municipal Water District, Home Gardens County Water District, Home Gardens Sanitary District, Jurupa Community Services District, Lake Hemet Municipal Water District, Rancho California Water District, Rubidoux Community Services District, San Bernardino Valley Municipal Water District, Temescal Valley Water District, West Valley Water District and Western Municipal Water District

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Acronyms and Abbreviations

AFY - Acre Feet per Year
BNSF - Burlington Northern - Santa Fe
CAFR - Comprehensive Annual Financial Report
CalPERS - California Public Employees Retirement System
CDA - Chino Disalter Authority
CIP - Capital Improvement Program/Plan
CIWQS - California Integrated Water Quality System
CKH Act - Cortese-Knox-Hertzberg Reorganization Act of 2000
DUC - Disadvantaged Unincorporated Community
EDU - Equivalent Dwelling Unit
EIR - Environment Impact Report
EMWD - Eastern Municipal Water District
ERP - Emergency Response Plan
ERRP - Enhanced Recharge and Recovery Program
EVMWD - Elsinore Valley Municipal Water District
GASB - Governmental Accounting Standards Board
IRRP - Integrated Recharge and Recovery Program
JCSD - Jurupa Community Services District
JPA - Joint Powers Authority
LAFCO - Local Agency Formation Commission
LHMWD - Lake Hemet Municipal Water District
LHMWD - Lake Hemet Municipal Water District
MET - Metropolitan Water District of Southern California
MG - Million Gallons
MGD - Million Gallons per Day
MHI - Median Household Income
MOA - Memo of Authorization
MSR - Municipal Services Review
NPDES - National Pollutant Discharge Elimination System
OPEB - Other Post-Employee Benefits
PEPRA - Public Employees' Pension Reform Act
PVRWRF - Perris Valley Regional Water Reclamation Facility
RCSD - Rubidoux Community Services District
RCWD - Rancho California Water District
RPU - Riverside Public Utilities Department
RTP - Regional Transportation Plan
RWQCP - Regional Water Quality Control Plant
RWRF - Regional Water Reclamation Facility
SARCCUP - Santa Ana River Conservation and Conjunctive Use Program
SBVMWD - San Bernardino Valley Municipal Water District
SCADA - Supervisory Control and Data Acquisition
SCAG - Southern California Associations of Governments
SR - State Route
SRRRA - Santa Rosa Regional Resources Authority (SRRRA)

SRWRF - Santa Rosa Water Reclamation Facility
SSMP - Sewer System Master Plan
SWRCB - State Water Resources Control Board
TVRWRF - Temecula Valley Regional Water Reclamation Facility
UCR - University of California, Riverside
UP - Union Pacific
UWMP - Urban Water Management Plan
WMWD - Western Municipal Water District
WRCRWA - Western Riverside County Regional Wastewater Authority
WVWD - West Valley Water District
WWTP - Wastewater Treatment Plant

1. Executive Summary

The *Countywide Water and Wastewater MSR Study* focuses on 12 cities and 32 special districts (29 independent districts and 3 County Service Areas) for a total of 44 public agencies which currently provide water and/or sewer services to residents within Riverside County. For ease of presentation, the agencies are divided into three separate reports by sub-region: 1) Western County (Volume 1), 2) Pass/Mountain Area (Volume 2), and 3) Coachella/Eastern County (Volume 3).

This report (Volume 1) is focused on the Western County sub-region only. The six cities and 13 special districts considered in Volume 1 include:

- City of Corona
- City of Hemet
- City of Norco
- City of Perris
- City of Riverside
- City of San Jacinto
- Eastern Municipal Water District
- Edgemont Community Services District
- Elsinore Valley Municipal Water District
- Home Gardens County Water District
- Home Gardens Sanitary District
- Jurupa Community Services District
- Lake Hemet Municipal Water District
- Rancho California Water District
- Rubidoux Community Services District
- San Bernardino Valley Municipal Water District
- Temescal Valley Water District
- West Valley Water District
- Western Municipal Water District

Municipal Service Review Determinations

The Riverside Local Agency Formation Commission (LAFCO) is required to conduct periodic reviews of each service provider, and to adopt determinations addressing current service levels and the ability of each agency to continue to provide adequate services into the future. Specifically, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that LAFCO review municipal services before updating spheres of influence (SOIs), and to prepare a written determination addressing each of the following:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

Sphere of Influence Determinations

This report does not include analyses of agency spheres of influence, or make recommendations regarding potential sphere amendments. This report could, however, be used as background and support information should Riverside LAFCO decide to pursue specific agency sphere changes in the future.

MSR Approach and Review Opportunities

A collaborative approach has been used throughout the preparation of this MSR. Multiple opportunities were provided for input from the 41 public agencies. Initially, draft statistical profiles of each agency were developed and provided to each agency and LAFCO staff for review and comment. Throughout September through November 2018, individual Draft agency reports were completed and distributed to each agency and LAFCO for additional review and comment.

Distribution of this Public Review Draft of the MSR Study, which incorporates all agency and LAFCO comments received to date, provides another opportunity for public agencies, LAFCO, and the general public to review and comment on the MSR Draft report. A Final Draft MSR Study is anticipated to be completed by April 2018 which will allow a third opportunity for affected agencies to review and provide comments. In addition, a public hearing will be conducted by LAFCO to consider the Draft and Final versions of the MSR Study, allowing additional opportunities for comment before the Commission.

City and Special District Summaries

The following provides an overview of the recommended MSR determinations on an agency-by-agency basis:

City of Corona: The City provides both water and sewer services both within and outside its corporate limits. The City of Corona has approximately 168,574 residents and is nearing

buildout. The City appears to have adequate water and sewer system capacity to meet the needs of existing and future residents. The ratios of unrestricted reserves for both the City's water fund and sewer fund reflect a negative balance and are not typical for enterprise fund services; it appears that the City utility has been operating utilizing restricted funds to offset the impact that negative economic factors might have had over the past ten years. However, with the rates revised in 2014, both the water and sewer funds are projected to generate sufficient revenues to cover operating costs, build working capital reserve, fund a rate stabilization reserve and provide for capital investment in water and sewer infrastructure. No alternative government structure options were identified for further consideration at this time.

City of Hemet: The City supplies potable water within a 5.25-square-mile service area located mostly within the central part of the incorporated City. The City is estimated to be home to approximately 81,868 residents. Hemet is projected to grow to a population of 169,636 by 2030. The source water supply (groundwater) is larger than demand in all years, and the City is not expected to have any supply shortfalls during normal water years or during single-dry water years. However, replacement of deteriorating or inadequate water lines may be needed to ensure the efficient provision of water supplies over time. The City owns and operates a wastewater collection system and has an agreement with Eastern Municipal Water District for treatment of all wastewater generated within the City of Hemet. No capacity issues were identified. The City has been in difficult financial times for several years. Cost containment actions have been taken over the past two to four years to reduce deficit spending that drew down unrestricted funds to a negative balance. The City audit notes a $1,000,000 reserve for emergency contingency but no unrestricted funds are available to meet this identified need at this time. All other funds of the City are in restricted or committed categories at this time other than the Water Fund and Housing Fund, which are operated as proprietary funds. No alternative government structure options were identified for further consideration at this time.

City of Norco: The City is the sole water purveyor for the residents and businesses of Norco. The City also provides sewer collection service, but treatment is performed through the Western Riverside County Regional Wastewater Authority and the City of Corona. The City's current population is projected at 26,882, and is expected to increase by 12 percent (or 3,410 residents) by 2040. Both the City's water and sewer infrastructure systems are aging. Currently, it is estimated that the City has annual funding gap of $4.5 million in governmental infrastructure and facilities (not just water and sewer). Recent water and sewer rate adjustments will help fund increases in operating costs, capital replacement projects, lower water sales and the need for emergency rate stabilization funds. No immediate or long-term capacity issues were identified for either water or sewer, and no alternative government structures were identified at this time.

City of Perris: The Eastern Municipal Water District (EMWD) provides and distributes potable water throughout all but a small portion of the City and its sphere of influence. The City's Water Department owns and maintains water lines in two water systems. The City of Perris population is currently 77,837 and is expected to reach 84,881 by 2030. In November 2017,

Perris voters approved a ballot measure (Measure H) authorizing the sale of the City's two water systems to Liberty Utilities for $11.5 million. The water systems are currently in debt and have experienced annual operating deficits. The $11.5 million received by the City will be used to retire debt related to the water systems and upgrade the City's park system. The sale process is still underway and expected to be complete by late 2018. Until that time, operation and ownership of the water systems remain with the City. EMWD owns and maintains the sanitary sewer system serving most of the City of Perris and its sphere of influence. No capacity issues for water or sewer were identified. No alternative government structure options were identified for further consideration at this time.

City of Riverside: The Riverside Public Utilities Department (RPU) is a municipally-owned utility that provides water to majority of City residents, and the Riverside Public Works Department operates a wastewater collection, treatment and disposal system that serves most of the City. Riverside ranks as the 12th most populous city in California. The City's population is currently 325,860 and is expected to reach 383,077 at buildout. No capacity issues were identified for either water or sewer services. The ratios of unrestricted reserves for both the water and sewer funds reflect an appropriate balance. Sewer and water rates were raised in 2014 and 2018, respectively, and are projected to generate sufficient revenues to cover operating costs, build working capital reserve, fund a rate stabilization reserve and provide for capital investment in water and sewer infrastructure. When looking at the overall City's maintenance and replacement needs for aging governmental infrastructure and other capital facilities (not just water and sewer), the City estimates an annual funding gap of $1 billion for five years. No alternative government structure options were identified for further consideration at this time.

City of San Jacinto: The City's 2018 population to be estimated to be 48,146. The City provides water service to the urbanized area surrounding the downtown area only which currently comprises a population of approximately 18,000. The remainder of the City's population receives water service from either the Eastern Municipal Water District or the Lake Hemet Municipal Water District. The City provides wastewater collection service to a much larger service area than its water service area. All sewage generated within the City wastewater system is provided to the Hemet/San Jacinto Regional Water Reclamation Facility (RWRF), which is operated by EMWD, for treatment. No capacity issues have been identified. The City has experienced significant impacts from the recent economic downturn since 2005. In the most recent budget presentation for the City Council in June 2018, the City Manager reports several new initiatives to promote civic and economic growth. Careful fiscal controls have reduced deficit spending but have not restored a balanced budget. No alternative government structure options were identified for further consideration at this time.

Eastern Municipal Water District: Eastern Municipal Water District (EMWD) serves water through 148,473 connections to approximately 546,000 customers and sewer service through 245,013 connections to approximately 816,000 customers. In 1951, it was annexed into the Metropolitan Water District of Southern California (MET) and gained access to a supply of

imported water from the Colorado River Aqueduct (CRA). Today, EMWD remains one of MET's 26 member agencies, one of two in Riverside County, and also receives water from Northern California through the State Water Project (SWP) in addition to deliveries through the CRA. EMWD is located in western Riverside County, east southeast of the cities of Riverside and east of the I-15 freeway corridor. The 542 square mile service area includes seven incorporated cities in addition to unincorporated areas in the County of Riverside. Between 2015 and 2040, the District's retail service population is expected to increase in service population by approximately 106,000 connections or 392,900 residents. No supply or capacity issues for sewer or water service have been identified. The District is participating in the development of a comprehensive Regional Groundwater Management Plan to plan for future groundwater supplies. Overall, the District water, sewer and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities. Rate increases had been implemented over the last several years to accommodate increased expenditures for maintenance and capital improvements. Based upon water rights and infrastructure resources, there does not appear to be interest by the agencies in considering alternative government service structures at this time, although District staff are participating with the City of Murrieta and several local water agencies in a LAFCO-coordinated special study of water service to the Murrieta retail area that could provide recommendations for some service area adjustments.

Edgemont Community Services District: ECSD currently provides sewage collection services for approximately 8,670 residents. The District's service area is generally built-out, and no significant increase in population is anticipated in the foreseeable future. All wastewater produced within the District's service area is treated at the Riverside Regional Water Quality Control Plant (RRWQCP) via existing connections. RRWQCP is projected to have sufficient treatment capacity to treat Edgemont flows for the foreseeable future. Overall, the District sewer and illumination funds are considered stable and self-sustaining for operational, capital and debt service activities, although some cyclical spending has occurred periodically due to fluctuations in costs of the City of Riverside treatment contract. According to the District, a sewer rate increase was implemented on July 1, 2018 due primarily to increased cost of treatment. LAFCO's 2005 MSR stated that there may be cost savings associated with a reorganization of ECSD with the City of Riverside, although because ECSD boundaries are evenly split between the City of Riverside and the City of Wildomar, such a reorganization would present challenges. No alternative government structure options are considered in this report at this time.

Elsinore Valley Municipal Water District: EVWD provides water and sewer services to a service area comprised of the Cities of Lake Elsinore, Canyon Lake, Wildomar, portions of the City of Murrieta and unincorporated Riverside County and Orange County. EVMWD's 2015 service population is estimated to be 149,300. By 2040, the service population is projected to increase to 238,300. EVMWD utilizes water supplies from three primary sources for drinking water supply: Imported water via WMWD, groundwater wells and surface or lake water from Canyon Lake Reservoir when it is available. Currently almost all (90 percent) wastewater flow within the EVMWD service area is treated by District facilities (10 percent goes to SRRRA

facility). All wastewater flows are used as a recycled water source, whether it is delivered to customers as a non-potable supply or used as replenishment water for Lake Elsinore. No supply or capacity issues for sewer or water service have been identified. Overall, the District's water, sewer and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities. Rate increases had been implemented over the last several years to accommodate increased expenditures for maintenance and capital improvements. Based upon water rights and infrastructure resources, there does not appear to be increased interest in considering alternative government service structures at this time.

Home Gardens County Water District: The District provides water to a 232.5-acre portion of the unincorporated area of Home Gardens, adjacent to the City of Corona. In 2015, the HGCWD service population was estimated at 3,100. By 2040, the service population is expected to increase by 40 connections or 200 residents. HGCWD utilizes water supplies from one primary source for drinking water supply: imported water via the City of Corona. Since the HGCWD area is essentially built out, no measurable increase in supply or demand is expected in the coming years unless infill or changes in area zoning are made. Overall, the District water funds are considered stable and self-sustaining for operational, capital and debt service activities. The District does not have a website. To promote transparency and accountability as well as allowing public oversight of District activities, a basic website should be a high priority for the District. Because the District overlaps the Home Gardens Sanitation District boundary, it could be of benefit to consider discussions between the two agencies for functional and possibly governance consolidation.

Home Gardens Sanitary District: The primary mission of the HGSD is for providing sewer collection and disposal for businesses and approximately 8,000 residents within District boundaries served through 2,390 connections. The HGSD does not expect to have substantial growth in its service area in the next few years. The District does not own its own treatment facilities but is a member of the Western Riverside County Regional Wastewater Authority (WRCRWA) and has recently contracted to expand its capacity in the plant to 1 MGD. Overall, the District sewer fund is considered stable and self-sustaining for operational, capital and debt service activities. The cost of sewage treatment has increased as a result of the District purchasing additional capacity in the regional treatment plant in Corona. Rate increases had not been implemented over the previous several years up until 2015 to accommodate expenditures for maintenance and setting aside reserves for capital improvements. The District does not have a website. To promote transparency and accountability as well as allowing public oversight of District activities, a basic website should be a high priority for the District. Based upon the location of the District overlapping the HGCWD, it could be of benefit to consider discussions between the two agencies for functional and possibly governance consolidation.

Jurupa Community Services District: The Jurupa Community Services District (JCSD) provides water, sewer and other services to a population of approximately 134,520 residents and commercial/industrial facilities located within the City of Eastvale and a portion of the City

of Jurupa Valley. Between 2015 and 2035, the District's service population is expected to increase by 31,880 residents. The District's primary water sources are local groundwater basins. To ensure a reliable water supply for both existing and future residents, the District participates in a joint power authority (JPA) with neighboring agencies called the Chino Basin Desalter Authority (CDA). Local groundwater supplies include treated and untreated water pumped from the Chino Basin for potable and nonpotable uses and groundwater pumped from the Riverside Basin for non-potable use. The District's sewer system is split between three separate service areas that each discharge to different Regional Treatment Plants. No supply or capacity issues for sewer or water service have been identified. Overall, the District water and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases had been implemented over the last several years up until 2018 to accommodate expenditures for maintenance and capital improvements. Based upon water supply and infrastructure resources, there does not appear to be interest by the District in considering alternative government service structures at this time. The proximity and overlap of municipalities of the area districts might lend to a future consideration of reorganization alternatives as SOI or any annexation reviews are conducted.

Lake Hemet Municipal Water District: Lake Hemet Municipal Water District (LHMWD) provides potable water, irrigation water and sewer collection services to residents in parts of the cities of Hemet, San Jacinto and Lake Hemet campground, and potable water to the community of Garner Valley and surrounding unincorporated areas. Currently the District serves water to a population of approximately 58,000 and provides sewer service to a population of approximately 52,000. No supply or capacity issues for sewer or water service have been identified. Overall, the District water and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases had been implemented over the last several years up until 2015 and are currently under consideration for the Garner Valley community, to accommodate expenditures for maintenance and capital improvements. Due primarily to the rural diversity of much of the District and infrastructure in place, no alternative government structure options were identified for further consideration at this time.

Rancho California Water District: Rancho California Water District (RCWD) provides potable water, irrigation water, recycled water, sewer collection, and treatment services to residents of the cities of Temecula and Murrieta and potable and irrigation water to some surrounding unincorporated areas. Between 2015 and 2040, the District's service population is expected to increase by approximately 5,700 connections, or 22,096 residents. The majority of this growth is expected to be in the two cities (Murrieta and Temecula) within the District's service area. Wastewater collected by the District is conveyed to a collection system owned and operated by the Santa Rosa Regional Resources Authority (SRRRA) for ultimate treatment at the Santa Rosa Water Reclamation Facility (SRWRF). No supply or capacity issues for sewer or water

service have been identified. Overall, the District water, sewer, and Capital Improvement Project (CIP) funds are considered stable and self-sustaining for operational, capital, and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases have been implemented over the last several years to accommodate expenditures for maintenance and capital improvements. Based upon water rights and infrastructure resources, there does not appear to be increased interest in considering alternative government service structures at this time. Additionally, District staff is aware of and provided information on a number of properties in the area with interest in annexing to the District at this time. The District has agreed to participate in a study of service alternatives with the City of Murrieta and other local water agencies for a LAFCO-coordinated special study of water service to the Murrieta Retail Area.

Rubidoux Community Services District: The Rubidoux Community Services District (RCSD) was organized in 1952 for the purpose of providing various public services including the construction, operation, repair and maintenance of water and wastewater system facilities. The District's current boundaries encompass an area of approximately 7.7 square miles, with approximately 7.5 square miles in Riverside County and 0.2 square miles (128 acres) in San Bernardino County. Between 2015 and 2035, the District's service population is expected to increase in service population by approximately 1,900 connections or 9,194 residents. RCSD utilizes water supplies from only one source, groundwater. The District's sewer treatment is provided by the City of Riverside. No supply or capacity issues for sewer or water service have been identified. Overall, the District water, sewer and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases had been implemented over the last several years and again in 2017 to accommodate expenditures for maintenance and capital improvements. The District reports that the cost of wastewater treatment has increased to the point that the District is studying the alternative of placing its own treatment plant back in service. Based upon water supply rights and infrastructure resources, there does not appear to be interest by the District in considering alternative government service structures at this time. The proximity and overlap of municipalities of the Jurupa CSD and the District might lend to a future consideration of reorganization alternatives in the future as SOI and any annexation reviews are conducted.

San Bernardino Valley Municipal Water District: The San Bernardino Valley Municipal Water District (Valley District or SBVMWD) was formed in 1954 as a regional agency to plan a long-range water supply for the San Bernardino Valley. The San Bernardino Valley Municipal Water District (SBVMWD) was formed in 1954 as a regional agency to plan a long-range water supply for the San Bernardino Valley. The District serves a total population of about 700,000, almost all located in San Bernardino County. Within Riverside County, the District includes service to approximately 700 residents in the Reche Canyon community and a small portion in the general Aqua Mansa area. Between 2015 and 2040, overall District growth is expected to

increase by approximately 26.7 percent, or 184,649 residents. SBVMWD's primary sources of water are from local water supplies (surface and groundwater), imported water, and recycled water. The District anticipates adequate supplies available to meet projected demands for years 2020 to 2040 under normal year and single dry year conditions. Overall, the District's water and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some deficit spending has occurred periodically due to planned capital improvement projects and conservation directed at retail agencies by the state. No alternative government structure options were identified for further consideration at this time.

Temescal Valley Water District: The Temescal Valley Water District was incorporated on December 27, 1965 as the Lee Lake Water District to provide water and wastewater services to the area known as Temescal Valley north of Lake Elsinore and south of the City of Corona. Between 2015 and 2030, the District's service population is expected to increase modestly in-service population by approximately 1,400 connections or 4,900 residents. The District's primary water source for potable water customers is imported from the Metropolitan Water District via the Western Municipal Water District (WMWD). Wastewater treatment is provided by the District-owned Temescal Valley Water Reclamation Facility's tertiary plant. No supply or capacity issues for sewer or water service have been identified. Overall, the District water and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases had been implemented over the last several years and again in 2017 to accommodate expenditures for maintenance and capital improvements. While the District lies within the SOI of the City of Corona relative to future development considerations, based upon water supply and infrastructure resources for wastewater treatment, there does not appear to be interest by the District in considering alternative government service structures at this time.

West Valley Water District: West Valley Water District (WVWD) is a County Water District that provides retail water service only. WVWD's service area is divided into northern and southern sections by the central portion of the City of Rialto. The District's service area overlaps five political jurisdictions: the Cities of Jurupa Valley, Rialto, Fontana and Colton and the unincorporated areas of San Bernardino County (including the community of Bloomington). Only a small area (358.36 acres) served by WVWD is located within Riverside County. Between 2015 and 2040, the District's overall service population is expected to increase in service population by approximately 11,000 connections or 35,407 residents. No supply or capacity issues have been identified. Overall, the District's water and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases had been implemented over the last several years up until 2015 to accommodate expenditures for maintenance and capital improvements. Based upon water rights and infrastructure resources, and the majority of the District being in San Bernardino County, there does not appear to be interest in considering alternative government service structures at this time.

Western Municipal Water District: Western Municipal Water District (WMWD) is a wholesale and retail water agency and also provides sewer service in a limited area. Western's total service area covers 527 square miles, of which 118 square miles are included in its retail service area which includes portions of the City of Riverside, the unincorporated areas around Lake Mathews, portions of the City of Murrieta, and unincorporated Riverside County south of the City of Temecula. Between 2015 and 2035, the District's service population is expected to increase in service population by approximately 9,700 connections (using 3.94 persons per connection) or 38,234 residents. Overall, the District water, sewer and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases had been implemented over the last several years to accommodate expenditures for maintenance and capital improvements. Based upon established water rights adjudications and infrastructure resources, there does not appear to be interest in considering alternative government service structures at this time unless financial or service efficiencies could be identified. The District has agreed to participate in a study of service alternatives with the City of Murrieta and other local water agencies for a LAFCO-coordinated special study of water service to the Murrieta Retail Area.

Municipal Service Review Determinations - Western County

1. **Growth and population projections for the affected area**

   Projections of growth provided by the agencies, Census data, Urban Water Management Plans, Sewer Master Plans and other resources indicate that growth will generally occur throughout Riverside County's Western County Region over the next 20 years. High growth areas include the Cities of Hemet and Riverside, the Eastern Municipal Water District, Elsinore Valley Municipal Water District and San Bernardino Valley Municipal Water District. Only three agencies, Edgemont Community Services District, Elsinore Valley Municipal Water District and Home Gardens County Water District, are projected to experience no or very limited population growth.

2. **Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence**

   Within the Western County Region, Riverside LAFCO has identified a number of disadvantaged unincorporated communities (DUCs) within or contiguous to agency spheres of influence. All identified DUCs are listed within the agency summaries (Section 4) for future reference. Currently, identified DUCs are provided water and sewer service by existing agencies through contract or have the opportunity to connect to such service in the future should homeowners elect to do so. The following agencies have DUCs in or adjacent to their SOI.

Eastern MWD/Hemet area:

- Donald Street/California Avenue, west of the City of Hemet
- Roseland Mobile Home Park
- E. Stetson Avenue/S. San Jacinto Street
- E. Acacia Avenue
- Columbia Street/Mayberry Avenue
- So. Dartmouth Street/Mayberry Avenue
- Ridge area
- New Chicago Avenue/E. Acacia Avenue
- Mountain View Mobile Home Park
- Valle Vista area
- Georgia Avenue/HWY 74 area

Perris area:

- Una Street/Alexander Street- Mead Valley
- Mead Valley North
- Luckens Lane/ West San Jacinto Avenue
- Mead Valley – South

Additionally, in the Temecula area, there is one DUC adjacent to the SOI in the Pechanga area but outside the service area of water facilities.

Elsinore Valley Municipal Water District/Lake Elsinore area:

- Warm Springs
- Lakeland Village
- Meadowbrook areas

No DUCs were identified within or adjacent to the District SOI areas.

Home Gardens County Water District area:

DUCs identified, but none within the District's SOI (which is coterminous).

Home Gardens Sanitary District area:

DUCs identified, but none within the District's SOI (which is coterminous).

Lake Hemet Municipal Water District/City of Hemet:

- E. Stetson Avenue/S. San Jacinto Street
- E. Acacia Avenue
- Columbia Street/Mayberry Avenue
- So. Dartmouth Street/Mayberry Avenue
- Ridge area
- New Chicago Avenue/E. Acacia Avenue
- Mountain View MHP
- Valle Vista area
- Georgia Avenue/HWY 74 area

No DUCs were identified within or adjacent to the Lake Hemet MWD SOI areas.

Western MWD:

- Home Gardens community adjacent to City of Riverside and Corona - while served by the Home Gardens County Water District and the Home Gardens Sanitary District, there may be unserved parcels within that area;
- El Cerrito – East - water served to a portion by City of Corona;
- Highgrove – West
- Highgrove – East - served water and sewer by City of Riverside but there may be unserved parcels within that area.

There are no DUC's identified within or adjacent to the Western MWD SOI.

3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies, including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence

Based on expected supplies from Metropolitan and the San Bernardino Valley Municipal Water District, and through data and reports supplied by the agencies for local water supplies, the water service providers within the Western County Region have demonstrated in plans to have adequate water to meet future needs. Wastewater providers, through upgrading existing facilities and constructing new facilities, can also meet future wastewater needs within the region. The agencies adequately generally address infrastructure needs and deficiencies through master plans, Capital Improvement Plans and other long-range planning documents. As stated above, identified DUCs in the Western County Region are currently provided water and sewer service or have the opportunity to connect to such services in the future. Several of the agencies utilize regional or shared facilities for water and wastewater services and coordinate planning for future facilities.

The City of Hemet has stated that replacement of deteriorating or inadequate water lines may be needed to ensure the efficient provision of water supplies over time.

The City of Norco plans to address both the City's water and sewer infrastructure systems that are significantly aging.

4. **Financial ability of agencies to provide services**

The agencies prepare comprehensive annual budgets. The agencies maintain annual Capital Improvement Plans, and maintain adequate and appropriate reserves. For most of the agencies within the Western County Region, the amount of reserves held is matched to CIP and other infrastructure improvements. All agencies reviewed reported unqualified audits prepared in accordance with generally accepted accounting standards.

5. **Status of, and opportunities for, shared facilities**

There is extensive agency collaboration within the Western County Region. Excess capacity, facilities and staff are made available through cooperative agreements whenever possible. The agencies increase opportunities for shared facilities through joint powers agreements, inter-ties, service agreements and industry groups. The City of Riverside operates a regional WWTF that treats effluent from several agencies including Rubidoux CSD and Western MWD.

6. **Accountability for community service needs, including governmental structure and operational efficiencies**

The governing bodies of the agencies are locally accountable through adherence to applicable government code sections, open and accessible meetings, and dissemination of information. With the exception of Home Gardens County Water District and Home Gardens Sanitary District, all agencies have websites which help to promote transparency and accountability as well as allowing public oversight of agency activities. These two agencies are aware of a new law requiring districts to have a website in 2019 unless specific conditions are met. As noted in agency narratives (Section 4), there may be opportunities for further consideration of reorganization of service areas and governance in several areas including but not limited to:

- The Murrieta retail area including Eastern Municipal Water District, Rancho California Water District, Western Municipal Water District and the City of Murrieta;
- The region of Home Gardens including the Home Gardens County Water District and the Home Gardens Sanitary District and the cities of Corona and Riverside that provide some services to each other;
- Potential future revisions of service areas and SOIs of Jurupa Community Services District and Rubidoux Community Services District should development occur; and
- The Temescal Valley area within the Temescal Valley Water District, Elsinore Valley Municipal Water District, and City of Corona.

7. **Any other matter related to effective or efficient service delivery, as required by commission policy**

No other matters related to effective or efficient service delivery were identified by Commission policy.

2. Introduction

In 1997, the State Legislature convened a special commission to study and make recommendations to address California's rapidly accelerating growth. The Commission on Local Governance for the 21st Century focused their energies on ways to empower the already existing Local Agency Formation Commissions (LAFCOs), originally established in 1963. The Commission's final report, *Growth Within Bounds*, recommended various changes to local land use laws and LAFCO statutes. Assembly Speaker Bob Hertzberg incorporated many of the recommendations of the Commission into the Cortese-Knox-Herzberg Local Government Reorganization Act of 2000 (AB 2838). The law provided LAFCOs with additional responsibilities and powers.

Municipal Service Reviews

Beginning in 2001, LAFCOs in each county in California were required to review and, as necessary, update the sphere of influence (SOI) of each city and special district. SOIs are boundaries, determined by LAFCO, which define the logical, ultimate service area for cities and special districts. No SOI can be updated, however, unless the LAFCO first conducts a Municipal Service Review (MSR). MSRs evaluate how agencies currently provide municipal services within their agency service area and evaluate the impacts on those services from future growth and other changes that may occur over the next 10 to 20 years. The MSR report is also required to identify potential opportunities to address any shortfalls, gaps, and/or impacts on services and governmental structure that may currently exist or are anticipated in the future.

The MSR process does not require LAFCO to initiate changes of organization based on service review determinations. California Government Code §56430 do require, however, that LAFCOs, upon receipt and consideration of an MSR, adopt written findings addressing each of the following areas:

1. Growth and population projections for t/he affected area.
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies, including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities, for shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.

7. Any other matter related to effective or efficient service delivery, as required by commission policy.

Spheres of Influence

In 1972, LAFCOs were given the power to establish spheres of influence (SOIs) for all local agencies under their jurisdiction. As defined by the Cortese-Knox-Hertzberg Reorganization Act of 2000 (CKH Act), LAFCO's governing law, "sphere of influence" means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission (Government Code §56076). SOIs are designed to both proactively guide and respond to the need for the extension of infrastructure and delivery of municipal services to areas of emerging growth and development. The requirement for LAFCOs to conduct MSRs was established by AB 2838 as an acknowledgment of the importance of SOIs and recognition that periodic reviews and potential updates of SOIs should be conducted. (Government Code §56425(g)) with the benefit of better information and data through MSRs (Government Code §56430(a)).

LAFCO is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities with the existing sphere of influence.

This report does not include analyses of agency spheres of influence or make recommendations regarding potential sphere amendments. This report could, however, be used as background and support information should Riverside LAFCO decide to pursue specific agency sphere changes in the future.

Disadvantaged Unincorporated Communities (DUCs)

Senate Bill 244 was a significant piece of LAFCO-related legislation passed in 2011. This bill required LAFCO to make determinations regarding disadvantaged unincorporated communities or (DUCs). DUCs are defined as inhabited, unincorporated territory that constitutes all or a portion of a community with an annual median household income that is less than 80 percent of the statewide annual household income (MHI). According to the 2012 -

2016 five-year American Community Survey data, 80 percent of the statewide median household income is $51,026.

Government Code §56375 specifically prohibits LAFCOs from approving an annexation to a city of any territory greater than 10 acres where there exists a disadvantaged unincorporated community that is contiguous to the area of proposed annexation unless an application to annex the disadvantaged unincorporated community has also been filed. Within this MSR, each agency description includes a review of applicable DUCs (if any) for that agency and how water and wastewater services are currently provided to that area.

Countywide Water and Wastewater MSR Study

The *Countywide Water and Wastewater MSR Study* focuses on 12 cities and 32 special districts (29 independent districts and 3 County Service Areas) for a total of 44 public agencies which currently provide water and/or sewer services to residents within Riverside County. For ease of presentation, the agencies are divided into three separate reports by sub-region: 1) Western County (Volume 1), 2) Pass/Mountain Area (Volume 2), and 3) Coachella/Eastern County (Volume 3).

This report (Volume 1) is focused on the Western County sub region only. Table 1 below, identifies the agencies studied by subregion and the service(s) provided.

Table 1 – Riverside County Agencies and Services Reviewed

	Services Provided	
	Water	Wastewater
Western Agencies		
1. City of Corona	✓	✓
2. City of Hemet	✓	✓
3. City of Norco	✓	✓
4. City of Perris		✓
5. City of Riverside	✓	✓
6. City of San Jacinto	✓	✓
7. Eastern Municipal Water District	✓	✓
8. Edgemont Community Services District		✓
9. Elsinore Valley Municipal Water District	✓	✓
10. Home Gardens County Water District	✓	
11. Home Gardens Sanitary District		✓
12. Jurupa Community Services District	✓	✓
13. Lake Hemet Municipal Water District	✓	✓
14. Rancho California Water District	✓	✓
15. Rubidoux Community Services District	✓	✓
16. San Bernardino Valley Municipal Water District	✓	
17. Temescal Valley Water District	✓	✓
18. West Valley Water District	✓	
19. Western Municipal Water District	✓	✓
Pass/Mountain Area Agencies		
20. City of Banning	✓	✓
21. City of Beaumont		✓
22. Beaumont-Cherry Valley Water District	✓	
23. Cabazon County Water District	✓	

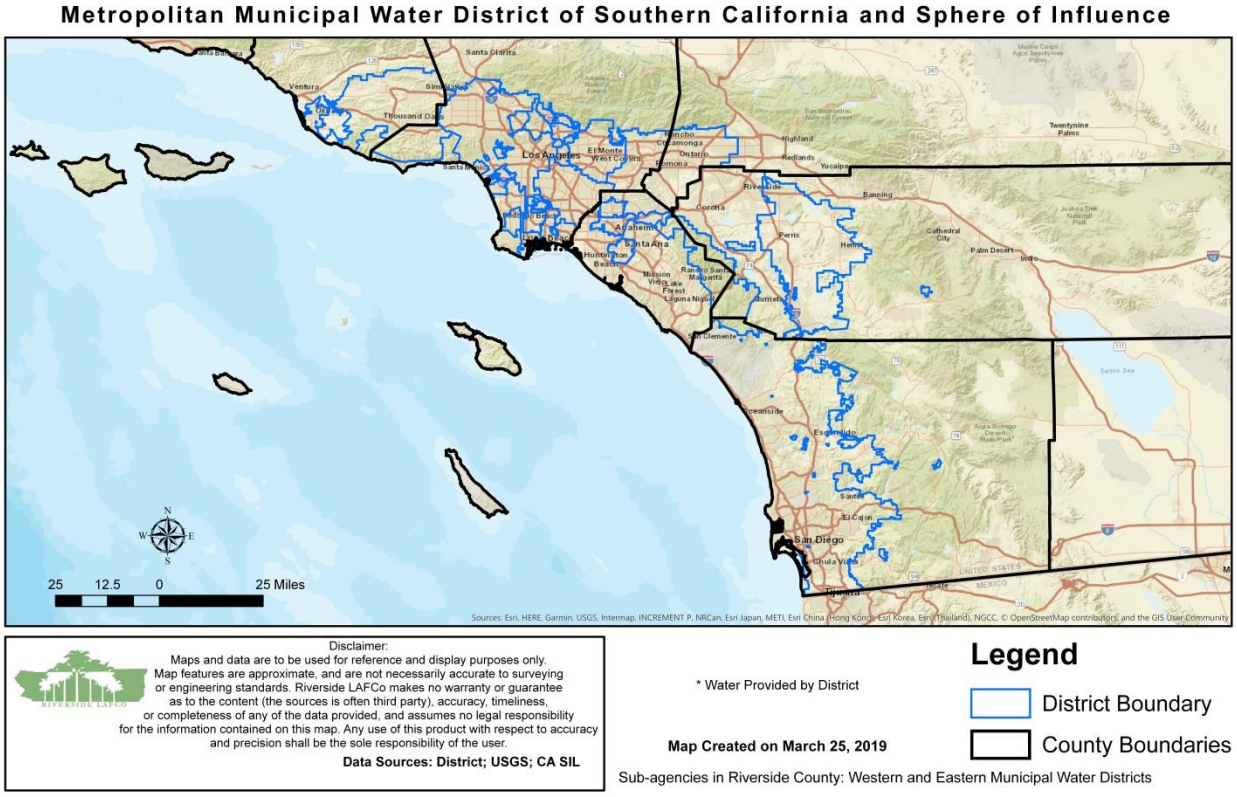
	Services Provided	
	Water	**Wastewater**
24. Fern Valley Water District	✓	
25. High Valley Water District	✓	
26. Idyllwild County Water District	✓	✓
27. Pine Cove County Water District	✓	
28. Pinyon Pines County Water District	✓	
29. San Gorgonio Pass Water Agency	✓	
30. Yucaipa Valley Water District	✓	✓
Coachella/Eastern County Agencies		
31. City of Blythe	✓	✓
32. City of Coachella	✓	✓
33. City of Indio	✓	
34. City of Palm Springs		✓
35. Chiriaco Summit County Water District	✓	
36. Coachella Valley Water District	✓	✓
37. Desert Water Agency	✓	✓
38. Imperial Irrigation District*	✓	✓
39. Mission Springs Water District	✓	✓
40. Palo Verde Irrigation District	✓	
41. Valley Sanitary District		✓
42. County Service Area 51 (Desert Center/Lake Tamarisk)	✓	✓
43. County Service Area 62 (Ripley)	✓	✓
44. County Service Area 122 (Mesa Verde)	✓	

* provides only electricity in Riverside County

Metropolitan Water District of Southern California

The Metropolitan Water District of Southern California's (MET) mission is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way. Today, MET serves Riverside County as part of a 5,200-square-mile service area that also includes Los Angeles, Orange, San Bernardino, San Diego and Ventura counties.

Exhibit 1 – MET Service Area Map



MET was established in 1928 under a special act of the California Legislature to build and operate the 242-mile Colorado River Aqueduct that would bring water to southern coastal areas. Southland residents voted for a major bond in the depths of the Great Depression to fund the herculean construction effort through the desert to deliver essential water supplies and generate badly needed jobs.

In 1960, MET, along with 30 other public agencies, signed a long-term contract that made possible the construction of the State Water Project, including reservoirs, pumping plants and the 444-mile California Aqueduct, which currently serves urban and agricultural agencies from the San Francisco Bay to Southern California, including Riverside County. As the largest of the now 29 agencies, MET contracts with the State Department of Water Resources, which owns

and operates the State Water Project, for slightly less than half of all supplies delivered to Metropolitan.

More than 1,800 employees and many contractors perform a wide range of water management, planning, conservation and other activities to serve Metropolitan's 26 public member agencies, including both cities and special districts. Eastern Municipal Water District (EMWD) and Western Municipal Water District (WMWD) are Met's only two member agencies within Riverside County. MET provides more than 50 percent of the region's water through imported supplies and investments in new local projects including recycled water and conservation. Each member agency is entitled to at least one director; additional directors are based on each member agency's assessed valuation.

MET ratepayers have also invested over two billion dollars to build the Diamond Valley Lake and reserve, the largest local reservoir in California, located within Riverside County, which stores water that can be used to supply the region in dry years or during emergencies. Diamond Valley Lake has a surface area of 4,500 acres and capacity of 810,000 acre-feet of water. Adjacent to Diamond Valley is Lake Skinner and the Robert A. Skinner Water Treatment Plant that has capacity to treat up to 630 million gallons per day for the Eastern and Western MWD's and for the San Diego Water Authority service areas. Without this essential water source, Southern California would have faced water rationing three years ago during the recent drought cycle.

The two MET member agencies in Riverside County, EMWD and WMWD, are wholesale water suppliers to many of the other water purveyors within Riverside County. Each of these agencies are described in more detail as to their service areas and supply capabilities under their sections of the report.

Mutual Water Companies

Assembly Bill 54 (Solorio) was enacted in 2011 and added several requirements and responsibilities to managers of Mutual Water Companies (MWCs) effective January 1, 2012.

Corporations Code § 14301.1 requires that each mutual water company submit to the LAFCO for its county a map showing its service area by December 31, 2012. In addition, a MWC must respond to a request for non-confidential information from a LAFCO in conjunction with that agency's preparation of a municipal service review or sphere of influence. Government Code § 56430(c) and (d) also allow a LAFCO conducting a municipal service review to investigate whether a MWC that operates a public water system is in compliance with the federal and state Safe Drinking Water Acts.

The following MWCs responded to Riverside LAFCO request for information or have been identified as providing service within cities or water agencies in Riverside County. Several MWC's in the County have not responded to LAFCO's 2013 request for a map of their service area.

Table 2 – Mutual Water Companies - Western County Subregion

Company Name	Address	# of Connections	Contact
Block 77 Cooperative Water Company	5010 Bluff Street, Norco	18 connections 80 customers	George Phillips (951) 734-8647
Box Springs Mutual Water Company	21740 Dracaea Avenue Moreno Valley	600 connections 3,300 customers	Joe Mendoza (951) 653-6419
Eagle Valley Mutual Water Company	East of Temescal Creek No address available	3,070 agriculture connections (water supplied by Western MWD)	N/A Corporation file inactive
Farm Mutual Water Company	33383 Millpond Drive Wildomar	Unknown (water supplied by Elsinore Valley WD)	Donna Schardein (951) 928-1922
Nuevo Water Company	30427 11th Street Nuevo	1,788 connections 8,000 residents	Edward Peister (951) 928-1922
Riverside Highland Water Company	12374 Michigan Street Grand Terrace	3,900 connections (Riverside and San Bernardino Counties)	Don Hough (909) 825-4128
Santa Ana River Company	10530 54th Street Mira Loma	2,042 connections 8,080 residents (water supplied by Western MWD)	J. Arnold Rodriguez (951) 685-6503
South Mesa Water Company	391 W. Avenue L Calimesa	2,996 connections 13,000 residents (40 percent in Riverside Co.)	David A. Armstrong (909) 795-2401

3. Riverside County Overview

Riverside County is the fourth largest county in California by population, stretching nearly 200 miles across and comprising over 7,200 square miles of fertile river valleys, low deserts, mountains, foothills and rolling plains. Riverside County shares borders with Imperial, Orange, San Diego, and San Bernardino Counties, extending from within 14 miles of the Pacific Ocean to the Colorado River. Geographically, the County is mostly desert in the central and eastern portions but has a Mediterranean climate in the western portion. Most of Joshua Tree National Park is located in the County.

Taking its name from the City of Riverside, the County was formed in 1893 from a small portion of San Bernardino County and a larger part of San Diego County. In May 1893, voters living within an area carved from San Bernardino County and San Diego County approved formation of Riverside County. On May 9, 1893, the County officially formed and began charting a course under its newly elected Board of Supervisors. The County's early years were linked to agriculture, most significantly as the birthplace of the citrus industry in California, but commerce, construction, manufacturing, transportation and tourism soon took hold, contributing substantially to the region's rapid growth.

Recent years have brought dramatic population growth. Between 1980 and 1990, the number of residents grew by over 76 percent, making Riverside the fastest-growing county in California. By 1992, the County was "home" to over 1.3 million residents, more than the entire population of 13 states, among them Maine, Nevada, Hawaii and New Hampshire. Since 1992, the population has nearly doubled. As depicted in Tables 3 and 4, below, population and employment growth within Riverside County between 2015 and 2040 is projected to outpace every other county within the Southern California Association of Governments (SCAG) region with exception of Los Angeles.

Table 3 – Population by County

County	2000	2010	2015	2040	Difference 2015-2040
Imperial	143,151	175,594	182,390	282,024	99,634
Los Angeles	9,543,983	9,827,070	10,158,776	11,513,435	1,354,659
Orange	2,853,893	3,017,089	3,157,074	3,464,487	307,413
Riverside	1,557,271	2,191,800	2,316,438	3,167,584	851,146
San Bernardino	1,719,190	2,038,771	2,111,256	2,731,321	620,065
Ventura	756,902	853,188	853,188	965,210	112,022

Source: 2015-2040 SCAG RTP/SCS

Table 4 – Employment by County

County	2000	2010	2015	2040	Difference 2015-2040
Imperial	54,080	56,480	76,000	124,609	48,609
Los Angeles	4,444,600	4,140,040	4,463,010	5,225,707	762,697
Orange	1,516,770	1,492,940	1,633,000	1,898,685	265,685
Riverside	513,740	591,850	742,000	1,174,500	432,500
San Bernardino	587,340	652,830	729,000	1,028,132	299,132
Ventura	323,200	322,560	363,000	419,808	56,808

Source: 2015-2040 SCAG RTP/SCS

Water Supply Reliability and Policy Issues - Riverside County and California

The State of California and the region of Riverside County have been substantially impacted over the past five years of drought now being recognized as the one of the worst droughts in the State history. Since a majority of the water supply is imported, the continuing drought has an impact upon the current and future livelihood and economic viability of the region. Governor Brown and the State Water Resources Control Board (SWRCB), as the overseer of policy issues of water in the State of California, have taken actions to respond to the ongoing drought conditions in the state.

A summary of the actions taken to date include:

- On January 17, 2014, the Governor issued a proclamation of a State of Emergency under the California Emergency Services Act based on drought conditions;
- On April 25, 2014, the Governor issued a proclamation of a continued State of Emergency under the California Emergency Services Act based on continued drought conditions; and
- On April 1, 2015, the Governor issued an Executive Order that, in part, (1) directs the State Water Resources Control Board (SWRCB) to impose restrictions on water suppliers to achieve a statewide 25 percent reduction in potable urban usage through February 28, 2016; and, (2) requires commercial, industrial, and institutional users to implement water efficiency measures.
- On April 17, 2015, the SWRCB issued conservation standards (targets) for each of the hundreds of water agencies in the state. Implementation began June 1, 2015. Each agency was designated a target reduction of eight percent, an amount in the lower range of the tiers of between six to 36 percent. Under the approved regulations, each agency is required to report water usage each month and will face the potential of penalties or fines for not achieving the established targets

Although the Governor declared an end to California's historic five-year drought last year in June 2018, he signed two new laws that will require cities and water districts across the state to set permanent water conservation rules, even in non-drought years. The two bills, SB 606 by Sen. Robert Hertzberg (D-Van Nuys) and AB 1668 by Assemblywoman Laura

Friedman (D-Glendale), require cities, water districts and large agricultural water districts to set strict annual water budgets, potentially facing fines of $1,000 per day if they are not met, and $10,000 per day during drought emergencies. Under the bills, each urban water provider will be required to come up with a target for water use by 2022. Fines for agencies failing to meet their goals can begin in 2027. The targets must be approved by the State Water Resources Control Board between now and then and will vary by city and county.

Standards will be based on a formula that is made up of three main factors: an allowance of 55 gallons per person per day for indoor water use, dropping to 50 gallons by 2030; a yet-to-be determined amount for residential outdoor use that will vary depending on regional climates; and a standard for water loss due to leak rates in water system pipes. The new laws make it likely that water agencies will need to offer more rebates for home owners and business owners who replace lawns with drought-tolerant plants and who purchase water efficient appliances. The agencies could also limit the hours and days of landscape watering, even when droughts are not occurring.

Governor Brown and the Legislature are discussing further actions proposed to deal with the drought and to provide incentives for developing new or alternative water supplies. Funding from prior voter approved water bonds have been appropriated and additional assistance in coordinating efforts with Federal agencies is being considered. At this point, it is expected that water supply and demand management will continue to be very high priority topics within the State and among local government agencies, including LAFCOs.

4. Western County – Water and Wastewater Agencies

City of Corona

Overview/History

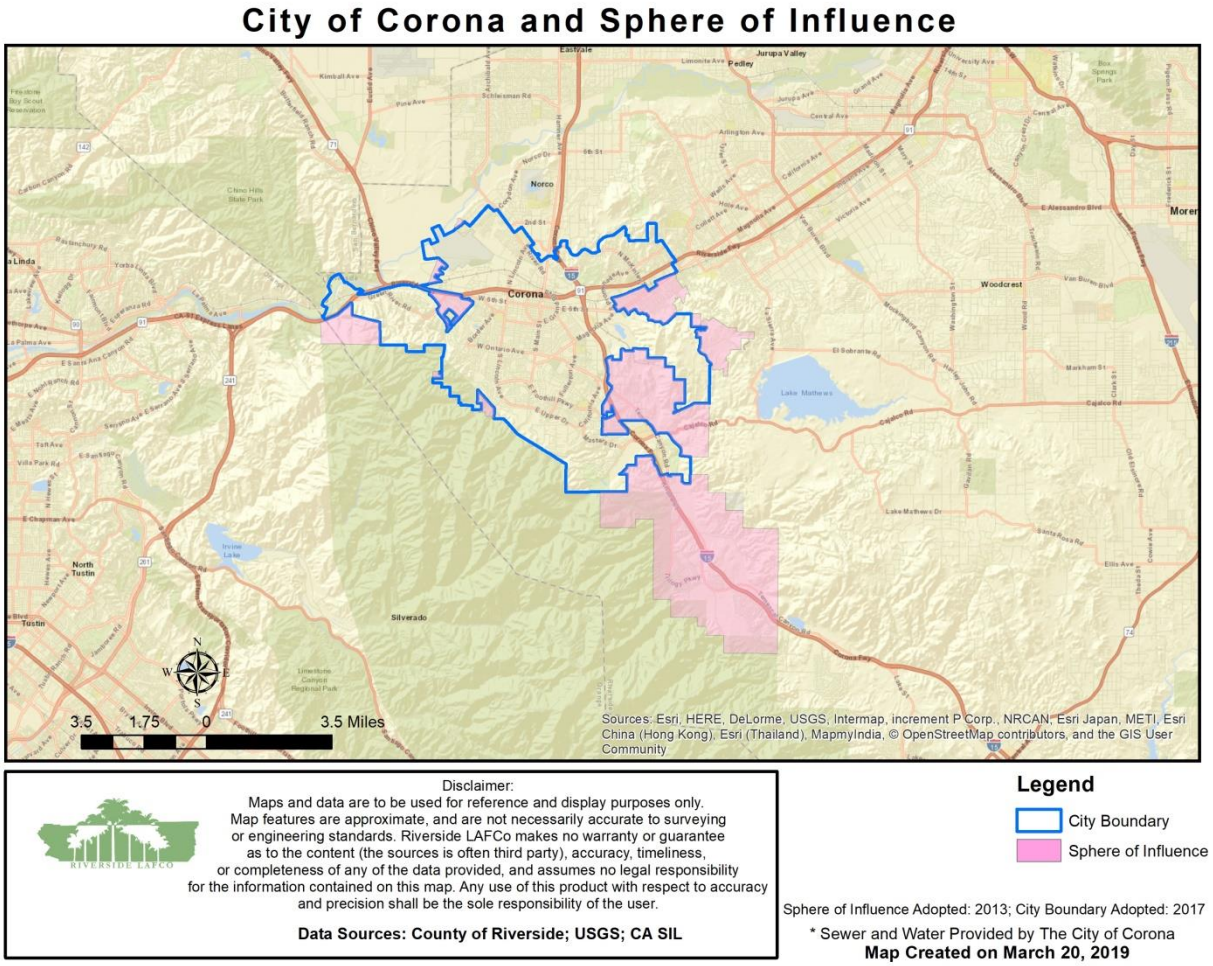
The City of Corona was founded at the height of the Southern California citrus boom in 1886. Once known as the "Lemon Capital of the World," Corona was established as a town by the South Riverside Land and Water Company. Originally located in San Bernardino County, the town was named "South Riverside." In 1893, South Riverside became part of the new Riverside County. On July 13, 1896, the City incorporated and was renamed "Corona" for its circular Grand Boulevard.

Located at the junction of two major freeways, the east/west Riverside Freeway (SR-91) and the north/south Interstate 15 (I-15) Freeway, the City is situated at the upper end of the Santa Ana River Canyon. Neighboring cities include Riverside to the northeast and Norco to the north. The southern and western portions of the City are bordered by the Cleveland National Forest and other County lands. Currently, the City encompasses 24,667 acres. The City provides a full array of municipal services to its residents including, but not limited to, police, fire, planning, library, parks and recreation, animal care, water and sewer.

The City provides both water and sewer services outside its corporate boundaries. Wastewater service is provided by the City to Corona residents as well as a small portion within the City of Norco. The City's water service area includes the City's boundaries and extends approximately six square miles into the adjacent unincorporated communities of El Cerrito and Coronita and parts of Temescal Canyon.

City of Corona

Exhibit 2 – City of Corona



City of Corona

City of Corona – Agency Profile

General Information			
Agency Type	General Law City		
Date Formed	Incorporated July 13, 1896		
Services	Full service - administration, police, fire, streets, flood control, municipal airport, library, water, sewer, parks and recreation		
Service Area			
Location	The City of Corona is located in northwest Riverside County, northeast of the Cities of Norco and Riverside, northwest of the Cities of Chino Hills and Yorba Linda, and southwest of Cleveland National Forest and the Santa Ana Mountains		
Square Miles/Acres	Water: 45 square miles	Sewer: 38.9 square miles	
Total Water/Sewer Connections	Water Connections: 42,989	Sewer Connections: 39,279	
Population Served	Water Service Area: 167,764 (2015)	Sewer Service Area: 166,785 (2018)	
Water Infrastructure			
Facilities	2 water treatment plants, 1 desalter, 1 ion-exchange, 22 wells, 18 pump stations and 17 storage reservoirs		
Storage Capacity	26.5 million gallons		
Primary Source of Supply	50% local groundwater; 50% imported water		
Water Rates (single-family home)	Fixed rate for ⅝" connection: $19.23/month; ¾": $25.25/month plus residential usage fees based on tiered rate structure		
Sewer Infrastructure			
Facilities	14 sewer lift stations, 3 wastewater treatment plants, 1 JPA Treatment Plant, 13 miles of force main, 423 miles of gravity sewer, 115 miles of laterals		
Current and Projected Treatment Capacity	16.87 MGD		
Primary Disposal Method	Tertiary treatment at three wastewater treatment plants		
Sewer Rates (single-family home)	$45.60/month (flat rate per single-family home)		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	**Expenditures**	**Net Surplus/(Deficit)**
Water/Recycled Fund *	$73,056,924	$68,197,306	$4,859,618
Sewer Fund *	$68,377,427	$29,940,840	$38,436,587
Combined General Funds	$141,602,007	$144,920,139	($3,318,132)
Capital Expenditures (W&S only)	$25,865,259	Long Term Planned Expenditures (2018-22) Water - $81,189,252 Sewer - $21,835,700	
Water Fund Balance/Reserves	$1,740,021	Projected year end 2017-18	
Sewer Fund Balance/Reserves	$30,558,859	Projected year end 2017-18	
Agency Net Position	$94.8 million	Restricted and unrestricted	
Governance			
Governing Body	5-member City Council, elected by district; City Council meets 1st and 3rd Wednesdays, 6:30 p.m., at City Hall located at 400 Vicentia Avenue, Corona		
Agency Contact	Tom Moody, 951-736-2477, tom.moody@CoronaCA.gov (General Manager)		

*Includes carry forward funds as revenues for working capital

Sources: City of Corona Sewer System Management Plan (2015); City of Corona Urban Water Management Plan (2015); City's General Plan; City's website; CA Integrated Water Quality System (CIWQS); City of Corona staff

City of Corona

Growth and Population Projections

The California State Department of Finance estimates the City's 2018 population to be 168,574. As expected in an area reaching build out conditions, the City's projected population over the next 25 years is expected to slow significantly when compared to growth experienced in previous decades. Between 2015 and 2040, growth is expected to increase by approximately by 8.2 percent, or 15,036 residents.

Table 5 – City of Corona Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
167,764	170,100	172,900	176,100	179,600	182,800

Source: City of Corona Urban Water Management Plan (2015)

According to the City's General Plan, 30 percent of the City is developed with housing, four percent with commercial and office uses, 12 percent with industrial uses, 37 percent for public, parks and open spaces, and 17 percent remains undeveloped. Less than one percent of the lands continue to be used for agricultural purposes.

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has determined that there are two DUCs within the sphere of influence of the City of Corona. The first DUC is located in the unincorporated Home Gardens area, generally located south of Sampson Avenue, west of McKinley Street, east of Temescal Street, and north of the City's boundary. This area is currently provided water and sewer services by the Home Gardens County Water District and the Home Gardens Sanitary District, respectively. No capacity issues for water or sewer are anticipated in the foreseeable future.

A second DUC has been identified by Riverside LAFCO in the unincorporated El Cerrito East area, generally located east of Rising Sun Road, north of E. Ontario Avenue, west of Santa Anita Street, and south of the City of Corona boundary. El Cerrito East residents are currently served water by the City of Corona through an out of agency service agreement. Sewer service is largely by septic tank, although the City adopted a specific plan for the area (in anticipation of future annexation), last amended in 2011, that provides guidelines for future conversion of commercial, industrial and residential uses to a conventional sewer system.

Present and Planned Capacity of Public Facilities

Water

The City's water service area encompasses approximately 39 square miles within the incorporated boundary of the City of Corona and extends into several adjacent areas, including the unincorporated communities of El Cerrito, Coronita, and parts of Temescal Canyon. In total, the City serves an area of approximately 45 square miles and a population of approximately 150,000 customers. Corona's water supply comes from three main sources:

City of Corona

local groundwater, the Colorado River and the State Water Project in Northern California. In 2016, groundwater wells owned and operated by the City of Corona provided 47.5 percent of the City's water supply, 44.8 percent came through Lake Mathews from the Colorado River, 6.7 percent from the State Water Project's California Aqueduct and the final one percent was purchased from Western Municipal Water District's Arlington Desalter treatment facility. Corona residents and businesses used approximately 9.7 billion gallons of drinking water in 2016.

The surface water from the Colorado River requires treatment to become drinking water. The treatment process is accomplished in the City of Corona's two surface water treatment facilities: Sierra Del Oro and Lester. These facilities incorporate the use of coagulants, which bind small particles together to form larger particles that can be easily removed through multimedia filtration. After filtration, the water is disinfected through treatment with sodium hypochlorite (NaOCl) to kill or inactivate harmful organisms. About half of the groundwater pumped in Corona is sent through a state-of-the-art reverse osmosis membrane treatment facility, the Temescal Desalter. This facility provides removal of nitrates, per-fluorinated compounds, 1,2,3-Trichloropropane (123-TCP), perchlorates, and suspended and dissolved solids. Addition of NaOCl is also performed at this facility to maintain chlorine residual in the water distribution system and act as a disinfectant.

In April 2010, the City's Department of Water and Power implemented a tiered rate and water budget system. Tiered rates and water budgets are designed to promote efficient water use and resource conservation by providing enough water for typical but efficient water use indoors and outdoors. Tiered rates also provide a means to charge rates based on water is being used - inefficient water users will pay a higher cost for water than efficient water users.

Table 6, below, summarizes the normal year water supply and demand comparison. As shown below, and stated in the City's Urban Water Management Plan (2015), there is adequate supply under normal years to meet water demands through 2040.

Table 6 – City of Corona Normal Year Water Supply and Demand Projections, 2020-2040

	2020	2025	2030	2035	2040
Supply Totals	56,396	56,396	56,396	56,396	56,396
Demand Totals	39,533	39,514	39,555	39,636	39,636
Difference	16,863	16,882	16,841	16,760	16,760

Source: Corona UWMP (2015)

Table 7 below summarizes the single dry year demand comparison. To project the single dry year demand, a calibrated model was used using population projections, historical temperature and precipitation data from 2007 and economic growth forecasts. As shown below, and stated in the City's Urban Water Management Plan (2015), there is adequate supply under normal years to meet water demands through 2040.

City of Corona

Table 7 – City of Corona Single Dry Year Water Supply and Demand Projections, 2020-2040

	2020	2025	2030	2035	2040
Supply Totals	56,396	56,396	56,396	56,396	56,396
Demand Totals	47,616	47,486	47,523	47,609	47,699
Difference	8,780	8,910	8,873	8,787	8,697

Source: Corona UWMP (2015)

Wastewater (Water Reclamation)

The City's existing wastewater system currently provides for collection and treatment of wastewater generated within its corporate boundaries, as well as a small portion of the neighboring community of Norco. The system includes 368 miles of gravity sewer pipe, 14 sewer lift stations and three wastewater treatment plants. The gravity system consists of approximately 368 miles of pipe ranging in size from 6 inches to 42 inches in diameter. Approximately 83 percent of the pipes are 8-inch in diameter. The majority of the system was built in the 1980's, and 1990's. The 14 sewer lift stations located throughout the service area serve low lying or fringe areas of the City that cannot be served by the gravity system.

The City owns and operates three wastewater treatment plants, described below. The effluent produced meets criteria for discharge to percolation ponds, Temescal Creek and California Title 22 reuse.

Wastewater Treatment Plant 1 (WWTP 1) was constructed in 1967-1968 and expanded in 1998. The expansion included a new headworks, grit removal, expanded tertiary filters, and UV disinfection. The latter allowed the City to terminate use of its percolation ponds in the Prado Basin. It serves the western portion of the City as well as a small portion of the City of Norco. WWTP 1 consists of preliminary treatment, two secondary treatment facilities (Plant 1A and 1B), and a tertiary treatment facility. Up to 5.5 MGD of the flow from the headworks is directed to Plant 1A, and up to 6.0 MGD is conveyed through Plant 1B. The secondary effluent is either sent to the tertiary treatment facility or to the Lincoln Avenue and Cota Street percolation ponds. The tertiary process produces Title 22 recycled water that can be used for irrigation and/or is discharged to Butterfield Drain, a tributary of Temescal Creek. The maximum flow to the tertiary facility is 9.0 MGD. The current firm treatment capacity is 11.5 MGD. With improvements, the future reliable treatment capacity is expected to be 14.5 MGD. Combined, both plants are operated to accommodate a total instantaneous design peak flow of 37.7 MGD.

Wastewater Treatment Plant 2 (WWTP 2), formerly called the Sunkist Treatment Plant, was used to treat industrial process wastewater. In 1986, the City purchased the plant and had it renovated to provide primary and secondary treatment. WWTP 2 became operational in 1988 and now serves the eastern and northeastern portions of the City. WWTP 2 is a conventional activated sludge facility with the ability to bypass flows to WWTP1. It discharges secondary effluent to the Lincoln and Cota Street percolation ponds. The current firm treatment capacity

is 3.0 MGD. With improvements, the future reliable treatment capacity is expected to be 3.5 MGD.

Wastewater Treatment Plant 3 (WWTP 3) was constructed in 2001 and serves the southeastern portion of the City. WWTP 3 is a water reclamation plant that provides Title 22 reclaimed water for reuse. Its current reliable treatment capacity is 1.0 MGD. Future planned plant expansion will increase its firm capacity to 3.0 MGD. Currently, the plant treats approximately 0.3 MGD. Sludge effluent is pumped via a six-inch force main northwest to an existing manhole in Chase Drive just south of Teddy Bear Lane. The sludge then re-enters the gravity system and flows to WWTP 2 for processing.

The City has developed a rehabilitation and replacement plan via the City of Corona Sewer Master Plan (2005). The Master Plan identifies several considerations used in determining the useful life of the City's gravity sewers, force mains, and sewage pump stations. These considerations include: type of materials used and recorded performance of similar installations; velocities and flow rates expected in the system; chemical and biological conditions of the wastewater; construction methods and installation quality; and frequency, thoroughness, and types of maintenance. Based upon the assessments in the Master Plan, a list of Capital Improvement Projects (CIP) was identified. Every year the CIP is reviewed and revised based on the changing needs of the City and current regulations.

According to the City Sanitary System Management Plan (2015), "…the City's sewer system has sufficient capacity to handle peak dry weather flows and has not experienced any wet weather overflows. In addition, through proactive efforts, dry weather overflows have decreased. However, some dry weather overflows continue to occur due to tree roots, grease blockages, and vandalism. The City has eliminated dry weather overflows resulting from power outages or equipment failures."

Emergency Preparedness (Supply Interruption Capability)

Extended multi-week supply water shortages are unlikely due to natural disasters or accidents which damage all water sources. As discussed previously, the City has the ability to produce water from three individual groundwater basins creating water production flexibility. The City also maintains a sound preventative maintenance program for its water distribution system. According to the City, auxiliary generators are available, and improvements have been made to water facilities to minimize loss of these facilities during an earthquake or any disaster causing an electric power outage. The City has also entered a MOA with Western Municipal Water District to receive their CDA water and is currently updating its Water Master Plan.

The City has developed an SSMP for sewer operations which includes appropriate personnel listings, resource inventories, locations for emergency operations centers, response procedures, and the steps necessary to resume normal operations.

City of Corona

Financial Ability to Provide Services

As of June 30, 2017, the City was able to report a positive increase in its Net Position, the value of assets and funds on hand for operations and capital investment, to $1,057,770,901, an increase of $48,533,583 over the prior year and an increase in balance in its unrestricted net position to $20,725,857. On June 30, 2017, the Water Fund Net Position balance was $122,988,856. This is an increase of $8,208,242, during a period of drought including demand management restrictions and slightly less sales overall. The Water Fund Unrestricted Net Position was ($83,208,242).

On June 30, 2017, the Sewer Fund Net Position balance was $98,551,599. This is an increase of $11,174,215 over the prior year. The Sewer Fund Unrestricted Net Position was ($9,997,025). In February 2014, the City Council adopted a water rate increase and sewer rate increase to provide necessary funds for operations and capital replacements and a rate stabilization emergency fund.

Table 8 – City of Corona Financial Information

	FY 2014-15	FY 2015-16	FY 2016-17
Total City Revenues	$ 225,682,334	$ 306,932,974	$ 284,947,054
Total City Expenditures	-240,676,107	-251,867,006	-249,530,353
Revenues minus Expenditures	$ -14,993,773	$ 55,065,968	$ 35,416,701
City Net Position	$ 952,448,232	$ 1,007,514,200	$ 1,057,770,901
Water Fund			
Water Fund Revenues	$ 61,966,255	$ 54,847,287	$ 61,130,682
Water Fund Expenditures	-55,714,372	-51,177,312	-52,922,440
Revenues minus Expenditures	$ 6,251,883	$ 3,669,975	$ 8,208,242
Ending Net Position	$ -74,226,236	$ -77,861,368	$ -83,143,014
Sewer Fund			
Sewer Fund Revenues	$ 36,586,084	$ 32,880,807	$ 35,432,981
Sewer Fund Expenditures	-26,500,708	-25,004,508	-24,258,766
Revenues minus Expenditures	$ 10,085,376	$ 7,876,299	$ 11,174,215
Ending Net Position	$ -30,916,415	$ -22,479,078	$ -9,997,025

Sources: City CAFRs 2015, 2016 & 2017

There are seven primary areas, discussed below, that may be utilized to assess the present and future financial condition of the District's water and sewer service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratio of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

City of Corona

1. 3 Year Revenue/Expenditure Budget Trends

The water fund overall has been experiencing a slight surplus as well as occasional deficit spending over the last several years. However, this has been attributed primarily to planned capital expenditures and cash flows due to fluctuating water sales. A rate increase plan was adopted by the City Council in February 2014 and has been implemented to accommodate these changes in water uses, planned expenditures for infrastructure, and to establish an emergency fund for rate stabilization into the future. Sewer rates were also adjusted in February 2014.

2. Ratios of Revenue Sources

The City receives 98 to 99 percent of its water fund and sewer fund revenues from charges and fees for services, no revenue from property taxes, and about 1 - 2 percent from miscellaneous other sources.

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The City's Water Fund balance ratio is approximately four percent of annual expenditures. This fund ratio represents a low ratio position, and the reserve has been decreasing over time. The City's Sewer Fund balance ratio is approximately 126 percent of annual expenditures, including debt service for facilities and wastewater treatment capacity, a very positive ratio position.

The ratios of unrestricted reserves for both the water fund and sewer fund reflect a negative balance and are not typical for enterprise fund services; it appears that the City utility has been operating utilizing restricted funds to offset the impact that negative economic factors might have had over the past ten years.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the City's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of ten percent or less would reflect a very stable ratio. The City's Water Fund has reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time. The Water Fund's annual debt service ratio to total expenditures is approximately 8 percent, a reasonable ratio. The Sewer Fund debt service ratio to total expenditures is approximately 20 percent, somewhat high but necessary due to the Revenue Bond funded purchase and lease of additional sewer treatment capacity for the future. The overall City Debt Service Ratio is 2.3 percent, a low ratio that reflects stable debt service.

City of Corona

5. Rate Structures

The City Council adopted a Three-year Water and Sewer Rate Study in February 2014. Fixed monthly water charges range from 5/8-inch meter at $19.23 to a typical ¾-inch meter at $25.23 per month. The City's current water user charge is $ 2.10 to $11.64 per 100 cubic feet of usage within an established "water budget" for each customer. The City uses a four tier rate system.

Table 9 – City of Corona Residential Water Rates (per HCF)

Tier	Effective February 2014	Basis for Tier
Indoor Budget	$2.10	Efficient Water Use
Outdoor Budget	$2.33	Efficient Outdoor Water Use
Inefficient Use	$3.17	1% to 20% over Water Budget
Excessive Use	$6.35	21% to 40% over Water Budget
Wasteful Use	$11.64	Exceeds 40% over Water Budget

Sewer rates were increased in the 2014 Fiscal Year to $45.60 per EDU (Equivalent dwelling unit) per month fixed charge for residential users.

6. Capital Improvement Program/Plan

The City has developed and implemented an aggressive and comprehensive CIP for water and sewer facility infrastructure improvements. The City's current 5-Year CIP reflects approximately $81.2 million in improvements for water infrastructure and $21.8 million for sewer. For water, there is approximately $21.8 million programmed for FY 2017-18, and the City's Sewer CIP for 2017-18 is projected at $4.1 million for various projects.

The City's water and sewer funds do not receive tax revenues and must recover the cost of providing services through user rates. With the rates revised in 2014, both the water and sewer funds are projected to generate sufficient revenues to cover operating costs, build working capital reserve, fund a rate stabilization reserve and provide for capital investment in water and sewer infrastructure.

According to the City's CIP plan, the estimated capital project expenditures listed for FY 2018-2022 will be made over several more years. Over the next ten years, the City anticipates spending $66.7 million on sewer system improvement projects and $167.4 million on water system improvement projects.

7. Pension Liability and Other Post-Employment Benefits Liability

As most cities and government agencies in California, the City has a pension liability and post-employment liability. The 2017 CAFR reports that the City has a $197.5 million unfunded pension liability and is making the required payments to offset the liability over time. The City has entered into a program for OPEB obligations which include life insurance and medical

benefits for retirees and is prefunding actuarial estimated amounts of $8.9 million in 2017-18 at an amount of $10 million in the current year.

A full explanation of pension liability and OPEB is contained in the Notes section of the 2017 CAFR.

Status and Opportunity for Shared Facilities/Services

The City participates in a number of ways to share municipal services, including:

- Corona's Wastewater Treatment Plant 1, constructed in 1967-1968 and expanded in 1998, serves the western portion of the City as well as a small portion of the City of Norco.
- The Corona Fire Department has formal mutual aid agreements with many fire service agencies within the western Riverside County area.
- Formal agreements for the sharing of park and recreational facilities have been entered into by the City of Corona and the Corona Norco Unified School District to more efficiently use facilities.
- The City's Police and Fire Departments have worked together to develop the Temescal Public Safety Facility. The cooperative development of this facility has allowed both departments and the City to combine resources to meet the public safety service needs of the community.
- The Corona Police Department has contracted with the Riverside Police Department to provide helicopter patrols to the City of Corona.

Government Structure and Accountability

The City of Corona is governed by a five-member City Council, elected to four-year terms of office. As a result of the passing of Measure N on the November 2016 ballot, the City of Corona changed its current "at-large" system for electing City Council Members to a "by-district" system. Measure N created five council electoral districts and requires the election by the residents of each of those districts of one Council Member who also resides in the same district. The City Council Members currently in office will continue in office until the expiration of their terms. Beginning with the election in November of 2018, the voters in District 1, District 4 and District 5 elected their City Council Members by district. In November of 2020, the voters in District 2 and District 3 will elect their City Council Members by district.

Table 10 – City of Corona City Council Members

City Council Member	Term Expires
Yolanda Carrillo	November 2020
Jacque Casillas	November 2022
Wes Speake	November 2022
Jim Steiner	November 2022
Jason Scott	November 2020

City of Corona

The regularly scheduled City Council meetings are held on the first and third Wednesdays of each month at 6:30 p.m. in the Council Chambers in City Hall. Agendas for the meetings are posted at City Hall and on the City's website. City Council meetings are broadcast live on local cable television channels and re-run throughout the week for Corona residents.

In addition to City Council meetings, the City has several methods of reaching out to the public and providing opportunities for the residents of the City to track the implementation of local policies. The City's website provides access to City budgets and audits, meeting agendas, City Council and City staff contact information, etc. Residents can also sign up for "e-notification" through the City which allows for customized email notification on specific topics of special interest to residents.

In March 2017, Corona was selected as one of ten new cities to participate in Bloomberg Philanthropies' "What Works Cities" Initiative, one of the largest philanthropic efforts to enhance cities' use of data. With support from a consortium of expert partners, including the Center for Government Excellence at John Hopkins and the Government Performance Lab at Harvard Kennedy School of Government, "What Works Cities" identify effective ways to evaluate programs and improve performance; best use resources to serve their communities; and become a data driven organization focused on community engagement and positive outcomes for residents.

Based upon past and current service provision practices, it is reasonable to conclude that appropriate levels of public services can continue to be provided by the City of Corona to current and future populations under the existing government structure. No alternative government structure options were identified for further consideration at this time.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

City of Hemet

Overview/History

The City of Hemet was incorporated in January 1910. Served by a railroad spur from Riverside, the City became a trading center for the San Jacinto Valley's agriculture, which included citrus, apricots, peaches, olives and walnuts. In 1950, Hemet was home to 10,000 people and joined Corona and Riverside as the three largest cities in Riverside County.

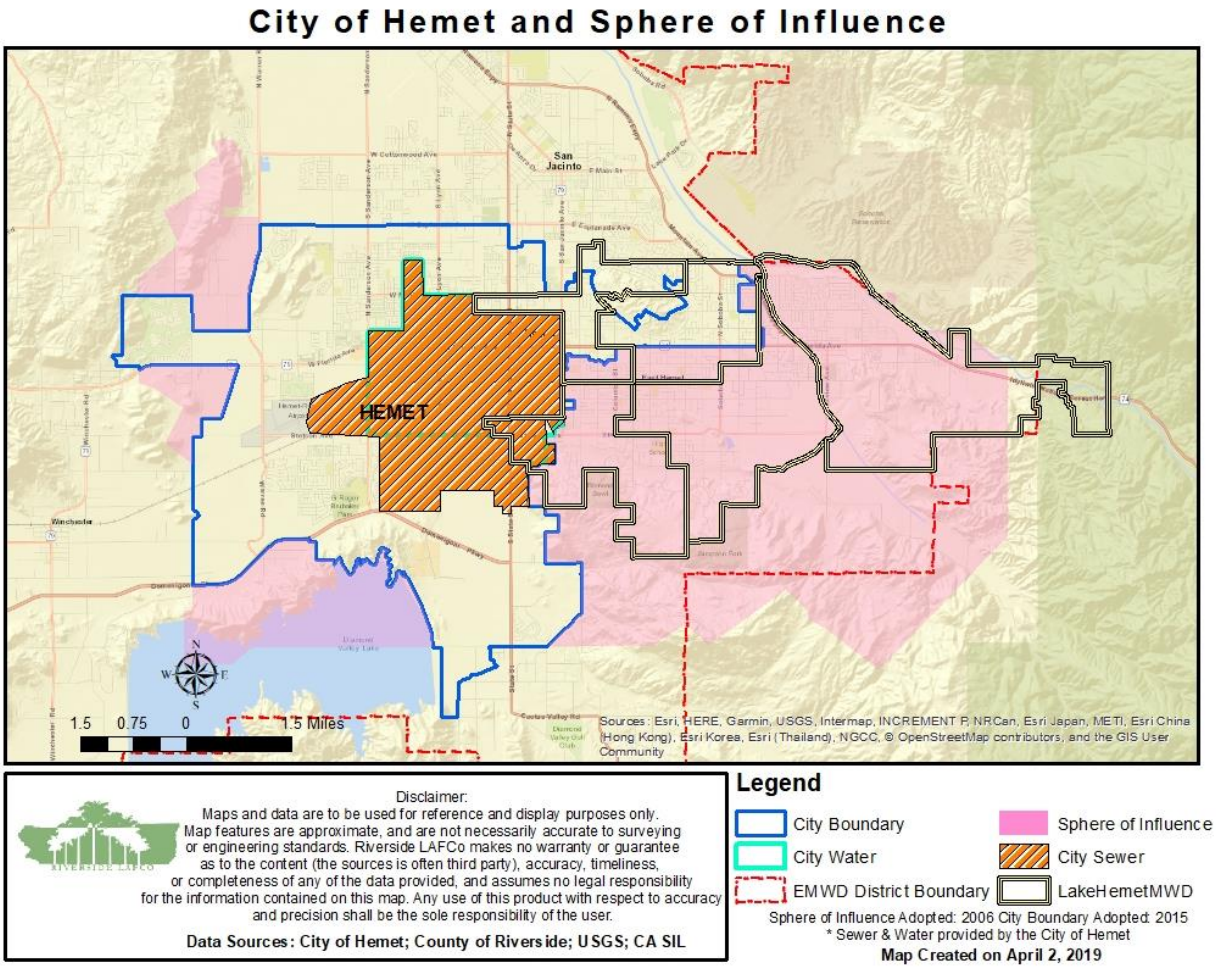
The City of Hemet is located in western Riverside County, approximately 35 miles southeast of Riverside. State Route 74 traverses the City in an east-west direction along Florida Avenue, and connects with Interstate 215 to the west. SR 79 connects the City with San Jacinto to the north, and Temecula and Interstate 15 to the south. Hemet is bordered by the City of San Jacinto on the north but is otherwise surrounded by unincorporated areas of Riverside County. The City is approximately 28.3 acres in size and includes an additional 34.2 square miles in its sphere of influence. The area's affordability, its proximity to employment centers such as Corona, Riverside and San Bernardino, and its relatively rural character made it an attractive location for retirees and those priced out of other areas of Southern California.

The City provides a full array of municipal services to its residents, including administration, police, fire, library service, parks and recreation, and street maintenance. Animal control services are provided through a contract with the Ramona Humane Society. Hemet, today, retains much of its retirement orientation. The economy is based primarily on service to the senior community and ancillary services such as financial institutions and health care professions.

In 1954, the City of Hemet purchased the Lake Hemet Water Company water system, which consisted of two deep wells, one 1.5 million-gallon (MG) reservoir and miscellaneous distribution systems in need of a maintenance and replacement program. At that time, the boundaries of the City of Hemet and the area serviced by the City's Water Department were approximately the same, 3,360 acres (5.25 square miles). Since that time, the City limits have expanded, primarily to the south and west, and now encompass 17,728 acres (27.7 square miles), while the City's water service area has remained approximately the same. Two other water districts, Eastern Municipal Water District (EMWD) and Lake Hemet Municipal Water District (LHMWD), currently serve the remaining 22.45 square miles of incorporated City area.

City of Hemet

Exhibit 3 – City of Hemet



City of Hemet - Agency Profile

General Information		
Agency Type	General Law City	
Date Formed	January 20, 1910	
Services	Full service: fire, police, planning, parks, streets, street lighting, wastewater, water, animal control, library	
Service Area		
Location	Located in southwestern Riverside County, in the San Jacinto Valley; Hemet is south of the City of San Jacinto and 80 miles southeast of downtown Los Angeles	
Square Miles/Acres	Water: 5.25 square miles	Sewer: 17.33 square miles
Total Water/Sewer Connections	Water: 8,437 connections	Sewer: 12,000 connections
Population Served	Water: 29,000 (est.)	Sewer: 31,873
Water Infrastructure		
Facilities	9 wells, 4 storage reservoirs; 120 miles of water mains (4" to 14")	
Storage Capacity	5.1 million gallons	
Primary Source of Supply	100% Groundwater; City also maintains a connection with Eastern Municipal Water District	
Water Rates (single-family home)	¾" meter: $30.49/month; ⅝" meter: $27.55/month; plus $4.54/HCF; City does not use a tiered rate structure	
Sewer Infrastructure		
Facilities	Collection system only; 140 miles of gravity sewer	
Current and Projected Treatment Capacity	Transmission and treatment of sewage provided by EMWD's San Jacinto Regional Water Reclamation Facility; 14 MGD capacity	
Primary Disposal Method	Wastewater treated to tertiary level and used for non-potable reuse (golf course irrigation, parks, etc.)	
Sewer Rates (single-family home)	$37.83/month/fixed rate	
Budget Information - FY 2017-2018 (Water & Sewer Funds)		
	Revenues	Expenditures / Net Surplus/(Deficit)
Water Fund	$11,408,960	$10,085,090 / $1,323,870
Sewer Fund	$7,698,364	$2,904,568 / $4,793,826
Combined City Funds	$123,570,265	$83,613,246 / $39,457,205
Capital Expenditures	FY 2016-2017 $18,477,849	Long Term Planned Expenditures (2016-2021) $31,085,000
Water Fund Balance/Reserves	$425,600	
Sewer Fund Balance/Reserves	$3,938,664	
Agency Net Position	$35,966,229	
Governance		
Governing Body	5-member city council; all elected by district	
Agency Contact	Kirsten Jensen, 951-765-3712, kjensen@cityofhemet.org	

Sources: City of Hemet Sewer System Management Plan (2016); City of Hemet Urban Water Management Plan (2016); City of Hemet website; California Integrated Water Quality System (CIWQS) website; City of Hemet Questionnaire data (2018); 2017-18 Budget; 2017 CAFR

City of Hemet

Growth and Population Projections

Hemet underwent dramatic changes in the early 1960s as the City became a major destination for senior living as a result of the City's mild climate and picturesque location. According to the City's 2030 General Plan, during an approximately 20-year period of time, over 10,000 homes were built (primarily mobile homes) in senior oriented communities. As a result, in the 1990 census, the average age in Hemet was over 60.

The late 1990s and the first decade of this century saw another dramatic shift in the City's demographics as more families moved to the City. Hemet's population increased to approximately 52,000 in 1990 to over 78,000 in 2010, and the average age dropped from over 60 years to just over 39 years of age. As of January 2017, the City is estimated to be home to approximately 81,868 residents.[1] According to the Southern California Association of Governments (SCAG), Hemet is projected to grow to a population of 169,636 by 2030.

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has determined that there are 11 DUCs within the City of Hemet's sphere of influence. Two are located adjacent to the western edge of the City and nine are located adjacent to the eastern edge of the City. The two DUC areas located on the western edge are located within the Eastern Municipal Water District which can provide both water and sewer services. The nine DUC areas located on the eastern edge are located within the Lake Hemet Municipal Water District which can provide both water and sewer services.

Present and Planned Capacity of Public Facilities

Water

As stated previously, three water agencies serve the City of Hemet: the City of Hemet Water Department, the Eastern Municipal Water District, (EMWD), and the Lake Hemet Municipal Water District (LHMWD).

1. City of Hemet Water Department

The City supplies potable water within a 5.25-square-mile service area located mostly within the central part of the incorporated City. The City relies on groundwater as its supply source, which is pumped by 11 City-owned wells, of which nine are in the Hemet Groundwater Basin and two are within the San Jacinto Groundwater Basin.

According to the City's Urban Water Management Plan (2015), the City plans to continue to use local groundwater as its primary supply source through 2030 and recognizes the need to implement a combination of basin recharge measures through both natural and artificial means and water conservation measures. In addition, the City has one connection with an EMWD well to be accessed on an as-needed basis only.

[1] California State Department of Finance, Demographic Estimates (2017)

City of Hemet

The City estimates that demand for water within its service area will increase from 5,767 acre-feet to 6,370 acre-feet from 2005 to 2030. Groundwater supplies will meet demand assuming Hemet and San Jacinto Groundwater Basins recharge efforts are successful. To further improve system reliability, the City plans to add a new two million gallon reservoir to the water system to increase storage capacity and allow for flexibility should an existing reservoir need to be taken offline for cleaning or maintenance.

Aging infrastructure, which is deteriorating or of obsolete design, is a growing concern in the older sections of the City. Replacement of deteriorating or inadequate water lines may be needed to ensure the efficient provision of water supplies over time. Additionally, some of the City's water lines are located within easements along rear property lines instead of within streets or alleys. Although this does not affect the function of the lines, it does make maintenance, repair, or replacement difficult.

Supply and Demand Assessment

During normal water years, no reductions in supply are expected for any of the City's supplies. The projected normal water year supplies and demands from 2020 to 2040 are show in Table 11 below. The source water supply is larger than demand in all years, and the City is not expected to have any supply shortfalls during normal water years or during single-dry water years as shown in Tables 11 and 12 below.

Table 11 – City of Hemet Normal Year Water Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	5,542	5,542	5,542	5,542	5,542
Demand Totals	4,860	4,960	5,040	5,110	5,150
Difference	682	582	502	432	392

Source: Hemet UWMP (2015)

The projected single-dry water year supplies and demands from 2020 to 2040 are shown in Table 12.

Table 12 – City of Hemet Single-Dry Year Water Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	5,542	5,542	5,542	5,542	5,542
Demand Totals	4,960	5,060	5,140	5,210	5,250
Difference	582	482	402	332	292

Source: Hemet UWMP (2015)

2. Eastern Municipal Water District

EMWD's 555-square mile service area extends from Moreno Valley to Temecula. Portions of the City of Hemet service are located within EMWD's East Valley Service Area, which generally serves the area south of Stetson Avenue, west of Sanderson Avenue, and north of Menlo Avenue and the area to the west and south of the City. Within the East Valley Service Area, most of the water used comes from a system of 13 local wells located in the San Jacinto Groundwater Basin. These wells produce almost 20,000 acre-feet of water every year. This is also the primary source of the water that EMWD sells to the City of Hemet Water Department and LHMWD.

Other sources of water include water purchased from the Metropolitan Water District of Southern California (MET) and water recycled from EMWD treatment facilities. EMWD anticipates increased demand for water in its service area, which is largely underdeveloped. EMWD intends to use imported water from MET to help recharge the San Jacinto Groundwater Basin and increase reliability. Recycled water use is expected to increase significantly as infrastructure is expanded for industrial, agricultural, and landscape purposes.

3. Lake Hemet Municipal Water District

Lake Hemet Municipal Water District's (LHMWD) 26-square-mile service area includes the eastern portion of the City, unincorporated East Hemet and Valle Vista, and rural areas outside of the City's sphere of influence. LHMWD operates 11 wells along the San Jacinto River for most of its annual water supply. Of the District's total annual water supply of approximately 17,000 acre-feet, 20 percent comes from the surface water of the San Jacinto River system, four percent is imported from EMWD, and the remainder comes from the aforementioned wells.

LHMWD plans to add to capacity in the near future by drilling another well and by constructing a new 500,000-gallon storage reservoir near Hop Patch Road. LHMWD also intends to increase its use of EMWD recycled water for agricultural use by constructing a pipeline and pump station. LHMWD maintains Lake Hemet in the mountains southeast of Hemet as a reservoir and recreational facility. LHMWD predicts that the population it serves will increase from 39,111 in 2005 to 49,512 by 2025. To meet demand, LHMWD is relying on the successful recharge of the San Jacinto Groundwater Basin; however, it is also increasing its use of recycled water for agricultural use and constructing a membrane filtration plant to enable the use of surface water from the San Jacinto River for potable use.

Wastewater (Water Reclamation)

The City of Hemet owns and operates a wastewater collection system. The City provides wastewater collection within the City's water service area – a 5.25-square-mile service area located primarily within the central part of Hemet. The City's system consists of 140 miles of gravity sewer, 1,846 manholes and approximately 12,000 connections. The system is aging.

City of Hemet

Thirty percent of the sewer lines were installed between 1940 and 1959, 60 percent between 1960 and 1979, and ten percent between 1980 and 1999. According to the California Integrated Water Quality System (CIWQS), the sewer system serves a population of 29,972.

The City does not own or operate wastewater treatment facilities. The City has an agreement with EMWD for treatment of all wastewater generated within the City of Hemet. The wastewater from the City system flows directly into the EMWD system through a series of inter-connections between the two systems. The City's wastewater is treated at the EMWD San Jacinto Regional Water Reclamation Facility.

The City 's Sewer System Master Plan was completed in January 1991, and most recently updated in 2016. The sewer collection system was found to be "of adequate capacity to service the existing and the projected service area." Results of the computer modeling indicated the majority of the interceptors and trunk sewers of the system were adequate in terms of flow capacity for 1990 conditions. Only four sewer line segments (totaling 4,355 feet) were found to be under capacity for projected 2010 conditions. Improvements have been made on several of these lines.

Since 1990, the sewer collection system has remained virtually the same in terms of size of the service area, miles of lines, number of manholes, service connections, and number of people per dwelling unit. The service area was 80 percent built out in 1990, approximately 85 percent built out in 2010, and remains virtually the same in 2015.

Emergency Preparedness (Supply Interruption Capability)

According to the City's Sewer System Management Plan (2016), the City sets aside funds each year for training and education of sewer system collection operators to ensure they are current on the use of new technology. All staff members participate in bi-weekly safety meetings, and contractors are required to have appropriate training to ensure that work performed exceeds or is comparable to work performed by City staff.

Critical spare parts have been identified, and an adequate inventory of replacement parts is on hand to help assure uninterrupted service in the event of an emergency. This inventory includes pipe and fittings of various sizes, and high-pressure cleaning hoses. These items are immediately replaced after use to assure the inventory contains critical parts needed for system operation and maintenance. In preparation for responding to potential system failures and overflows, the City has also developed a Sewer Response Flow Chart to guide sewer maintenance personnel in responding to overflow situations.

According to the City's UWMP (2015), a water shortage could exist based upon the occurrence of one or more of the following conditions: a major failure of any or all supply, storage or distribution facilities of the City water and reservoir system; a water supply shortage due to the inability to meet acceptable water quality standards mandated by the state health department; a general water supply shortage due to increased demand or limited supplies; a

decline in the underground aquifer as measured by the height of water in the wells; and/or a complete power failure of all four electrical connections from Southern California Edison.

According to the City, the City's Water Department would be able to maintain minimum water supply to all of its customers using only auxiliary connections from the Eastern Municipal Water District and Lake Hemet. The City water superintendent or a designated representative has the authority to invoke emergency water shortage response restrictions when a major failure occurs, whether temporary or permanent, in the supply, the water quality, the distribution lines or the reservoirs of the City's water system.

Financial Ability to Provide Services

In July 2015, the California State Auditor informed the City that it had been selected for review under the high-risk local government agency audit program. The program authorizes the State Auditor to identify local government agencies that are at high risk for potential waste, fraud, abuse, or mismanagement, or that have major challenges associated with their economy, efficiency, or effectiveness. The State Auditor conducted an initial assessment of Hemet in July and August 2015. No conditions related to fraud or abuse were identified, however the Auditor did identify concerns regarding Hemet's persistent budget deficits and high retiree medical benefit costs.

In December 2015, Hemet provided the State Auditor with an update on its progress in addressing the identified risk factors. In particular, Hemet indicated that it had made substantial progress in reducing its retiree medical costs by creating an incentive program to encourage retirees enrolled in its most expensive health care plan to switch to a lower cost plan. Despite Hemet's ongoing efforts to reduce costs and generate additional revenue (e.g., the City's placement of a proposed ten-year, one percent special purpose sales tax designated for public safety which failed to achieve the necessary two-thirds voter approval), the City continues to struggle financially. Further, high turnover of key leaders in city government—chiefly the city manager—has limited Hemet's ability to plan for the future.

City of Hemet

Table 13 – City of Hemet Financial Information

	FY 2014-15	FY 2015-16	FY 2016-17
Total City Revenues	$ 56,805,899	$ 66,863,076	$ 53,351,632
Total City Expenditures	-62,282,483	-62,349,290	-52,234,769
Revenues minus Expenditures	$ -5,476,584	$ 4,513,786	$ 1,116,863
Total City Net Position – Unrestricted	$ -46,192,619	$ -50,105,171	–
Water Fund			
Water Fund Revenues	$ 7,089,911	$ 10,305,759	$ 11,460,332
Water Fund Expenditures	-7,919,382	-7,895,756	-9,965,632
Revenues minus Expenditures	$ -829,471	$ 2,410,003	$ 1,494,700
Ending Net Position	$ 7,346,200	$ 6,297,375	$ -10,965,586
Sewer Fund			
Sewer Fund Revenues	$ 2,875,575	$ 3,412,341	$ 3,903,793
Sewer Fund Expenditures	-2,201,325	-2,075,025	-2,279,995
Revenues minus Expenditures	$ 674,250	$ 1,337,316	$ 1,623,798
Ending Net Position	$ 4,607,135	$ 5,944,451	$ 7,568,249

Sources: City CAFRs 2015, 2016 & 2017

There are seven primary areas, discussed below, that may be utilized to assess the present and future financial condition of the District's water and sewer service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratio of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3-Year Revenue/Expenditure Budget Trends

The water fund overall has been experiencing a moderate surplus as well as occasional deficit spending over the last several years. However, this has been attributed primarily to planned capital expenditures and cash flows due to fluctuating water sales. The sewer fund has been consistently in the positive with excess funds being set for future capital improvements. A rate increase plan was adopted by the City Council in December 2016 and has been implemented in 2017 to accommodate these changes in water uses, planned expenditures for infrastructure, and to establish an emergency fund for rate stabilization into the future.

2. Ratios of Revenue Sources

The City receives 98 to 99 percent of its water fund and sewer fund revenues from charges and fees for services, no revenue from property taxes, and about 1 to 2 percent from miscellaneous other sources.

City of Hemet

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The City's Water Fund balance ratio is approximately 90 percent of annual expenditures. This fund ratio represents a positive ratio position and the reserve has been increased over time. The City's Sewer Fund balance ratio is approximately 200 percent of annual expenditures including debt service for facilities and wastewater treatment capacity, a very positive ratio position.

The ratios of unrestricted reserves for both the water fund and sewer fund reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues due to varying water sales based upon the economic picture and possible drought over the past ten years.

The City has been in difficult financial times for several years. The budget transmittal and audit messages outline that cost containment actions have been taken over the past two to four years to reduce deficit spending that drew down unrestricted funds to a negative balance. The unraveling of the redevelopment agency program and requirement to address pension liability has placed added pressures on City net position and financial balances. The City audit notes a $1,000,000 reserve for emergency contingency but no unrestricted funds are available to meet this identified need at this time. All other funds of the City are in restricted or committed categories at this time other than the Water Fund and Housing Fund, which are operated as proprietary funds.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The City reports no outstanding debt for the Water or Sanitation Funds in annual audits reviewed.

5. Rate Structures

The City Council adopted a water rate increase that became effective January 1, 2018. Fixed monthly charge (¾" meter) is $30.49 per month and the commodity rate is $4.54 per 100 cubic feet of usage. The City does not use a tiered rate structure.

Sewer rates were increased in the 2017 Fiscal Year to $37.83 per EDU (Equivalent Dwelling Unit) per month fixed charge including collection service by the City and wastewater treatment by EMWD. These rates address needed funds due to increases in operating costs, capital replacement projects, lower water sales and the need for emergency rate stabilization funds. The City has no standby charges. Water services rendered for single family properties for less than 30 days are charged a minimum Temporary Water Fee of $52 as set by the current City resolution.

6. Capital Improvement Program/Plan

The City adopted a Five-year Capital Improvement Program/Plan (CIP) in July 2015 (Resolution 4640) that outlined a comprehensive analysis of all City facilities for the next five years including water and sewer facilities. The 2015-16 projects for water totaled $7,125,000, and for sewer $50,000 was allocated for a Master Plan. The 2015-16 to 2019-20 CIP for water totaled $22.3 million including new wells, water quality systems, pipeline replacements and upgrades. The sewer CIP totaled $9.6 million for two major pipe replacement projects over four years.

7. Pension Liability and Other Post-Employment Benefits Liability

As most cities and government agencies in California, the City has a pension Liability and Post Employment Liability. The 2017 CAFR reports that the City has a $54,222,755 unfunded pension liability and is making the required payments to offset the liability over time. The City has entered into a program for OPEB obligations which include healthcare medical benefits for retirees and spouses and is paying them on a pay/go basis. The unfunded liability in 2017 was $9,710,323, and in 2017 paid an amount of $423,610 toward the program.

A full explanation of pension liability and OPEB is contained in the Notes section of the 2017 CAFR.

Status and Opportunities for Shared Facilities/Services

The City of Hemet shares municipal services in a variety of ways, including:

- The Hemet Fire Department has formal mutual aid agreements with many fire service agencies within the western Riverside County area.
- The City has an agreement with Eastern Municipal Water District (EMWD) for treatment of all wastewater generated within the City of Hemet. The wastewater from the City system flows directly into the EMWD system through a series of inter-connections between the two systems. The City's wastewater is treated at the EMWD San Jacinto Regional Water Reclamation Facility.
- The City's Animal control services are provided through a contract with the Ramona Humane Society.
- The City has a Franchise Agreement with CC&R, Inc. for refuse and recycling collection services.

Government Structure and Accountability

The Hemet City Council consists of five members who serve four-year, staggered terms. In 2016, elections were switched from "at-large" to "by-district". Annually, the City Council appoints a mayor and a vice mayor from its own membership to serve a one-year term. City Council meetings are held on the second and fourth Tuesdays of each month in the Council Chambers, located at 445 East Florida Avenue, Hemet, CA 92543. Reasonable arrangements

are made for those citizens with disabilities when the City is notified at least 48 hours in advance of a meeting.

Table 14 – City of Hemet City Council Members

City Council Member	Term Expires
Bonnie Wright, Mayor (District 4)	November 2020
Russ Brown, Mayor Pro-Tem (District 5)	November 2022
Michael Perciful (District 3)	November 2020
Karlee Meyer (District 1)	November 2020
Linda Krupa (District 2)	November 2020

The City's website is user friendly and posts meeting notices, City Council meeting agendas and minutes, email addresses and cell phone numbers of each Council member, and a staff directory of department heads and key staff members. The site also posts updates on current city events and news. Through the City's cable franchise agreements, the City owns and operates a government television channel. The City of Hemet's TV station currently broadcasts prerecorded video of meetings and special events sponsored or co-sponsored by the City. The City runs public service messages while prerecorded video is not on the air. This service is free for government and educational organizations.

Based upon past and current service provision practices, it is reasonable to conclude that appropriate levels of public services can continue to be provided by the City of Hemet to current and future populations under the existing government structure. No alternative government structure options were identified for further consideration at this time.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

City of Norco

Overview/History

At the turn of the century, the area that would become the City of Norco consisted of an open range of the Rancho La Sierra. Unlike other ranchos in Southern California, this one remained undivided well past the boom years of the late nineteenth century. The property's owner, Stearns Rancho Company, held onto the land with a desire to sell the entire property to a potential developer. In 1908, Willits J. Hole and George Pillsbury bought the land for $500,000 and subdivided the rancho east of the Norco Hills into farm and town lot parcels. Most of the land west of the Norco Hills was sold to investors.

Rex Clark, a businessman and promoter, played an influential role in the development of five Norco Farms subdivisions in the 1920s which provided an opportunity for buyers to build modest homes, plant gardens, and raise livestock. Clark provided markets for their farm products and built a local school which served Norco's residents from 1924 to 1947. Horses were a significant part of early Norco's everyday life, used for transportation, recreation and farming. That tradition has continued – today, the City (nicknamed "Horsetown USA") has over 140 miles of horse trails.

In 1924, the discovery of mineral hot springs led Clark to develop the 700-acre Norconian Resort which included a large hotel, lake, golf course and other amenities to further draw visitors and potential home buyers to Norco. Unfortunately, the resort was completed just before the start of the Great Depression and never achieved the success anticipated by its builder. Today, its grounds are divided between a weapons research facility and a state prison. The City of Norco officially incorporated on December 21, 1964.

Located in the northwest corner of Riverside County, the City of Norco is bordered to the east by the City of Riverside, the City of Corona to the south, and the Cities of Jurupa Valley and Eastvale across the Santa River to the north. The City is physically defined by natural borders along its northwest side, and along its eastern boundary, that separates it from adjoining communities. The City's sphere of influence is approximately 334 acres (see Exhibit 4), leaving little opportunity for large scale development. LAFCO last updated the Norco sphere in 2005. According to the City, future development will likely be limited to commercial, industrial and/or infill development.

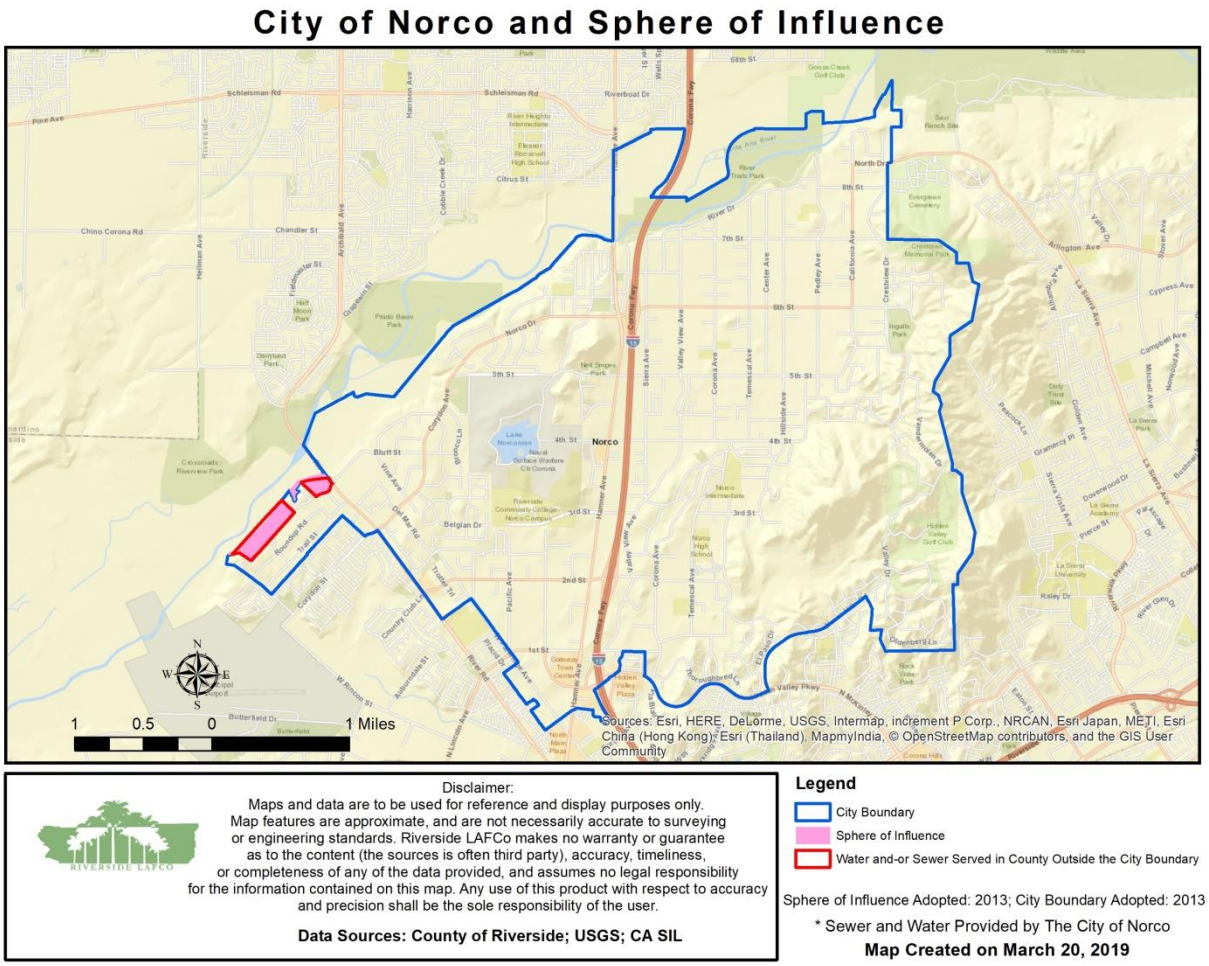
The City provides a full array of municipal services to its residents. Police service is provided through contract with the Riverside County Sheriff's Department, and the City uses contract services for its City Engineer and Water/Sewer Manager. The City of Norco is also a member of two JPAs: the Chino Basin Desalter Authority (water treatment) and the Western Riverside County Regional Wastewater Authority (sewer treatment). In both cases, multiple regional partners work together to fund regional services and solutions to meet local area needs.

City of Norco

The City does not provide municipal services outside its boundaries with one exception. According to the City, there are approximately 20 homes (located on Bluff Street, east of the Santa Ana River, just outside the southwesterly boundary of the City) which could be provided both water and sewer service through the City. A few of these homes have elected to connect to the City's sewer system. Additionally, the City has indicated that undeveloped land within its sphere outside the northeast corner of the City, south of the Santa Ana River, could also be provided water and sewer service by the City should the property develop in the future. To provide that service, the City would be required to enter into an out-of-area service agreement approved by LAFCO.

City of Norco

Exhibit 4 – City of Norco



City of Norco

City of Norco - Agency Profile

General Information			
Agency Type	General Law City		
Date Formed	Incorporated December 21, 1964; became a Charter City in 2003		
Services	Full service; police service provided by contract with Riverside County Sheriff's Department		
Service Area			
Location	Northwest Riverside County; City of Riverside to the east; City of Eastvale to the north; City of Corona to the south		
Square Miles/Acres	Approximately 15 square miles/9,600 acres		
Total Water/Sewer Connections	Water: 7,500 connections Sewer: 6,954 connections		
Population Served	25,890		
Water Infrastructure			
Facilities	7 reservoirs; 4 wells; 3 outside connections; 1 treatment facility		
Storage Capacity	9 million gallons (7 reservoirs)		
Primary Source of Supply	Groundwater (15%) and Imported (85%)		
Water Rates (single-family home)	$2.12 per HCF fixed rate; under severe water shortages, a "drought surcharge rate" ($0.37 to $1.73 per HCF) can be charged.		
Sewer Infrastructure			
Facilities	106 miles of pipeline; 12 lift stations		
Current and Projected Treatment Capacity	2.7 MGD through Western Riverside County Regional Wastewater Authority; 100,000 GPD through City of Corona		
Primary Disposal Method	City is a member agency of Western Riverside County Regional Wastewater Authority which treats wastewater to tertiary level		
Sewer Rates (single-family home)	$51.00 per month, fixed rate		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water Fund	$10,781,945	$10,053,385	$734,561
Sewer Fund	$7,538,268	$6,265,527	$1,272,741
Combined City Funds	$18,320,213	$16,318,912	$2,001,301
Capital Expenditures	FY 2017-2018 Water -$4,665,000 Sewer (Facilities) - $4,015,000 Sewer (Connections) - $25,000	Long-Term Planned Expenditures Water - FY 17-18 through FY 21-22: $22,768,531 Sewer (Facilities Fund) - FY 17-18 through FY 21-22: $ 18,775,000 Sewer (Connections Fund) - $100,000	
Water Fund Balance/Reserves	$2,720,599		
Sewer Fund Balance/Reserves	$6,905,069		
Agency Net Position	$9,625,688		
Governance			
Governing Body	5-member city council; meets 1st and 3rd Wednesdays, 6 PM, City Hall		
Agency Contact	Chad Blais, Director Public Works, 951-270-5678, cblais@ci.norco.ca.us		

Sources: Norco UWMP (2015); City website; City municipal questionnaire; Adopted 17-18 Budget; Adopted 5-Year Capital Improvement Program/Plan FY 18-22

City of Norco

Growth and Population Projections

The California State Department of Finance estimates the City's 2017 population to be 26,882. As expected in an area reaching build-out conditions, the City's projected population over the next 25 years is expected to slow significantly when compared to growth experienced in previous decades. Between 2015 and 2040, growth is expected to increase by approximately 12 percent, or 3,410 residents.

Table 15 – City of Norco Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
25,890	26,800	27,300	27,800	28,800	29,300

Source: City of Norco UWMP (2015)

According to the City's General Plan, there are 9,808 acres of land within the incorporated boundaries of Norco. Large lot residential development is the predominant land used in Norco, comprising 46 percent of the City. Domestic commercial agriculture, including the keeping of horses and other animals, is common on many of the larger parcels. As a horse community, there are few sidewalks in Norco. Instead there is an extensive system of horse trails throughout the community. About 13 percent of the City's land area is used for commercial and industrial activities, schools and parks. Open space, streets and freeways comprise about 28 percent of the City.

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has determined that there are no DUCs within or adjacent to the City of Norco's sphere of influence, so no additional analysis is required in this report.

Present and Planned Capacity of Public Facilities

The City is the sole water purveyor for the residents and businesses of Norco. The City also provides sewer collection service, but treatment is performed through the Western Riverside County Regional Wastewater Authority and the City of Corona. Both the City's water and sewer infrastructure systems are aging. In the July 1, 2017 Budget Report, the Norco Mayor indicated that "along with the challenge of maintaining a balanced operating budget, the City must also find sustainable revenue sources to support the timely maintenance and replacement of the City's aging governmental infrastructure and other capital facilities. Currently, it is estimated that the City has annual funding gap of $4.5 million in governmental infrastructure and facilities."

Water

According to the City's Urban Water Management Plan (2015), the City's water service area encompasses approximately 15 square miles. The service area is divided by the Interstate 15 Freeway which runs north and south through the City. The City's water infrastructure system consists of four active wells, three purchased water connections, one treatment facility and seven reservoirs with a capacity of nine million gallons. City water supplies are obtained from

both imported (purchased) water sources and groundwater sources. During 2016, the City's water supply consisted of approximately 85.5 percent purchased treated water and 15.5 percent groundwater.[2] The most recent City Water Quality Report (2016) indicates that while the City's drinking water supply meets all state and federal water quality standards, the City's groundwater wells contain arsenic above the MCL.

Imported Water (Purchased)

The City's imported water is supplied by the Metropolitan Water District (MET) and purchased through the Western Municipal Water District (WMWD), a member agency of MWD. The City's imported water supply consists of treated water supplied via the Mills Pipeline from Metropolitan Water District Southern California's Henry J. Mills filtration plant to the City of Corona, then wheeled through a metered connection to the City. Over the last decade, the City's potable water supply has shifted to rely primarily on local and regional groundwater supplies with minor deliveries of water imported from WMWD.

Groundwater

The City's service area and distribution system overlies the Temescal Groundwater Basin, with a small the portion of the service area overlying the southern end of the Chino Groundwater Basin. The majority of the City's groundwater supplies are pumped from the Temescal and Chino groundwater basins. The Chino Groundwater Basin is an adjudicated basin, managed by the Chino Basin Watermaster. In addition, the City is a member agency of the Chino Desalter Authority (CDA), a Joint Powers Authority, with an annual obligation to purchase 1,000 AFY of reverse osmosis treated potable groundwater water. The City also entered into a purchase water agreement with WMWD to purchase a minimum of 4,400 AFY of treated groundwater annually from the Arlington Desalter reverse-osmosis treatment facility.

Supply and Demand Assessment

During normal water years, no reductions in supply are expected for any of the City's supplies. The projected normal water year supplies and demands from 2020 to 2040 are show in Table 16, below. The source water supply is larger than demand in all years, and the City is not expected to have any supply shortfalls during normal water years or any issues providing a reliable and consistent supply of water.

Table 16 – City of Norco Normal Year Water Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	10,825	11,0251	11,025	11,025	11,025
Demand Totals	7,008	7,170	7,182	7,194	7,150
Difference	3,817	3,885	3,843	3,831	3,875

Source: Norco UWMP (2015)

[2] City of Norco Water Quality Report (2016)

City of Norco

The City does not treat surface water and does not have any local surface water sources. During single dry years, there may be up to a 50 percent curtailment in the City's surface water supplied by WMWD. Because the City's surface water supply is the only supply that is considered to be susceptible to dry water years, and because the City only relies on surface water in emergency situations, this would not affect single-dry year demands. No reductions are assumed for the City's purchased, water, groundwater, or recycled water supplies. The projected single-dry water year supplies and demands from 2020 to 2040 are shown in Table 17.

Table 17 – City of Norco Single-Dry Year Water Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	10,825	11,0251	11,025	11,025	11,025
Demand Totals	7,008	7,170	7,182	7,194	7,150
Difference	3,817	3,885	3,843	3,831	3,875

Source: Norco UWMP (2015)

Groundwater Pumping

According to the City's Urban Water Management Plan (2015), the groundwater basins underlying the City of Norco have undergone significant changes since groundwater development began in the early 1900s. Since that time, the basins have supported a variety of uses including extensive agricultural irrigation and increasing urban use. Early agricultural activities in the basin were supplemented by diversions of surface water imported into the basin.

Groundwater pumping has varied over time. In the late 1940s, the total amount of groundwater pumping in the basin was about 20,000 AFY. That amount increased to between 25,000 AFY and 32,000 AFY from the late 1950s to the mid-1970s. Total groundwater pumping decreased to below 20,000 AFY in the 1980s and early 1990s due to a decrease in agricultural irrigation but has increased to about 25,000 AFY in recent years due to municipal pumping.

Wastewater (Water Reclamation)

The City owns and operates a sanitary sewer collection system that includes 11 lift stations and approximately 106 miles of pipeline. Approximately ten percent of the sewer lines were installed between 1960 and 1979, 65 percent between 1980 and 1999, and 25 percent after 2000.[3] The City is a member agency of the Western Riverside County Regional Wastewater Authority (WRCRWA), a Joint Powers Authority, which provides regional sewage treatment and disposal services. In addition to Norco, there are five additional agencies which have the right to discharge to the WRCRWA treatment facility and collection system: Home Gardens

[3] Regional Water Quality Control Board, CA Integrated Water Quality System Report (2017)

City of Norco

Sanitary District, Jurupa Community Services District, Western Municipal Water District, the Santa Ana Watershed Project Authority and the City of Corona.

The City of Norco owns 27.5 percent of the WRCRWA treatment facility's total capacity, or 2.7 million GPD. The City also owns 100,000 GPD of sanitary sewer collection capacity and wastewater treatment capacity in the City of Corona wastewater system. Wastewater is treated at a tertiary level and is discharged into the Santa Ana River after treatment.

In 2007, the City designed and constructed a recycled water distribution system to deliver recycled water to all municipal facilities. The recycled water distribution system currently consists of approximately eight miles of pipeline with a storage reservoir, two booster pump stations, and two pressure reducing stations. Although the City has constructed the backbone infrastructure to provide recycled water, the City currently does not provide recycled water. Future recycled water customers will include golf courses, municipal parks, landscape maintenance districts, schools, dual plumbing, agriculture, and freeway landscaping.

Emergency Preparedness (Supply Interruption Capability)

Extended multi-week supply water shortages are unlikely due to natural disasters or accidents which damage all water sources. As discussed previously, the City has the ability to produce water from three individual groundwater basins creating water production flexibility. The City also maintains a sound preventative maintenance program for its water distribution system. According to the City, auxiliary generators are available, and improvements have been made to water facilities to minimize loss of these facilities during an earthquake or any disaster causing an electric power outage. The City has also entered a MOA with Western Municipal Water District to receive their CDA water and is currently updating its Water Master Plan.

The City has developed an SSMP for sewer operations which includes appropriate personnel listings, resource inventories, locations for emergency operations centers, response procedures, and the steps necessary to resume normal operations.

Financial Ability to Provide Services

As of June 30, 2017, the City was able to report a positive increase in its Net Position, the value of assets and funds on hand for operations and capital investment, to $266,897,758, an increase of $2,315,097 over the prior year and an increase in balance in its unrestricted net position to $27,996,922. On June 30, 2017, the Water Fund Net Position balance was $28,037,131. This is an increase of $2,003,818, during a period of drought including demand management restrictions and slightly less sales overall. The Water Fund Unrestricted Net Position was $8,041,490.

On June 30, 2017, the Sewer Fund Net Position balance was $30,132,304. This is an increase of $1,445,894 over the prior year. The Sewer Fund Unrestricted Net Position was $16,760,640. In December 2016, the City Council adopted a Water Rate increase to provide

City of Norco

additional funds for operations and capital replacements and a rate stabilization emergency fund.

Table 18 – City of Norco Budget Information

	FY 2015-16	FY 2016-17	FY 2017-18
Total City Revenues	$ 35,505,963	$ 44,990,378	$ 40,985,259
Total City Expenditures	-34,530,983	-38,487,691	-38,670,162
Revenues minus Expenditures	$ 975,000	$ 6,502,687	$ 2,315,097
Ending Net Position	$ 255,609,717	$ 264,582,661	$ 266,897,758
Water Fund			
Water Fund Revenues	$ 8,990,376	$ 8,573,495	$ 11,352,560
Water Fund Expenditures	-9,278,216	-9,673,588	-9,348,742
Revenues minus Expenditures	$ -287,840	$ -1,100,093	$ 2,003,818
Ending Net Position	$ 24,489,689	$ 26,053,313	$ 28,037,131
Sewer Fund			
Sewer Fund Revenues	$ 12,754,611	$ 6,696,737	$ 7,497,922
Sewer Fund Expenditures	-5,837,355	-6,315,558	-6,052,038
Revenues minus Expenditures	$ 6,917,256	$ 381,179	$ 1,445,894
Ending Net Position	$ 426,355,982	$ 28,686,410	$ 30,132,304

Sources: City CAFRs 2015, 2016 & 2017

There are seven primary areas, discussed below, that may be utilized to assess the present and future financial condition of the District's water and sewer service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratio of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The water fund overall has been experiencing a slight surplus as well as occasional deficit spending over the last several years. However, this has been attributed primarily to planned capital expenditures and cash flows due to lower water sales. A rate increase plan was adopted by the City Council in December 2016 and has been implemented in 2017 to accommodate these changes in water uses, planned expenditures for infrastructure, and to establish an emergency fund for rate stabilization into the future.

2. Ratios of Revenue Sources

The City receives 98 to 99 percent of its water fund and sewer fund revenues from charges and fees for services, no revenue from property taxes, and about 1 to 2 percent from miscellaneous other sources.

City of Norco

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The City's Water Fund balance ratio is approximately 86 percent of annual expenditures. This fund ratio represents a positive ratio position and the reserve has been increased over time. The City's Sewer Fund balance ratio is approximately 276 percent of annual expenditures including debt service for facilities and wastewater treatment capacity, a very positive ratio position.

The ratios of unrestricted reserves for both the water fund and sewer fund reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues due to varying water sales based upon the economic picture and drought over the past ten years.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the City's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of ten percent or less would reflect a very stable ratio. The City's Water Fund has reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time.

During March 2009, the City issued $39,000,000 Enterprise Revenue Refunding Bonds, Issue 2009, to advance refund $7,395,000 of outstanding 1998 Refunding Certificates of Participation (Sewer and Water System Refunding Certificates) and $12,209,120 of outstanding 1996 Variable Rate Revenue Bonds (Western Riverside County Regional Wastewater Treatment System Lease). In addition, proceeds were used to finance water and sewer system improvements within the City. The bonds are dated March 18, 2009 with interest paid at a rate from 3.00 percent to 5.00 percent payable semiannually on April 1 and October 1, commencing on October 1, 2009. As of June 30, 2017, the balance due was $33,710,000.

The Water Fund's annual debt service ratio to total expenditures is approximately 8 percent, a reasonable ratio. The Sewer Fund debt service ratio to total expenditures is approximately 20 percent, somewhat high but necessary due to the Revenue Bond funded purchase and lease of additional sewer treatment capacity for the future.

5. Rate Structures

The City Council adopted a Five-year Water and Sewer Rate Study on December 7, 2016 to become effective in FY 2017. Fixed monthly charges (3/4" meter) range from $35.74 in FY 2017 to $47.80 in FY 2021. The City's current water user charge is $ 2.12 (increases to $2.70 in 2021) per 100 cubic feet of usage. The City has also adopted "drought surcharge rates" that can be assessed to all monthly metered water usage under severe water shortages. Surcharge rates consist of four levels, ranging from $0.37 to $1.73 per 100 cubic feet of usage.

City of Norco

Sewer rates were increased in the 2017 Fiscal Year to $51.00 per EDU (Equivalent dwelling unit) per month fixed charge and for non-residential users, an additional charge of $8.00 per 100 cubic feet of usage. These rates address needed funds due to increases in operating costs, capital replacement projects, lower water sales and the need for emergency rate stabilization funds. The City has no standby charges.

Table 19 – Adopted Water Rates* – City of Norco, 2017-2021

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Fixed Monthly Charge	$35.74	$39.42	$43.27	$47.10	$47.80
User Charge Rate (per HCF)	$2.12	$2.22	$2.44	$2.66	$2.70

*Rates based on ¾" meter; rates apply to single-family, multi-family, commercial, industrial, and municipal customers.

Table 20 – Adopted Sewer Rates* – City of Norco, 2017-2021

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Fixed Monthly Charge	$51.00	$51.00	$53.81	$56.77	$59.89
User Charge Rate (per HCF)	$8.00	$8.00	$8.44	$8.90	$9.39
Monthly Non-Connect Fee	$19.00	$19.00	$20.05	$21.15	$22.31

*Monthly fixed charge applies to all customer classes; sewer usage charge excludes single family and irrigation customer classes; monthly non-connect fee is for single family residential on septic; multi-family customer class is defined as 4 or more dwelling units.

6. Capital Improvement Program/Plan

The City has developed and implemented an aggressive and comprehensive CIP for water and sewer facility infrastructure improvements. The City's current 5-Year CIP reflects approximately $31.9 million in improvements for water infrastructure, with approximately $4.665 million programmed for FY 2017-18. The City's Sewer CIP for 2017-18 is projected at $4.015 million for various projects.

The City's water and sewer infrastructure systems are aging. During FY 2016-2017, the Norco City Council raised water and sewer rates to address the growing gap between revenues and expenditures. According to the City, the decision to increase rates was necessary to meet the City's fiduciary obligation to ensure that rates are adequate to cover the cost of operations, maintenance and capital replacement.

The City's water and sewer funds do not receive tax revenues and must recover the cost of providing services through user rates. With the rate increase, both the water and sewer funds are projected to generate sufficient revenues to cover operating costs, build working capital reserve, fund a rate stabilization reserve and provide for capital investment in water and sewer infrastructure. When looking at the overall City's maintenance and replacement needs for aging governmental infrastructure and other capital facilities (not just water and sewer), the City estimates an annual funding gap of $4.5 million.

According to the City, the estimated capital project expenditures listed for FY 2018-2022 will be made over ten years. City staff estimates that sufficient revenues will be generated over

City of Norco

this ten-year period to cover the cost of the planned capital improvements. The estimated deficit fund balance shown on the tables below, beginning in FY 2017-2018, is a result of compressing projects to be funded over ten years into a Five-Year Capital Improvement Program/Plan Budget and the non-recognition of future revenues to be transferred from the water operations fund for capital project expenditures. Over the next ten years, the City anticipates spending $18.8 million on sewer system improvement projects and $31.9 million on water system improvement projects.

Table 21 – Five-Year CIP Source of Funds – Sewer Fund 147

Sources of Funds	FY 2017-2018	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022
Beginning Balance	$ 3,448,783	$ 923,516	$ -1,531,885	$ -4,893,983	$ -8,888,943
Impact Fees	547,962	–	–	–	–
City of Corona	25,443	25,443	25,443	24,443	24,443
Repayment - Silverlakes	292,876	292,876	292,876	292,876	292,876
County Flood Control	600,000	840,000	380,000	–	–
Investment Earnings	23,452	6,280	-10,417	-33,279	-60,445
Total	$ 4,938,516	$ 2,088,115	$ -843,983	$ -4,608,943	$ -8,631,069

Source: Norco Adopted 2018-22 CIP

Key sewer improvement projects included in the City's CIP are, among others, WRCRWA and recycled water system improvements, lift station rehabilitation, main line replacements, yard security improvements and a new vactor truck.

Table 22 – Sewer CIP Projects - FYs 2018-2022

	FY 2017-2018	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022
Use of Funds	$ 4,015,000	$ 3,620,000	$ 4,050,000	$ 4,280,000	$ 2,810,000
End Balance	$ 923,516	$ -1,531,885	$ -4,893,983	$ -8,888,943	$ -11,441,069

Source: Norco Adopted 2018-22 CIP

Table 23 – Five-Year CIP Source of Funds – Water Fund 144

Sources of Funds	FY 2017-2018	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022
Beginning Balance	$ 3,846,391	$ 177,791	$ -6,883,802	$ -14,528,413	$ -22,900,009
Impact Fees	198,047	–	–	–	–
Transfer from Water Operations Fund	–	–	–	–	–
EPA Grant	485,000	–	–	–	–
Repayment - Silverlakes	287,198	287,198	287,198	287,198	2287,198
Investment Earnings	26,115	1,209	-46,810	-98,793	-155,720
Total	$ 4,842,791	$ 466,198	$ -6,643,413	$ -14,340,009	$ -22,768,531

Source: CAFRs 2014-15, 2015-16, 2016-17

Key water improvement projects included in the City's CIP are, among others, Supervisory Control and Data Acquisition (SCADA) upgrades, water line relocations and replacements, reservoir replacements and water treatment system upgrades.

City of Norco

Table 24 – Water CIP Projects - FYs 2018-2022

	FY 2017-2018	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022
Use of Funds	$ 4,665,000	$ 7,350,000	$ 7,885,000	$ 8,560,000	$ 3,410,000
End Balance	$ 177,791	$ -6,883,802	$ -14,528,413	$ -22,900,009	$ -26,178,531

Source: Norco Adopted 2018-22 CIP

7. Pension Liability and Other Post-Employment Benefits Liability

The City provides pension benefits to employees and beneficiaries as long as they meet plan requirements. The City does not list any Post Employment Health Benefits in its Comprehensive Annual Financial Report (CAFR). Governmental Accounting Standards Board (GASB) reporting requirements changed in 2016 to require recording these liabilities to the financial reports and balance sheet. The City reports in the 2017 CAFR an approximate liability for pensions of $17,182,219 and no unfunded payments. The City paid $2,189,772 toward pension liabilities in FY 2016-17.

A detailed description of the programs and expenses is provided in the annual CAFR on the City's webpage.

Status and Opportunities for Shared Facilities/Services

The City of Norco police service is provided through contract with the Riverside County Sheriff's Department, and the City uses contract services for its City Engineer and Water/Sewer Manager. The City of Norco is also a member of two JPAs: the Chino Basin Desalter Authority (water treatment) and the Western Riverside County Regional Wastewater Authority (sewer treatment). In both cases, multiple regional partners work together to fund regional services and solutions to meet local area needs.

Government Structure and Accountability

The City of Norco, a charter city, is governed by a five-member City Council, elected at large. Meetings are held twice monthly, on the first and third Wednesdays, at 6:00 p.m. in Norco City Hall located at 2870 Clark Avenue, Norco. Reasonable arrangements are made for those citizens with disabilities when the City Clerk's Office is notified at least 48 hours in advance of a meeting. City Council Chamber seating capacity is approximately 125. Adequate notice is given to residents for City Council meetings and meetings of the various City Commissions. Agendas are posted in five places as directed by City Council resolution.

City of Norco

Table 25 – City of Norco City Council Members

Council Member	Term Expires
Ted Hoffman, Mayor	November 2020
Robin Grundmeyer, Pro-Tem	November 2020
Kevin Bash	November 2022
Berwin Hanna	November 2020
Greg Newton	November 2022

The City's website is user-friendly and has easy access to City Council agendas, minutes, public notices, budgets, audits and other key City documents. City Council meetings are videotaped and accessible for on-line viewing. Phone numbers and email addresses for City council members are listed as are phone numbers for City department heads. The City also has Facebook and Twitter accounts and a sign-up service for on-line city news and updates.

As stated previously in this report, the City is bordered on the east and south by the cities of Riverside and Corona, respectively, and defined by natural borders along its eastern and northwest boundaries effectively separating the City from adjacent communities. Opportunities for reorganization with adjoining cities are remote.

The City uses contract services for its City Engineer and Water/Sewer Manager. As a small municipal services provider with less than 8,000 services, contracting out certain specialized functions allows the City to use the services of these professionals on "as needed" basis. The City also participates in joint ventures which allow the City to share operating and fixed overhead costs with other agencies providing cost savings to the City.

The City of Norco is also a member of two JPA's: Chino Basin Desalter Authority (treated water) and Western Riverside County Regional Wastewater Authority (sewer treatment). In both cases multiple regional partners worked together to fund regional services and solutions to meet area needs.

Based upon past and current service provision practices, it is reasonable to conclude that appropriate levels of public services can continue to be provided by the City of Norco to current and future populations under the existing government structure. No alternative government structure options were identified for further consideration at this time.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

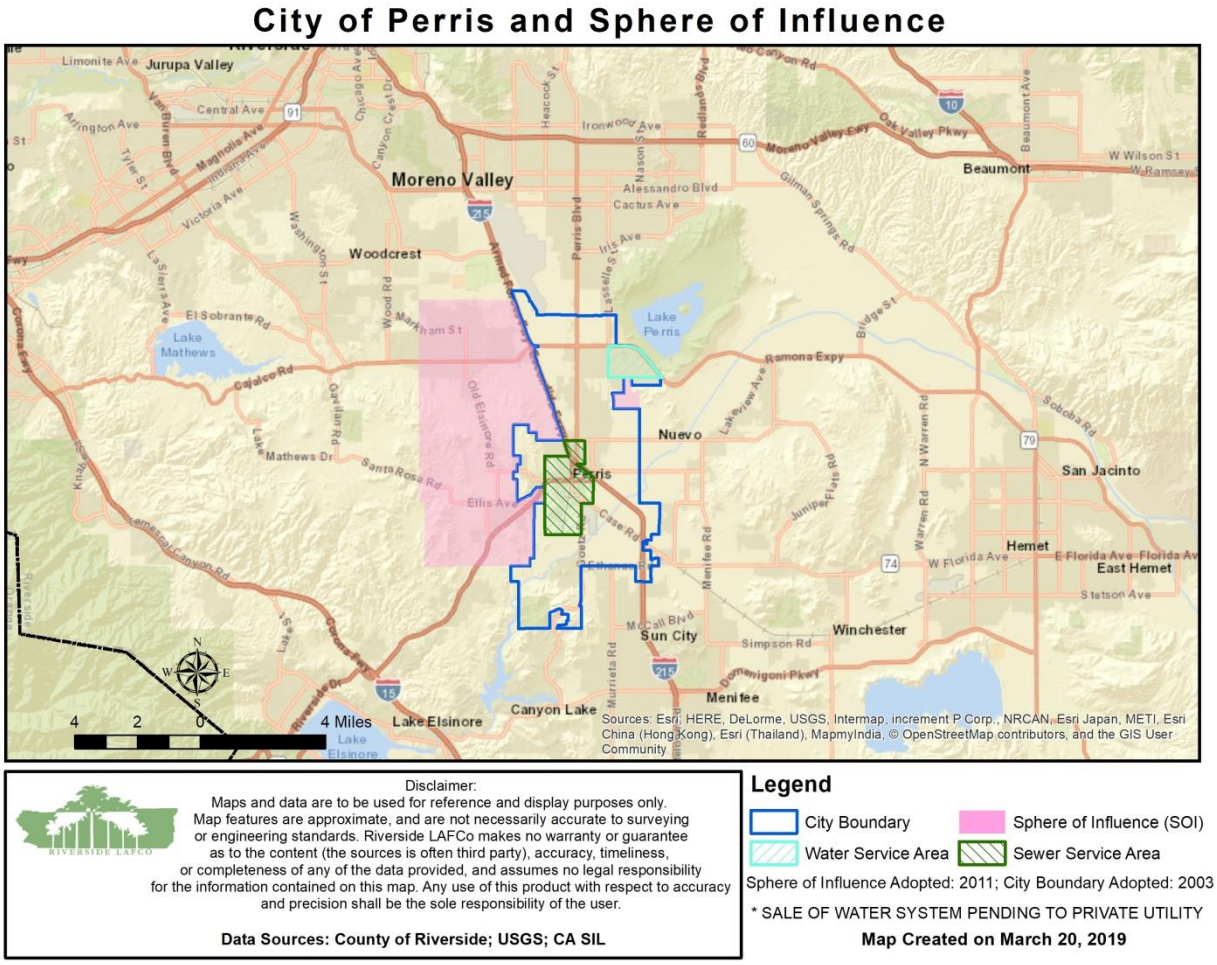
City of Perris

Overview/History

The Perris Valley was actively settled in the 1880s, a boom period for Southern California. Prior to 1880, the land was used for pastures. The coming of the California Southern Railroad led to the founding of the City around the new depot. The California Southern was built through the future town site in 1882 to open a rail connection between the present day cities of Barstow and San Diego. Perris was originally part of San Diego County, but in 1892 was transferred to the newly established Riverside County. The City of Perris was incorporated on May 26, 1911 with an estimated population of approximately 300 residents.

City of Perris

Exhibit 5 – City of Perris



City of Perris

City of Perris - Agency Profile

General Information			
Agency Type	General Law City		
Date Formed	Incorporated May 26, 1911		
Services	Fire (contracted with Riverside County Fire), Police (contracted with Riverside County Sheriff), Public Works, Animal Control, Streets, Parks, Water and Sewer (central portion of City only)		
Service Area			
Location	The City of Perris is located midway between the San Jacinto and Santa Ana Mountains in southwest Riverside County, 17.6 miles south of the City of Riverside.		
Square Miles/Acres	Central core of City of Perris (acreage TBD)		
Total Water/Sewer Connections	Water: 2,300 (approximately) Sewer: 2,300 (approximately)		
Population Served	Total City population: 77,837 (2018); approximately 9,000 water and sewer customers served by City; balance served by Eastern Municipal Water District		
Water Infrastructure			
Facilities	48 miles of water pipeline		
Storage Capacity	2.5 MG		
Primary Source of Supply	Imported; City purchases 640 MG annually from Eastern Municipal Water District		
Water Rates (single-family home)	City uses a 2-tier rate system; $12.92 per month fixed charge plus $2.695 per HCF (0 - 18), and $5.155 per HCF over 18.		
Sewer Infrastructure			
Facilities	City provides collection services only; 36 miles of gravity sewer		
Current and Projected Treatment Capacity	Treatment through EMWD's Perris Valley Regional Water Reclamation Facility; 7-year, $222 million facility expansion completed in 2014; capacity is 22 MGD.		
Primary Disposal Method	Wastewater is treated at the Perris Valley Regional Water Reclamation Facility to tertiary level.		
Sewer Rates (single-family home)	$45.05 fixed monthly charge.		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water Fund	$3,434,900	$10,038,139	$-6,603,239
Sewer Fund	$2,000,500	$2,403,537	$-403,037
Combined City Funds	$84,164,878	$65,056,335	$19,108,543
Capital Expenditures	FY 2017-1018 $9,551,070	Long-Term Planned Expenditures Only 2017-18 in Budget and CIP reports	
Water Fund Balance/Unrestricted Reserve	$-425,731		
Sewer Fund Balance/Unrestricted Reserves	$1,821,200		
Agency Net Unrestricted Position	$-3,597,945		
Governance			
Governing Body	5-member city council, elected at large		
Agency Contact	Marilyn Fernholz, 951-943-6100, mfernholz@cityofperris.org		

Sources**:** City website; City of Perris Housing Element (2013); Eastern Municipal Water District UWMP (2015); City of Perris Mitigated Negative Declaration No. 2332 (2018); California Integrated Water Quality System (CIWQS) Report (2018); 2017 CAFR; 2018-19 Budget

City of Perris

Growth and Population Projections

According to recent Census data, the current population of the City of Perris is 77,837 as of January 1, 2018. Population in Perris was relatively stable between 1970 and 1980; however, after 1980, the City experienced a rapid increase in population.

Between 1980 and 1990, the City's population increased 214 percent, between 1990 and 2000 the population increased 68 percent, and between 2000 and 2010 the population increased 35 percent. Future growth estimates predict a continued increase in population, yet at a slower rate, over the next 20 years. The Riverside County Center for Demographic Research estimates that the population of Perris will top 84,881 by the year 2030 which represents an overall population increase of 35 percent between 2010 and 2030.

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has identified four DUCs within the City's sphere of influence all located adjacent to the western edge of the City. All four areas are within the Eastern Municipal Water District and can be served for both water and sewer services. These areas are identified as 1) Una Street – Alexander Street in Mead Valley; 2) Mead Valley North; 3) Lukens Lane/W. San Jacinto; and 4) Mead Valley South.

Present and Planned Capacity of Public Facilities

Water

The Eastern Municipal Water District (EMWD) provides and distributes potable water throughout all but a small portion of the City of Perris and its Sphere of Influence. The City of Perris Water Department owns and maintains water lines in two water systems. The "Downtown Water System" is located in the City's downtown area (generally extending north to Nuevo Road, west to Arapahoe, south to Mountain Avenue, and east to Redlands Boulevard) which provides service to 2,366 connections. The "North Perris Water System" is located in the North Perris area and provides services to approximately 1,357 connections in the Villages of Avalon.

In November 2017, Perris voters approved a ballot measure (Measure H) authorizing the sale of the City's two water systems to Liberty Utilities, a private water purveyor regulated by the California Public Utilities Commission, for $11.5 million. As reported in City staff reports, the water systems are currently in debt and have experienced annual operating deficits. According to the City, the $11.5 million received by the City will be used to retire debt related to the water systems and upgrade the City's park system. The sale process is still underway and expected to be complete by early 2019. Until that time, operation and ownership of the water systems remain with the City.

The Perris Water Department buys all of its water from the EMWD that, in turn, delivers the water through five metered connections to the Perris Water system. Imported water purchased

City of Perris

from the Metropolitan Water District of Southern California (MWD) makes up over 75 percent of the District's water supply. Of water imported by the District, 75 percent is from Northern California from the State Water Project, and 25 percent from the Colorado River via the Colorado River Aqueduct and Lake Perris. MWD potable water from the State Water Project water is piped into the EMWD system serving the northern section of Perris from the Mills Filtration plant north of the City. The Skinner Filtration Plant south of the City supplies water to the southern portion of Perris from both the California Water Project and the Colorado River Aqueduct. Both facilities are operated by MWD. EMWD also produces approximately 45 to 50 MGD of treated recycled water from its four regional treatment plants.

Twenty-five percent of EMWD water is supplied by groundwater wells, most of which comes from EMWD wells in the Hemet and San Jacinto areas. Other EMWD wells are located in the Moreno Valley, the Perris Valley, and Murrieta areas. Eight EMWD storage tanks contribute to the water supply for the City of Perris:

- Oleander Tanks I and II in northeastern Perris with capacities of 4 million gallons each;
- Citrus Tanks I and II at the east end of Citrus Avenue with capacities of 4 million and 7.2 million gallons respectively;
- Cajalco Tank on Cajalco Road west of Decker Road with capacity of 1.25 million gallons;
- Decker Tank west of Decker Road and Redwood Drive with a capacity of 8.4 million gallons;
- Ellis Tank at Ellis Avenue and Post Road with a capacity of 0.25 million gallons; and
- Motte Tank on Metz Road east of Graham Street with a capacity of 0.5 million gallons.

Five EMWD booster stations pump water throughout Perris:

1. Harvill Booster at Harvill Avenue and "A" Street;
2. Cajalco Road Booster at Morgan Street and the I-215 Freeway;
3. Good Hope II Booster at Ellis Avenue and Thelma Street;
4. Nuevo & Webster Booster at Nuevo Road and Webster Avenue; and
5. Murrieta Road Booster @ Murrieta Road and Ethanac Road.

EMWD also constructed the Menifee Desalter to recover high total dissolved solids (TDS) groundwater for potable use. In addition to being a source of water, the desalter plays a part in managing the groundwater subbasins.

City of Perris

Wastewater (Water Reclamation)

The Eastern Municipal Water District (EMWD) owns and maintains the sanitary sewer system serving most of the City of Perris and its Sphere of Influence. The City of Perris owns and maintains sanitary sewers in and around Downtown Perris in an area generally extending north to Nuevo Road, west to Arapahoe, south to Mountain Avenue, and east to Redlands Boulevard. (A November 2017 ballot measure – Measure G – would have given the City authorization to seek buyers for the City sewer system that serves the downtown area. The measure failed to receive the necessary two-thirds vote for passage.)

The City of Perris Sewer Department collection system discharges into EMWD trunk lines. EMWD trunk line sewers convey sewage from both EMWD and Perris Sewer District systems to the 300-acre Perris Valley Regional Water Reclamation Facility (PVRWRF) south of Case Road and west of the I-215 Freeway. Sewage is processed at the PVRWRF into biosolids, that may be used for soil enrichment, and converted into recycled water. In 2001, more than 25,000 acre-feet of recycled water produced at the facility was consumed by CALPINE Energy Company, the San Jacinto Wildlife Area, agricultural irrigators, and "municipal irrigators" for use in irrigation of golf courses, school athletic fields, and municipal parks.

PVRWRF produces tertiary-treated water and has an average daily flow of 13.8 million gallons per day (MGD) with a recently expanded capacity of 22 MGD. The Santa Ana Regional Water Quality Control Board issued a National Pollutant Discharge Elimination System permit to the Riverside County Flood Control and Water Conservation District as principal permittee and the City of Perris as a co-permittee. The NPDES permit implements federal and state law governing point-source discharges (municipal or industrial discharge from a specific location or pipe) and non-point-source discharges (diffuse runoff) to surface waters of the United States. The NPDES permit also regulates the amount and type of pollutants that the system can discharge into receiving waters (NPDES No. CAS618033, Order No. R8-2010-0033).

Emergency Preparedness (Supply Interruption Capability)

EMWD is dependent on MWD for the majority of its water supply. According to EMWD's Urban Water Management Plan (2015), MWD has prepared for emergencies using a combination of storage, facility design and redundant power sources. Emergency storage requirements are based on the potential for a major earthquake that renders major water transportation facilities out of service for six months. Assuming 100 percent of its supplies are unavailable for six months, MWD has enough water storage to sustain 75 percent of normal year firm deliveries.

In the event of a major power outage, water supply can be delivered by gravitational feed from recreational reservoirs, including Diamond Valley Lake Reservoir. For treatment plants, MWD has backup power generators in place in case of electrical outages. As a result of a water shortage or emergency situation, there may be a reduction of revenue from water sales. To protect EMWD from financial hardship in such a situation, a financial reserve account (Rate Stabilization Reserve) has been established to meet the fixed costs associated with water delivery that may not be met in the case of reduced water sales.

City of Perris

EMWD has developed an SSMP for sewer operations which includes appropriate personnel listings, resource inventories, locations for emergency operations centers, response procedures, and the steps necessary to resume normal operations.

Financial Ability to Provide Services

As of June 30, 2017, the City was able to report a positive increase in its Net Position, the value of assets and funds on hand for operations and capital investment, to $289,100,012, an increase of $19,108,543 over the prior year and an increase in balance in its unrestricted net position to $5,349,000. On June 30, 2017, the Water Fund Net Position balance was $3,257,895. This is an increase of $3,667,688, during a period of drought including demand management restrictions and slightly less sales overall. In December 2016, the City Council adopted a water rate increase to provide additional funds for operations and capital replacements and a rate stabilization emergency fund.

On June 30, 2017, the Sewer Fund Net Position balance was $8,144,309. This is an increase of $6,402,722 over the prior year. The Sewer Fund Unrestricted Net Position was $1,821,200.

Table 26 – City of Perris Financial Information

	FY 2014-15	FY 2015-16	FY 2016-17
Total City Revenues	$ 70,290,509	$ 74,392,606	$ 73,707,971
Total City Expenditures	-65,273,886	-132,826,993	-62,255,291
Revenues minus Expenditures	$ -5,016,623	$ 23,793,005	$ 11,452,680
Net Position - Unrestricted	$ 5,780,722	$ 8,787,620	$ 5,349,000
Water Fund			
Water Fund Revenues	$ 2,825,486	$ 2,809,251	$ 2,895,591
Water Fund Expenditures	-2,933,439	-2,645,931	-2,855,419
Revenues minus Expenditures	$ 107,953	$ 163,320	$ 40,172
Ending Net Position	$ -38,383	$ -409,793	$ 3,257,895
Sewer Fund			
Sewer Fund Revenues	$ 1,820,139	$ 2,029,484	$ 4,198,230 [a]
Sewer Fund Expenditures	-2,071,876	-2,100,601	-2,134,491
Revenues minus Expenditures	$ 251,737	$ -71,117	$ 2,063,739
Ending Net Position	$ -198,377	$ 1,741,587	$ 8,144,309
Public Utilities (Avalon Area Water System)			
Revenues	$ 969,497	$ 874,380	$ 920,482
Expenditures	-2,049,340	-1,157,980	-1,181,633
Revenues minus Expenditures	$ -1,079,340	$ -277,590	$ -261,151
Ending Net Position	$ -6,200,045 [b]	$ -6,156,555	$ -1,850,583

Notes: a Grant funds received
b Settlement paid out for purchase of water system
Sources: CAFRs 2014-15, 2015-16, 2016-17

There are seven primary areas, discussed below, that may be utilized to assess the present and future financial condition of the District's water and sewer service operations:

1. 3-Year Revenue/Expenditure Budget Trends

City of Perris

2. Ratios of Revenue Sources
3. Reserve Policy and Ratio of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3-Year Revenue/Expenditure Budget Trends

The water fund overall has been experiencing a slight surplus as well as occasional deficit spending over the last several years. However, this has been attributed primarily to planned capital expenditures and cash flows due to lower water sales. A rate increase plan was adopted by the City Council in July 2013 and has been implemented in 2014 to accommodate these changes in water uses, planned expenditures for infrastructure, and to establish an emergency fund for rate stabilization into the future.

2. Ratios of Revenue Sources

The City receives 98 to 99 percent of its water fund and sewer fund revenues from charges and fees for services, no revenue from property taxes, and about 1 to 2 percent from miscellaneous other sources.

3. Reserve Policy and Ratio of Reserves or Fund Balance to Annual Expenditures

The City has a General Fund Reserve Policy. On August 30, 2011 the City Council adopted a fund balance policy in compliance with GASB Statement No. 54, which committed to a fund balance in an amount equal to 35 percent of general fund expenditures. These reserves are committed for use specifically in the case of unforeseen circumstances in addition to $3.4 million for disaster preparedness, $1.3 million for vehicle and equipment replacement, $1.3 million for major capital improvements and repairs, and $200,000 as a budgetary contingency.

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The City's Water Fund balance ratio is approximately 86 percent of annual expenditures. This fund ratio represents a positive ratio position and the reserve has been increased over time. The City's Sewer Fund balance ratio is approximately 276 percent of annual expenditures including debt service for facilities and wastewater treatment capacity, a very positive ratio position.

The ratios of unrestricted reserves for both the water fund and sewer fund reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues due to varying water sales based upon the economic picture and drought over the past ten years.

City of Perris

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the City's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of ten percent or less would reflect a very stable ratio. The City's Water Fund has low debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time. The Water Enterprise Fund has operated at an ongoing deficit for several years. The City Council studied options and decided to request proposals for sale of the City's two water systems. As referenced previously, in November 2017, the electorate voted to approve Measure H to authorize sale of the water systems for $11.5 million. According to the City, the sale will be completed near the end of 2018.

The Water Fund's current annual debt service ratio to total expenditures is approximately eight percent, a reasonable ratio. The City Council has provided funds to meet deficits including debt service in several of the past five plus years. The Sewer Fund debt service ratio to total expenditures is approximately 20 percent, somewhat high but necessary due to the Revenue Bond funded purchase and lease of additional sewer treatment capacity for the future.

5. Rate Structures

The City serves the downtown central Perris area and the North Area of Villages of Avalon. The City Council adopted a water rate study in 2013 that set rates at a base for monthly charges (⅝- to 1-inch meter) at $12.92 per month and a water user charge $ 2.695 per HCF for 0-18 and $5.155 per HCF over 18 HCF (100 cubic feet of usage). In addition, there are "pass-through costs" from EMWD who supply some water to the City. For the City served areas, there is a minimum monthly billing of $87.78 which includes sewer and refuse services.

Sewer rates were increased in 2014 after a Cost of Service Study to include City costs and EMWD pass-through treatment costs totaling $45.05 per residential EDU (Equivalent dwelling unit) per month fixed charge, adjusted from time to time when pass-through costs are increased. Non-residential users pay based upon type service use and volume of water used per 100 cubic feet of usage. These rates address needed funds due to increases in operating costs, capital replacement projects, lower water sales and the need for emergency rate stabilization funds. The City has no standby charges in place.

6. Capital Improvement Program/Plan

The City Council adopts a Capital Improvements Program and budget each year and then makes mid-year adjustments as necessary. The 2017-18 CIP carries forward $87,502,223 of City-wide project funding and only one Sewer/Water Project (a five-mile pipeline to connect the North Perris Water Area to the South downtown area) originally for budgeted $6,000,000 that was completed this year for $5,300,000. Other repairs and replacement projects are completed within the Operating Budget unless an emergency occurs.

City of Perris

7. Pension Liability and Other Post- Employment Benefits Liabilities

The City provides both pension benefits and other post-employment benefits to employees and spouses as long as they meet plan requirements. GASB reporting requirements changed in 2016 to require recording these liabilities to the financial reports and balance sheet. The City reports in the 2017 CAFR an approximate liability for pensions of $11,038,624 that is being paid down over time as provided by law. OPEB liabilities for healthcare benefits are also being paid down through a self-funded JPA program as funding permits. The unfunded liability is $8,502,961. A detailed description of the programs and expenses is provided in the annual CAFR.

Status and Opportunities for Shared Facilities/Services

Shared services within the City of Perris include:

- Eastern Municipal Water District provides water and sewer service to the majority of City residents.
- The City contracts with Riverside County for police and fire services.
- The City contracts with Riverside County for all animal control services.

Government Structure and Accountability

The City of Perris is governed by a five-member City Council elected at large, each four years. The City Council meets on the second and last Tuesdays of each month unless cancelled, at 6:30 PM at the City Council Chambers, 101 North "D" Street, Perris, CA.

Reasonable arrangements are made for those citizens with disabilities when the District is notified in advance of a meeting. Meeting agendas are posted to the District's website 72 hours in advance of a meeting. Residents are also given the option of signing up for e-Notification if they want to receive an email notification when upcoming meeting agendas are posted to the meeting calendar.

Table 27 – City of Perris Council Members

City of Perris Council Members		Term Expires
Michael M. Vargas, Mayor	Mayor	2020
Marisela Magana, Mayor Pro Tem	Council	2022
Malcolm Corona	Council	2020
David Starr Rabb	Council	2022
Rita Rogers	Council	2020

The City's website provides easy access to city and committee agendas, minutes, public notices, budgets, audits and other key documents. Phone numbers and email addresses for City staff members are listed on the website.

Based upon past and current service provision practices, it is reasonable to conclude that appropriate levels of public services can continue to be provided by the City of Perris to current

City of Perris

and future populations under the existing government structure. No alternative government structure options were identified for further consideration at this time.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

City of Riverside

Overview/History

What would eventually become the City of Riverside was originally founded in 1870 by John North and a group of Easterners who wanted to establish a colony dedicated to furthering education and culture. Investors from England and Canada transplanted traditions and activities adopted by prosperous citizens – the first golf course and polo field in Southern California were built in Riverside. However, it was the introduction of the first navel orange trees, planted in 1873, that led to the establishment of Riverside as the early home of the California's citrus industry.

By 1882, almost 500,000 citrus trees were planted in Riverside. The rapidly expanding citrus industry also stimulated the capital market for real estate, dramatically increasing the value of land in and around the Riverside area. Incorporated in 1883, the City of Riverside grew in size from approximately 39 square miles to over 81 square miles today. The City provides its residents with a full array of municipal services including, but not limited to, general government, public safety (police, fire, disaster preparedness and building inspection), construction and maintenance of highways and streets, economic development, parks and recreation, electricity, water, a municipal airport, refuse, sewer, and senior citizen/handicap transportation.

Growth and Population Projections

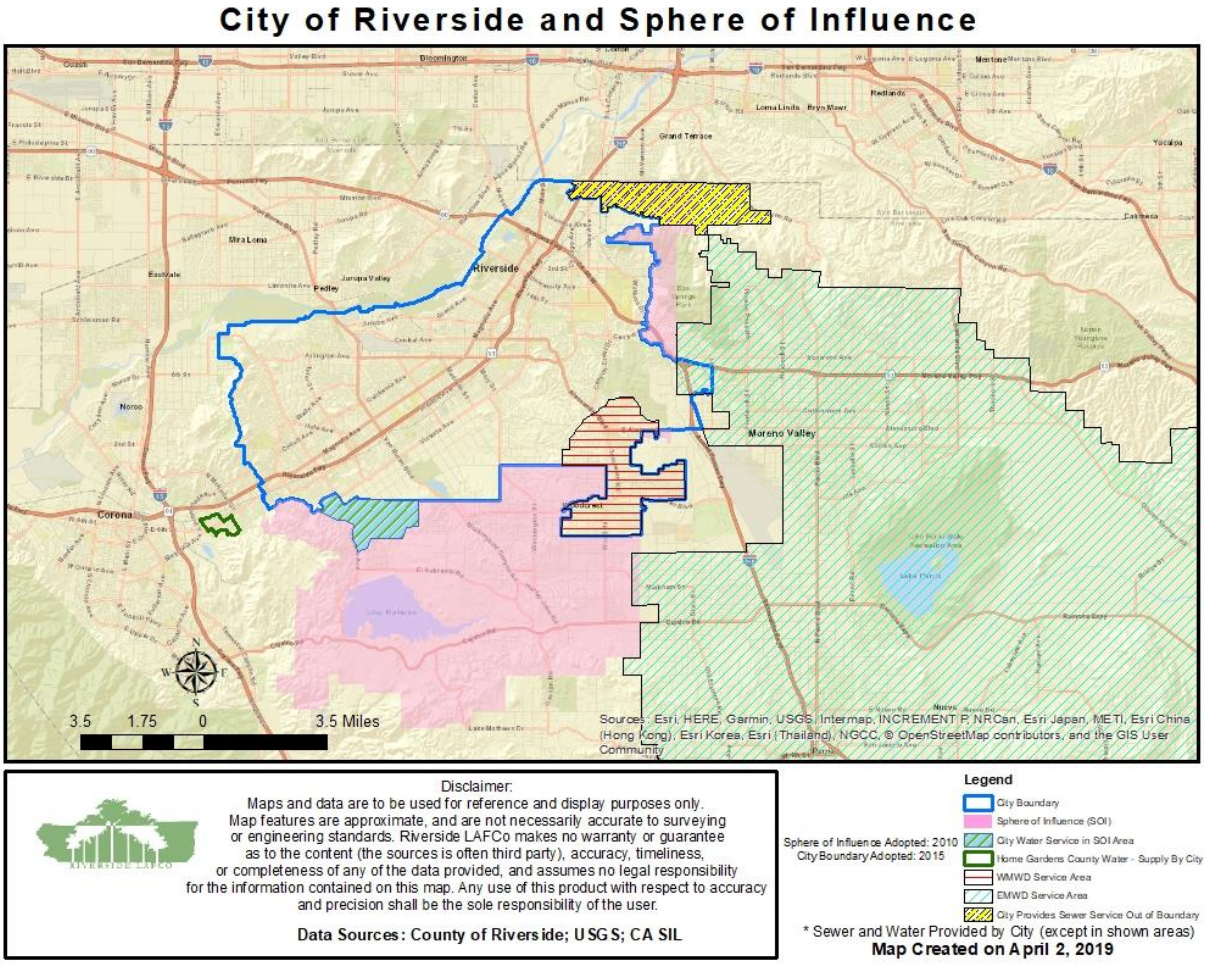
Riverside ranks as the 12th most populous city in California. The California State Department of Finance estimates the City's population is currently 325,860 (as of January 1, 2018). In Riverside's recent history, population growth according to the City's General Plan has been a steady constant, adding approximately 40,000 new residents each decade since the 1960s.

The City of Riverside is anticipated to continue increasing in population. According to the General Plan 2025 EIR, the City of Riverside has a projected population of 383,077 at the ultimate buildout of the City. Of that total, the City's "General Plan 2025" projects a population of 346,867 within current incorporated boundaries of Riverside and 36,209 residents within the City's sphere of influence. In past decades, migration patterns, in part due to more affordable housing, fueled population growth in Riverside. In contrast, Riverside's future growth is projected to come from residents living in the City today.

It should be noted that both the City's sewer and water service areas do not match City boundaries. This is more fully described in the "Present and Planned Capacity" section of this report.

City of Riverside

Exhibit 6 – City of Riverside



City of Riverside

City of Riverside - Agency Profile

General Information			
Agency Type	Charter City (Utilities Authority formed 1913 - operates water, electric facilities)		
Date Formed	Incorporated October 11, 1883; became a charter city March 5, 1907		
Services	Full service: fire, police, water, sewer, public utilities, park/recreation, streets, solid waste, storm drains, municipal airport		
Service Area			
Location	Located within Western Riverside County, approximately 68 miles west of Los Angeles, and 15 miles southwest of the City of San Bernardino		
Square Miles/Acres	Water Service Area: 74.2 sq. miles	Sewer Service Area: 81.5 sq. miles	
Total Water/Sewer Connections	Water Connections: 65,428	Sewer Connections: 76,595 (lateral connections)	
Population Served	Water Service Area: 326,733	Sewer Service Area: 324,722	
Water Infrastructure			
Facilities	62 wells (56 potable, 6 non-potable); 16 reservoirs; 1,003 miles pipe		
Storage Capacity	108.5 MG; 6 Water Treatment Plants		
Primary Source of Supply	100% Local groundwater (San Bernardino Basin 68%, Riverside Basin 32%) and recycled water		
Water Rates (single-family home)	⅝" and ¾" connection: $15.80/month plus $1.16 to $3.26 per HCF depending on usage and season		
Sewer Infrastructure			
Facilities	782 miles of gravity sewer; 11 miles of force main; 19 pump stations; City of Riverside Regional Water Quality Control Plant		
Current and Projected Treatment Capacity	46 MGD (plant expansion completed in 2016)		
Primary Disposal Method	Reused for irrigation or discharged to the Santa Ana River; regional water quality control plant treats to tertiary level		
Sewer Rates (single-family home)	$42.96/monthly, fixed rate		
Budget Information - FY 2016-2017 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water Fund	$68,068,000	$67,862,000	$206,000
Sewer Fund	$59,735,000	$38,305,000	$21,430,000
Combined City Funds	$830,629,000	$760,643,000	$69,986,000*
Budgeted Capital Expenditures	Budget FY 2018-2019 $25,650,651	Long-Term Planned Expenditures (FY 2018-19 - 2022-23) $136,113,913 (2018-21 CIP)	
Water Fund (Unrestricted Net Position)	$26,252,000		
Sewer Fund Balance/Reserves	$18,614,000		
Combined City Net Position	$1,886,646		
Governance			
Governing Body	Mayor (elected at large) and 7 member City Council (elected by ward); Utilities Board appointed by City Council with no compensation		
Agency Contact	Edward Filadelfia, Technical and Compliance Manager, Regional Water Quality Control Plant, efiladelfia@riversideca.gov, 951-351-6080 Todd Jorgensen, Interim Public Utilities General Manager, tjorgenson@riversideca.gov, 951-826-8950		

*$69,561,000 from other sources of funds

Sources: Riverside UWMP (2015); City of Riverside website; City municipal questionnaire; Adopted FY 17-18 budget; Sewer System Management Plan (2016); California Integrated Water Quality System (CIWQS) City of Riverside questionnaire; Utilities Annual Report; 2017 CAFR

City of Riverside

Disadvantaged Unincorporated Communities

Riverside LAFCO has identified two DUCs within the City of Riverside's sphere of influence: Highgrove - West and Highgrove - East. The community of Highgrove is located north of the City of Riverside and south of the San Bernardino County line in northwest Riverside County. The community encompasses 2,250 acres of uniquely mixed land uses east of Interstate 215, ranging from a well-established urban core with commercial, industrial, civic and residential uses in its western portion, to larger-lot and equestrian-oriented residential uses and citrus groves to the east.

Center Street serves as the community's primary thoroughfare, with the Burlington Northern - Santa Fe (BNSF) and Union Pacific (UP) railroad lines also as prominent transportation facilities. West of Interstate 215, Highgrove encompasses another 204 acres, consisting mostly of medium density and very low density, single-family detached residential uses, with some scattered commercial and industrial uses and mobile home parks along La Cadena Drive.

In October 2011, the County of Riverside approved the Highgrove Area Plan - an extension of the County of Riverside General Plan which addresses the physical, environmental and economic characteristics that the County aspires to achieve for the Highgrove community by 2020. Highgrove does not currently have sewer service. For many years, the area's rural uses have been served by septic tanks. The City of Riverside maintains a policy that lots smaller than one acre be connected. As the area transitions to the land uses incorporated into the Highgrove Area Plan, development applicants will only be able to offer residential lots smaller than one acre if sanitary sewer service is extended. Also, according to the County, much of the existing community would rather connect to a public sewer system than replace or rehabilitate aging septic systems. Such replacement or rehabilitation will be necessary soon as septic systems installed 30 to 40 years ago reach the end of their design life.

One major variable influencing how quickly Highgrove is connected to a sewer system is how the costs will be allocated. An agreement has been reached between the City of Riverside and Riverside County to begin providing sewer service to the area, and a sewer line has been extended to the Spring Mountain Ranch area.

The City of Riverside currently provides water to the western Highgrove urban core and to residential customers as far east as Walker Avenue. The remaining current residential uses south of Spring Street and east of Michigan Avenue have potable water service through the Riverside Highland Water Company, a mutual water company headquartered in Colton. Riverside Highland has historically served the area for irrigation water to the groves, and has expanded its domestic service system to cover most of the tract home development that has occurred in Highgrove since the 1970s. Riverside Highland's Board of Directors has approved sewer service extension as an addition to the range of services provided by the company.

City of Riverside

Present and Planned Capacity of Public Facilities

Water

In 1913, Riverside voters approved a $1,115,000 bond issue to purchase three water companies and establish its own municipal water department, the Riverside Public Utilities Department (RPU). The purchase included the Riverside Water Company, Artesia Water Company, and the Henry P. Kyes water system. As early as 1956, the City of Riverside started buying stock in the Gage Canal Company (GCC). In 1965, the City of Riverside acquired the GCC and all of its production, transportation, and distribution assets by condemnation. Since 1959, the City of Riverside's water supply has come from groundwater sources and remains essentially the same to this day. In recent years, urbanization has increasingly encroached on agricultural land resulting in a shift in water use from agricultural irrigation to domestic, municipal, and industrial applications.

Today, RPU remains a municipally-owned utility that provides potable, non-potable, and recycled water to retail customers primarily within the City of Riverside. The RPU service area within Riverside's City boundaries is approximately 81 square miles, of which approximately 10 square miles are served by water retailers other than RPU. The other potable water retailers within the City include Western Municipal Water District (nine square miles), Eastern Municipal Water District (one square mile), and the Riverside Highland Water Company (0.25 square miles).

The RPU service area is approximately 80 percent built out and contains about 15 percent vacant land available for development. RPU has identified three categories of growth for ultimate build out: (1) development within the remaining vacant land, (2) increased density within areas already developed as defined in the City's General Plan 2025, and (3) water demand associated with growth and expansion at the University of California Riverside (UCR) and California Baptist University. The estimated water service area population is shown in Table 28 below.

Table 28 – City of Riverside (RPU) Water Service Area Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
294,500	310,700	322,500	334,700	347,300	360,500

Source: City of Riverside UWMP (2015)

According to the City's Urban Water Management Plan (2015), RPU's water supply consists primarily of groundwater from the Bunker Hill Basin, Riverside North, and Riverside South sub-basins. Additional sources of water available to RPU include groundwater from the Rialto-Colton Basin, recycled water from the RWQCP, and imported water from WMWD through a connection at the Metropolitan Water District of Southern California's Henry J. Mills Treatment Plant. RPU plans to augment its existing water supplies through conjunctive use projects in the Bunker Hills and Riverside North Basins and recycled water infrastructure projects.

City of Riverside

In general, groundwater and recycled water supplies are considered less vulnerable to seasonal and climatic changes than surface water (i.e. local and imported) supplies. RPU has assumed that 100 percent of its groundwater and recycled water supplies would remain available during a single dry year and multiple dry years. Comparisons of expected supply and demand during a normal year and single dry year are shown in the tables below.

During normal water years, no reductions in supply are expected for any of the City's supplies. The source water supply is larger than demand in all years, and the City is not expected to have any supply shortfalls during normal water years or any issues providing a reliable and consistent supply of water. Under a single-dry year scenario, supplies are estimated to be sufficient to address water demands in years 2020 through 2035. In year 2040, supply is projected to fall short of fully meeting expected water demands.

Table 29 – City of Riverside Normal Year Water Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	116,903	121,903	124,703	124,703	124,703
Demand Totals	95,221	96,534	99,015	101,589	104,257
Difference	21,682	25,369	25,668	23,114	20,446

Source: Riverside UWMP (2015)

Table 30 – City of Riverside Single-Dry Year Water Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	96,288	101,288	104,288	104,088	104,028
Demand Totals	95,221	96,534	99,015	101,589	104,257
Difference	1,067	4,754	5,073	2,499	-169

Source: Riverside UWMP (2015)

The RPU has an aggressive five-year Capital Improvement Program/Plan (FY 2018/19 - FY 2022/23) that allocates a total of $129,113,413 in water system upgrades. Scheduled improvements include, but are not limited to, distribution system upgrades, main replacements, pump station replacements, SCADA upgrades, well replacements, and advance metering and transmission main upgrades/replacements.

Wastewater (Water Reclamation)

The Riverside Public Works Department operates a comprehensive wastewater collection, treatment and disposal system that serves most of the City, as well as portions of the sphere area and, through contract, the unincorporated communities served by the Jurupa, Rubidoux and Edgemont Community Services Districts. The City estimates the current sewer service population at more than 300,000.

City of Riverside

According to the City's Sewer System Management Plan (2015), the system consists of over 820 miles of sewer lines ranging in size from four inches to over 50 inches in diameter that convey wastewater from residences and businesses to the City's Regional Water Quality Control Plant (RWQCP). The sewer lines are aging with some more than 120 years old. Ten percent of the sewer lines were installed before 1900, 50 percent between 1940 and 1959, 20 percent between 1960 and 1979, and 20 percent after 2000.[4] There are also 19 pump stations located throughout the City that range in size from 100 gallons per minute (GPM) up to 2,000 GPM providing service to those areas of geographic need.

The RWQCP completed a major plant-wide expansion in 2016 that increased the treatment capacity from 40 MGD to 46 MGD. According to the City, the plant expansion incorporated various new technologies, including Membrane Bioreactor (MBR) technology, which provides provide reliable, high quality reusable water while minimizing modifications needed to existing infrastructure. The RWQCP provides preliminary, primary, secondary, and tertiary treatment (MGD) before it is reused for irrigation or discharged to the Santa Ana River.

The Western Municipal Water District (WMWD) is responsible for collection and treatment of wastewater flows in a small portion of the City. Historically, the City's Public Works Department and WMWD have cooperatively determined which agency can best serve an area with water and wastewater services. This arrangement has led to a mixing and matching of service providers.

The City's adopted five-year Capital Improvement Program/Plan (FY 2018/19 - FY 2022/23) allocates a total of $5,500,000 in sewer system upgrades. Scheduled improvements include, but are not limited to, RWQCP - Phase II, Tertiary System Upgrade - Phase I, Plant 2 Activated Sludge Rehab - Phase I, and collection system upgrades.

Emergency Preparedness (Supply Interruption Capability)

In addition to water supply shortages caused by drought conditions, there are other major hazards that can degrade the quality and/or impact the quantity of water available to the Riverside Public Utilities (RPU) water or sewer systems. These include: regional power outages, earthquakes, liquefaction (i.e. high groundwater levels that could compromise water delivery infrastructure), floods, chemical spills, groundwater contamination, and terrorist acts. Some of these hazards could also adversely impact the distribution systems, such as the major transmission mains or reservoirs. Interruptions to water supplies from any of the above mentioned hazards may be limited to days or even months, except for groundwater contamination, which could last several years.

[4] California Integrated Water Quality System (CIWQS) Report, California Water Boards

City of Riverside

RPU has implemented several measures to improve the reliability of its water system. Actions taken to prepare for a catastrophe include:

- Establishing criteria for a proclamation of water shortage;
- Developing alternate sources of water supplies;
- Establishing contacts and mutual aid agreements with other agencies;
- Establishing an Emergency Response Team/Coordinator;
- Preparing an Emergency Response Plan (ERP);
- Developing public awareness programs; and
- Conducting mock emergency drills at the Emergency Operations Center annually.

In 2008, the City updated its Emergency Response Plan which incorporates the RPU Water System Emergency Response Plan. Extended multi-week supply water shortages are unlikely due to natural disasters or accidents which damage all water sources. The City also maintains a preventative maintenance program for its water distribution system. According to the City, auxiliary generators are available and improvements have been made to water facilities to minimize loss of these facilities during an earthquake or any disaster causing an electric power outage. RPU maintains several emergency generators for use as needed.

The City has also developed a Sewer System Master Plan for sewer operations which includes appropriate backup equipment and generators, personnel listings, resource inventories, locations for emergency operations centers, response procedures, and the steps necessary to resume normal operations.

Financial Ability to Provide Services

As of June 30, 2017, the City was able to report a positive increase in its Net Position, the value of assets and funds on hand for operations and capital investment, to 1,886,646,000, an increase of $69,986,000 over the prior year. On June 30, 2017, the Water Fund Net Position balance was $305,418,000. This is an increase of $206,000.

On June 30, 2017, the Sewer Fund Net Position balance was $205,531,000. This is an increase of $25,436,000 over the prior year. In 2014, the City Council adopted a Five-year Sewer Rate increase to provide additional funds for operations and capital replacements.

City of Riverside

Table 31 – City of Riverside Financial Information

	FY 2014-15	FY 2015-16	FY 2016-17
Total City Revenues	$ 800,286,000	$ 806,815,000	$ 830,629,000
Total City Expenditures	-719,956,000	-727,129,000	-760,643,000
Revenues minus Expenditures	$ 80,330,000	$ 79,686,000	$ 69,986,000
Net Position	$ 1,736,974,000	$ 1,816,660,000	$ 1,886,646,000
Water Fund			
Water Fund Revenues	$ 75,060,000	$ 66,725,000	$ 68,068,000
Water Fund Expenditures	-69,890,000	-64,199,000	-67,862,000
Revenues minus Expenditures	$ 5,170,000	$ 2,526,000	$ 206,000
Ending Net Position	$ 302,686,000	$ 305,212,000	$ 305,418,000
Sewer Fund			
Sewer Fund Revenues	$ 52,934,000	$ 54,550,000	$ 64,669,000
Sewer Fund Expenditures	-35,592,000	-39,980,000	-39,233,000
Revenues minus Expenditures	$ 17,342,000	$ 14,570,000	$ 25,436,000
Ending Net Position	$ 165,525,000	$ 180,095,000	$ 205,531,000

Sources: City CAFRs 2015, 2016 & 2017

The Water Fund had an unrestricted net position of $26,252,000 as of June 30, 2017. The Sewer Fund unrestricted Fund Balance Reserve has not been identified.

There are seven primary areas, discussed below, that may be utilized to assess the present and future financial condition of the District's water and sewer service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratio of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The water fund overall has been experiencing a nominal surplus over the last several years. However, this has been attributed primarily to planned capital expenditures and slightly higher water sales after the state lifted drought restrictions. The sewer fund has increased each year due to planning for facility replacements and increased utilities costs. A five-year sewer rate increase program was adopted by the City Council in 2014 to accommodate these needs into the future.

2. Ratios of Revenue Sources

The City receives 97 to 98 percent of its water fund and sewer fund revenues from charges and fees for services, no revenue from property taxes, and about 2 to 3 percent from miscellaneous other sources.

City of Riverside

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The City's Water Unrestricted balance ratio is approximately 70 percent of annual expenditures. This fund ratio represents a positive ratio position and the reserve has been increased over time. The City's Sewer Fund balance ratio is approximately 21 percent of annual expenditures including debt service for facilities and wastewater treatment capacity, a somewhat low ratio position. The sewer fund does maintain an adequate reserve for debt service.

The ratios of unrestricted reserves for both the water fund and sewer fund reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues due to varying water sales based upon the economic picture and drought over the past ten years.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the City's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of ten percent or less would reflect a very stable ratio. The City's Water Fund has reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time.

The Water Fund has outstanding debt liabilities of $188 million in revenues bonds and $14 million in notes payable as of June 30, 2017. The Water Fund's annual debt service ratio to total expenditures is approximately 20 percent, a slightly higher than average ratio. The Sewer Fund has outstanding debt liabilities of $ 429.1 million in revenue bonds and $2.5 million in notes payable with a service ratio to total expenditures of approximately 37 percent, somewhat high but necessary due to the Revenue Bond funded purchase and lease of additional sewer treatment capacity for the future.

5. Rate Structures

The City Council adopted a Five-year Sewer Rate Study on May 13, 2014 to become effective on July 1, 2014. Sewer rates were increased to address needed funds due to increases in operating costs, capital replacement projects and debt financing of new facilities. A new Five-year Water Rate Schedule was approved on May 22, 2018 to be effective July 1, 2018.

Table 32 – Adopted Water Rates* – City of Riverside, 2019-2023

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Fixed Monthly Charge ⅝" & ¾" meter	$15.80	$18.07	$20.53	$23.08	$26.00
User Charge Rate (per HCF)	$1.16 – $3.26	$1.19 – $3.37	$1.22 – $3.46	$1.26 – $3.55	$1.30 – $3.66

Rates effective July 1, 2018 and apply to single family, multi-family, commercial, industrial and municipal customers.

City of Riverside

Table 33 – Adopted Sewer Rates* – City of Riverside, 2015-2019

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Fixed Monthly Charge -Residential	$30.98	$33.62	$36.48	$39.59	$42.96
Office - $/HCF	$1.84	$2.00	$2.17	$2.36	$2.57
Restaurants - $/HCF	$5.97	$6.48	$7.04	$7.64	$8.29

*Monthly fixed charge applies to all customer classes.

6. Capital Improvement Program/Plan

The City has developed and implemented an aggressive and comprehensive CIP for water and sewer facility infrastructure improvements. The City's current 5-Year CIP adopted with the 2018-19 FY Budget contains $313.6 million in projects for water, sewer and electric utilities.

The City's water and sewer infrastructure systems are aging. During FY 2014, the City Council raised sewer rates; in May 2018, the Council raised water rates to address the growing gap between revenues and expenditures. According to the City, the decision to increase rates was necessary to meet the City's fiduciary obligation to ensure that rates are adequate to cover the cost of operations, maintenance and capital replacement.

The City's water and sewer funds do not receive tax revenues and must recover the cost of providing services through user rates, capacity charges, grants and long-term debt. With the rate increases, both the water and sewer funds are projected to generate sufficient revenues to cover operating costs, build working capital reserve, fund a rate stabilization reserve and provide for capital investment in water and sewer infrastructure. When looking at the overall City's maintenance and replacement needs for aging governmental infrastructure and other capital facilities (not just water and sewer), the City estimates an annual funding gap of $1 billion for five years.

Additionally, the City contracts to serve Rubidoux CSD and Edgemont CSD as well other agencies for sewer treatment services. Those agencies pay the City for services and capacity as it is needed.

7. Pension Liability and Other Post- Employment Benefits Liabilities

The City provides both pension benefits and other post-employment benefits to employees and spouses as long as they meet plan requirements. GASB reporting requirements changed in 2015 to require the recording of the net pension liability on the financial statements. In 2017, the City reported an approximate net pension liability of $628,000,000 and $37,000,000 in net other post-employment benefits that are being paid down over time as provided by law. A detailed description of the programs and expenses is provided in the annual CAFR.

City of Riverside

Status and Opportunities for Shared Facilities/Services

In order to increase groundwater production beyond historical levels and improve water supply reliability of the local groundwater basins, RPU has collaborated with other local water retailers through the Santa Ana Watershed Planning Authority (SAWPA), and the Basin Technical Advisory Committee (BTAC) to address various groundwater management issues. Typical collaborative efforts include developing groundwater models, sharing groundwater quantity/ quality data, partnering on regional projects, and conducting source water assessments. The City's RPU also maintains interconnections with neighboring agencies to provide water during short-term outages or emergencies.

RPU also participates in the Emergency Response Network of the Inland Empire (ERNIE). ERNIE is a water/wastewater mutual aid network within San Bernardino and Riverside counties. ERNIE meets monthly and provides regular training for utilities in emergency response and long-term emergency planning.

In addition to treating wastewater from the City's collection system, the City also provides wastewater treatment services for the Community Services Districts of Edgemont, Jurupa, and Rubidoux.

Government Structure and Accountability

The City currently operates under a Council-Manager form of government. The City operates with a seven-member council elected to four-year overlapping terms. Each councilmember is elected by ward. The mayor is elected at large for a four-year term and is the presiding officer of the Council but does not have a vote except in the case of a tie.

The City Council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The City Council's regularly scheduled meetings are held on Tuesdays, usually at 2:00 p.m. or 3:00 p.m., at City Hall located at 3900 Main Street, Riverside.

Reasonable arrangements are made for those citizens with disabilities when the City Clerk's Office is notified at least 72 hours in advance of a meeting. Adequate notice is given to residents for City Council meetings and meetings of the various City Commissions. All meeting agendas are posted in compliance with the Brown Act.

City of Riverside

Table 34 – City of Riverside City Council Members

Council Member	Ward	Term Expires
Mike Gardner	Ward 1	2019
Andy Melendez	Ward 2	2021
Mike Soubirous	Ward 3	2019
Chuck Conder	Ward 4	2019
Chris MacArthur	Ward 5	2019
Jim Perry	Ward 6	2021
Steven Adams	Ward 7	2021

The City's website is user-friendly and has easy access to City Council agendas, minutes, public notices, budgets, audits and other key City documents. City Council meetings are videotaped and accessible for on-line viewing. Phone numbers and email addresses for City departments and key staff members are easily accessible. The City also has Facebook and Twitter accounts and has introduced apps to assist residents in submitting City service requests, and explore the City and its historical landmarks.

Based upon past and current service provision practices, it is reasonable to conclude that appropriate levels of public services can continue to be provided by the City of Riverside to current and future populations under the existing government structure. No alternative government structure options were identified for further consideration at this time.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

City of San Jacinto

Overview/History

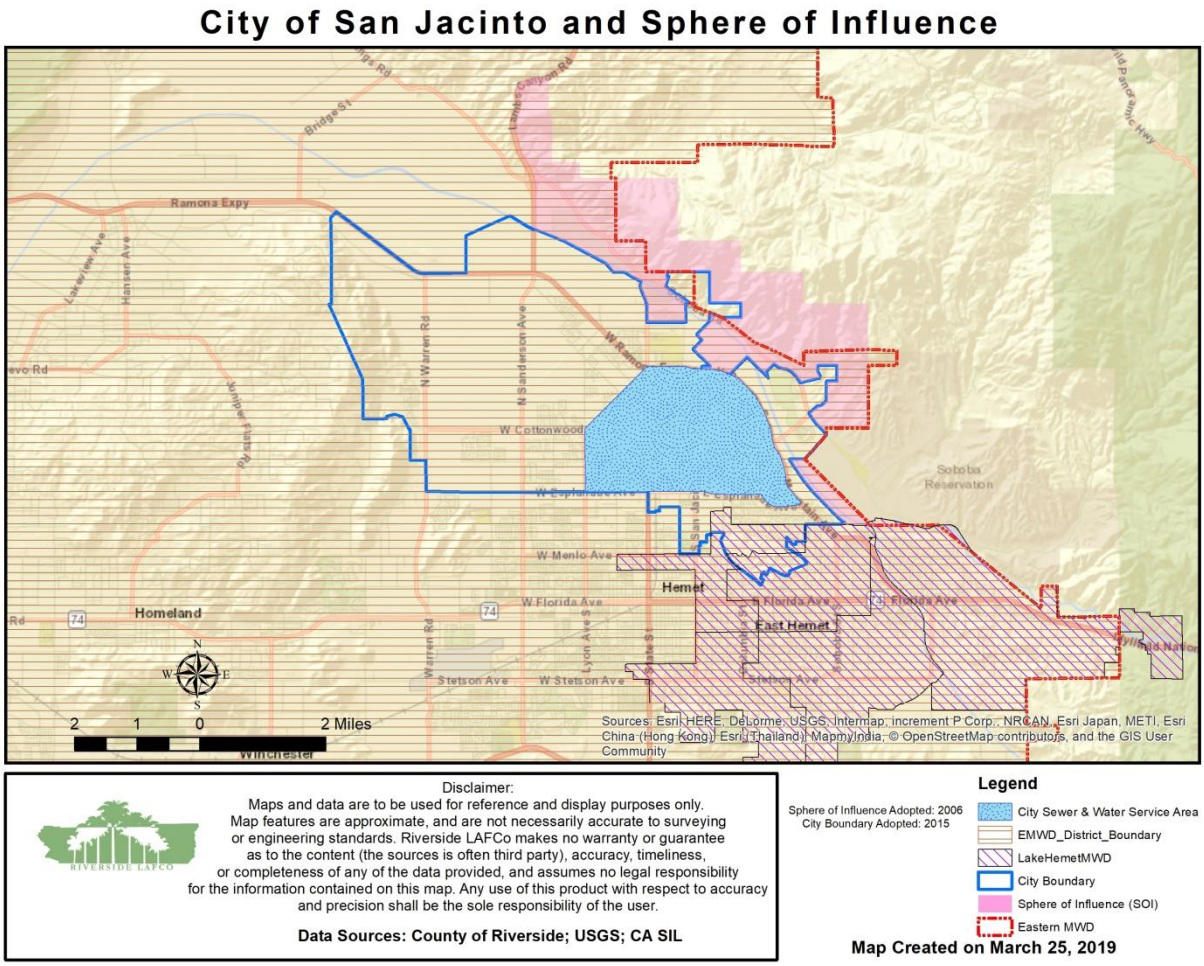
In 1842, Jose Antonio Estudillo received the Rancho San Jacinto Viejo Mexican land grant. In the 1860s, the Estudillo family began selling off portions of their rancho and through acquisitions, a small American community began to form. In 1868, local residents petitioned to form a school district, and by 1870 a store and post office had been established. A plan for the community was developed in 1883, and the City of San Jacinto was officially incorporated on April 20, 1888, within San Diego County. San Jacinto is one of the oldest American cities in the region. In May 1893, Riverside County was created by the division of northern San Diego County and part of what now is San Bernardino County, changing the county government over San Jacinto.

The City is located in the southwesterly part of Riverside County at the base of the San Jacinto Mountains. It is generally bounded on the north by the City of Beaumont, the south by the City of Hemet and the west by the City of Moreno Valley. The area surrounding the City is predominantly rural and supports farming and agricultural activity.

The City provides a full array of municipal services to its residents. Police and fire services are provided through contract with the Riverside County Sheriff's Department and the Riverside County Fire Department, respectively.

City of San Jacinto

Exhibit 7 – City of San Jacinto



City of San Jacinto - Agency Profile

General Information			
Agency Type	General Law City		
Date Formed	April 9, 1888		
Services	Administration, water, sewer collection, code enforcement, library (Riverside County Library system); parks and trails; fire (contract with Riverside County Fire); police (contract with Riverside County Sheriff); road maintenance; storm water		
Service Area			
Location	San Jacinto is located in the southwesterly part of Riverside County at the base of the San Jacinto Mountains. It is generally bounded on the north by the City of Beaumont, the south by the City of Hemet and the west by the City of Moreno Valley.		
Square Miles/Acres	26.1 square miles		
Total Water/Sewer Connections	Water: Approx. 4,139	Sewer: Approx. 16,670	
Population Served	Water: 18,000	Sewer: 45,000 (collection only)	
Water Infrastructure			
Facilities	4 active wells; 3 storage tanks		
Storage Capacity	3.5 MG		
Primary Source of Supply	Groundwater (100%); EMWD imported water available for emergency use only or to meet peak demands.		
Water Rates (single-family home)	Not provided		
Sewer Infrastructure			
Facilities	125 miles of gravity sewer; 3 lift stations; 2,724 manholes		
Current and Projected Treatment Capacity	Treatment provided through EMWD's Hemet/San Jacinto Regional Water Reclamation Facility; 14 MGD capacity		
Primary Disposal Method	EMWD treats wastewater to tertiary-level recycled water which is used for non-potable reuse - crop irrigation, golf courses, school fields, parks, landscape medians, etc.		
Sewer Rates (single-family home)	Not Provided		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water Fund	$4,115,068	$5,014,503	$-899,435
Sewer Fund	917,036	897,457	19,579
Combined Funds	$5,032,104	$5,911,960	$-879,856
Capital Expenditures*	FY 2017-2018 $327,355	Long Term Planned Expenditures None listed in FY 2018-19 Budget for Water/Sewer	
Water Fund Balance/Reserves	$5,523,510		
Sewer Fund Balance/Reserves	$4,266,749		
Agency Net Position	$156,231,980		
Governance			
Governing Body	5-member city council elected at large; council meets on the first and third Tuesdays, 6:30 p.m., at the San Jacinto Union School District		
Agency Contact	Travis Randel, 951-350-0900, trandel@sanjacintoca.us		

Sources**:** City of San Jacinto website; San Jacinto Urban Water Management Plan; CA Water Board CIWQS website; Eastern Municipal Water District SSMP (2016)

*Does not include miscellaneous capital

City of San Jacinto

Growth and Population Projections

The California State Department of Finance estimates the City's 2018 population to be 48,146. According to the City, since 1990, the City's population has increased by over 172 percent. San Jacinto is primarily a residential community and will continue to have a substantial portion of its land devoted to housing.

The City's General Plan includes seven designations that allow for a range of housing types and densities. The non-residential categories include a variety of designations, such as community commercial, downtown commercial, business park, and industrial to promote a wide range of revenue and employment generating businesses. Other non-residential designations include public institutional and open space. According to the City, for the remaining undeveloped lands, the General Plan identifies a mix of land uses to promote a balance between the generation of public revenues and the cost of providing public facilities and services.

The City provides water service to the urbanized area surrounding the downtown area only which currently comprises a population of approximately 18,000. According to the City's Urban Water Management Plan (2015), the City is projected to have a water service population of approximately 23,000 by 2040. The remainder of the City's population receives water service from either the Eastern Municipal Water District or the Lake Hemet Municipal Water District. The City provides wastewater collection service to a much larger service area than its water service area. The majority of the City of San Jacinto main line sewer collection system maintenance is provided by the San Jacinto City Wastewater Division.

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has identified one DUC within the City of San Jacinto's sphere of influence. The DUC consists of a large mobile home park, generally located east of State Street, north of Saddleback Road, west of Lake Drive and south of Mountain View. The mobile home park, Country Lake MHP, is within the Eastern Municipal Water District service area.

Present and Planned Capacity of Public Facilities

Water

The City owns and operates a water distribution system serving a portion of the City of San Jacinto. The remaining portion of the City municipal boundary is served by the Eastern Municipal Water District (EMWD) and the Lake Hemet Municipal Water District (LHMWD). The City has approximately 4,139 service connections serving a population of approximately 18,000 people. Based on projections obtained from the Southern California Association of Governments (SCAG), the population within the City water service area is estimated to be built out by 2040 at about 6,000 meters or about 23,000 people.

City of San Jacinto

The City relies almost exclusively on groundwater pumped by four wells (the Grand Well, Bath Well, Artesia Well and Lake Well). The wells produce groundwater from the San Jacinto Groundwater Basin which covers an area of about 60 square miles. The Basin is drained by the San Jacinto River and is recharged by surface runoff from adjacent mountains and hills, by rainfall directly on the valley floor, and by return flow from water applied from overlying uses. The Basin serves as a natural storage reservoir and filtering system for wells. In addition, the Basin has a Groundwater Replenishment Program which uses treated imported water to recharge the Basin.

The City's 2010 Urban Water Management Plan notes that the general boundaries of the Basin are the Casa Loma Fault on the southwest, which separates it from the Hemet and Lakeview groundwater basins; the San Jacinto Fault on the northeast, along the base of the San Jacinto Mountains; Valle Vista in the southeast and Moreno in the northwest. The Basin is a structural trough located between two faults that have been filled with layered alluvial materials, including clay, silt, sand and gravel.

The City's four wells overlie a part of the Basin called the "Pressure Area." The Basin in this region is generally divided into an upper, unconfined aquifer and lower confined aquifer. The groundwater in the deeper aquifer is typically under pressure due to the presence of a relatively impervious, confining layer which provides some separation between the upper and lower aquifers. The Grand Well has been constructed to a depth of 650 feet and pumps primarily from the upper aquifer. The Bath Well, Artesia Well and Lake Park Well have been constructed to a depth of approximately 1,300 feet, 1,210 feet, and 1,200 feet respectively, and the primary water source is the lower aquifer. The Department of Water Resources does not identify the Basin as being in overdraft.

In addition to groundwater from the San Jacinto Basin, the City also has access to treated imported water from EMWD. Historically, 100 percent of the City's water supply is from groundwater, but the City does use treated imported water for emergency purposes or to meet peak demands due to mechanical failure at one of the City's wells. The City has three service connections to EMWD. The connection at Hewitt and Evans has a capacity of about 2,000 GPM; the connection at Idyllwild and Tiger Lane has a capacity of about 600 GPM; and the connection at Santa Fe and Esplanade has a capacity of approximately 600 GPM.

As stated above, the City has relied on groundwater from the Basin, making up all of the City's total water supply. However, the City has purchased treated imported water from EMWD during calendar years 1995 through 1998, 2002 through 2004, 2006 and 2008 primarily during summer months to supplement peak demands due to mechanical failure at one of the City's wells and for preventative maintenance. The City has not purchased imported water from EMWD since 2008.

The City of San Jacinto's UWMP projects that all future demands will be met through groundwater. The City will see an increase in population in its water service area from 17,961

in year 2015 up to 23,000 in year 2040. At the same time, demand will increase from 2,268 AFY in year 2015 up to 3,792 AFY in year 2040, and groundwater will be a reliable source of supply. The City of San Jacinto has already met the year 2020 per capita per day demand target. According to the City's UWMP (2016), projected supply will meet demand through the year 2040.

Wastewater (Water Reclamation)

The City provides wastewater collection service to a much larger service area than its water service area. The majority of the City of San Jacinto main line sewer collection system maintenance is provided by the San Jacinto City Wastewater Division. By 2040, the City's sewer service population is projected to reach 23,000 similar to the city water service population per the 2015 UWMP Update.

The City's sewer wastewater collection system consists of approximately 178 miles of main sewer lines ranging in sizes from 6" to 18". Access to the collection system is provided with 2,774 manhole access locations. In addition to underground lines, the City also operates 3 lift stations located on Mistletoe Avenue, Cottonwood Avenue, and Savory Lane. The system is aging with 60 percent of the system 60 years or older. According to the State Water Board's California Integrated Water Quality System (CIWQS) website, ten percent of the system's sewer lines were installed before 1900, ten percent between 1900 and 1919, ten percent between 1920 and 1939, ten percent between 1940 and 1959, 20 percent between 1960 and 1979, 20 percent between 1980 and 1999, and 20 percent after 2000.

The City does not own or operate any wastewater treatment facilities. All sewage generated within the City wastewater system is provided to the Hemet/San Jacinto Regional Water Reclamation Facility (RWRF), which is operated by EMWD and located outside the City's service area. In 2011, EMWD began a $157 million expansion project. Work on the facility was completed in early 2015. The facility's maximum capacity increased from 7.5 MGD to 14 MGD. During 2015, the total wastewater generated, collected and treated within the City's service area was 869 acre-feet.

The new portion of the RWRF plant allows EMWD to receive wastewater from throughout the San Jacinto Valley and, through a mostly biological process, transform it into tertiary-level recycled water. That recycled water is pumped through a separate distribution system and delivered to the region for non-potable reuse. Those uses include water for irrigation of crops, golf courses, school fields, parks, and landscape medians.

Emergency Preparedness (Supply Interruption Capability)

Extended multi-week supply water shortages are unlikely due to natural disasters or accidents which damage all water sources. The City's Emergency Operations Plan describes the actions the City will take during a catastrophic interruption of water supplies including, but not limited to, a regional power outage, an earthquake, or other disaster. In the event of a system failure,

City of San Jacinto

the City has three emergency water interconnections with Eastern Municipal Water District. These interconnections are manually activated and can supply water in the event the City may need additional water due to a power failure or disaster.

The City has developed an SSMP for sewer operations which includes appropriate personnel listings, resource inventories, locations for emergency operations centers, response procedures, and the steps necessary to resume normal operations.

Financial Ability to Provide Service

The City has experienced significant impacts from the recent economic downturn since 2005. In the most recent budget presentation for the City Council in June 2018, the City Manager reports several new initiatives to promote civic and economic growth. Careful fiscal controls have reduced deficit spending but have not restored a balanced budget.

Table 35 – City of San Jacinto Budget Information

	FY 2014-15	FY 2015-16	FY 2016-17
Total City Revenues	$ 33,631,000	$ 29,855,000	not provided
Total City Expenditures	-33,125,000	-30,703,000	-43,493,266
Revenues minus Expenditures	$ 506,000	$ -848,000	$ not provided
Water Fund			
Water Fund Revenues	$ 3,646,398	$ 3,639,585	$ not provided
Water Fund Expenditures	-3,323,761	-3,193,986	-4,566,202
Revenues minus Expenditures	$ 322,637	$ 445,599	$ not provided
Ending Net Position – Revised 2015	$ 6,674,588	$ 7,120,187	$ 6,422,945
Sewer Fund			
Sewer Fund Revenues	$ 867,117	$ 877,465	$ not provided
Sewer Fund Expenditures	-968,490	-879,694	-893,620
Revenues minus Expenditures	$ -101,373	$ -2,229	$ not provided
Ending Net Position	$ 4,606,811	$ 4,357,911	$ 4,246,170

Sources: City CAFR's 2015, 2016 and Proposed FY 2018-19 Budget Summary

There are seven primary areas of criteria that may be utilized to assess the present and future financial condition of the District's water and sewer service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratio of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

These are discussed below.

City of San Jacinto

1. 3 Year Revenue/Expenditure Budget Trends

The City as a whole has operated from use of reserves for several years and depended upon reducing services and staffing to offset loss of revenues. The overall costs to operate the City have increased about 22 percent in public safety contracts for police and fire services impacting the General Fund. Recent improvements in the economy and building activity have improved development revenues. The Water and Sewer Funds have seen consistent revenues while expenditures have varied based upon infrastructure repair and utility costs. The Water and Sewer funds are about 95 percent from service charges and less than 5 percent from other sources.

2. Ratios of Revenue Sources

The Water and Sewer operations are funded predominantly from charges for services, about 95 percent. No property tax revenues are used for these enterprise funds. This level of funding is typical of enterprise services and the consistency of revenues is stable.

3. Ratio of Reserves or Fund Balance to Annual Expenditures

The Water Fund reserve of $7,120,187 is about 223 percent of annual expenditures and unrestricted reserves of $1,888,735 are about 60 percent of annual expenditures above the suggested level by financial analysts who conduct rate studies. The Sewer Fund reserve of $4,357,911 is about 475 percent of annual expenditures and unrestricted reserves of $1,895,162 are about 210 percent of annual expenditures, well above the amount suggested for emergency situations or repairs of facilities. Both programs also have capital reserves set aside for annual equipment and major repairs if needed.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The water enterprise has two long-term liabilities, one loan and one note totaling $6 million and due in 10- and 20-year periods. The debt service paid from Water Fund enterprise revenues is approximately $320,000, about 6 percent of the funded budget and well below the target of 10 to 15 percent of expenditures. The sewer Fund enterprise has no debt but has an ongoing liability to pay its percentage of treatment costs at the Eastern MWD WWTF.

5. Rate Structures

There is limited information on water and sewer rates at this point in the agency review. This section will be expanded upon once a review has been initiated with the City.

6. Capital Improvement Plan

The City as part of its annual budget process develops and approves a comprehensive Capital Improvement Program/Plan including for enterprise functions. The recently approved FY 2018-19 Budget includes approximately $22.3 million with only one funded project for the Water enterprise of $327,355 that continues the construction to replace a water pipeline begun in 2017. The Sewer enterprise has no funded capital projects at this time.

7. Pension Liability and Other Post- Employment Benefits Liabilities

The City provides both pension benefits and other post-employment benefits to employees and spouses as long as they meet plan requirements. GASB reporting requirements changed in 2016 to require recording these liabilities to the financial reports and balance sheet. The City audit for 2017 reports an approximate liability for pensions of $6,316,067 as of 2016 that is being paid down over time as provided by law. The audit states that all required pension payments had been made as of June 30, 2017. A detailed description of the programs and expenses is provided in the Annual Financial Report on the city webpage.

Status and Opportunities for Shared Facilities/Services

Shared services include:

- All sewage generated within the City wastewater system is provided to the Hemet/San Jacinto Regional Water Reclamation Facility (RWRF), which is operated by EMWD and located outside the City's service area.
- The City has three emergency water interconnections with Eastern Municipal Water District. These interconnections are manually activated and can supply water in the event the City may need additional water due to a power failure or disaster.
- Police and fire services are provided through contract with the Riverside County Sheriff's Department and the Riverside County Fire Department, respectively.

Government Structure and Accountability

The City of San Jacinto, a general law city, is governed by a five-member City Council, elected at large. Meetings are held twice monthly, on the first and third Tuesdays, in the Board Room of the San Jacinto Unified School District Office, 2045 South San Jacinto Avenue, San Jacinto. Closed Session begins at 5:30 p.m., and Public Session begins at 6:30 p.m.

Reasonable arrangements are made for those citizens with disabilities when the City Clerk's Office is notified in advance of a meeting. Adequate notice is given to residents for City Council meetings and meetings of the various City Commissions through posted agendas and through the City's website.

Table 36 – City of San Jacinto City Council Members

Council Member	Term Expires
Crystal Ruiz, Mayor	November 2020
Russ Utz, Mayor Pro-Tem	November 2020
Andrew Kotyuk	November 2020
Alonzo Ledezma	November 2022
Joel Lopez	November 2022

The City's website has access to City Council agendas, minutes, public notices, budgets, audits and other key City documents. Phone numbers and email addresses for department

heads are listed on the website, and email addresses are listed for City council members. The City does not provide videotapes of City Council meetings on line.

Based upon past and current service provision practices, it is reasonable to conclude that appropriate levels of public services can continue to be provided by the City of San Jacinto to current and future populations under the existing government structure. No alternative government structure options were identified for further consideration at this time.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

Eastern Municipal Water District

Overview/History

Eastern Municipal Water District (EMWD) is a public water agency formed on September 26, 1950 under the Municipal Water Act of 1911 (Water Code 71000, et seq.). In 1951, it was annexed into the Metropolitan Water District of Southern California (MET) and gained access to a supply of imported water from the Colorado River Aqueduct (CRA). Today, EMWD remains one of MET's 26 member agencies, one of two in Riverside County, and also receives water from Northern California through the State Water Project (SWP) in addition to deliveries through the CRA.

EMWD's initial mission was to deliver imported water to supplement local groundwater for a small, mostly agricultural, community in Riverside County. Since that time, EMWD's list of services has evolved to include groundwater production, desalination, water treatment filtration, wastewater collection and treatment, and regional water recycling. EMWD provides both wholesale and retail water service covering a total population of over 816,000. EMWD's adopted mission is "to provide safe and reliable water and wastewater management services to our community in an economical, efficient, and responsible manner, now and in the future."

EMWD is located in western Riverside County, east southeast of the cities of Riverside and east of the I-15 freeway corridor. The 542 square mile service area includes seven incorporated cities in addition to unincorporated areas in the County of Riverside. The cities and unincorporated areas within EMWD's boundary include: City of Hemet, City of Menifee, City of Moreno Valley, City of Murrieta, City of Perris, City of San Jacinto, City of Temecula; communities of Homeland, Lakeview, Nuevo, Quail Valley, Romoland, Valle Vista and Winchester in most of the listed areas, EMWD provides both water and sewer service.

In some areas EMWD provides only sewer or water service or provides wholesale water to a purveyor agency. Additionally, EMWD is a wholesale potable provider to the following agencies: City of Hemet Water Department, City of Perris Water System, City of San Jacinto Water Department, Lake Hemet Municipal Water District (LHMWD), Nuevo Water Company and the Rancho California Water District (RCWD). EMWD also sells recycled water produced from its wastewater treatment plants to RCWD and Elsinore Valley Municipal Water District (EVMWD). EMWD has an emergency connection with the City of Perris' North Perris Water System.

EMWD serves water through 148,473 connections to approximately 546,000 customers and sewer service to 245,013 lateral connections to approximately 816,000 customers (sources are 2015 UWMP and 2017 CAFR). EMWD has four sources of water supply: imported water from MET, local groundwater, desalinated groundwater, and recycled water. Delivery points for

Eastern Municipal Water District

each source of water are located throughout the EMWD service area and described in sections of this report.

Imported potable water is treated and delivered to EMWD directly from MET's two regional filtration plants: 1) The Henry J. Mills (Mills) Water Treatment Plant treats water from Northern California and provides it to EMWD through two connection points located in the northeast portion of EMWD's service area. 2) The Robert F. Skinner (Skinner) Water Treatment Plant north of Temecula treats a blend of water from the Colorado River and water from Northern California and provides it to EMWD through a connection point in the southern portion of EMWD's service area.

EMWD owns and operates two microfiltration plants that filter raw non-potable imported water from MET, treating it to achieve potable water standards. The two treatment plants, the Perris Water Filtration Plant and the Hemet Water Filtration Plant, are located in Perris and Hemet, respectively. Raw water from Northern California provided by MET is also used for groundwater replenishment in the eastern part of EMWD. EMWD can extract this water at a later date for beneficial uses. Untreated water from MET is used for agricultural purposes and is delivered in the northeast area for use by EMWD retail and wholesale accounts and in the south for RCWD agricultural accounts.

EMWD produces potable and brackish groundwater from the San Jacinto Groundwater Basin that underlies the EMWD service area. Groundwater wells are located within the San Jacinto Watershed and serve the northern and eastern portions of EMWD, with the largest amount of production taking place around the cities of Hemet and San Jacinto. EMWD owns and operates two desalination plants in Menifee; the Menifee Desalter and the Perris I Desalter, which treat brackish groundwater through reverse osmosis to achieve potable water standards.

In addition to the potable system, EMWD maintains a regional recycled water system that provides tertiary-treated recycled water to customers for agricultural, landscape irrigation, environmental, and industrial use. EMWD's recycled water system consists of four regional water reclamation facilities (RWRFs) that treat municipal sewage and produce water for recycling. The four RWRFs, the San Jacinto Valley RWRF, the Moreno Valley RWRF, the Temecula Valley RWRF, and the Perris Valley RWRF, are spread throughout EMWD's service area.

In April 2017, the District began providing potable water service to customers previously served by the County Water Company of Riverside in the City of Menifee. In 2013, the District, along with Elsinore Valley Municipal Water District (EVMWD), was engaged by the State and the County of Riverside to provide water service and assume ownership of the County Water Company, a private, for-profit company located in the County of Riverside. The County Water Company served less than 150 residences over a 1,280-acre service area with a single well

Eastern Municipal Water District

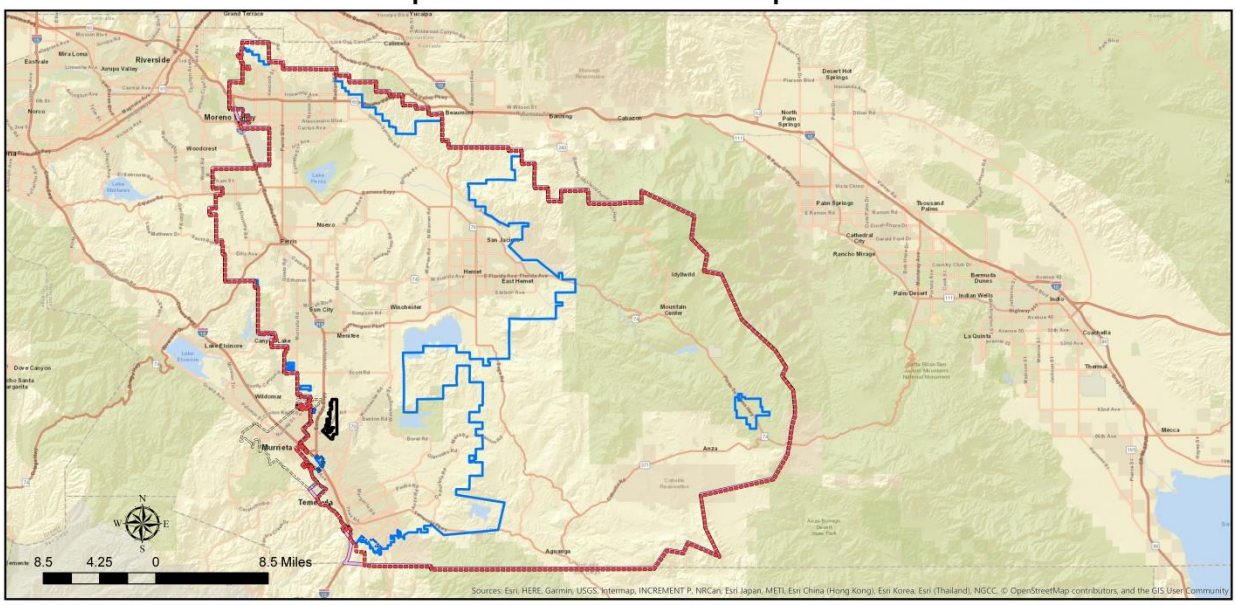
source that was often unreliable and out of service. The water delivered had nitrate levels well above the federal and state regulatory agencies drinking standards.

In order to provide safe and reliable potable water service and consolidate the County Water Company into the District and EVMWD (eastern portion to the District and western portion to EVMWD), a new water system in the area was constructed with the County of Riverside acting as intermediary. The state provided $2.9 million of the project cost of $3.4 million. EMWD's service area boundary and the cities within that boundary are illustrated on the following map.

Eastern Municipal Water District

Exhibit 8 – Eastern Municipal Water District

Eastern Municipal Water District and Sphere of Influence



Disclaimer:
Maps and data are to be used for reference and display purposes only. Map features are approximate, and are not necessarily accurate to surveying or engineering standards. Riverside LAFCo makes no warranty or guarantee as to the content (the sources is often third party), accuracy, timeliness, or completeness of any of the data provided, and assumes no legal responsibility for the information contained on this map. Any use of this product with respect to accuracy and precision shall be the sole responsibility of the user.

Data Sources: District; USGS; CA SIL

* Sewer and Water Provided By District

Sphere of Influence Adopted: 2018
District Boundary Adopted: 2017

Legend
- District Boundary
- EMWD Sphere of Influence - Water & Sewer Area
- EMWD Sewer Sphere Of Influence Trucked Waste Area City Of Murrieta
- Murrieta Sewer Area
- EMWD_Sewer_Sphere_Of_Influence
- EMWD_District_Boundary

Map Created on March 20, 2019

Eastern Municipal Water District

Eastern Municipal Water District – Agency Profile

General Information			
Agency Type	Municipal Water District Act of 1911; section 71000 Water Code		
Date Formed	September 26, 1950		
Services	Retail water, recycled water, sewer collection and treatment		
Service Area			
Location	Central Riverside County south of Hwy 60 to Temecula east of I-215		
Square Miles/Acres	542 square miles/ 346,808 acres		
Total Water/Sewer Connections	Water: 148,473 (2017 CAFR)	Sewer: 245,013	
Population Served	Water: 546,146 (UWMP 2015)	Sewer: 816,411 (2017 CAFR)	
Water Infrastructure			
Facilities	Perris and Hemet Water Filtration Plants; 16 potable wells, 12 non-potable wells; 2,380 miles pipeline; 79 reservoir tanks; 84 pump stations		
Storage Capacity	211 MG in system		
Primary Source of Supply	14 Groundwater wells / 14 Brackish Wells with 2 Desalter and 2 Filtration Plants (16%); Imported water via connection to MWD (49%); 35% recycled water		
Water Rates (single-family home)	District uses a three tier rate structure: Indoor Use - $1.03 (base), $5.67 (excessive use) and $11.59 (wasteful) per HCF; Outdoor/landscape use has a three tier structure - $3.44 (base), $7.00 (excessive use) and $11.68 (wasteful use) per HCF.		
Sewer Infrastructure			
Facilities	1,790 miles collection system to four RWRFs in San Jacinto, Moreno, Perris, Temecula Valleys		
Current and Projected Treatment Capacity	69 MGD currently and another 8 MGD under development		
Primary Disposal Method	Tertiary recycled water for municipal, industrial, and irrigation		
Sewer Rates (single-family home)	Vary by area served		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water and Sewer Fund	$227.8 million	$221.3 million	$6.5 million
Government Fund (none)	$0	$0	$0
Combined City Funds	$227.8 million	$221.3 million	$6.5 million
Capital Expenditures	FY 2017-2018 $111.5 million	Long-Term Planned Expenditures $346.8 million in 2018-22 CIP Plan	
Water Fund Balance/Reserves	$24.2 million		
Sewer Fund Balance/Reserves	$38.1 million		
Agency Net Funds - Unrestricted	$62.3 million		
Governance			
Governing Body	Five member Board elected by division		
Agency Contact	John Ward, 951-928-3777, ext. 4453; wardj@emwd.org; Board of Directors meets first and third Wednesdays each month at 9:00 a.m. at District office, 2270 Trumble Road, Perris, CA 92570		

Sources: Website, 2017 CAFR, UWMP 2015, approved 2017-18 Budget & CIP, questionnaire response

Eastern Municipal Water District

Growth and Population Projections

As part of an Urban Water Management Plan Update completed in 2016, EMWD developed population and growth projections. The current and estimated future service population for EMWD wholesale and retail services are shown in the tables below.

Table 37 – EMWD Wholesale Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
215,075	239,400	267,300	291,100	314,400	335,500

Source: UWMP (2015)

Table 38 – EMWD Retail Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
546,146	617,100	699,800	784,100	864,200	939,100

Source: UWMP (2015)

Between 2015 and 2040, the District's retail service population is expected to increase in service population by approximately 106,000 connections or 392,900 residents. The majority of this growth is expected to be in the cities and the suburban communities within the District's service area.

Disadvantaged Unincorporated Communities (DUCs)

In preparation of the 2015 UWMP, the District consultant identified that DUC areas existed within the District service area. LAFCO documentation reveals that 15 DUC areas are within the EMWD, and all have access to being served both water and sewer service.

In the Hemet area:

- Donald Street/California Avenue, west of the City of Hemet
- Roseland Mobile Home Park
- E. Stetson Avenue/S. San Jacinto Street
- E. Acacia Avenue
- Columbia Street/Mayberry Avenue
- So. Dartmouth Street/Mayberry Avenue
- Ridge area
- New Chicago Avenue/E. Acacia Avenue
- Mountain View Mobile Home Park
- Valle Vista area
- Georgia Avenue/Highway 74 area

Eastern Municipal Water District

In the Perris area:

- Una Street/Alexander Street - Mead Valley
- Mead Valley North
- Luckens Lane/ West San Jacinto Avenue
- Mead Valley - South

Additionally, in the Temecula Area, there is one DUC adjacent to the SOI in the Pechanga area but outside the service area of water facilities.

Present and Planned Capacity of Public Facilities

EMWD utilizes water supplies from three primary sources of water supply or to supplement the drinking water supply: Imported water from MET, local groundwater and recycled water produced by the four RWRFs in the area. Some water is imported and stored underground for later extraction, treatment and use. The potable water system consists of 2,380 miles of pipelines, 79 storage tanks with 211 MG of capacity, 84 pumping plants, 14 potable wells and two water filtration plants and two desalters totaling 44 MGD capacity for a total system capacity of 260 MGD.

Imported Water (Purchased)

EMWD purchases imported water from MET in three forms: treated water that is supplied directly into the potable water system, raw water that is treated at EMWD's two local filtration plants and then supplied to the potable system, or raw water that is used for irrigation and other non-potable use and to recharge the groundwater basin. EMWD depends on MET for approximately half of its retail water supply. For the past 5 to 8 years, EMWD has been able to maintain a balance of local and imported water even as new connections were added. This was accomplished through the implementation of local supply projects and increased water use efficiency. In 2015-2016, EMWD's reliance on MET was lower than average due to mandatory restrictions put in place by SWRCB, which required EMWD customers to reduce their demands based on state mandated requirements.

During the 1970-80s period, MET acquired additional supplies by contract through the SWP, water from Northern California. EMWD built facilities to take advantage of the SWP water becoming available, and today, the largest portion of EMWD's water supply is provided from the SWP. EMWD is also has facilities to accept CRA water deliveries from MET and the ability to increase use of CRA water if SWP supplies are strained. Treated potable water is available in the Northern area from MET's Mills Water Treatment Plant and in the south through MET's Skinner Water Treatment Plant. EMWD also owns and operates two water filtration plants that treat raw imported water: the Perris Water Filtration Plant and Hemet Water Filtration Plant. Raw imported water is also used for recharge purposes and to meet agricultural demands.

Eastern Municipal Water District

Based on information provided by EMWD and other member agencies, MET has determined in its planning and UWMP that it is able to meet the demands of all member agencies through 2040.

Groundwater

EMWD draws on average approximately 15 to 20 percent of its water supply from two groundwater basins that serve different areas of the District. EMWD has 14 potable wells. The two areas are the West San Jacinto Groundwater Basin Management Plan area (West San Jacinto Basin) and the Hemet/San Jacinto Water Management Plan area (Hemet/San Jacinto Basin). EMWD also owns and operates two desalination plants that convert brackish groundwater from the West San Jacinto Basin into potable water. These plants not only provide a reliable source of potable water, they also protect potable sources of groundwater and support EMWD's groundwater salinity management program.

EMWD is a key player in three cooperative efforts to protect groundwater quality and reliability. The West San Jacinto Basin is subject to the West San Jacinto Groundwater Basin Management Plan (WSJ Management Plan), developed in 1995. The Hemet/San Jacinto Basin is subject to the HSJ Management Plan, developed in 2007. The HSJ Management Plan is implemented by the Hemet-San Jacinto Watermaster (Watermaster). The Watermaster was appointed and is supervised by the Superior Court of the State of California for the County of Riverside, pursuant to the Stipulated Judgment entered in April 2013. Participants to the Watermaster Board include EMWD, Lake Hemet Municipal Water District (LHMWD), the cities of Hemet and San Jacinto, and private groundwater producers. One of the goals of the Watermaster is to ensure that groundwater is managed sustainably to support the superior water right held by the Soboba Band of Luiseño Indians (Soboba Tribe). EMWD, LHMWD and the Soboba Tribe also actively manage water levels in the Canyon Sub basin in a corporative effort as part of the Canyon Operating Plan.

Native potable groundwater production in the Hemet/San Jacinto (HSJ) Basin is limited under the HSJ Management Plan provisions to prevent overdraft. EMWD's rights under the HSJ Management Plan will be a long-term adjusted base production right of 7,303 AFY. EMWD's adjusted base production right will be gradually reduced to the long-term value by 2019. In 2015, EMWD's base production right was 9,300 AF, not including previously recharged water credited to it. Any pumping above that amount is subject to replenishment fees. EMWD has recently entered into an agreement with the City of San Jacinto to purchase some of the city's unused groundwater for EMWD's use.

In 2008, Congress passed and the President signed the Soboba Settlement Act that provided to the Soboba Tribe an annual water supply of 9,000 AF, 128 acres of land near Diamond Valley Lake for commercial development, and approves and ratifies the Soboba Settlement Agreement that set forth $17 million from the local water districts for economic development.

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Additionally, the United States government provided the Soboba Tribe with $11 million for water development.

The agreement terminated litigation against MET and EMWD, which was filed by the Soboba Tribe in April 2000 (Soboba Band of Luiseño Indians v. MWD). The lawsuit sought damages and injunctive relief for the continuing drainage of water from the Soboba Reservation into MET's nearby San Jacinto Tunnel which was constructed in the 1930s. The bill mandated, on average, an annual delivery of 7,500 AF of water by MET for the next 30 years to EMWD, LHMWD, and the cities of Hemet and San Jacinto, as part of an effort to recharge imported water in the HSJ Management Plan area of the San Jacinto Groundwater Basin, fulfilling the Soboba Tribe's water rights and addressing chronic groundwater overdraft.

As outlined in the Soboba Settlement Act, the cities and agencies also received $10 million in federal funds to build the facilities to recharge the aquifer with the imported water, and between 6,100 and 4,900 AFY of the Soboba Tribe's water (on a declining scale over a 50 year period) to be used towards basin replenishment. The Soboba Tribe will also make 98 acres of Soboba Reservation land available for endangered species habitat, on an acre for acre basis, to replace EMWD land found to be not suitable for mitigation. In 2015, the Canyon Operating Plan, an agreement between EMWD, LHMWD and the Soboba Tribe, was completed as a result of a Memorandum of Understanding (MOU) related to the Soboba Settlement Act. The Canyon Operating Plan provides a framework for operating the Canyon Management Zone in a manner to avoid significant impacts to the Soboba Tribe's wells and does not reduce the overall supply available in the Hemet/San Jacinto Basin.

The HSJ Management Plan recognizes that the HSJ Management Plan area has been in a condition of groundwater overdraft. In 2007, the overdraft was estimated to range from 10,000 to 15,000 AFY. The Watermaster has implemented long-term base production rights that will eliminate overdraft conditions within the HSJ Management Plan area, with interim production rights that step down gradually. In 2015, EMWD's annual base production right in the Hemet/San Jacinto Basin was 9,300 AF. The long-term annual base production right for EMWD is 7,303 AF.

Through pilot programs and using temporary facilities, EMWD has recharged groundwater in the HSJ Management Plan area with imported raw water from MET since 1990. In April of 2004, EMWD, LHMWD, and the cities of Hemet and San Jacinto executed a MOU for an Interim Water Supply Plan. The purpose of the plan was to address the deteriorating situation in the HSJ Management Plan area by providing recharge of imported water from the SWP into the aquifer at two sites – the Conjunctive Use Ponds in the Intake portion of the San Jacinto Upper Pressure Groundwater Management Zone, and the Grant Avenue Ponds in the Canyon Groundwater Management Zone. Approximately 20,819 AF of imported water from the SWP was recharged into the aquifer in the period spanning from 2004 through 2007. Due to dry conditions, environmental restriction, and the level of demands in its service area, MWD curtailed Replenishment Service effective as of May 1, 2007.

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Since then, permits to recharge water at the two sites have expired. To replace the temporary recharge facilities, long-term facilities are being operated as part of the Integrated Recharge and Recovery Program (IRRP), an integral piece of the HSJ Management Plan and the Soboba Settlement Agreement. The IRRP consists of 35 acres of basins or ponds for recharging SWP from MWD; three extraction wells; three monitoring wells; modification to two existing pump stations; and pipelines within, and adjacent to, the San Jacinto River. EMWD and the other three local agencies are also contributing to the replenishment of the basin by providing recycled water in lieu of groundwater production. The Recycled In-Lieu Program supplies recycled water for agricultural irrigation in-lieu of pumping native groundwater. The project can deliver up to 8,540 AFY to local agricultural water producers. The project costs are jointly funded by EMWD, LHMWD, and the Cities of Hemet and San Jacinto. Agreements that set limits on groundwater production and provide for a payment of a portion of the operation and maintenance costs have been in place since 2008.

EMWD anticipated the limitations on native groundwater production and has developed alternatives to enhance the reliability of its water supply, including the IRRP facilities, filtration plants to treat and deliver imported water to areas dependent on groundwater, and recycled water use for irrigation of landscape and agriculture. In addition to the existing IRRP, EMWD is developing the Enhanced Recharge and Recovery Program (ERRP) to increase conjunctive use and facilitate groundwater banking. Phase 1 of the ERRP program is included in the Santa Ana River Conservation & Conjunctive Use Program (SARCCUP), a cooperative program to store imported water during wet years for use during dry years that was successful at receiving Prop 84 funds. Both management plan areas are part of the San Jacinto Groundwater Basin (DWR Bulletin 118 Groundwater Basin Number 8-05). More detail information on groundwater supplies, facilities and water quality may be found in the District's UWMP 2015 Update on its website.

Table 39 – EMWD Groundwater Production, 2011-2015

2011 (acre-feet)	2012 (acre-feet)	2013 (acre-feet)	2014 (acre-feet)	2015 (acre-feet)
17,465	15,490	18,824	12,037	15,249

Source: UWMP Update (2015)

Surface Water

EMWD holds a right to divert up to 5,760 AFY of San Jacinto River flows for recharge and subsequent use annually from September 1st through June 30th of the following calendar year. EMWD's diversion and recharge of San Jacinto River surface water takes place at EMWD's Grant Avenue Ponds in the Valle Vista area. EMWD's diverted water is recharged into the groundwater aquifer of the Canyon Groundwater Management Zone and is not used for direct use or sale. The San Jacinto River is an ephemeral river and, consequently, river flows may be insufficient for any diversion at all in some years. Water that is recharged helps the regional water balance and contributes to the safe yield of the basin.

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Desalinated Water

EMWD currently uses groundwater desalination to remove salts from basins in the West San Jacinto Basin. This 250-square-mile area experiences increasing water levels due to the inward migration of high total dissolved solids (TDS) groundwater and decreased production. The high TDS groundwater is migrating into the Lakeview portion of the Lakeview/Hemet North Management Zone, which is an area of good quality groundwater. Lowering groundwater levels and removal of saline groundwater is an integral element of the WSJ Management Plan.

To address these concerns, EMWD implemented a Groundwater Salinity Management Program. This program currently consists of two desalination facilities owned and operated by EMWD. These facilities recover high TDS groundwater from the Menifee and Perris South Management Zones, and the Lakeview portion of the Lakeview/Hemet North Management Zone, for potable use. In addition to being a source of potable water, the main role of the desalters is to play a part in managing the groundwater management zones by addressing the migration of brackish groundwater into areas of good quality groundwater. Desalter wells pump water to an integrated brackish water system that delivers water to the desalination plants where it is treated prior to entering the distribution system.

The Menifee Desalter was the first desalter to be built. This facility began producing potable water in 2003. The second desalter, the Perris I Desalter, is located next to the Menifee Desalter in Sun City. This plant began production in 2006 and has a production capacity of 10.5 CFS. Groundwater extraction for use in the desalter program has caused local declines in water levels to date; but the overall West San Jacinto Basin shows groundwater levels that continue to exhibit a stable or upward trend. High iron and manganese concentrations along with silica irreversibly impact the desalter membranes and have resulted in several brackish groundwater extraction wells being offline.

In 2004, an effort was initiated to evaluate alternative technologies for removal of iron and manganese prior to desalination. In late 2013, iron and manganese removal facilities were placed online and allowed EMWD to begin producing from four previously inactive wells. Around 9,000 AF of brackish groundwater was pumped in 2014 and 2015, which fed roughly 7,000 AF of potable water into the retail system, a significant increase over the 4,800 AF of potable water generated from the desalters in 2013. EMWD has designed a third desalter, the Perris II Desalter, which will be located across the street from the existing desalters to the north. The Perris II Desalter is designed to have a capacity of 3.5 to 5.4 million gallons per day and is scheduled to be built in two phases, with the first coming online sometime in the 2020 to 2025 timeframe.

Wastewater (Reclamation)

EMWD is a wastewater treatment agency that provides wastewater collection, treatment, and recycled water services throughout its service area. Recycled water is extensively used in EMWD's service area to meet non-potable demands. The supply of recycled water will

continue to increase with EMWD's population size (though it is also impacted by conservation measures). The four RWRFs that EMWD operate, San Jacinto, Moreno, Perris and Temecula Valley Reclamation Facilities, have completed expansions.

Recycled water is currently used for both municipal and agricultural purposes. Municipal customers use recycled water for landscape irrigation and industrial process water. Agricultural customers use recycled water for irrigation of crops. A portion of agricultural demand for recycled water is provided in-lieu of using groundwater. Due in part to drier conditions and higher demands, EMWD has been able to meet its goal to minimize discharges and using all of the recycled water available within EMWD for the past two years. Some of the recycled water use offsets demands of existing potable customers.

EMWD has been active in developing local and regional plans for expanded water recycling in its service area. EMWD's first Recycled Water Facilities Master Plan was developed in 1990 and was formally updated in 2010. In 2009, EMWD completed a Recycled Water System Strategic Plan that provides guidelines for moving forward with recycled water projects. Information from the strategic plan was incorporated into the EMWD Integrated Resource Plan (IRP) to evaluate potential recycled water projects. EMWD is in the process of updating all three planning efforts with the development of its 2015 Recycled Water Strategic and Master Plan and its 2015 IRP.

EMWD's local water recycling plan is also incorporated into the 2014 IRWM Plan developed by SAWPA for the Santa Ana River Watershed. EMWD has worked closely with the Santa Ana Regional Water Quality Control Board in updating local basin plans and developing a long-term salinity management plan to support and ensure compliance with local basin objectives for salinity and nitrogen. EMWD is also participating in the development of a Total Maximum Daily Load analysis for impacted surface waters in the Santa Ana River Watershed. EMWD is involved with a variety of local agencies and public interest groups in recycled water planning efforts and has coordinated these agencies as part of the development of their UWMP 2015 Update.

EMWD is responsible for all wastewater collection and treatment in its service area. It has four operational RWRFs located throughout EMWD. Inter-connections between the local collections systems serving each treatment plant allow for operational flexibility, improved reliability, and expanded deliveries of recycled water. All of EMWD's RWRFs produce tertiary effluent, suitable for all tertiary recycled water uses, including irrigation of food crops. The four RWRFs have a combined production capacity of 81,800 AF/year as follows: San Jacinto Valley – 15,700, Moreno Valley – 17,900, Temecula Valley – 20,200 and Perris Valley – 28,000. This totals approximately 69 MGD and another five MGD is under development.

In addition to wastewater treatment facilities, EMWD has several recycled water storage ponds throughout EMWD. Using existing storage ponds, EMWD is able to sell more than the recycled water produced by its treatment plants during the peak demand months (June – September).

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During the cooler, wetter parts of the year, surplus recycled water is stored in unlined surface impoundments, resulting in some degree of incidental groundwater recharge. If storage capacity is full, surplus recycled water is disposed of through a regional outfall pipeline to Temescal Creek and the Santa Ana River. EMWD treats all of the wastewater collected in its service area to tertiary standards and disposes of its recycled water in one of three ways; 1) customer sales, 2) discharge to Temescal Creek, or 3) through percolation and evaporation while stored in ponds throughout EMWD. In 2017, EMWD collected and treated a total of 47,032 AF of wastewater at its four RWRFs.

In total, EMWD has 1,790 miles of collection pipelines and 69 MGD of treatment capacity with an additional five MGD under development.

Recycled Water System

EMWD produces recycled water from its RWRF's to maximize the available water to offset imported and groundwater demands. According to the 2015 UWMP, in 2015, EMWD produced 45,385 AF of recycled water for distribution to retail and wholesale customers throughout its service area. System losses such as storage pond evaporation and incidental recharge accounted for 11,384 AF of this quantity, and the remainder was available as a supply.

The majority of recycled water sold is used for agricultural irrigation. A portion of the water sold for agriculture is used in lieu of groundwater, preserving the groundwater basin and improving water supply reliability. In addition to meeting agricultural demand, recycled sales to municipal customers are increasing rapidly as residential and urban development replaces irrigated farmland. Landscape irrigation is an emerging market and in 2008, EMWD started selling recycled water to a large industrial customer for cooling towers in a power generation plant. EMWD also sells recycled water to the CDFW for environmental use within the San Jacinto Wildlife Area and to recreational customers that are comprised of private duck clubs and bird sanctuaries that use recycled water for ponds.

EMWD, EVMWD, and RCWD entered a five-year agreement in March 2009, which was extended for another five years in 2014, to coordinate use of recycled water supplies in the region and to establish wholesale recycled water prices for EVMWD and RCWD. This agreement establishes EMWD's recycled water availability and uses with other neighboring agencies. In addition, EMWD has an agreement with EVMWD to sell excess recycled water from Eastern MWD to provide to current recycled water customers. Under this agreement, EVMWD can purchase between 5,000 and 30,000 acre-ft per year of surplus effluent if available.

The recycled water system consists of 207 miles of pipeline from the four RWRF's, 24 pumping facilities and 7,571 AF of storage capacity (2,466 MG).

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Water Demand Projections

The UWMP Act requires a water retailer to quantify the minimum water supply available during the years 2016 to 2018, assuming years 2016 to 2018 repeated the driest three-year historic sequence for each water supply source. EMWD's estimated minimum supplies are shown in Table 40 below. These supplies are based on the anticipated reliability of imported water from MET and local groundwater.

Table 40 – EMWD - Minimum Supplies: Wholesale and Retail Total, 2016-2018

2016 (acre-feet)	2017 (acre-feet)	2018 (acre-feet)
154,400	158,200	162,200

Source: UWMP Update (2015)

In addition to the three-year "look ahead," the 2015 UWMP projects supply and demand 20 years in the future. EMWD projects supply reliability into the future based on both locally planned water supply projects and the regional planning MET has completed.

Supply and Demand Assessment

Historically, there is often an increase in water use among agencies similar to EMWD due to increased development. Conservation efforts are effective in decreasing water use when required to address drought conditions or regulatory requirements. Additionally, the District has adopted a Water Shortage Contingency Plan that includes increased levels of conservation and rate increases for certain uses in response to supply restrictions or regulatory requirements. In the District's recent UWMP 2015 Update, EMWD estimated that demands could increase five to ten percent during a single dry year due to some area property owners experiencing less precipitation and requiring additional irrigation water supplementation. However, during an extended multiple dry year period, it is expected that conservation messaging and restrictions would lead to consumption dropping back down to normal year levels in the second dry year, and falling a further ten percent in the third dry year.

The following tables summarize the anticipated supplies and demands for a Normal or Single dry year for wholesale and retail based upon growth forecasts for EMWD.

Table 41 – EMWD Wholesale Normal Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	52,156	58,866	62,883	66,800	70,400
Demand Totals	52,156	58,866	62,883	66,800	70,400
Difference	0	0	0	0	0

Source: UWMP Update 2015

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Table 42 – EMWD Retail Normal Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	145,745	159,834	172,917	185,800	197,800
Demand Totals	145,745	159,834	172,917	185,800	197,800
Difference	0	0	0	0	0

Source: UWMP Update 2015

Table 43 – EMWD Wholesale: Single Dry Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	58,500	66,200	70,700	75,200	79,300
Demand Totals	58,500	66,200	70,700	75,200	79,300
Difference	0	0	0	0	0

Source: UWMP Update 2015

Wastewater Collection and Treatment

EMWD is responsible for all wastewater collection and treatment in its service area. It has four operational RWRFs located throughout EMWD. Inter-connections between the local collections systems serving each treatment plant allow for operational flexibility, improved reliability, and expanded deliveries of recycled water. All of EMWD's RWRFs produce tertiary effluent, suitable for all tertiary recycled water uses, including irrigation of food crops. The four RWRFs have a combined production capacity of 81,800 AFY (or 69 MGD according to the District). In 2017, total treatment volume was 47,032 AF. These RWRF Treatment Plants are listed below.

RWRF Treatment Plant	Acre-Feet per Year
San Jacinto Valley	15,700
Moreno Valley	17,900
Temecula Valley	20,200
Perris Valley	28,000
Total	81,800

Source: UWMP Update 2015

EMWD treats all of the wastewater collected in its service area at the RWRF's to tertiary standards and disposes of its recycled water in one of three ways; 1) customer sales, 2) discharge to Temescal Creek if required, or 3) through percolation and evaporation while stored in ponds throughout EMWD. In 2017, EMWD collected and treated a total of 47,032 AF of wastewater at its four RWRFs. While EMWD sells recycled water to wholesale customers RCWD and EVMWD, the recycled water originates from wastewater collected and treated within EMWD's wholesale service area. EMWD does not provide supplemental treatment to the recycled water it distributes.

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In total, the EMWD sewer system has 1,790 miles of collection pipelines, 46 lift (pumping) stations and treatment capacity totaling 69 MGD and an additional 5 MGD under development.

Emergency Preparedness (Supply Interruption Capability)

EMWD is dependent on MET for the majority of its water supply. MET has prepared for emergencies using a combination of storage, facility design and redundant power sources. Emergency storage requirements are based on the potential for a major earthquake that renders major water transportation facilities out of service for six months. Assuming 100 percent of its supplies are unavailable for six months, MET has enough water storage to sustain 75 percent of normal year firm deliveries. In the event of a major power outage, water supply can be delivered by gravitational feed from recreational reservoirs, including Diamond Valley Lake Reservoir. For treatment plants, MET has backup power generators in place in case of electrical outages. Additional information about addressing catastrophic supply interruption can be found in Section 2.5 of MET's 2015 UWMP.

To protect EMWD customers in the case of an emergency, EMWD has developed the Water Shortage Emergency Operations Plan (WSEOP). This plan determines the operation response to many types of emergencies. It specifies chain of command and provides the authority to respond. Elements of that response can include interdepartmental staff notification and mobilization; activation of alternative water supply sources (i.e., interagency connections), use of temporary pumping facilities; use of power generators; public notification; and activation of conservation measures. An emergency is defined as any time period when MET or EMWD facilities are incapable of supplying potable water. An emergency could be caused by a natural disaster such as an earthquake or through facility failures.

The WSEOP describes the coordination required between operational staff, management, community involvement staff and other EMWD employees. In addition, communication and cooperation will be required with the community and other agencies such as the Department of Health Services and MET. In the event that one or more water supply sources are unavailable, remaining sources of supply will be maximized to meet demand. If needed, the WSCP could be implemented to conserve water and reduce demand. If an electrical or gas power outage occurs, some of EMWD's booster facilities have backup generators. Facilities without redundant power sources may be served on a priority basis by available portable generators.

All Wastewater facilities are required to have emergency power capability for reliability. Main lift pump stations also have emergency power or the capability for portable generators to be connected.

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Financial Ability to Provide Services

As of June 30, 2017, the District reported unrestricted fund balance of $62,360,074, an increase of $64,334,935 from the prior year. The net position of the District, the value of assets and funds on hand for operations and capital investment was reported as $1,532,531,643, an increase of $12,016,498 or about one percent from the prior year.

EMWD operates its water, sewer and recycled water services as enterprise funds within the parameters of overall District operations. Water sales and service charges comprise the substantial majority of operating revenues (68 percent) that fund the services provided for water operations and administration. The same situation exists for the sewer operations. On average, the EMWD receives approximately 14 percent of its revenues from property and related taxes. The District utilizes these funds for wastewater operations, capital improvements and debt service for new facilities on an as needed basis.

Overall, the District water, sewer and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities. Rate increases had been implemented over the last several years to accommodate increased expenditures for maintenance and capital improvements.

The District has adopted a comprehensive Cash Reserve Policy that designates funds for various programs and long-term debts. The policy provides direction to District staff on addressing reserves in the annual budget process. Reserves are established in various categories and uses:

- Operating reserve – funds to ensure that adequate cash flow in the event of extraordinary expenses or reduction in revenues; by Board resolution, the fund is to be at a minimum one quarter of the annual maintenance and operating costs in the operating budget. The actual reserve balance on June 30, 2017 was $37,459,564.
- Debt Reserve – To fund payment of principal and interest for debt financed facilities as identified in CIP and FY Budgets. The SRF loan for the Hemet WFP requires a Debt Service Reserve Fund of $2,104,920 to be on deposit in 2018.
- Capital Facilities Reserve – For payment of costs for new facilities required for current and planned services and encumbered projects
- Replacement Reserve – Funds to replace aging facilities as planned in the Five-year CIP.

The above reserves include various operating and emergency accounts to provide funding for rate stabilization, operating reserves, capital assets and debt service coverage covenants.

A comparison of three years financial statistics from the published Comprehensive Audited Financial Reports is provided below.

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Table 44 – EMWD Financial Statements, FY 2015-FY 2017

	FY 2015	FY 2016	FY 2017
Operating Revenues			
Water revenues – domestic	$ 113,859,511	$ 107,319,708	$ 115,796,435
Water revenues – irrigation	3,435,641	5,137,718	5,074,502
Sewer revenues	77,120,505	87,184,856	92,536,116
Recycled water revenues	6,392,763	6,648,809	7,792,169
Total operating revenue	$ 200,808,420	$ 206,291,091	$ 221,199,222
Operating Expenses			
Water purchases	$ 59,040,009	$ 50,334,462	$ 57,512,425
Water operations	45,691,510	43,582,087	44,089,564
Sewer operations	42,743,947	42,095,206	42,232,322
Recycled water operations	6,101,759	6,287,916	6,064,944
General and administrative	28,677,026	29,687,364	36,283,686
Depreciation/amortization	88,830,791	95,302,858	95,968,255
Net OPEB	8,568,000	9,478,577	9,732,444
Total operating expenses	$ 279,653,042	$ 276,768,470	$ 291,883,640
Operating income (loss)	$ -78,844,622	$ -70,477,379	$ -70,684,418
Non-Operating Revenues (Expenses)			
Property taxes (total)	$ 34,100,580	$ 36,876,790	$ 38,578,024
Standby charges	5,735,466	5,784,242	5,831,357
Investment earnings	3,092,643	3,405,039	4,733,897
Change in investment value	-5,731,338	1,607,359	-2,151,319
Interest – GO bond funds	45,068	44,559	68,172
Other income	10,834,613	18,313,734	16,439,820
Interest expense	-18,104,541	-20,550,700	-22,823,362
Other expenses	-8,221,492	-9,212,819	-8,293,642
Research/development costs	–	-3,572,614	-8,815,131
Gain/loss capital assets	-1,734,798	-5,675,444	-2,825,645
Connection fees	28,07,625	45,715,784	40,565,197
Total non-operating revenue (net)	$ 49,992,435	$ 75,675,617	$ 61,307,368
Net income (loss) before capital contributions	$ -28,852,187	$ 5,198,238	$ -9,377,050
Capital Contributions			
Developer contributions	$ 57,086,793	$ 34,802,124	$ 12,498,450
Capital grants	2,112,456	2,823,624	6,164,479
Other contributions	11,763	20,291	2,730,619
Total capital contributions	$ 59,211,012	$ 37,646,039	$ 21,393,548
Change in net position	$ 30,358,825	$ 42,844,277	$ 12,016,498
Net Position			
Beginning of year	$ 1,550,571,926	$ 1,477,670,868	$ 1,520,515,145
Effect of GASB 68	-103,259,883		
Net position - end of year	$ 1,477,670,868	$ 1,520,515,145	$ 1,532,531,643

Source: Comprehensive Annual Financial Reports 2015, 2016, 2017

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There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The District funds overall has been experiencing modest surplus total revenues over expenses as well as occasional increased spending over the last several years. However, this is attributed primarily to planned capital expenditure debt service and cash flows. Appropriate rate increases have been implemented for water and sewer over the prior years' utilizing a cost of service analysis to have services funded by fees and charges. The impact of adoption of GASB 68 requiring expenses and liabilities for pension benefits impacted the 2015 net position by $103 million. Ongoing pension and OPEB expenses are included in the expenses.

2. Ratios of Revenue Sources

The District receives 78 percent of its water and sewer fund revenues from charges and fees for services, substantial revenue from property taxes (13 percent), and about 11 percent from miscellaneous other sources including grants and connection fees. The ratios of designated reserves and funds reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues such as water sales and property tax (property tax has varied based upon the economic picture over the past ten years).

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted or restricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District designates reserves to debt service and construction as restricted for reporting purposes so the fund balance ratio fluctuates as projects are completed. The available unrestricted fund balance is approximately 21 percent of annual expenditures, slightly lower than a guideline of three to six months of expenses. Including reserve for construction adjusts the fund balance to approximately 39 percent. This fund ratio represents an adequate ratio position and the designated reserves have been increasing over time.

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4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. The District has several State low interest loans, general obligation bonds and revenue bonds for major capital projects. Long-term liabilities of debt are $1,107 million at June 30, 2017 and the payments due in next year are $19.5 million. A significant amount of these loans and debt issues are in Certificates of Participation and Revenue Bonds that have been issued to refinance prior debt at more favorable interest rates. Ideally, a ratio of 10-15 percent or less would reflect a very stable ratio. The District's water, sewer and recycled funds have reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time. The District's annual debt service ratio to total expenditures is approximately six percent, an acceptable ratio.

5. Rate Structures

The District has adjusted service charge methods and raised water and sewer rates annually to keep pace with costs of operations and planned capital facility replacements. A Cost of Service Study was completed in March 2017. For perspective of water service rates, in 2009, a budget- based tiered rate structure was adopted for single-family and multi-family residential and landscape domestic usage based upon an analysis of service and costs.

The residential water rates use a four tiered rate system and are established for three general areas and have calculated rates based upon improvements made and costs of service. Effective February 21, 2018, the District's current rates range from typical domestic residential water commodity rate (indoor use) changed to $1.03 (Base) – $5.67 (Excessive use) and $11.59 (Wasteful) per 100 cubic feet of usage. Landscape use has a three tier structure of $3.44 (base) - $7.00 (Excessive use) and $11.68 (Wasteful use). Commercial and recycled customers have separate rates. Recycled and non-potable users pay a rate based upon 75 percent of domestic rate adjusted for each area. Wholesale rates average $857/AF plus additional pass through costs when MET Tier 2 rate of $86/AF is added.

Water service charges are levied on a daily rate and a water meter base rate for up to a 1" size meter for a 30 day month is $11.83. The typical residential customer with a 1" meter and using 20 HCF paid $68.53 in 2017. Rates in 2018 were adjusted slightly and rates in 2019 will increase approximately 6 percent. Additional capacity fees and special services fees are set as needed.

Sewer fees for the served areas effective February 21, 2018 for residential are levied on a per day charge ranging from $.79 - $.85 in three service areas of Hemet/San Jacinto, Moreno Valley and Sun City. The areas of Temecula/Murrieta fee are $1.00 per day and the area of Perris Valley ranges from $1.09 to $1.15 per day. The Canyon Lake area served by EVMWD rate is $1.06 per day plus a calculation of number of occupants times $6.93 per month.

Eastern Municipal Water District

The District has other fees and charges for service and late fees can be found on the District website at www.emwd.org

6. Capital Improvement Program/Plan

The District prepares a five-year financial plan to anticipate funding needs, reserve levels, and expected impacts to Rates. A key component to the plan is the District's Capital Improvement Program/Plan (CIP), which calls for total expenses for water, sewer, and recycled water facilities of approximately $346.8 million for the period from 2018 through 2022. The FY 2017-18 portion of the CIP was $111 million. The CIP is expected to be financed through a combination of property taxes, developer connection fees, rates and charges, publicly financed bond proceeds, reserves, grants and low-interest loans from the California State Revolving Fund.

The CIP is modified on an annual basis to reflect updated assumptions regarding future growth within the District's service area. Major projects being designed and constructed include the Perris II Reverse Osmosis Treatment Facility ($41 million total less a State grant of $22.5 million), completion date in 2021; Recycled Water Storage Pond expansion ($14.1 million with a SRF loan at 1 percent and possible grant of $3.4 million), completion in early 2018; Temecula Valley Regional WRF expansion of 5 MGD ($120 million less a State grant of $15 million and low interest loan of $80.3 million), completion in 2020. A comprehensive list of the CIP is available on the District website.

7. Pension Liability and Other Post-Employment Benefits Liability

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries to EVMWD employees. A "Classic" CalPERS Miscellaneous member (hired prior to January 1, 2013) becomes eligible for service retirement upon attainment of age 55 with at least five years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members (hired on or after January 1, 2013) become eligible for service retirement upon attainment of age 62 with at least five years of service.

The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

California law requires an annual calculation of the net pension liability and contribution for each participating agency. This calculation is utilized by the agency to budget for and make contributions to CALPERS toward its unfunded liability balance. In 2015, EMWD recorded a loss on its balance sheet for $103.3 million liability per GASB 68. The District net pension liability is reported as $117.2 million, a difference of the total pension liability of $386.3 and the

Eastern Municipal Water District

plan fiduciary net position of $269.2 million. For the measurement period ending June 30, 2016, the District recognized a pension expense of $11.6 million toward the pension services plan. Final accounting occurs after the end of each pension year based upon deferred outflows and inflow of revenues and payments and credits. The 2016-17 CAFR contains a detailed description of the calculation of benefit and unfunded liability.

The District also provides post-employment health care benefits to all qualified employees who meet the District's CALPERS plan requirements. The District's contribution varies based upon the date of hire in one of three tiers and length of service upon separation or retirement. In 2012, the District established an OPEB Trust to manage the plan. The District's total contribution in FY 2017 was $17.6 million. A complete explanation of the OPEB status is detailed in the 2016-17 CAFR.

Status and Opportunities for Shared Facilities/Services

EMWD is a water and sewer district and agency member of the MET that serves a diverse area and with multiple types of retail water and sewer customers. EMWD has undertaken a number of shared service opportunities with other agencies, including:

- EMWD cooperates with the primary water provider, MET as well as Western MWD, Elsinore Valley WD, and Rancho California WD with supply and intertie connections to share water in emergency situations.
- EMWD participates in a Joint Powers Authority (JPA) with four other agencies as the Santa Ana Watershed Project Authority (SAWPA) since 1984. The District has one representative on the five-member Commission that governs the Authority.
- EMWD is a member of the Lake Elsinore San Jacinto Water Authority (LESJWA) that manages water flows and use in the Lake Elsinore watershed.
- EMWD contracts with private companies to supplement or substitute for services based upon demand and efficiencies. Examples are engineering services such as plan checking; inspection services for developer projects; Information Services support; assistance with installation of Advanced Metering Infrastructure technology to reduce time and staffing; on-call general pipeline construction services for heavy workload periods.
- Member of the working group for the West San Jacinto Groundwater Basin Management Plan (WSJ Management Plan) developed in 1995. Developed implementing agreements with LHMWD and native tribe.

Eastern Municipal Water District

Government Structure and Accountability

EMWD is governed by board of directors with five members elected by division for four-year terms.

Table 45 – Eastern Municipal Water District Board of Directors

EMWD Board Member	Term Expires
Philip E. Paule, Div. 1	2023
Stephen J. Corona, Div. 2	2023
Randy A. Record, Div, 3	2021
Ronald W. Sullivan, President, Div. 4	2021
David J. Slawson, Div. 5	2023

The Board of Directors meets the first and third Wednesdays of each month at 9:00 a.m. at the District Office located at 2270 Trumble Road, Perris, CA 92570. The Board of Directors appoints a General Manager as the Chief Administrative Officer who is responsible for managing District operations on a day-to-day basis, and select, appoint and manage staff and consultants to carry out District programs and projects. The Board also appoints a Legal Counsel and Treasurer.

The District provides public information on its website, including information on a history of the District, current projects, water and sewer information, customer inquiries and FAQ's, conservation programs, annual budgets, and audits (CAFR). The website also includes contact information for the Board of Directors and staff and Board meeting agendas and minutes. Other major reports are accessible via links on the portal at www.emwd.org. A contact portal is also provided to further research District reports and studies.

The District staff state that they work cooperatively with several other water agencies and cities in the County and region. Based upon water rights and infrastructure resources, there does not appear to be increased interest in considering alternative government service structures at this time. Additionally, District staff is aware of and provided information on a request by the City of Murrieta to Riverside LAFCO to conduct a study of water services to the Commercial Area of the City, including participation by the area water agencies including EMWD, City of Murrieta, Western Municipal Water District and Rancho California Water District. EMWD has agreed to participate in the focused study process.

The District also is aware of at least eight possible annexations totaling 2,904 acres of residential and commercial uses that could be considered in the near future based upon the property owner's desire to proceed with development. No definitive dates for possible action on these projects have been identified.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

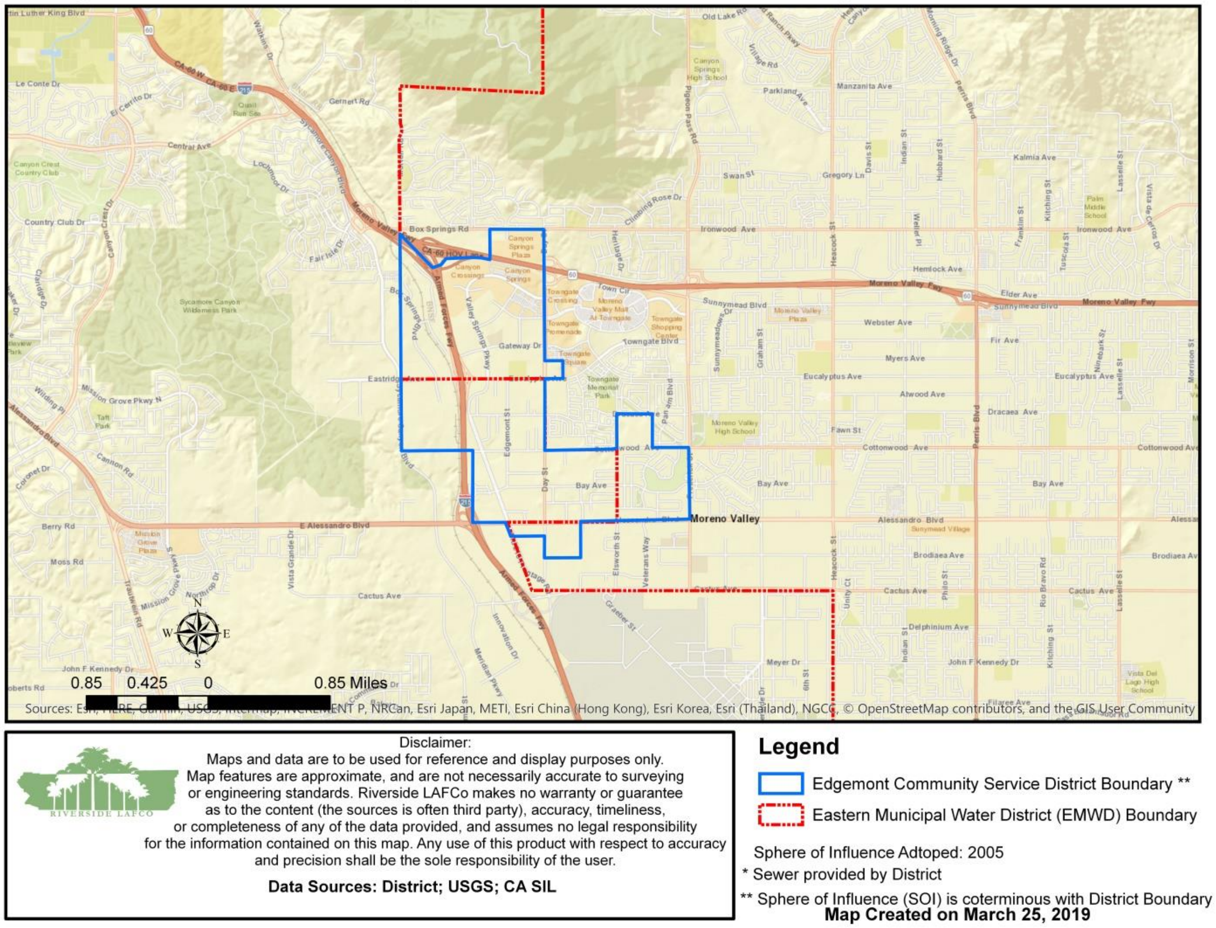
Edgemont Community Services District

Overview/History

The Edgemont Community Services District (ECSD) was formed on March 25, 1957 in accordance with the State of California Community Services District Law (Government Code §61000 et seq.). The District is responsible for providing sewer and street lighting services. Located within a portion of the City of Riverside and a portion of the City of Moreno Valley, ECSD encompasses approximately 1,500 acres (2.34 square miles). The District is primarily south of I-60 Freeway and bisected by the I-215 Freeway. According to the District, it does not provide any services outside of its service boundary. ECSD's sphere of influence is coterminous with its current service boundary.

Exhibit 9 – Edgemont Community Services District

Edgemont Community Service District and Sphere of Influence



Edgemont Community Services District - Agency Profile

General Information			
Agency Type	Community Services District Act Gov. Code 61000 et seq.		
Date Formed	March 25, 1957		
Services	Wastewater collection and treatment, street lighting		
Service Area			
Location	Located within a portion of the City of Riverside and a portion of the City of Moreno Valley		
Square Miles/Acres	1,500 acres		
Total Water/Sewer Connections	Sewer connections: 1,300		
Population Served	8,670		
Sewer Infrastructure			
Facilities	17 miles of sewer collection pipelines		
Current and Projected Treatment Capacity	District owns 0.89 MGD capacity rights at the Riverside Water Quality Control Plant		
Primary Disposal Method	Treated at the Riverside Water Quality Control Plant and reused for irrigation purposes or discharged to the Santa Ana River		
Sewer Rates (single-family home)	Fixed Annual EDU Rate of $141.00		
Budget Information - FY 2017-2018 (Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Government Fund	$1,338,834	$1,112,968	$225,866
Sewer Fund	$1,224,966	$997,460	$227,506
Combined Funds	$2,563,800	$2,110,428	$453,372
Capital Expenditures	FY 2017-2018 $0	Long Term Planned Expenditures: 2006 Master Plan – Projects being re-evaluated	
Government Fund Balance	$744,803	District recently changed auditors and is revising its accounts and budget structures	
Sewer Fund Balance/Reserves	$5,423,855		
Agency Net Position	$17,758,891		
Governance			
Governing Body	5-member Board of Directors, elected at-large		
Agency Contact	Jessica Pfalmer, 951-784-2632, jessicaecsd@yahoo.com		

Board meets fourth Thursday each month at 7:00 p.m. at 21640 Cottonwood Avenue, Moreno Valley, CA 92553
Sources**:** ECSD questionnaire; ECSD Sewer Master Plan; Riverside LAFCO website; 2016-17 Audit

Edgemont Community Services District

Growth and Population Projections

ECSD currently provides sewage collection services for approximately 8,670 residents. The District's service area is generally built-out, and no significant increase in population is anticipated in the foreseeable future.

Disadvantaged Unincorporated Communities

Riverside LAFCO has determined that there are no DUCs contiguous to the Edgemont Community Services District, so no additional analysis is required in this report.

Present and Planned Capacity of Public Facilities

Edgemont Community Services District has nearly 17 miles of gravity sewer pipelines within its service area and 1,054 lateral connections. There are no sewer pump stations within the District, and the District does not own a wastewater treatment plant. The District's infrastructure includes sewer mainlines that were installed and/or replaced over the last 60 years. The current system consists of pipes installed in the following proportions: 32 percent between 1958 and 1960; 29 percent between 1961 and 1970; 4 percent between 1971 and 1980; 7 percent between 1981 and 1990, 11 percent between 1991 and 2000; 2 percent between 2001 and 2010; 13 percent between 2011 and 2018; and 2 percent of undetermined age.

Although some pipe materials deteriorate substantially over time, vitrified clay pipe (VCP) is used for all of the District's system, which has a useful life of over 100 years. VCP can be susceptible to crushing and root intrusion; however, the District has recently completed a video of all the system's mainlines which indicates the system is in "good" to "excellent" condition. The videos are currently under further review by the District Engineer.

On October 1, 2014, a sewer spill of 2,700 gallons occurred on Farragut Avenue in Moreno Valley. According to the District's Sewer System Management Plan (2016), this is the only spill that has occurred in the last ten years from the District's sewer system.

All wastewater produced within the District's service area is treated at the Riverside Regional Water Quality Control Plant (RRWQCP) via existing connections located at the Canyon Springs Shopping Center near the north boundary of ECSD, south of I-60 Freeway west of Day Street, and on Cottonwood Avenue west of the I-215 Freeway. The RRWQCP is operated and maintained by the City of Riverside Public Works Department. Edgemont CSD currently collects and conveys approximately 0.5 MGD of wastewater to the RRWQCP (based on daily average delivery during 2014-2015), where it is treated to tertiary standards before being discharged to the Santa Ana River. According to the City of Riverside's CIP Update and Rate Development Study (2014), projected flows from Edgemont CSD to the RRWQCP are projected to increase to 0.89 MGD by 2032. Edgemont CSD's project ultimate wastewater flow is 1.05 MGD based upon the City of Moreno General Plan (2008).

The RRWQCP recently completed a plant-wide expansion increasing the treatment capacity from 40 MGD to 46 MGD. The plant expansion incorporated new technologies designed to produce high-quality effluent water that can be reused throughout the region. RRWQCP is

projected to have sufficient treatment capacity to treat Edgemont flows for the foreseeable future.

Emergency Preparedness (Supply Interruption Capability)

The District has developed a SSMP for sewer operations that includes appropriate personnel listings, resource inventories, locations for emergency operations centers, response procedures, and the steps necessary to resume normal operations.

Financial Ability to Provide Services

As of June 30, 2017, the District was able to report a positive balance in its unrestricted net position of $6,168,658. On June 30, 2016, the balance was $5,851,400. This is an increase of $317,258. The net position of the District, the value of assets and funds on hand for operations and capital investment, over the same period increased $453,372 or approximately 4 percent during the prior year and with slightly less revenues.

The District has developed and implemented an adequate reserve for capital needs including purchase of capacity in the City of Riverside WWTF if needed. ECSD maintains a consistent investment in infrastructure including rehabilitation of pipes over the past five years. The District does not have a recent CIP but evaluates replacement needs on an annual basis and has set aside reserves for capital replacement of over $5 million. A comparison of three years' financial statistics from the published Comprehensive Audited Financial Reports is provided below for review.

Table 46 – ECSD Financial Statements, FY 2015-FY 2017

	FY 2015	FY 2016	FY 2017
Operating Revenues			
Charges for services	$ 293,949	$ 693,714	$ 313,511
Total operating revenue	$ 293,949	$ 693,714	$ 313,511
Operating (Expenses			
Illumination	$ -46,275	$ -52,267	$ -69,883
Sewer	$ -873,939	$ -1,167,068	$ -997,460
Non-Operating Revenues (Expenses)			
Property taxes	$ 662,621	$ 670,549	$ 716,529
Interest and investment earnings	18,371	26,313	45,473
Rental revenue	559,800	559,800	587,788
Total non-operating revenues (expenses), net	$ 1,240,792	$ 1,256,662	$ 1,349,790
Net income (loss) before capital contributions	$ 614,527	$ 731,041	$ 453,372
Capital Contributions			
None	$ 0	$ 0	$ 0
Change in Net Position			
Beginning of year	$ 10,959,951	$ 11,574,478	$ 12,305,519
Fund Balance/Reserve unrestricted	$ –	$ –	$ 5,423,855
Net position – end of year	$ 11,574,478	$ 12,305,519	$ 12,758,891

Sources: Comprehensive Annual Financial Reports 2015, 2016, 2017

Edgemont Community Services District

ECSD operates its sewer service as an enterprise fund and its illumination (street lighting) service as a government fund, which is consistent with other local agencies providing street lighting services, within the confines of overall District operations. Sewer service charges comprise the majority of operating revenues that fund the services provided for sewer operations, treatment at the City of Riverside WWTF and administration. On average, the ECSD receives 43 percent of its revenues from property taxes.

Overall, the District sewer and illumination funds are considered stable and self-sustaining for operational, capital and debt service activities, although some cyclical spending has occurred periodically due to fluctuations in costs of the City of Riverside treatment contract. According to the District, a sewer rate increase was implemented on July 1, 2018 due primarily to increased cost of treatment. The District maintains a substantial reserve fund balance in several established funds providing good capability to absorb short term impacts, and is able to maintain a very good debt service to annual expenditure ratio (currently over 5.0).

There are seven primary areas, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations and ability to fund needed capital projects.

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The sewer fund overall has been experiencing positive cash flows as well as occasional reduced spending over the last several years. However, this is attributed primarily to annual adjustments in the City of Riverside treatment charges, setting aside reserves for capital expenditure funds and cash flows. A sewer rate increase was implemented as of July 1, 2018 to help offset increased treatment costs.

2. Ratios of Revenue Sources

The District receives 19 percent of its sewer fund revenues from charges and fees for services, substantial revenue from property taxes (43 percent), and about 38 percent from miscellaneous other sources. The ratio of unrestricted reserves for the sewer fund reflects an appropriate balance for typical enterprise fund services. This minimizes the impact that negative economic factors might have on more elastic revenues such as property tax (property tax has varied based upon the economic picture over the past ten years and improved in the past three years).

Edgemont Community Services District

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District's fund balance ratio is approximately 510 percent of annual expenditures. This fund ratio represents a positive ratio position, and the reserve has been increased over time.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of ten percent or less would reflect a very stable ratio. The District's sewer fund has low amount of debt, including only a loan from the City of Riverside to pay for an upgrade at the WWTF. This loan will be paid off in 2019. The District's annual debt service ratio to total expenditures is less than one percent, an extremely good ratio.

5. Rate Structures

The District's current sewer rates are $141 per year per EDU. This rate was implemented as of July 1, 2018.

6. Capital Improvement Plan/Program

The District has an active Capital Improvement Program/Plan exhibited by their letters included in the Sewer System Management Plan prepared in 2011 and based upon funding and timing of replacements. Since the preparation of the Master Sewer System Evaluation Plan in September 2008, the District had replaced over 10,500 feet of sewer lines and additional lines in 2013-14.

7. Pension and Other Post- Employee Benefit Liability

The District pays for benefits for the minimal staff on an annual pay/go basis and reports no pension or OPEB Liabilities.

Status and Opportunities for Shared Services/Facilities

The District contracts for the following services:

- Legal Counsel - all legal needs of the District, including preparation of ordinances and resolutions, except litigation services.
- Engineering - all engineering and construction management services on an hourly basis. By contracting for engineering services, the District has the equivalent of full-time staffing at any given time, as needed, but substantially less hours when services are not needed; additionally, the District has access to the necessary level of expertise for each project or assignment, allowing for high level engineering expertise when needed and cost savings on lower level engineering needs.

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- On-Call Plumber – contract plumber checks manhole locations, as requested, and responds to customer backup concerns by checking flow in lines and clearing laterals that are the District's responsibility within one hour of request.
- Sewage Treatment – as previously stated, the District owns capacity rights in the Riverside Water Quality Control Plant in order to have its wastewater processed in the regional plant. The District is billed on a monthly basis for all of the sewage flowing into the City of Riverside's sewage system. The City of Riverside also provides pretreatment inspection services, pursuant to a contract with the District, to assure that the District's commercial customers are in compliance with the District's requirements.

Government Structure and Accountability

ECSD is governed by a five-member Board of Directors, elected at large.

Table 47 – Edgemont Community Services District Board of Directors

Board Member	Term Expires
Michael Addie	2022
Cheryl Franklin	2020
Brenda Addie	2022
Crystal Smith	2020
Eric Stephens	2022

The ECSD Board meets at 7:00 p.m. on the fourth Thursday of each month at the Edgemont Community Center located at 21640 Cottonwood Avenue, Moreno Valley. The District has a basic website which lists meeting dates, Board agendas, agency contact information for the General Manager, etc.

No direct contact information is listed for Board members, and no meeting minutes are provided. In addition, there is no agency audit and/or budget information accessible form the District's website. At minimum, meeting minutes, annual budgets and current audits are needed to promote transparency and accountability as well as allowing public oversight of District activities. The California Special Districts Association (CSDA) offers member agencies special programs and assistance with website startup and design. The District should consider this or other options to upgrade its website.

ECSD provides wastewater collection services to an area of approximately 1,504 acres but contracts with the City of Riverside to provide wastewater treatment and disposal services. The CSD's service area is partially built-out, and some of the sewers are 60 years old. However, the sewer mainlines are made of vitrified clay and, according to recent District videos, are considered in good to excellent condition. District rates ($141 per EDU annually) are significantly lower that sewer rates charged by the City of Riverside. LAFCO's 2005 MSR stated that there may be cost savings associated with a reorganization of ECSD with the City of Riverside, although because ECSD boundaries are evenly split between the City of

Edgemont Community Services District

Riverside and the City of Wildomar, such reorganization would present challenges. No alternative government structure options are considered at this time.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

Elsinore Valley Municipal Water District

Overview/History

Elsinore Valley Municipal Water District (EVMWD) was incorporated on December 23, 1950, under the provisions of the California Municipal Water District Act of 1911. The purpose of EVMWD is to provide water and wastewater services to properties within EVMWD's boundaries. At the time of its incorporation, EVMWD had too low of an assessed valuation to become a member of the Metropolitan Water District of Southern California (Metropolitan), which was formed in 1928 by a legislative act to provide supplemental water for its member agencies in Southern California. Western Municipal Water District (WMWD) was formed in 1954 under the Municipal Water District Act of 1911 to bring supplemental water from Metropolitan to growing western Riverside County. Following WMWD's annexation to Metropolitan, EVMWD was annexed to WMWD's service area in 1954.

A bond election was held in 1955 that provided $1,600,000 in capital funding for transmission, storage, treatment, and limited distribution facilities for the importation and distribution of Metropolitan water within EVMWD. During 1956 and 1957, construction proceeded on the EVMWD loop transmission system. Also during this period, several small mutual water companies petitioned EVMWD to accept their physical facilities and operate them. The first delivery of Metropolitan water started on April 8, 1957. EVMWD was a wholesaler to the Elsinore Water District (EWD), which was located northwest of Lake Elsinore and entirely surrounded by EVMWD's service area.

In 2011, EVMWD acquired EWD and all their facilities, which are located northwest and southeast of Lake Elsinore, merged with EVMWD. Today, the residents within the EVMWD boundary are served by one of two water service agencies: EVMWD, and The Farm Mutual Water Company. The Farm Mutual Water Company is located entirely within EVMWD boundaries, and obtains most of their water wholesale from EVMWD. EVMWD also provides wastewater and recycled water service to customers. EVMWD is legally empowered, but does not currently provide services for storm water disposal facilities, and fire protection facilities.

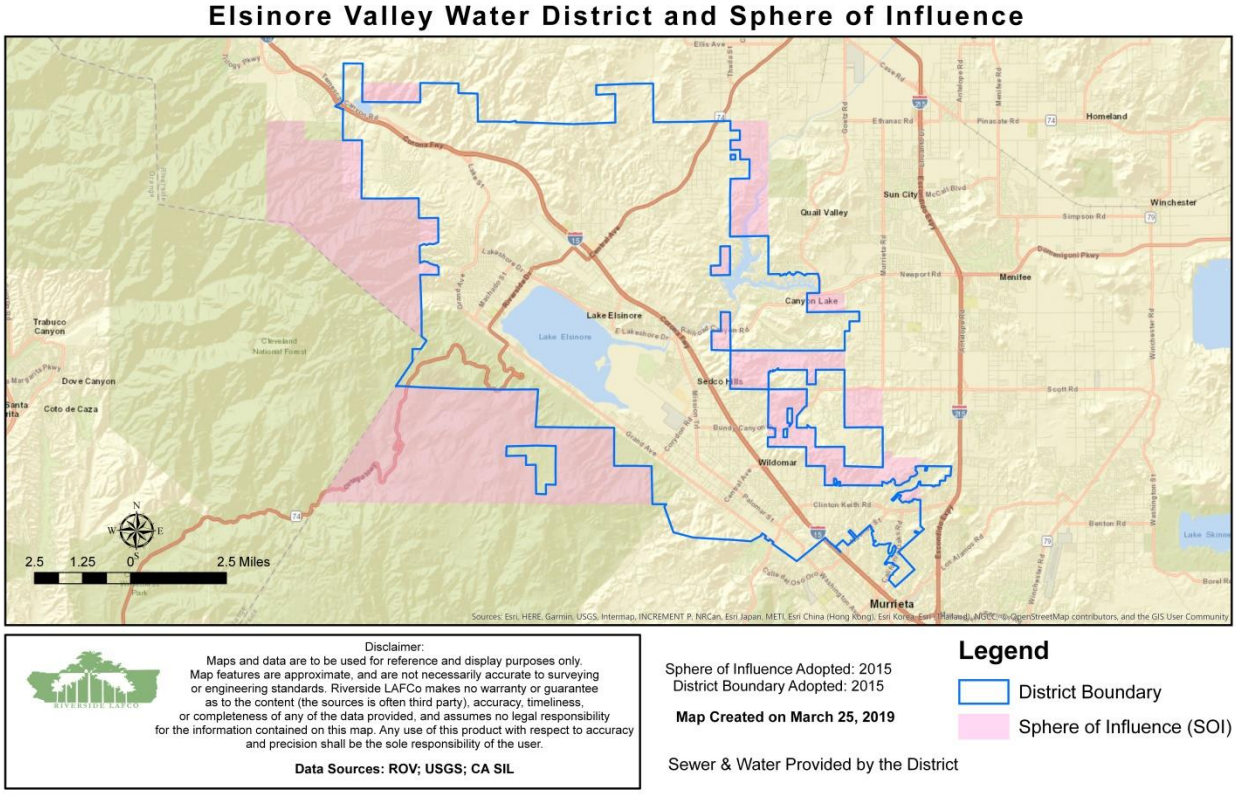
The EVMWD service area is composed of the Cities of Lake Elsinore, Canyon Lake, Wildomar, and portions of the City of Murrieta and unincorporated Riverside County and Orange County. EVMWD's service area is divided into two divisions: the Elsinore Division and the Temescal Division.

The Elsinore Division makes up the majority of the service area with approximately 44,500 accounts, encompassing an area of 96 square miles. The Temescal Division is isolated from the Elsinore Division and is located to the northwest of the Elsinore Division. It covers an area of approximately 2.5 square miles and has approximately 700 accounts. Although EWD was consolidated with EVMWD, the EVMWD service area has remained the same because EWD's

Elsinore Valley Municipal Water District

service area was wholly within EVMWD's service area, and its population and water use were included in the previous UWMP calculations since EWD received all their water from EVMWD. EVMWD serves water through 46,340 connections and sewer through 35,510 connections to approximately 158,000 customers.

Exhibit 10 – Elsinore Valley Municipal Water District



Elsinore Valley Municipal Water District

Elsinore Valley Municipal Water District - Agency Profile

General Information			
Agency Type	Municipal Water District Act of 1911; section 71000 Water Code		
Date Formed	December 23, 1950		
Services	Retail Water District-wide; Wholesale Water to Farm Mutual Water Co., Sewer to major portions of District and Recycled Water to four areas		
Service Area			
Location	Western county covering cities of Lake Elsinore, Canyon Lake and Wildomar; small area in Orange County		
Square Miles/Acres	97 sq. miles/63,000 acres		
Total Water/Sewer Connections	Water: 45,400 (93% Residential) Sewer: 35,483		
Population Served	158,000 (estimated using EVMWD connection data)		
Water Infrastructure			
Facilities	Canyon Lake WTP, Back Basin WTP, 737 miles pipeline, 55 booster stations, 72 reservoirs; 12 wells		
Storage Capacity	90 MG; 8,960 AF in Canyon Lake		
Primary Source of Supply	Groundwater (21%) in Elsinore, Bedford and Coldwater Basin; Surface Water (11%) and Imported Water Purchased (68%) from MWD.		
Water Rates (single-family home)	4 Tier rates Residential $2.29 – 7.48 HCF; Irrigation $2.87 – 8.08 HCF Monthly Service Charge – ¾ inch meter $23.37; Power Zone Charge $0.12 HCF (Zone 1)		
Sewer Infrastructure			
Facilities	418 miles Collection system & 37 Lift Pump Stations; 3 WRFs and JPA member of SRRRA for Santa Rosa WRF		
Current and Projected Treatment Capacity	9.7 MGD in three WRFs and 2.0 MGD in SRRRA's Santa Rosa WRF; in process of expanding one WRF by additional 4.0 MGD; all WRFs are tertiary treatment so water reclaimed or discharged to lake		
Primary Disposal Method	Discharged to Lake Elsinore and stream discharge per agreements; Landscape Irrigation		
Sewer Rates (single-family home)	Residential - $45.87/month		
Actual Information - FY 2017 (Water & Sewer Funds)*			
	Revenues	Expenditures	Net Surplus/(Deficit)
All funds combined	$77,614,089	$80,146,492	$-2,532,403
Other income	–	–	$24,350,755
Change in net position	–	–	$21,818,352
Capital Expenditures	FY 2017 $24 million	Long-Term Planned Expenditures $29.9 million in water facilities 2 WRFs expansion; well conversions (non-potable to potable)	
Agency Net Position	$613,008,355		
Governance			
Governing Body	Five member Board elected by division; Board meets at offices at 31315 Chancy Street, Lake Elsinore, CA 92531-3000		
Agency Contact	Margie Armstrong, 951-674-3146, ext. 8306 margie@evmwd.net		

Sources: UWMP 2015, Water MP 2016, Sewer MP 2015, 2017 CAFR, questionnaire response *

Growth and Population Projections

As part of an Urban Water Management Plan Update completed in 2016, EVMWD developed population and growth projections. The current and estimated future service population for EVMWD is shown in Table 48.

Table 48 – EVMWD Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
149,300	169,500	187,800	205,100	221,100	238,300

Source: UWMP (2015)

Between 2015 and 2040, the District's service population is expected to increase in service population by approximately 24,600 connections or 89,000 residents. The majority of this growth is expected to be in the four cities and the suburban communities within the District's service area.

Disadvantaged Unincorporated Communities (DUCs)

LAFCO documentation reveals that there are three DUCs within the District's boundaries in the Lake Elsinore area, including: 1) Warm Springs; 2) Lakeland Village and 3) Meadowbrook areas. No DUCs were identified within or adjacent to the District SOI areas.

Present and Planned Capacity of Public Facilities

EVMWD utilizes water supplies from three primary sources for drinking water supply: Imported water via WMWD, groundwater wells and surface or lake water from Canyon Lake Reservoir when it is available.

1. Imported Water (Purchased)

EVMWD purchases imported water from MET via the WMWD. Purchases may be higher during drought conditions or when the Canyon Lake Reservoir water levels are low. The District purchases range between 13,000 and 19,000 acre-feet/year. There are two sources of imported treated water: 1) MET's Skinner Filtration Plant via the Auld Valley Pipeline (AVP) with capacity to deliver up to 24.2 MGD or 16,256 acre-feet/year, unless system upgrades are made, or 2) through the Temescal Valley Pipeline (TVP) from the Mills Filtration Plant. The connection point is within the City of Corona and the annual capacity to deliver is 12.9 MGD or 10,030 acre-feet/year. The District has studied alternatives to increase the capacity of these pipelines in the future to accommodate expected growth.

2. Groundwater

EVMWD draws on average approximately 21 percent of its water supply from two groundwater basins that serve different areas of the District. EVMWD has approximately 12 operating wells. The Elsinore Basin is the major source of groundwater supply in the Glen Ivy Fault area and

the Wildomar Fault Zone to the southeast. The basin encompasses about 25 square miles and includes Lake Elsinore and its tributaries.

The Coldwater Basin is in the Temescal Valley and serves the separated areas with about 500 connections. The basin covers about 2.6 square miles with a capacity of 74,800 acre-feet if full. EVMWD pumps on average between 400 to 700 acre-feet/year and other pumpers use about 2,200 acre-feet/year.

EVMWD acquired the Temescal Water Company in August 1989, and this resulted in ownership of water rights in the Meeks and Daley water rights in Grand Terrace and in the Riverside Basin. EVMWD may take delivery of up to 6,428 acre-feet/year but lacks infrastructure to access the water supply. EVMWD and WMWD have entered into an Exchange Agreement whereby WMWD takes the water, and EVMWD utilizes capacity in the Mills Gravity Line.

Table 49 – EVMWD Groundwater Production, 2011-2015

2011 (acre-feet)	2012 (acre-feet)	2013 (acre-feet)	2014 (acre-feet)	2015 (acre-feet)
3,140	5,758	6,244	9,834	4,059

Source: UWMP Update, 2015

3. Surface Water

When available, the District utilizes water from Canyon Lake (Railroad Canyon) Reservoir, a 8,960 acre-foot lake with estimated usable capacity of 4,600 AF. The District purchased the reservoir and upstream lands with water rights from the Temescal Water Company in 1989. The District has averaged 2,251 acre-feet/year of treatment of water from the lake at the Canyon Lake Water Treatment Plant

Water Demand Projections

The UWMP Act requires a water retailer to quantify the minimum water supply available during the years 2016 to 2018, assuming years 2016 to 2018 repeated the driest three-year historic sequence for each water supply source. EVMWD's estimated minimum supplies are shown in Table 50 below. These supplies are based on the anticipated reliability of imported water from Western Municipal Water District, local surface water, and local groundwater.

Table 50 – EVMWD - Minimum Supplies, 2016-2018

2016 (acre-feet)	2017 (acre-feet)	2018 (acre-feet)
34,918	36,523	38,023

Source: UWMP Update (2015)

Elsinore Valley Municipal Water District

Supply and Demand Assessment

Historically, there is often an increase in water use among agencies similar to EVMWD due to increased development. Conservation efforts have proven to be effective in decreasing water use in most dry years. Additionally, the District has enacted a Water Shortage Stages and Water Budget Reductions Plan that includes increased levels of conservation and rate increases for certain uses. In the District's recent UWMP 2015 Update, EVMWD estimated that demands could increase five to ten percent during a single dry year due to some area property owners experiencing local supply reductions. However, during an extended multiple dry year period, it is expected that conservation messaging and restrictions would lead to consumption dropping back down to normal year levels in the second dry year, and falling a further ten percent in the third dry year.

The following tables summarize the anticipated supplies and demands for a Normal or Single dry year based upon growth forecasts for EVMWD.

Table 51 – EVMWD Normal Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	40,052	52,396	52,971	61,246	61,476
Demand Totals	36,205	40,605	45,005	49,205	53,605
Difference	7,847	11,791	7,966	12,041	7,871

Source: UWMP Update (2015)

Table 52 – EVMWD Single Dry Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	41,170	49,514	50,089	58,079	58,309
Demand Totals	36,205	40,605	45,005	49,205	53,605
Difference	4,965	8,909	5,084	8,874	4,704

Source: UWMP Update (2015)

Wastewater (Water Reclamation)

EVMWD is a wastewater treatment agency that operates three wastewater reclamation facilities: the Regional WRF, Horsethief Canyon WRF and Railroad Canyon WRF. Additional flows from the southern part of the service area flow to the Santa Rosa WRF, owned by Santa Rosa Regional Resources Authority (SRRRA). SRRRA is a JPA comprised of three member agencies which include WMWD, EVMWD and RCWD. SRRRA facilities, including the Santa Rosa WRF, are operated by RCWD. The Santa Rosa WRF is in the midst of undergoing a rehabilitation project which will also expand the capability of the facility to treat sewer and produce recycled water.

Elsinore Valley Municipal Water District

Currently almost all (90 percent) wastewater flow within the EVMWD service area is treated by District facilities (10 percent goes to SRRRA facility). All wastewater flows are used as some sort of recycled water source, whether it is delivered to customers as a non-potable supply or used as replenishment water for Lake Elsinore. The EVMWD recycled water service area is comprised of four hydraulically separate service areas: the Horsethief, Railroad Canyon, Regional, and Wildomar service areas. Each respective service area is served by the following sources.

- Wildomar service area is served by the Eastern Municipal Water District's (EMWD) 48-inch Temecula Valley Recycled Water Pipeline (TVRWP) from the Temecula Valley Water Reclamation Facility (TVWRF).
- Railroad Canyon is served by the Railroad Canyon Water Reclamation Facility (WRF) and recycled water purchased from EMWD.
- The Horsethief service area is served by the Horsethief WRF.
- Regional WRF provides replenishment water for Lake Elsinore.

In total, EVMWD has 418 miles of collection pipelines, 37 lift pump stations and treatment capacity totaling 9.7 MGD plus 2.0 MGD at SRRRA's Santa Rosa WRF.

EVMWD, EMWD, and RCWD entered a five-year agreement in March 2009, (which was extended for another five years in 2014) to coordinate use of recycled water supplies in the region and to establish wholesale recycled water prices for EVMWD and RCWD. This agreement establishes EVMWD's recycled water availability and uses. EVMWD does not own or operate any WRFs in the Southern Sewer area and wastewater generated from this area is conveyed to four connection points in SRRRA's system and conveyed to SRRRA's Santa Rosa WRF for treatment.

According to the agreement, in return for paying RCWD to treat the wastewater sent to the Santa Rosa WRF to tertiary standards, EVMWD is allocated an equal amount of recycled water from EMWD's 48-inch TVRWP at no additional cost. EVMWD's recycled water allocation for each year is adjusted at the beginning of the fiscal year and is dependent upon the amount of wastewater delivered to the Santa Rosa Water Reclamation Facility (SRWRF). From 2011 to 2015, EVMWD averaged about 0.8 MGD of wastewater flow to the Santa Rosa WRF.

In addition, EVMWD has an agreement with Eastern MWD to purchase excess recycled water to provide to current recycled water customers. Under this agreement, EVMWD can purchase 329 acre-feet per year of surplus. The SRWRF produced 991 AF of recycled water in 2018, of which 288 AF was utilized by EVMWD for retail recycled water demands within the District's service area.

Wastewater Collection and Treatment

EVMWD is a wastewater treatment agency that operates three wastewater reclamation facilities: Regional WRF, Horsethief Canyon WRF and Railroad Canyon WRF. EVMWD

additionally has flows in the southern part of the service area that are treated at the Santa Rosa WRF, owned by SRRRA and operated by RCWD.

Currently, most of the wastewater flow (90 percent) within the EVMWD service area is treated by District facilities (10 percent goes to SRRRA facility) to tertiary quality and is used as a non-potable supply or used as lake replenishment water by release in one of several creeks. Each sewer area is served by the following facilities.

- Railroad Canyon is served by the Railroad Canyon Water Reclamation Facility (WRF) - current flows at 0.7 MGD
- The Horsethief service area is served by the Horsethief WRF - current flows at 0.3 MGD
- The majority of the District's sewer flow is served by Regional WRF – current flows at 6.0 MGD
- The southern portion of the District is served by SRRRA JPA's Santa Rosa WRF operated by RCWD - current flows at 0.7 MGD

In total, EVMWD has 418 miles of collection pipelines, 37 lift pump stations and treatment capacity totaling on average 9.7 MGD plus 2.0 MGD at SRRRA's Santa Rosa WRF.

Emergency Preparedness (Supply Interruption Capability)

Extended supply shortages are unlikely due to natural disasters or accidents which damage all water sources except in the event of a major earthquake. The District has developed an Emergency Response Plan (ERP) that will be activated as needed up to requesting regional or statewide assistance. However, EVMWD's emergency capability plan is to provide water via its interties, the Canyon Lake WTP, and wells utilizing emergency generators at most of the main well sites. This is sufficient water to meet the minimum health and safety requirements of 50 gallons per day per capita for approximately 160,000 residents. This assumes reduction in uses and zero non-residential or landscape use.

Under emergency power outages or a catastrophic earthquake condition, the existing storage is expected to provide a supply at minimum demand levels. EVMWD also has interconnection with WMWD and EMWD for emergency supplies and water available from Canyon Lake.

EVMWD has portable back-up generators that can be used in the event of an area-wide power outage. These generators can be located on primary well sites to continue water delivery.

All wastewater facilities are required to have emergency power capability for reliability. Main lift pump stations also have emergency power or the capability for portable generators to be connected.

Elsinore Valley Municipal Water District

Financial Ability to Provide Services

As of June 30, 2017, the District reported an unrestricted fund balance of $147,165,000, an increase of $6,354,000 over the prior year. The net position of the District, the value of assets and funds on hand for operations and capital investment was reported as $613,009,000, an increase of $21,819,000 or about four percent from the prior year.

EVMWD operates its water and sewer services as enterprise funds within the parameters of overall district operations. Water sales and service charges comprise the significant majority of operating revenues that fund the services provided for water operations and administration. The same situation exists for the sewer operations. On average, the EVMWD receives approximately 12 percent of its revenues from property and related taxes. The District utilizes these funds for wastewater operations, capital improvements and debt service for new facilities on an as needed basis.

Overall, the District's water, sewer and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities. Rate increases had been implemented over the last several years to accommodate increased expenditures for maintenance and capital improvements.

The District has adopted a comprehensive Cash Reserve Policy that designates funds for various programs and long-term debts. The policy provides direction to District staff on addressing reserves in the annual budget process. Reserves are established in various categories and uses.

- Rate Stabilization Reserve – Funds to ensure that adequate cash flow is available in the event of extraordinary expenses or reduction in revenues
- Debt Reserve – To fund payment of principal and interest for debt financed facilities as required by individual debt obligation
- Capital Facilities Reserve – For payment of costs for new facilities required for future and planned services
- Capital Replacement Reserve – Funds to replace aging facilities as planned in the Water and Wastewater Master Plans
- Employee Benefit Reserve - For payment of accrued and unpaid employee sick and vacation benefit liabilities

The above reserves include various operating and emergency accounts to provide funding for rate stabilization, operating reserves and capital assets.

Elsinore Valley Municipal Water District

A comparison of three years financial statistics from the published Comprehensive Audited Financial Reports is provided below.

Table 53 – EVMWD Financial Statements, FY 2015-FY 2017

	FY 2015	FY 2016	FY 2017
Operating Revenues			
Water revenues	$ 44,456,826	$ 46,387,145	$ 44,164,018
Wastewater revenues	23,368,664	21,961,717	22,261,812
Recycled water revenues	–	939,750	1,036,047
Total operating revenue	$ 67,825,490	$ 69,288,612	$ 67,461,877
Operating Expenses			
Water purchases	$ 16,306,497	$ 15,452,140	$ 16,266,623
Water operations	14,660,805	15,165,860	16,047,064
Wastewater operations	13,460,542	11,876,091	11,250,489
Recycled water operations	–	1,340,151	976,330
General and administrative	10,675,786	10,246,633	10,561,347
Depreciation/amortization	19,520,795	19,626,434	19,894,657
Total operating expenses	$ 74,624,425	$ 73,707,309	$ 74,996,510
Operating income (loss)	$ -6,798,935	$ -4,418,697	$ -7,534,633
Non-Operating Revenues (Expenses)			
Property taxes (total)	$ 8,239,146	$ 8,510,208	$ 9,133,430
Standby charges	913,699	433,830	595,492
Investment earnings	1,610,326	2,453,021	126,582
Mutual Water Company	-3,499	-85,372	-67,504
Lease income	1,445,901	1,453,542	1,520,603
Other income	1,417,250	1,019,731	-1,156,661
Interest expense	-7,379,384	-6,561,178	-3,552,038
Other expenses	-1,845,509	2,166,692	-1,597,944
Total non-operating revenue (net)	$ 4,397,930	$ 5,304,053	$ 5,002,230
Net income (loss) before capital contributions	$ -2,041,005	$ 885,356	$ -2,532,403
Capital Contributions			
Capacity fees	$ 6,443,375	$ 10,061,797	$ 14,682,746
Capital grants	286,910	817,868	6,906,333
Other contributions	1,726,371	3,037,047	2,761,676
Total capital contributions	$ 8,446,656	$ 13,916,712	$ 24,350,755
Change in net position	$ 6,045,651	$ 14,802,068	$ 21,818,352
Net Position			
Beginning of year	$ 570,342,284	$ 576,387,935	$ 591,190,003
Net position - end of year	$ 576,387,935	$ 591,190,003	$ 613,008,355

Source: Comprehensive Annual Financial Reports 2015, 2016, 2017

Elsinore Valley Municipal Water District

There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post Improvement Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The District fund overall has been experiencing modest surplus revenues over expenses as well as occasional increased spending over the last several years. However, this is attributed primarily to planned capital expenditures and cash flows. Appropriate rate increases have been implemented for water and sewer over the prior years' utilizing a cost of service analysis to have services funded by fees and charges.

2. Ratios of Revenue Sources

The District receives 86 percent of its water and sewer fund revenues from charges and fees for services, substantial revenue from property taxes (11 percent), and about 4 percent from miscellaneous other sources. The ratios of designated reserves and funds reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues such as water sales and property tax (property tax has varied based upon the economic picture over the past ten years).

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted or restricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District's fund balance ratio is approximately 173 percent of annual expenditures. This fund ratio represents an adequate ratio position and the designated reserves have been increasing over time.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. The District has one state low interest loan and has financed several facility systems with Certificates of Participation (COP) and revenue bonds using water and sewer operating revenues and capacity fees as revenue sources. Long-term liabilities in debt are $171.2 million at June 30, 2017 and the payments due in next year are $5.9 million. Ideally, a ratio of 10 to 15

percent or less would reflect a very stable ratio. The District's water and sewer funds have reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time. The District's annual debt service ratio to total expenditures is approximately 8 percent, an acceptable ratio.

5. Rate Structures

The District has raised water rates annually to keep pace with costs of operations and capital facility replacement. For water services, the District has two divisions based upon method of service and costs, has different rates for each. The residential water rates use a four-tiered rate system. The District's current Elsinore Water Division residential water commodity rates changed effective July 1, 2018 to range from $.2.34 (indoor use) – $7.48 (excessive use) per 100 cubic feet of usage.

Commercial customers pay a flat rate for their indoor water use of $2.84 per 100 cubic feet of usage. Potable and recycled landscape irrigation users have a three-tiered rate system. Potable landscape irrigation user rates range from $2.93 - $8.08 and recycled user rates range from $2.29 - $4.70 per 100 cubic feet of usage. Water service charges for water meter availability range from $26.27 – $41.29 for a typical ¾" and 1" size meter.

The Temescal Water Division residential water commodity rates range from $0.76 (Indoor use) to $5.86 (Excessive use) per 100 cubic feet of usage. Commercial customers pay a flat rate for their indoor water use of $0.96 per 100 cubic feet of usage. Water meter availability charges are now the same District-wide. A power charge is also levied based upon elevation of the user from $0.12 to $1.52 per 100 cubic feet of use.

Sewer fees for the served area effective 7/1/18 for residential is a fixed charge of $ 20.29 per month plus $6.93 per person in the household. Commercial and other special uses pay by water consumption based on a rate of $4.15 – $9.29 per 100 cubic feet of usage.

The District has other fees and charges for service and late fees which can be found on the District website at www.evmwd.net.

6. Capital Improvement Program/Plan

The District reports that it has developed and implemented a comprehensive CIP for water, recycled and sewer infrastructure improvements. The District's current 2-Year CIP reflects approximately $29.3 million in improvements for water and wastewater infrastructure, with approximately $13 million programmed for FY 2018. This does not include grants and loans that may be obtained. EVMWD maintains a consistent investment in infrastructure including wells, pipelines, reservoirs and sewer systems. This reflects an ongoing investment in capital facilities.

Elsinore Valley Municipal Water District

7. Pension Liability and Other Post-Employment Benefits Liability

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries to EVMWD employees. A "Classic" CalPERS Miscellaneous member (hired prior to January 1, 2013) becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members (hired on or after January 1, 2013) become eligible for service retirement upon attainment of age 62 with at least five years of service.

The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

California law requires an annual calculation of the net pension liability and contribution for each participating agency. This calculation is utilized by the agency to budget for and make contributions to CALPERS toward its unfunded liability balance. In FY 2017, EVMWD contributed $2,747,053 toward the pension services plan. The FY 2016-17 CAFR contains a detailed description of the calculation of benefit and unfunded liability.

The District also provides an Employee Savings Clause Plan to employees hired prior to January 1, 2013 whereby the plan credits employees with hours of service per year to a maximum of 800 hours, payable upon separation or retirement.

Status and Opportunities for Shared Services/Facilities

EVMWD is a water and sewer district and agency member of the Western MWD that serves a diverse area and with multiple types of retail water and sewer customers. EVMWD has undertaken a number of shared service opportunities with other agencies, including:

- EVMWD cooperates with the primary water provider, Western MWD as well as Eastern MWD, Temescal Valley WD, Rancho California WD and the City of Corona with supply and intertie connections to share water in emergency situations.
- EVMWD participates in a Joint Powers Authority (JPA) with RCWD and Western MWD for sewer treatment services at the SRWRF now under the ownership of SRRRA
- EVMWD participates in a Joint Powers Authority (JPA) with Temescal Valley WD and the City of Corona for management of two water basins in the Temescal Valley area
- EVMWD is a member of the Lake Elsinore San Jacinto Water Authority (LESJWA) that manages water flows and use in the Lake Elsinore watershed.
- The District owns Canyon Lake and contracts with the Canyon Lake Association to provide recreational opportunities in the reservoir.

Elsinore Valley Municipal Water District

Government Structure and Accountability

EVMWD is governed by board of directors with five members elected by division for four-year terms.

Table 54 – Elsinore Valley Municipal Water District Board of Directors

Board Members	Term Expires
Andy Morris, President, Div. 5	2022
Phil Williams, Vice President, Div. 4	2020
Darcy Burke, Treasurer, Div. 1	2022
Harvey R. Ryan, Director, Div. 2	2020
Jared McBride, Director, Div. 3	2022

The Board meets at the District Office located at 31315 Chancy Street, Lake Elsinore, CA 92531-3000. The Board of Directors appoints a General Manager as the Chief Administrative Officer who is responsible for managing District operations on a day-to-day basis, and select, appoint and manage staff and consultants to carry out District programs and projects. The Board also appoints a Legal Counsel and Treasurer.

The District provides public information on its website, including information on a history of the District, current projects, water and sewer information, customer inquiries and FAQs, conservation programs, annual budgets, and audits (CAFR). The website also includes contact information for the Board of Directors and staff and Board meeting agendas and minutes. Other major reports are accessible via links on the portal. A contact portal is also provided to further research District reports and studies.

The District staff state that they work cooperatively with several other water agencies and cities in the County and region. Based upon water rights and infrastructure resources, there does not appear to be increased interest in considering alternative government service structures at this time. Additionally, within the last five years, District staff is aware of one property in the area, the Preserve at San Juan, with interest in annexing to the District. The property is located along the western side of Ortega Highway at Long Canyon Road. A portion of the property would require annexation to the District in Orange County.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

Home Gardens County Water District

Overview/History

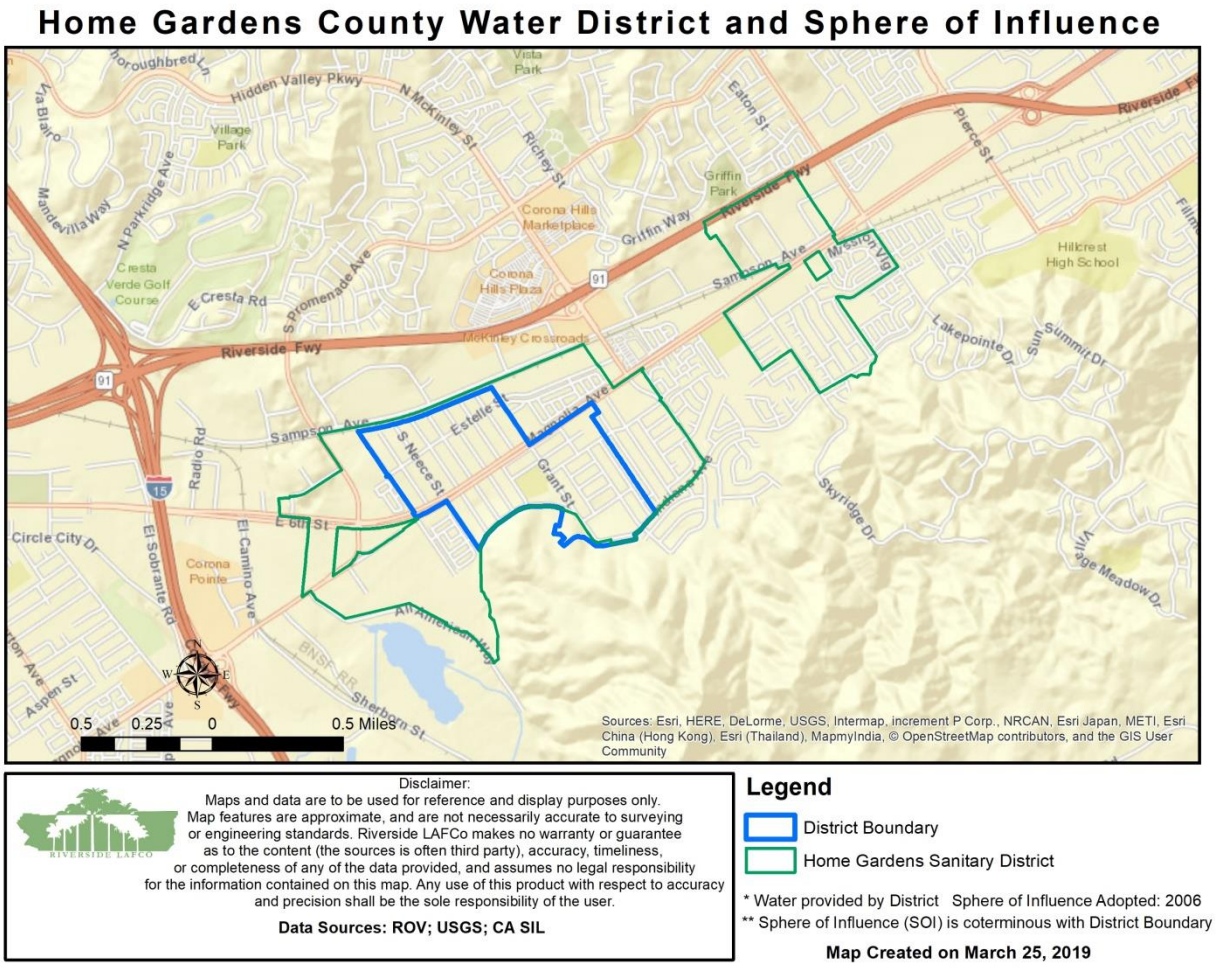
The Home Gardens County Water District (HGCWD) was formed as a State of California Special District under the Water Code §30000 in 1978 to replace the Home Garden Water Mutual Association. The area of jurisdiction of the HGCWD is 232.5 acres of a portion of the unincorporated area of Home Gardens, adjacent to the City of Corona in Riverside County. The District has operational office facilities that are maintained in the District area to facilitate the provision of services.

The primary mission of the HGCWD is for the purpose of providing safe potable water that meets or exceeds quality requirements set by the State Department of Health for the businesses and approximately 3,100 residents within District boundaries served through 822 water connections. The District currently serves its water customers from one main source of supply: purchases from the City of Corona. Local groundwater from the Riverside Groundwater Basin had previously been a potable water source, but the District has purchased wholesale water from the City of Riverside for many years and more recently from the City of Corona. It is stored in a one-million-gallon reservoir tank. The District can also purchase water from the City of Riverside in an emergency through a pipeline connection.

The HGCWD does not expect to need significant additional water supplies to be able to satisfy nominal growth within the District's service area. The District participated in the development of a comprehensive Urban Water Management Plan by the City of Corona in 2015 to plan for future water supplies.

Home Gardens County Water District

Exhibit 11 – Home Gardens County Water District



Home Gardens County Water District – Agency Profile

General Information			
Agency Type	County Water District Act; WC 30000 et seq.		
Date Formed	1978		
Services	Retail water services		
Service Area			
Location	Unincorporated area adjacent to City of Corona south of Hwy 91 east of I-15 Freeway		
Square Miles/Acres	232.5 acres		
Total Water/Sewer Connections	822 (primarily residential)		
Population Served	Approximately 3,100		
Water Infrastructure			
Facilities	Pipeline connection to City of Corona; 9.6 miles District pipelines		
Storage Capacity	1 million gallon storage reservoir		
Primary Source of Supply	Purchase wholesale water from City of Corona; Groundwater – wells		
Water Rates (single-family home)	2015 Rates: ¾" meter = $31.25/mo.; Commodity rate 1-18 HCF = $2.73, 19 + HCF = $2.91; rates adjusted if cost to purchase water increases.		
Budget Information - FY 2017-2018 (Water Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water Fund	$848,804	$637,576	$211,228
Capital Expenditures	FY 2017-2018 $125,000	Long-Term Planned Expenditures Reserve for system repairs/upgrades as needed	
Water Fund Balance	$605,426	$350,207 unrestricted funds	
Agency Net Position	$490,186	Source: 2017 Audit	
Governance			
Governing Body	Five member Board of Directors elected at-large; District Office is 3832 N. Grant Street, Corona, CA 92879; hours Monday-Thursday 8:30 a.m. – 4:30 plm.		
Agency Contact	David F. Vigil; 951-737-4741; hgcwd@yahoo.com		

Note: District has no website
Sources – Questionnaire response, audits

Home Gardens County Water District

Growth and Population Projections

As part of an Urban Water Management Plan Update for City of Corona completed in 2015, HGCWD was included with population and growth projections. The current and estimated future service population for HGCWD is shown in Table 55.

Table 55 – HGCWD Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
3,100	3,200	3,300	3,300	3,300	3,300

Source: District Staff and City of Corona UWMP (2015)

Between 2015 and 2040, the District's service population is expected to increase in service population by approximately 40 connections or 200 residents. The majority of this growth is expected to be in one new project and minor infill within the District's service area.

Disadvantaged Unincorporated Communities (DUCs)

Information from the City of Corona indicates that there are several DUC and DAC areas within the City SOI and unincorporated area of Home Gardens, but they are served water by other agencies. The City and HGCWD have partnered together and constructed a new well with the help of a $2 million grant. The well is operational at this time, but its use is pending the City of Corona finishing its filtration system. LAFCO documentation reveals that there is one DUC in the Corona/HGCWD area, and none adjacent to the SOI which is coterminous with the District service territory boundary.

Present and Planned Capacity of Public Facilities

HGCWD utilizes water supplies from one primary source for drinking water supply: imported water via the City of Corona. The District formerly purchased water from the City of Riverside and has an emergency connection capability if needed.

Imported Water (Purchased)

HGCWD purchases local and imported water from the City of Corona. Due to conservation orders and advisories issued by the State and other agencies during drought periods, HGCWD customers have traditionally not increased their water consumption during drought periods. Purchases may be slightly higher in drought periods, but the District averages between 350 and 370 acre-feet per year.

Groundwater

HGCWD does not currently use groundwater pumped within the District. The City of Corona provides wholesale water and included the water sold to the District in its UWMP Update in 2015. The City and HGCWD have received a grant of $2 million to fund a new well to reduce the cost of purchased water to the District and help reduce the need for imported water.

Home Gardens County Water District

Recycled Water

HGCWD does not currently have a recycled water distribution system or access to recycled water.

Water Demand Projections

The UWMP Act requires a water retailer to quantify the minimum water supply available during the years 2016 to 2018, assuming years 2016 to 2018 repeated the driest three-year historic sequence for each water supply source. HGCWD's estimated minimum supplies are shown in Table 56 below. These supplies are based on the anticipated reliability of imported water from the City of Corona.

Table 56 – HGCWD Minimum Supplies, 2016-2018

2016 (acre-feet)	2017 (acre-feet)	2018 (acre-feet)
351.15	363	370

Source: Corona UWMP Update 2015 and actual purchases

Supply and Demand Assessment

Historically, there has been an increase in water use among agencies due to increased development. Conservation efforts have proven to be effective in decreasing water use in dry years. In the City of Corona's recent UWMP Update, HGCWD it was estimated that demands could increase ten percent during a single dry year due to some area property owners experiencing local supply reductions. However, during a multiple dry year period, it is expected that conservation messaging and restrictions would lead to consumption dropping back down to normal year levels in the second dry year, and falling a further ten percent in the third dry year.

Since the HGCWD area is essentially built out, no measurable increase in supply or demand is expected in the coming years unless infill or changes in area zoning are made.

Emergency Preparedness (Supply Interruption Capability)

Extended supply shortages are unlikely due to natural disasters or accidents which damage all water sources. However, HGCWD's emergency capability plan is to provide water via its two connections to the cities of Corona and Riverside. The District also has an agreement with City of Corona for emergency response assistance if needed.

Financial Ability to Provide Services

As of June 30, 2017, the District was able to report a positive balance in its unrestricted net position of $525,207. On June 30, 2016, the balance was $346,768. This is an increase of $178,439 or 51 percent. The net position of the District, the value of assets and funds on hand

Home Gardens County Water District

for operations and capital investment, over the same period increased $211,249 or approximately 76 percent.

HGCWD operates its water services as an enterprise fund within the confines of overall District operations. Water sales and service charges comprise the significant majority of operating revenues that fund the services provided for water operations and administration, 87 percent.

Overall, the District's water funds are considered stable and self-sustaining for operational, capital and debt service activities. The cost of purchasing water has decreased as a result of an agreement with the City of Corona to purchase water at a lower cost than previously with the City of Riverside. Rate increases had not been implemented over the previous several years up until 2013 to accommodate expenditures for maintenance and setting aside reserves for capital improvements.

The District has adopted a Financial Reserve Policy that designates funds for capital reserve and debt service. The policy provides direction to District staff on addressing reserves in the annual budget process. The District maintains an adequate reserve fund balance providing the capability to absorb short term impacts, and is able to maintain an acceptable debt service to annual expenditure ratio.

A comparison of three years financial statistics from the published 2017 Audit Report is provided below.

Table 57 – EVMWD Financial Statements, FY 2015-FY 2017

	FY 2015 (partial detail)	FY 2016	FY 2017
Operating Revenues			
Water consumption sales	$ 761,511	$ 720,282	$ 736,733
Penalties and charges	–	19,635	17,625
Grant income	–	88,057	91,192
Other income	20,663	1,875	2,293
Total operating revenue	$ 782,174	$ 829,849	$ 847,843
Operating Expenses			
Source of supply	$ –	$ 175,786	$ 182,384
Pumping	–	1,734	1,718
Office payroll, benefits, and payroll taxes	–	187,927	209,391
Transmission and repair	–	54,289	38,062
General and administrative	–	–	162,969
Depreciation expense	–	54,840	52,389
Total operating expenses	$ 747,751	$ 590,224	$ 594,524
Operating income (loss)	$ 34,423	$ 39,625	$ 53,319

Home Gardens County Water District

	FY 2015 (partial detail)	FY 2016	FY 2017
Non-Operating Revenues (Expenses)			
Interest income	$ 351	$ 24	$ 961
Interest expense	-49,085	-52,798	-43,052
Total non-operating revenues (expenses)	$ -48,085	$ -51,874	$ -42,091
Change in net position	$ -14,311	$ 87,228	$ 211,228
Net position – beginning	105,518	91,207	78,958
Net position - ending	$ 91,207	$ 278,958	$ 490,186

Sources: Audit Report 2015, 2016 and 2017

There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations.

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The District fund overall has been experiencing excess revenues over expenses for the past two fiscal years as well as occasional deficit spending in the prior years. However, this is attributed primarily to higher water supply costs in prior years. The Net Position has been improved over the past two years.

2. Ratios of Revenue Sources

The District receives approximately 88 percent of its water fund revenues from charges and fees for services, no revenue from property taxes, and about 12 percent from miscellaneous other sources such as grants and interest income. The ratios of unrestricted reserves reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have.

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District's fund balance ratio is approximately 90 percent of annual expenditures. This fund ratio represents a more than adequate ratio position and the reserve has been increasing over the past two years.

Home Gardens County Water District

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of 10 to 15 percent or less would reflect an acceptable ratio. The District's water fund has reasonable debt, including payment of a Note from the State of California for a reservoir and system upgrades constructed in 1987. The District's annual debt service ratio to total expenditures is approximately 12 percent, an acceptable ratio. The interest and principle payments will increase in future years per the note payment terms. The District anticipates no new debt in the near future.

5. Rate Structures

The District revised water rates in August 2013 to reflect the need for balance revenue sources from the monthly service charge and water commodity rates. The commodity rate was increased to provide needed revenues for setting aside reserves while covering ongoing expenditures. The District's established water rates range from $2.72 per 100 cubic feet of usage from 1 to 18 units and $2.90 per 100 cubic feet of usage over 18 units of water. Water service charges for water service charge maintenance range from $31.35 – 52.36 for a typical residential ¾" and 1" size meter.

6. Capital Improvement Program/Plan

The District has minimal facilities since it no longer has regularly operating wells. Repair of distribution pipelines and meters and the 1 MG tank are handled in the operating expenditure accounts, and a nominal capital reserve is set aside with a reserve surplus in excess of $250,000.

7. Pension Liability and Other Post-Employment Benefits Liability

The District maintains a privately managed retirement program whereby the District contributes 5 percent and employees may contribute up to a total of 15 percent of payroll to the plan toward retirement. Employees are vested after three years of service. The District reports that there is no unfunded pension liability.

Status and Opportunities for Shared Services

HGCWD is a water agency that serves a small area with primarily retail residential water customers. HGCWD has undertaken some shared service opportunities with other agencies, including:

- HGCWD cooperates with the primary water provider, City of Corona and Western MWD with a supply and intertie connection to purchase water and obtain reliable supply of water in emergency situations.
- The District has an agreement with the City of Corona for emergency operations support if needed.

Home Gardens County Water District

Government Structure and Accountability

HGCWD is governed by board of directors with five members elected at large for four-year terms.

Table 58 – Home Gardens County Water District Board of Directors

HGCWD Board Member	Term Expires
Hank Sonksen, President	2021
Albert Holguin, Vice President	2021
Peggy Rogers, Treasurer	2019
Rocio Ortiz	2019
Sandra Solis	2021

The Board meets at the District Office located at 3832 N. Grant Street, Corona, CA 92879. The Board of Directors appoints a General Manager as the Chief Administrative Officer who is responsible for managing District operations on a day-to-day basis, and select, appoint and manage staff and consultants to carry out District programs and projects. The Board also appoints a Legal Counsel and District Engineer.

The District does not have a website. As such, access to meeting minutes, agency audit and/or budget information, agency contact information, etc. is limited. To promote transparency and accountability as well as allowing public oversight of District activities, a basic website should be a high priority for the District. The California Special Districts Association (CSDA) offers member agencies special programs and assistance with website startup and design. The District should consider this or other options to establish a website.

The District staff state that they work cooperatively with several cities and other water agencies in the County and region. Based upon the location of the District overlapping the HGSD, it could be of benefit to consider discussions between the two agencies for functional and possibly governance consolidation. Additionally, District staff is aware of one property in the area that should be developed in 2018-19.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

Home Gardens Sanitary District

Overview/History

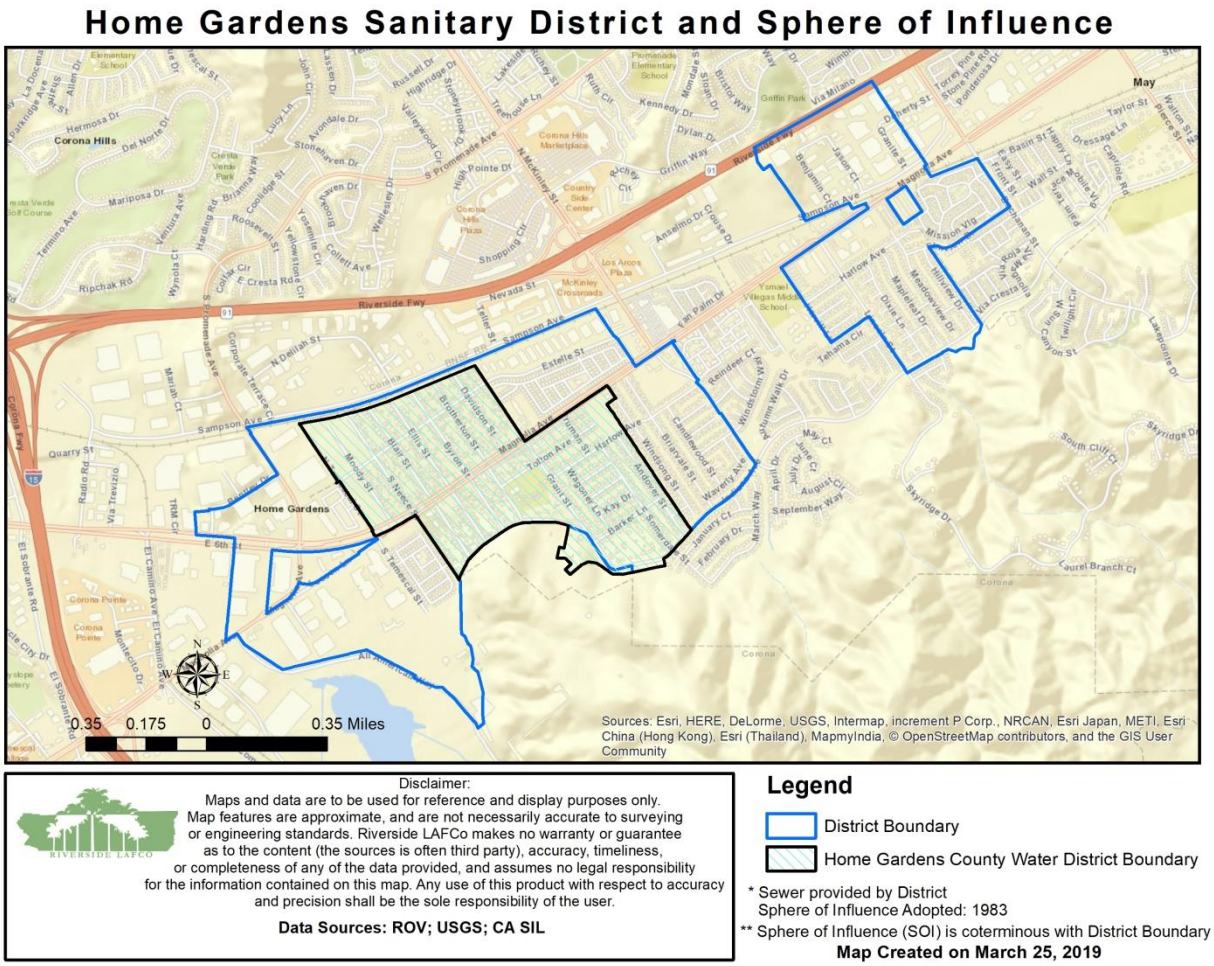
The Home Gardens Sanitary District (HGSD) was formed as a State of California Special District under the Sanitary District Act of 1923 on July 1, 1957. The area of service jurisdiction of the HGSD is 717 acres of a portion of the unincorporated area of Home Gardens adjacent to the City of Corona in Riverside County. The District has operational office facilities that are maintained in the District area to facilitate the provision of services.

The primary mission of the HGSD is for providing sewer collection and disposal for businesses and approximately 8,000 residents within District boundaries served through 2,390 connections. The District currently serves its sewer customers by operating a sewer collection system of 16 miles of pipelines varying from 8- to 15-inch in diameter. The sewage is conveyed to a regional wastewater treatment plant for processing.

The HGSD does not expect to have substantial growth in its service area in the next few years. The District has a long-term agreement with the regional treatment plant ownership for treatment of sewage and has been averaging .59 MGD flows of a capacity to serve of 1 MGD.

Home Gardens Sanitary District

Exhibit 12 – Home Gardens Sanitary District



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Data Sources: ROV; USGS; CA SIL

Legend

District Boundary

Home Gardens County Water District Boundary

* Sewer provided by District
Sphere of Influence Adopted: 1983

** Sphere of Influence (SOI) is coterminous with District Boundary

Map Created on March 25, 2019

Home Gardens Sanitary District

Home Gardens Sanitary District - Agency Profile

General Information			
Agency Type	Sanitary District Act of 1923		
Date Formed	July 1, 1957		
Services	Collection of sewage for treatment at regional wastewater plant		
Service Area			
Location	Western Riverside County adjacent to City of Corona so of Frwy 91		
Square Miles/Acres	717 acres		
Total Water/Sewer Connections	2,390 connections, primarily (93%) residential		
Population Served	Approximately 8,000		
Sewer Infrastructure			
Facilities	16 miles of sewer collection pipelines varying from 8- to 15-inch diameter		
Current and Projected Treatment Capacity	District has 1 MGD capacity in regional wastewater treatment plant (Western Riverside County Regional Wastewater Authority)		
Primary Disposal Method	Regional plant treats to advanced treatment and a portion is reclaimed water supply to agencies and a portion is placed in the Santa Ana River for percolation reuse		
Sewer Rates (single-family home)	$34.00 per month, fixed rate		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Sewer Fund	$1,152,898	$1,085,184	$ 67,714
Capital Expenditures	FY 2017-2018 $300,000	Long-Term Planned Expenditures Unknown	
Wastewater Fund Balance/Reserves	$2,448,520		
Agency Net Position	$2,448,298		
Governance			
Governing Body	Five-member Board of Directors elected at large; meetings at District Office at 13538 Magnolia Avenue, Corona, CA 92879		
Agency Contact	Janey Gress, General Manager; 951-735-2368; hgsd@sbcglobal.net		

Sources: Questionnaire response, 2017 Audit; no website found

Home Gardens Sanitary District

Growth and Population Projections

As part of a master plan of service by the Western Riverside County Regional Wastewater Authority (WRCRWA) of which the District is a member, the expected growth rate within the District was included for the next 25 years at slightly less than two percent (similar to the overall regional rate in Western Riverside County). There is no specific population area analysis for the District; however, a reasonable projection may be made from area growth patterns. The current and estimated future service population for HGSD is shown in Table 59.

Table 59 – HGSD Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
8,000	8,800	9,700	10,600	10,600	10,600

Source: District Staff and City of Corona UWMP (2015)

Between 2015 and 2030, the District's service population is expected to increase in service population by approximately 775 connections or 2,600 residents. The majority of this growth is expected to be in residential and commercial infill within the District's service area.

Disadvantaged Unincorporated Communities (DUCs)

Information from the City of Corona indicates that there are several DUC and DAC areas within the City's sphere of influence and one in the unincorporated area of Home Gardens, identified as Corona DUC 1. None are adjacent to the SOI which is coterminous with the District service territory boundary.

Present and Planned Capacity of Public Facilities

Wastewater (Water Reclamation)

HGSD utilizes 16 miles of sewer collection pipelines with gravity flow to a regional transmission conveyance system and regional sewage treatment plant. The District does not own its own treatment facilities but is a member of the WRCRWA and has recently contracted to expand its capacity in the plant to 1 MGD. The average daily flows in 2017 were .59 MGD, well within the available flow capacity at the treatment plant. The District also has a lease agreement with the Western MWD to be able to temporarily discharge up to .50 MGD to the Santa Ana Regional Interceptor (SARI) system line that flows to the Santa Ana Watershed and Orange County Sanitation District system.

HGSD does not currently treat its sewage flows and does not have a recycled water distribution system or access to recycled water.

Emergency Preparedness (Collection and Treatment Interruption Capability)

Extended treatment stoppages are unlikely due to natural disasters or accidents which damage all sewer collection and/or treatment. However, HGSD's emergency capability plan is

to provide collection system repair as soon as possible or utilize other treatment facilities as needed in regional Riverside. The District also has an agreement with Western MWD for emergency treatment of up to .50 MGD assistance if needed. In the event of a major earthquake much of the water supply may be cutoff and sewage flows would expect to be significantly reduced for a limited time.

Financial Ability to Provide Services

As of June 30, 2017, the District was able to report a positive balance in its unrestricted net position of $2,448,298. On June 30, 2016, the balance was $3,111,096. This is a decrease of $ 662,798 or 21 percent. The net position of the District, the value of assets and funds on hand for operations and capital investment, over the same period increased $67,714 or approximately 1 percent.

HGSD operates its sewer services as an enterprise fund within the overall District operations. Sewer service charges comprise the significant majority of operating revenues (77 percent) that fund the services provided for sewer collection, treatment operations and administration.

Overall, the District sewer fund is considered stable and self-sustaining for operational, capital and debt service activities. The cost of sewage treatment has increased as a result of the District purchasing additional capacity in the regional treatment plant in Corona. Rate increases had not been implemented over the previous several years up until 2015 to accommodate expenditures for maintenance and setting aside reserves for capital improvements.

The District has adopted a Financial Reserve Policy that designates funds for capital reserve and debt service. The policy provides direction to District staff on addressing reserves in the annual budget process. The District maintains an adequate reserve fund balance providing the capability to absorb short term impacts, and is able to maintain an acceptable debt service to annual expenditure ratio.

A comparison of three years financial statistics from the published 2017 and 2016 Audit Reports is provided below.

Table 60 – HGSD Financial Statements, FY 2015-FY 2017

	FY 2015 (partial detail)	FY 2016	FY 2017
Operating Revenues			
Sewer services	$ 547,896	$ 728,522	$ 870,625
Permit and plan check fees	–	–	530
Connection fees	–	–	77,852
Other income	408	320	663
Total operating revenue	$ 548,304	$ 820,060	$ 949,640

Home Gardens Sanitary District

	FY 2015 (partial detail)	FY 2016	FY 2017
Operating Expenses			
Sewer treatment	$ –	$ 564,318	$ 505,890
Professional services (legal, engineering)	–	86,587	73,572
Office payroll, benefits, and payroll taxes	–	199,946	202,720
Repairs and maintenance	–	71,025	29,319
General and administrative	–	71,356	76,359
Depreciation expense	–	201,816	195,602
Total operating expenses	$ 970,606	$ 1,195,048	$ 1,083,462
Operating income (loss)	$ -422,302	$ -374,988	$ -133,822
Non-Operating Revenues (Expenses)			
Interest income	$ 7,232	$ 10,130	$ 19,060
Property taxes	65,939	175,277	184,198
Interest on debt	-3,351	-2,548	-1,722
Total non-operating revenues (expenses)	$ 169,820	$ 182,859	$ 201,536
Net Position			
Net position – beginning	$ 7,007,959	$ 6,755,477	$ 6,563,348
Net position - ending	6,755,477	6,563,348	6,631,062
Change in net position	$ -252,482	$ -192,129	$ 67,714

Sources: Audit Reports 2016 and 2017

There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's sewer service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The District fund overall had been experiencing higher expenses than revenues through 2015. After revising rates in June 2015, revenues have increased for the past two fiscal years resulting in the first positive increase in Net Position in several years. Most expenses have increased commensurate with cost of living rates.

2. Ratios of Revenue Sources

The District receives approximately 77 percent of its sewer fund revenues from charges and fees for services, about 15 to 18 percent from property taxes, and about 5 percent from miscellaneous other sources such as interest income. The ratios of unrestricted reserves

reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have.

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District's unrestricted fund balance ratio is approximately 225 percent of annual expenditures. This fund ratio represents a more than adequate ratio position and the reserve has been used to offset higher expenses over revenues for several years.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of 10-15 percent or less would reflect an acceptable ratio. The District's sewer fund has low debt outstanding including payment of an Installment purchase contract with WRCRWA to pay for SRF loans in amount of $31,151 to be paid off in 2018. The District's annual debt service ratio to total expenditures is approximately three percent, a low ratio. The District anticipates no new debt in the near future.

5. Rate Structures

The District revised sewer rates in June 2015 to reflect the need for balance revenue sources from the monthly service charge rates. The District ordinance states that rates had not been raised for 20 years. The District's established sewer rates are based upon an EDU factor for residential users and adjusted for other uses. The EDU rate in 2018 is $34 per month and will increase to $36 in 2019.

6. Capital Improvement Program/Plan

The District does not operate a treatment plant but is responsible for the collection system in accordance with the State Water Resources Control Board's order. All sewer dischargers must have a Sewer System Management Plan that accounts for sufficient capacity and adequate repair. The Board sets aside money for these purposes and must review the condition of its system every two years.

7. Pension Liability and Other Post-Employment Benefits Liability

The District maintains a privately managed retirement program whereby the District contributes 25 percent. Employees are vested after six years of service. The District reports no unfunded pension liability.

Home Gardens Sanitary District

Status and Opportunities for Shared Facilities/Services

HGSD is a sewer agency that serves a small area with primarily residential and some commercial customers. HGSD has undertaken some shared service opportunities with other agencies, including:

- HGSD cooperates with the regional Authority for sewage treatment services and is a member of the Authority.

Government Structure and Accountability

HGSD is governed by board of directors with five members elected at large for four-year terms.

Table 61 – Home Gardens Sanitary District Board of Directors

HGSD Board Member	Term Expires
Salvador Cacho, President	2019
Efrain Barajas, Sec/Treasurer	2019
Grady Garrison	2021
Karen Samson Runion	2021
Miguel Serrato	2021

The Board meets at the District Office located at 13538 Magnolia Avenue, Corona, CA 92879. The Board of Directors appoints a General Manager who is responsible for managing District operations on a day-to-day basis, and select, appoint and manage a small staff and consultants to carry out District programs and projects. The Board also appoints a Legal Counsel and District Engineer.

The District does not currently have a website. As such, access to meeting minutes, agency audit and/or budget information, agency contact information, etc. is limited. The California Special Districts Association (CSDA) offers member agencies special programs and assistance with website startup and design. Pursuant to the mandate of Senate Bill 929 (Ch. 408-2018 Stats.), the District has indicated it will have a website by January 1, 2020.

The District staff state that they work cooperatively with several cities and other sewer agencies as they contract for treatment services in the County and region. Based upon the location of the District overlapping the HGCWD, it could be of benefit to consider discussions between the two agencies for functional and possibly governance consolidation.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

Jurupa Community Services District

Overview/History

The Jurupa Community Services District (JCSD) was formed in 1956 to provide sewer services to the Jurupa area of western Riverside County. The District is governed by a five-member, independent, elected Board of Directors. Since 1956, JCSD has increased its service area from 26 square miles to 40.8 square miles. The District provides water, sewer, park and recreation, graffiti abatement, frontage landscape, and street lighting services to a population of approximately 134,520 residents and commercial/industrial facilities located within its service area. The District's service area encompasses a portion of the City of Jurupa Valley and the entire City of Eastvale.

The District's primary water sources are local groundwater basins. To ensure a reliable water supply for both existing and future residents, the District participates in a joint power authority (JPA) with neighboring agencies called the Chino Basin Desalter Authority (CDA). Local groundwater supplies include treated and untreated water pumped from the Chino Basin for potable and non-potable uses and groundwater pumped from the Riverside Basin for non-potable use.

JCSD produced approximately 25,300 acre-feet of water in fiscal year 2016-2017 to meet customers' demands. The District provides water services to approximately 31,200 residential, commercial, industrial and irrigation connections from local groundwater sources. Residential customers make up approximately 94 percent of the District's customer base and consume approximately 73 percent of the water produced annually by the District.

The District has pledged to provide a reliable, high quality water source to their customers and pursue alternative sources of future water supplies including regional recycled water projects. The District is a regional leader in promoting water conservation and continuing to make investments in conservation and outreach programs to ensure compliance with State mandates and encourages customers to use water efficiently. The District has set its water supply diversification goals and objectives to achieve State-mandated water use targets by 2020.

The District's sewer system is split between three separate service areas that each discharge to different Regional Treatment Plants. In addition, the District no longer operates any wastewater treatment facilities of its own. The three areas and treatment systems are summarized as follows:

- Treatment by the City of Riverside - Through its network of pumping, pipeline, and other conveyance facilities, the District conveys wastewater from the District's Jurupa Valley area to the City of Riverside Regional Water Quality Control Plant. The District currently

Jurupa Community Services District

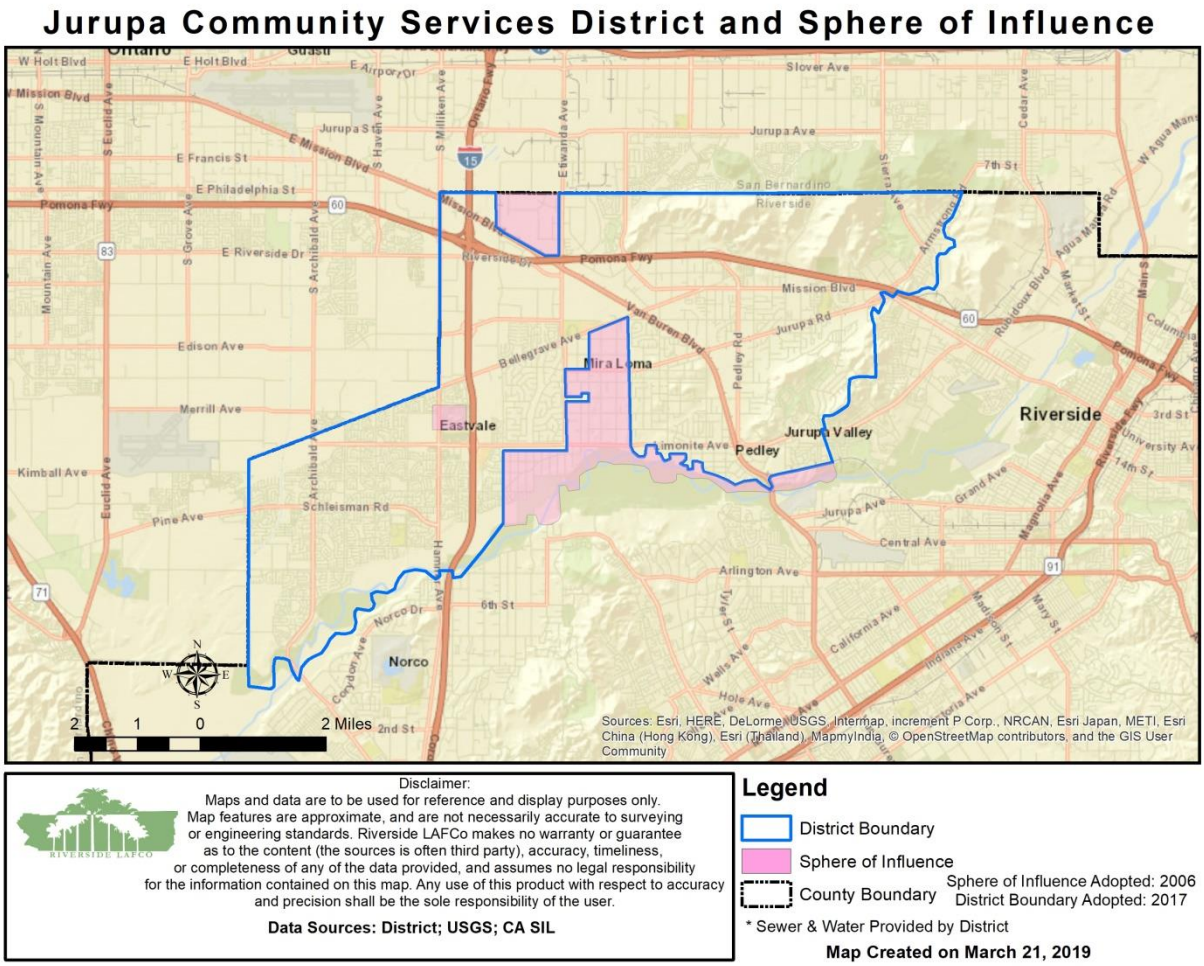
owns 5.0 million gallons per day (MGD) of treatment capacity within the City of Riverside plant and currently discharges approximately 2.9 MGD to the Riverside Treatment Plant.

- Treatment by Western Riverside County Regional Wastewater Authority Wastewater (WRCRWA) - Wastewater collected from the District's Eastvale area and portions of western Jurupa Valley are pumped via the River Road Lift Station to the WRCRWA Treatment Plan operated by a Joint Powers Authority. JCSD is one of the five member agencies comprising WRCRWA. The plant is administered and operated by Western Municipal Water District (WMWD). The members of the JPA recently completed the expansion of the WRCRWA Treatment Plant from 8 MGD to 14 MGD. This increased JCSD's treatment capacity from 3.25 MGD to 6 MGD, and JCSD is a 42.6 percent participant in the plant and JPA. JCSD currently discharges approximately 4.5 MGD to the WRCRWA Treatment Plant.
- Inland Empire Brine Line - Wastewater from the predominantly industrial customers in Community Facilities District (CFD) No. 1 is discharged into the Inland Empire Brine Line (Brine Line) for treatment at the Orange County Sanitation District (OCSD) Treatment Plant that also treats effluent from the Chino Basin Desalter Plant. This plant has different standards regulating salinity because the plant discharges into the Pacific Ocean rather than the Santa Ana River. Consequently, the District utilizes this facility for high salinity waste from its industrial customers. The District owns 1.155 MGD of OCSD treatment capacity and 3.493 MGD of Brine Line pipeline capacity, and discharges approximately 0.81 MGD.

The District also provides other public community services that are not the subject of this review. These include parks and recreation, street lighting & frontage landscaping as well as graffiti abatement in a portion of the District.

Jurupa Community Services District

Exhibit 13 – Jurupa Community Services District



Jurupa Community Services District

Jurupa Community Services District - Agency Profile

General Information			
Agency Type	Community Services District Act Gov. Code 61000 et seq.		
Date Formed	1956		
Services	Retail water, sewer, parks and recreation, street landscaping and lighting and graffiti abatement		
Service Area			
Location	Northwest Riverside County including city of Eastvale and most of Jurupa Valley		
Square Miles/Acres	40.8 square miles		
Total Water/Sewer Connections	Water: 31,200 (2017 CAFR) Sewer: 29,346 (SSMP survey 1/2018)		
Population Served	128,792 per 2017 annual report to State Drinking Water Program (currently at 134,520)		
Water Infrastructure			
Facilities	18 potable wells, 5 non-potable wells, max production of 53.1 MGD		
Storage Capacity	In system not calculated		
Primary Source of Supply	Groundwater from wells in two basins		
Water Rates (single-family home)	Flat rate for a ¾-inch meter is $36.46 per month; residential users have a 4 tiered rate system: 1-20 HCF is $1.49; 21-50 is $1.89 with two more tier ranges for heavier water users.		
Sewer Infrastructure			
Facilities	387 miles collection pipelines between 6 and 42 inches, 8 active pump stations, and 2 standby pump stations.		
Current and Projected Treatment Capacity	Capacity in 3 Regional Treatment Plants: WRCRWA - 6 MGD; City of Riverside – 4 MGD (5 MGD in 2030); OCSD - 1.155 MGD with 3.493 MGD of Brine Line capacity; Total current treatment capacity - 11.155 MGD (12.155 in 2030); Current total flow - 7.86 MGD		
Primary Disposal Method	Contract WWTF dispose by reclaimed water or Santa Ana River Recharge Project with OC Sanitation District		
Sewer Rates (single-family home)	Base sewer rate is $25.39 per month for residential, plus $1.60 per HCF (maximum of 8 HCF per month for residential).		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water Fund	$47,436,137	$31,989,563	$15,446,574
Sewer Fund	$26,228,408	$21,014,196	$5,214,212
Combined Funds [a]	$88,484,551	$66,228,181	$22,256,370
Capital Expenditures	FY 2017-2018 $34,445,500	Long-Term Planned Expenditures $152,456,000 (2019 & beyond per CIP)	
Water Fund Balance/Reserves	$41,209,470		
Sewer Fund Balance/Reserves	$31,334,333		
Agency Net Position [b]	$529,047,744		
Governance			
Governing Body	Five member Board of Directors elected by division; Board meets second and fourth Monday at 6:00 p.m. at District office at 11201 Harrel Street, Jurupa Valley, CA 91752		
Agency Contact	Todd M. Corbin, 951-685-7434, tcorbin@jcsd.us		

Notes:
a All agency funds
b All agency Net Assets per 2017 CAFR
References: UWMP 2015, Water Boards SSMP Survey, Website documents, 2017 CAFR, CIP

Jurupa Community Services District

Growth and Population Projections

As part of an Urban Water Management Plan (UWMP) Update completed in 2015, JCSD developed population and growth projections. The current and estimated future service population for JCSD is shown in Table 62.

Table 62 – JCSD Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
120,456	128,446	136,436	144,426	152,416	158,808

Source: UWMP (2015)

Between 2015 and 2035, the District's service population is expected to increase in service population by 31,880 residents. The majority of this growth is expected to be in the urban area of the two cities (Jurupa Valley and Eastvale) within the District's service area.

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has determined that there are no DUCs within the District boundary nor any adjacent to the District SOI area.

Present and Planned Capacity of Public Facilities

The District utilizes water supplies from wells in two primary source basins for drinking water supply.

Potable Water Supply

JCSD currently operates 18 potable water wells in the Chino Basin that have a theoretical maximum production rate of 53.1 MGD or 36,873 GPM. However, JCSD does not operate its wells at maximum capacity, but rather they fluctuate on and off as demand changes. During 2015, JCSD pumped 8,993 AF from its potable wells. The pumped potable water volumes between 2011 and 2015 are provided in Table 63.

The Board of Directors of JCSD has authorized the construction of two new wells; Well No. 29 and Well No. 30 that are expected to be operational by 2020 and each will contribute an additional 2,500 AF per year. It is planned that by 2020 the District's total maximum day groundwater production capacity will be 54.8 MGD (or 38,000 GPM). Construction of these wells will not only contribute additional supply, but also increase redundancy and replacement capacity.

The District operates two ion-exchange plants to denitrify water from several of their wells. The first is the Roger D. Teagarden Ion Exchange Facility which removes nitrates from seven potable wells. The other plant is the Well 17/18 Ion Exchange Facility that removes nitrates from JCSD Well Nos. 17 and 18.

Jurupa Community Services District

As part of the planning process developing the 2015 UWMP, JCSD has identified both local groundwater and imported water sources to meet its growing demands.

Non-Potable Water Supply

JCSD also operates four non-potable wells located in the Chino Groundwater Basin. During 2015, JCSD pumped 266 AF from its non-potable Chino Basin wells to serve local park landscape irrigation-only accounts. The District's future non-potable water supply pumped from the Chino Basin is anticipated at 310 AF per year. In addition to the potable and non-potable wells operated by JCSD within the Chino Basin described above, the District also operates two non-potable wells located in the Riverside Groundwater Basin. Water from these wells is used to irrigate Oak Quarry Golf Club located at 7151 Sierra Avenue in Jurupa Valley. During 2015, JCSD pumped 464 AF from its non-potable wells in the Riverside Groundwater Basin.

Imported Water (Purchased)

JCSD does not purchase imported water due to the closest facilities being several miles from the District. However, since 2000, JCSD has purchased water extracted from the Riverside South Groundwater Basin from Rubidoux Community Services District (RCSD or Rubidoux CSD). In 2014, JCSD finalized an agreement with Rubidoux CSD to allow JCSD to pump potable water from Rubidoux CSD into JCSD's system. In 2015, JCSD purchased 2,250 AF from RCSD. JCSD assumes future annual purchases of 2,000 AF from RCSD.

Table 63 – JCSD Groundwater Production, 2011-2015

2011 (acre-feet)	2012 (acre-feet)	2013 (acre-feet)	2014 (acre-feet)	2015 (acre-feet)
16,007	13,461	17,547	17,211	9,838

Source: UWMP Update 2015

Surface Water

JCSD does not use surface water as part of its supply, nor does it have plans to expand supply sources by using surface water. There are three major creeks that flow through the District's service area; Day Creek, San Sevaine Creek, and Cucamonga Creek that drain towards the south from the San Gabriel mountains to the Santa Ana River.

Recycled Water

JCSD does not currently have a recycled water distribution system or access to recycled water. To the extent feasible, if and when recycled water is available to JCSD, this water will be offered to JCSD customers. However, the District is planning to replace some potable water use with recycled water to meet the demands of future irrigation needs.

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JCSD has a current federal and state grant application in conjunction with the Inland Empire Utilities Agency (IEUA) for the construction of both a regional and local recycled water infrastructure. This will allow JCSD to utilize its own recycled water generated from the WRCRWA facility for both groundwater recharge and direct non-potable application.

By utilizing recycled water for irrigation and other non-potable purposes, JCSD can more efficiently allocate its potable water supply and increase the overall reliability of water supplies in the service area. As discussed previously for storm water recharge, recycled water recharge throughout the Chino Basin is managed by a partnership between IEUA, Chino Basin Watermaster, Chino Basin Water Conservation District, and the San Bernardino County Flood Control District (SBCFCD) under the Chino Basin Recycled Water Groundwater Recharge Program. The recycled water infrastructure consists of a network of pipes that direct stormwater run-off, imported water from SWP, and IEUA recycled water to a network of sixteen recharge sites, most of which contain multiple recharge basins. IEUA annually recharges approximately 10,000 AF of recycled water annually.

Water Demand Projections

The UWMP Act requires a water retailer to quantify the minimum water supply available during the years 2016 to 2018, assuming years 2016 to 2018 repeated the driest three-year historic sequence for each water supply source. JCSD's estimated minimum supplies are shown in Table 64 below. These supplies are based on the anticipated reliability of local surface water and local groundwater.

Table 64 – JCSD - Minimum Supplies, 2016-2018

2016 (acre-feet)	2017 (acre-feet)	2018 (acre-feet)
21,969	22,411	22,860

Source: UWMP Update (2015)

Supply and Demand Assessment

Historically, there has been an increase in water use among agencies due to increased development. Conservation efforts have proven to be effective in decreasing water use in dry years. In the District's recent UWMP Update, JCSD estimated that demands could increase minimally (ten percent) during a single dry year due to some area property owners experiencing local supply reductions. However, during a multiple dry year period, it is expected that conservation messaging and restrictions would lead to consumption dropping back down to normal year levels in the second dry year, and falling a further ten percent in the third dry year and more beyond. The District anticipates that recycled water may be available in the region in about five years, and that source of water will partially offset supply need and positively impact potable supplies.

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The following tables summarize the anticipated supplies and demands for a Normal and Single Dry Year based upon growth forecasts for JCSD.

Table 65 – JCSD Normal Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	31,993	36,493	40,993	40,993	40,993
Demand Totals	25,477	28,088	30,968	34,151	37,670
Difference	6,516	8,405	10,025	6,842	3,323

Source: UWMP Update (2015)

Table 66 – JCSD Single Dry Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	31,993	36,493	40,993	40,993	40,993
Demand Totals	25,477	28,088	30,968	34,151	37,670
Difference	6,516	8,405	10,025	6,842	3,323

Source: UWMP Update (2015)

Emergency Preparedness (Supply Interruption Capability)

Extended supply shortages are unlikely due to natural disasters or accidents which damage all water sources. JCSD adopted an Emergency Response Plan (ERP) in January 2016 to ensure that District services can safely resume normal operation as quickly as possible following any natural, weather-related, man-made, or technological disaster. In addition to the ERP, the District has prepared a Hazard Mitigation Plan and Vulnerability Assessment (confidential), which are updated bi-annually. The plan addresses various emergency conditions in addition to drought, earthquake, fire, and power outages. The District's ERP considers appropriate responses to floods, waterborne diseases, vandalism, terrorism, pandemic, system neglect, cross connections, backflow conditions, construction accidents, chemical spills, and sewage spills.

JCSD is a member of the statewide Water/Wastewater Agency Response Network (CalWARN) that functions in coordination with the State Office of Emergency Services. CalWARN is a network of agencies that support and promote statewide emergency preparedness, disaster response, and mutual assistance for public and private water and wastewater utilities.

More than half of JCSD's potable wells are equipped with back-up generators with a generator-based production rate of 28,175 GPM, which is 73 percent of the total current production rate. Therefore, in the event of a regional power outage and wells were run on generators, the District could provide approximately 73 percent of their current demand. Standby generators are also installed at all JCSD booster stations. Furthermore, each of

JCSD's 16 storage tanks, totaling 55.6 million gallons of storage, has dedicated emergency water supply equal to 75 percent of maximum day demand, in addition to supply reserved to meet fire flow and peak demands.

JCSD is also a member of the Emergency Response Network of the Inland Empire (ERNIE), which facilitates public agency preparedness for, response to, and recovery from local and regional disasters. Agencies volunteer to enter into an agreement to provide mutual aid and assistance to other member agencies. ERNIE assists agencies with trainings, communication, documentations for reimbursement, concept of emergency operations, and writing after-action reports and corrective action plans.

Financial Ability to Provide Services

As of June 30, 2017, the District was able to report a positive balance in its unrestricted net position for water and wastewater enterprise funds of $72,543,803. On June 30, 2016, the balance was $62,141,958. This is an increase of $10,401,845. The total net position of the District for enterprise funds, the value of assets and funds on hand for water and wastewater operations and capital investment, over the same period increased $24,991,925 or approximately 6.1 percent.

JCSD operates its water services as enterprise funds within the confines of overall District operations. Water sales and service charges comprise the significant majority of operating revenues that fund the services provided for water operations and administration. On average, the JCSD receives approximately 8 percent of its revenues from property taxes.

Overall, the District water and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases had been implemented over the last several years up until 2018 to accommodate expenditures for maintenance and capital improvements.

The District has adopted a comprehensive set of Financial Reserve Policies that designates funds for various programs and long-term debts. The policy provides direction to District staff on addressing reserves in the annual budget process and for regular update reports to the Board of Directors. Reserves are established in various categories and uses:

- Restricted – Bond proceeds, debt service, and uses controlled by outside agencies or regulations. The minimum amount established is the annual debt service requirement.
- Capital Facilities – To fund either the replacement of, or emergency repair of, District capital equipment and infrastructure. Minimum amount established is $3,000,000.
- Liquidity Funds – This includes various operating and emergency accounts to provide funding for rate stabilization (ten percent of water operating budget), operating reserves (to cover a minimum of four months of operating expenses) and capital assets. It also

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includes a separate retiree health benefit reserve to fund Other Post-Employment Benefits (OPEB). The minimum reserve is $1,000,000.

The District maintains a substantial reserve fund balance providing good capability to absorb short term impacts, and is able to maintain an acceptable debt service to annual expenditure ratio (currently 4.6).

A comparison of three years financial statistics for the Enterprise Funds (water and wastewater) from the published Comprehensive Audited Financial Reports (CAFR) is provided below.

Table 67 – JCSD Financial Statements – Enterprise Funds, FY 2015-FY 2017

	FY 2015	FY 2016	FY 2017
Operating Revenues			
Water consumption sales	$ 16,639,381	$ 15,973,464	$ 16,959,900
Water service charges	13,250,721	14,080,399	14,806,557
Other operating revenue	1,145,216	1,241,313	1,046,193
Sewer services	16,523,992	17,481,851	17,779,196
Total operating revenue	$ 47,559,310	$ 48,777,027	$ 50,591,846
Operating Expenses			
Source of supply	$ 11,665,300	$ 15,202,199	$ 12,417,801
Pumping	352,476	334,563	317,521
Water treatment	2,525,369	1,650,611	1,557,694
Transmission and distribution	2,773,325	2,671,853	2,223,930
Customer accounts	1,815,536	1,725,399	2,269,934
Sewer collection & treatment	8,316,988	8,139,234	11,516,835
General and administrative	9,623,501	9,610,717	9,663,031
Operations & maintenance	195,770	173,520	7,185
Total operating expenses	37,268,165	39,508,096	39,973,931
Operating income before depreciation	10,291,175	9,268,931	10,617,915
Depreciation expense	-7,633,402	-8,404,250	-10,915,415
Operating income (loss)	$ 2,773,325	$ 2,671,853	$ 2,223,930
Non-Operating Revenues (Expenses)			
Property taxes	$ 2,443,908	$ 2,687,080	$ 3,021,312
Investment earnings	350,102	918,795	1,309,827
Interest expense	-503,916	-996,448	-1,228,649
Other non-operating revenue, net	91,310	281,767	-703,199
Total non-operating revenues, net	2,381,404	2,891,194	2,339,291
Net income (loss) before capital contributions	$ 5,039,177	$ 3,755,875	$ 2,101,791
Capital Contributions			
Facility fees	$ 13,438,121	$ 11,714,598	$ 17,199,658
Contributions in aid of construction	12,811,299	6,815,900	5,690,476
Total capital contributions	$ 26,249,420	$ 18,530,498	$ 22,890,134

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	FY 2015	FY 2016	FY 2017
Change in net position	$ 31,288,597	$ 22,286,373	$ 24,991,925
Net position: beginning of year	$ 327,637,753	$ 354,884,405	$ 377,170,778
Restatement of contributed assets	–	–	$ 30,124,779
Change in accounting principle	$ -4,041,945	–	–
Net position – Beginning of year, restated	$ 323,595,808	–	$ 407,295,557
Net position - End of year	$ 354,884,405	$ 377,170,778	$ 432,287,482
Fund balance - Water	–	–	$ 41,209,470
Fund balance - Sewer	$ 576,387,935	$ 591,190,003	$ 31,334,333

Source: Comprehensive Annual Financial Reports 2015, 2016, 2017

There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The District fund overall has been experiencing nominal net income over the last several years. This is attributed primarily to income from services being consistent while making planned capital expenditures in both water and sewer systems. Appropriate rate increases have been implemented for sewer over the prior year (2016) and the District is completing a Cost of Service Study of water services in 2018 to accommodate increased costs and planned expenditures into the future.

2. Ratios of Revenue Sources

The District receives approximately 90 percent of its water and sewer fund revenues from charges and fees for services, minimal revenue from property taxes (6 percent), and about 4 percent from miscellaneous other sources. The ratios of unrestricted reserves reflect a reasonable balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues such as property tax (property tax has varied based upon the economic picture over the past ten years).

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service funds maintain in relation to the annual fund expenditures. The District's fund balance ratio is

approximately 190 percent of annual expenditures. This fund ratio represents an excellent ratio position and the reserve has been increasing over time.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of ten percent or less would reflect a very stable ratio. The District's water fund has reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time. The District's annual debt service ratio in water and sewer enterprise funds to total expenditures is approximately four percent, a very good ratio. The District does have several other debt issuances and collects revenue from Mello-Roos assessments that have no impact on the enterprise funds.

5. Rate Structures

The District established water rates for five years in 2014 that have been in effect. The rate in 2018 for a ¾-inch meter is $36.46 per month. Residential users have a 4 tiered rate system where within 1-20 HCF is $1.49; 21-50 is $1.89 and two more tiers increase beyond that. Irrigation Users pay a flat rate of $2.16 per HCF. The District's current water rates range from $1.49 – $2.43 per 100 cubic feet of usage. Water service charges for water line maintenance range from $30.54 – $36.46 for a typical residential ⅝" and ¾" size meter.

Table 68 – JCSD Water Rates*, 2015-2019

	2015	2016	2017	2018	2019
Monthly service charge (¾" meter)	$30.28	$30.28	$34.24	$36.46	$38.82
Commodity Quantity Charge (per month per HCF)					
Tier 1: 1-20	$1.41	$1.51	$1.46	$1.49	$1.52
Tier 2: 21-50	$1.79	$1.92	$1.85	$1.89	$1.93
Tier 3: 51-100	$2.06	$2.21	$2.13	$2.18	$2.22
Tier 4 - Over 100	$2.30	$2.46	$2.38	$2.43	$2.48

*Other rates apply for potable and non-potable irrigation uses.

Sewer rates for residential vary by area where treatment is provided from a base of $25.39 per EDU per month unless indoor use exceeds eight HCF. Commercial/industrial and other special uses pay by water consumption based upon use and other applicable factors.

Table 69 – JCSD Sewer Rates*, 2015-2019

	2015	2016	2017	2018	2019
Monthly service charge (per EDU)	$23.95	$23.95	$24.89	$25.39	$25.90
Consumption use charge rate (per HCF)	$1.51	$1.61	$1.57	$1.60	$1.64

*Other rates apply for potable and non-potable irrigation uses.

6. Capital Improvement Program/Plan

The District has developed and implemented an adequate and comprehensive CIP for water, sewer and other operating facility infrastructure improvements. The District's current CIP reflects approximately $34.445 million in improvements for water and sewer infrastructure and the 2019-22 Plan includes $152.456 million in projects. JCSD maintains a consistent investment fund in infrastructure including pipelines, reservoirs and sewer collection systems. This reflects an ongoing investment in capital facilities.

7. Pension Liability and Other Post-Employment Benefits Liability

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries to JCSD employees. A "Classic" CalPERS Miscellaneous member (hired prior to January 1, 2013) becomes eligible for service retirement upon attainment of age 55 with at least five years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members (hired on or after January 1, 2013) become eligible for service retirement upon attainment of age 62 with at least 5 years of service.

California law requires an annual calculation of the net pension liability and contribution for each participating agency. This calculation is utilized by the agency to budget for and make contributions to CalPERS toward its unfunded liability balance. In 2017, JCSD contributed $2,037,200 toward the pension services, the full amount due. The 2016-17 CAFR contains a detailed description of the calculation of benefit and unfunded liability.

The District also offers post-employment medical benefits to retired employees who satisfy the eligibility rules. The District also pays a fixed contribution towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined cost.

For the year ended June 30, 2015, the District's calculated liability of Other Post Employment Benefit (OPEB) was $8,277,432 and the asset set aside was $2,324,679, a 28 percent ratio of contribution. A comprehensive description of the OPEB Liability is contained in the annual CAFR on the District's website.

Status and Opportunities for Shared Services

JCSD is a water and sewer district that serves a diverse area and with multiple types of retail water customers. The District has undertaken a number of shared service opportunities with other agencies, including:

- JCSD cooperates with the primary area water provider, WMWD, with planning for emergency supply and intertie connection to share water in emergency situations.

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- JCSD contracts with WRCRWA and other agencies for sewer treatment services.
- JCSD operates the Chino Basin Desalter facility which serves potable water to six different agencies through a JPA named the Chino Basin Desalter Authority (CDA).
- JCSD also performs frontage landscape services to the City of Eastvale under an assumed contract originally approved by the County of Riverside prior to the City's incorporation.

Government Structure and Accountability

JCSD is governed by a Board of Directors with five members elected by division for four-year terms.

Table 70 – Jurupa Community Services District Board of Directors

JCSD Board Member	Term Expires
Jane Anderson, President, Div. 5	2022
Richard Simmons, Vice President, Div. 4	2020
Betty Folsom, Div. 3	2022
Ken J. McLaughlin, Div. 1	2022
Betty Anderson, Div. 2	2020

The Board meets at the District Office at 11201 Harrel Street, Jurupa Valley, CA. on the second and fourth Monday of each month at 6:00 p.m. The Board of Directors appoints a General Manager as the Chief Administrative Officer who is responsible for managing District operations on a day-to-day basis. The General Manager selects, appoints and manages staff and consultants to carry out District programs and projects. The Board also appoints a legal counsel and treasurer.

The District provides public information on its website, including information on current projects, a history of the District, customer inquiries and FAQ's, conservation programs, annual budgets, and audits (CAFR). The website also includes contact information for the Board of Directors and staff and Board meeting agendas and minutes. Other major reports are accessible via links on the portal. A contact portal is also provided to further research District reports and studies.

The District staff state that they work cooperatively with several cities and other water agencies in the County and region. Based upon water rights and infrastructure resources, there does not appear to be increased interest in considering alternative government service structures at this time. Additionally, District staff is aware of one project, LAFCO 2018-05-2, which has interest in annexing to the District.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

Lake Hemet Municipal Water District

Overview/History

Lake Hemet Municipal Water District (LHMWD) provides potable water, irrigation water and sewer collection services to residents in parts of the cities of Hemet, San Jacinto and Lake Hemet campground, and potable water to the community of Garner Valley and surrounding unincorporated areas. The District also maintains Lake Hemet as a water reservoir and recreational facility.

The District was formed on August 4, 1955 under the Municipal Water District Act of 1911. There are approximately 14,566 customers within a 26-square mile service area. The LHMWD currently serves its water customers from three main sources of supply: locally pumped groundwater, surface water from the San Jacinto River system, and water purchases from Eastern Municipal Water District (EMWD). Local groundwater from the Hemet and San Jacinto Groundwater Basins is the primary potable water source. The District operates 16 wells that provide water to the domestic water system and seven wells that supply water to the irrigation system.

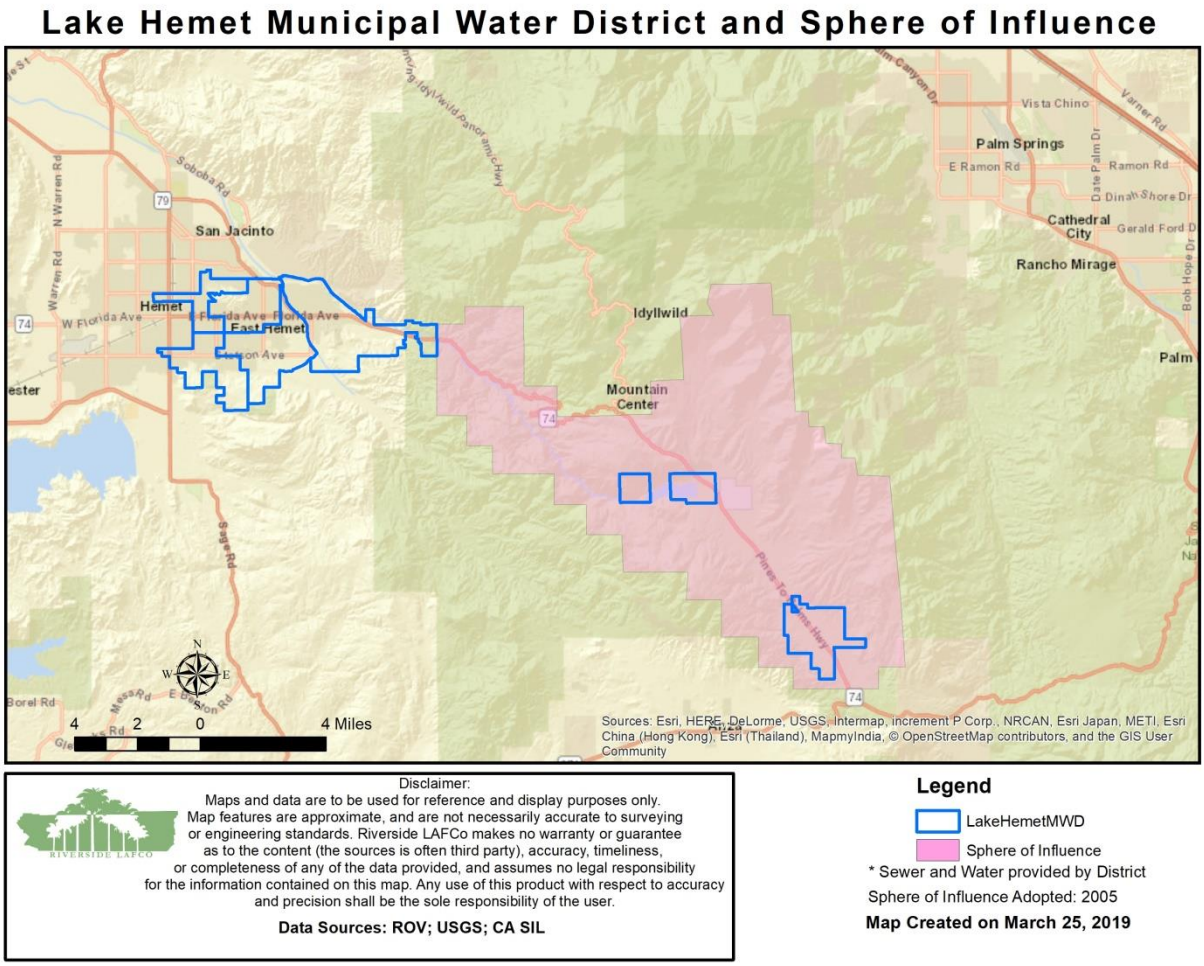
The District also leases two private wells to supplement its domestic water needs during high demand periods. Surface water from the San Jacinto River system averages 3,600 acre-feet per year, which is approximately 20 percent of the District's total water supply. Most of the surface water is used for agricultural purposes, but a portion is released for groundwater recharge. The District can also purchase water from Eastern Municipal Water District.

The LHMWD will need additional water supplies to be able to satisfy projected growth within the District's service area. The District participated in the development of a comprehensive Regional Groundwater Management Plan to plan for future groundwater supplies. Supplemental future water supply options include a recycled water distribution system supplied from the Eastern Municipal Water District, supplemental imported water supplies, increased use of local surface water and demand reduction/conservation. Table 71 illustrates the projected water supply/ demand to year 2035.

Under an adopted Water Master Plan to settle Soboba Tribal Indian Water Rights claims in 2008, Eastern MWD and the cities of Hemet and San Jacinto fund the acquisition of supplemental surface water which can be stored underground. This also provides opportunity to increase supply reliability.

Lake Hemet Municipal Water District

Exhibit 14 – Lake Hemet Municipal Water District



Lake Hemet Municipal Water District – Agency Profile

General Information			
Agency Type	Municipal Water District Act of 1911; section 71000 Water Code		
Date Formed	August 4, 1955		
Services	Retail water, sewer collection, Lake Hemet Recreation		
Service Area			
Location	Areas of cities of Hemet and San Jacinto plus unincorporated Garner Valley		
Square Miles/Acres	26 SM/ 18,700 acres		
Total Water/Sewer Connections	Water: 14,566 Sewer: estimated 14,800		
Population Served	Water – estimated 58,000; Sewer – 52,000		
Water Infrastructure			
Facilities	Lake Hemet reservoir, Little Lake reservoir; 13 wells, 7 for irrigation		
Storage Capacity	11.7 MG in system		
Primary Source of Supply	Groundwater wells; surface or lake water when available; Imported water via Eastern MWD connection to MWD		
Water Rates (single-family home)	Residential rates use a 5 tiered rate system, ranging from $1.980 to 2.499 per 100 cubic feet of usage. Water service charges for water line maintenance range from $30.91 to 34.85 for a typical residential ⅝" and ¾" size meter. Rates are under consideration for change by the District.		
Sewer Infrastructure			
Facilities	Collection system to WWTP owned by Eastern MWD, WW treatment for Lake Hemet Campground		
Current and Projected Treatment Capacity	Eastern MWD WWTP by agreement		
Primary Disposal Method	Reclaimed water and release to stream bed		
Sewer Rates (single-family home)	Sewer maintenance fees for line cleaning is $4.07 per month and the EMWD sewer rates for residential vary by area from $26.53 to $26.83 per month.		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water and Sewer Fund	$18,422,500	$18,221,510	$200,990
Government Fund	$715,000	$715,000	-0-
Combined Funds	$19,562,500	$18,990,510	$571,990
Capital Expenditures	FY 2017-2018 $1,039,325	Long-Term Planned Expenditures $655,000 - three year CIP Plan	
Water and Sewer Fund Balance/ Reserves	$14,335,027		
Government Balance	$300,000		
Agency Net Position	$14,635,027		
Governance			
Governing Body	Five member Board elected by division; the Board meets on the third Thursday each month at 3:00 p.m. at district office at 26385 Fairview Avenue, Hemet, CA 92544		
Agency Contact	Michael A. Gow, 951-658-3241 mgow@lhmwd.org		

Sources: 2017-18 FY Budget; 2015, 16 & 17 Audits; UWMP 2015; Questionnaire response

Lake Hemet Municipal Water District

Growth and Population Projections

As part of an Urban Water Management Plan Update completed in 2015, LHMMD developed population and growth projections. The current and estimated future service population for LHMWD is shown in Table 71.

Table 71 – LHMWD Population Projections 2015-2040

2015	2020	2025	2030	2035	2040
50,631	58,654	61,754	65,017	68,452	–

Source: UWMP (2015)

Between 2015 and 2035, the District's service population is expected to increase in service population by approximately 4,400 connections or 17,821 residents. The majority of this growth is expected to be in urban area cities within the District's service area.

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has determined that there are several DUC areas within the City of Hemet SOI and the LHMWD served area. They include:

- E. Stetson Avenue/S. San Jacinto Street
- E. Acacia Avenue
- Columbia Street/Mayberry Avenue
- So. Dartmouth Street/Mayberry Avenue
- Ridge area
- New Chicago Avenue/E. Acacia Avenue
- Mountain View MHP
- Valle Vista area
- Georgia Avenue/HWY 74 area

Present and Planned Capacity of Public Facilities

LHMWD utilizes water supplies from three primary sources for drinking water supply: Imported water via Eastern MWD, groundwater wells and surface or lake water when it is available.

Imported Water (Purchased)

LHMWD purchases imported water from the Eastern MWD. Purchases may be higher during drought conditions or when the Lake Hemet water levels are low but the District averages between 1,000 and 1,300 af/yr.

Lake Hemet Municipal Water District

Groundwater

LHMWD draws on average approximately 50 to 65 percent of its water supply from its six active domestic wells and seven active irrigation wells. LHMWD has approximately 11 MGD production capability from all of its wells.

LHMWD extracts groundwater from two regional groundwater basins: San Jacinto Groundwater Basin No. 8-5 and the Hemet Basins. Both basins are under the jurisdiction of a Groundwater Management Act and adjudicated stipulated judgment with the goal of bringing them into a balanced use manner. According to the 2015 UWMP Update, an overdraft condition does exist, and imported water or recharging is in process to attain a balanced use in these basins.

Table 72 – LHMWD Groundwater Production, 2011-2015

2011 (acre-feet)	2012 (acre-feet)	2013 (acre-feet)	2014 (acre-feet)	2015 (acre-feet)
12,345	13,709	13,055	11,648	8,249

Source: UWMP Update 2015

Surface Water

When available, the District utilizes water from Lake Hemet Reservoir, a 12,750 acre-foot lake, releasing it to the South Fork of the San Jacinto River. Water is diverted from a diversion structure about six miles downstream along with flows from two tributary creeks for agricultural uses. The District has pre-1914 appropriative rights dating 1884 for Lake Hemet and other area streams. Due to limited flows in the late 1990's, extractions and treatment for potable use was discontinued. The District has averaged between 1,900 to 4,000 af/yr use from this source.

Recycled Water

LHMWD does not currently have a recycled water distribution system or access to recycled water. To the extent feasible, if and when recycled water is available to LHMWD, this water will be offered to LHMWD customers. The District is a participant in an in-lieu agreement with EMWD and cities of Hemet and San Jacinto to offset use of the Scott Bros. Dairy and Rancho Casa Loma uses of approximately 8,000 af/yr to reduce groundwater pumping in the area.

Water Demand Projections

The UWMP Act requires a water retailer to quantify the minimum water supply available during three dry years (2011 - 2013 were used in the 2015 UWMP). LHMWD's estimated minimum supplies are shown in Table 73 below. These supplies are based on the anticipated reliability of imported water from Eastern Municipal Water District, local surface water, and local groundwater.

Lake Hemet Municipal Water District

Table 73 – LHMWD - Minimum Supplies, 2016-2018

2016 (acre-feet)	2017 (acre-feet)	2018 (acre-feet)
17,800	17,800	17,800

Source: UWMP Update (2015)

Supply and Demand Assessment

Historically, there has been an increase in water use among agencies due to increased development. Conservation efforts have proven to be effective in decreasing water use in dry years. In the District's recent UWMP Update, LHMWD estimated that demands could increase ten percent during a single dry year due to some area property owners experiencing local supply reductions. However, during a multiple dry year period, it is expected that conservation messaging and restrictions would lead to consumption dropping back down to normal year levels in the second dry year, and falling a further ten percent in the third dry year.

The following tables summarize the anticipated supplies and demands for a Normal or Single dry year based upon growth forecasts for LHMWD:

Table 74 – LHMWD Normal Year Supply and Demand Projections, 2020-2035

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)
Supply Totals	17,800	18,320	18,880	19,410
Demand Totals	16,475	16,969	17,486	18,035
Difference	1,325	1,351	1,394	1,375

Source: UWMP Update (2015)

Table 75 – LHMWD Single Dry Year Supply and Demand Projections, 2020-2035

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)
Supply Totals	17,800	18,320	18,880	19,410
Demand Totals	15,865	16,369	16,869	17,456
Difference	1,935	1,951	1,984	1,954

Source: UWMP Update (2015)

Emergency Preparedness (Supply Interruption Capability)

Extended supply shortages are unlikely due to natural disasters or accidents which damage all water sources. However, LHMWD's emergency capability plan is to provide water via its wells utilizing emergency generators at seven main well sites (more can be utilized if available from vendors). This is sufficient water to meet the minimum health and safety requirements of 50 gallons per day per capita for approximately 58,000 residents. This assumes reduction in uses and zero non-residential or landscape use.

Under emergency power outages or a catastrophic earthquake conditions, the existing storage is expected to provide a supply at minimum demand levels. LHMWD also has interconnection with EMWD for emergency supplies and water available from Lake Hemet.

LHMWD has seven portable back-up generators that can be used in the event of an area-wide power outage. These generators can be located on primary well sites to continue water delivery.

Financial Ability to Provide Services

As of June 30, 2017, the District was able to report a positive balance in its unrestricted net position of $10,040,508. On June 30, 2016, the balance was $12,328,414. This is a decrease of $2,287,906. The net position of the District, the value of assets and funds on hand for operations and capital investment, over the same period decreased $1,853,271 or approximately 3.4 percent during a period of drought demand reduction implementation and slightly overall less sales.

LHMWD operates its water services as enterprise funds within the confines of overall District operations. Water sales and service charges comprise the significant majority of operating revenues that fund the services provided for water operations and administration. On average, the LHMWD receives approximately 9 percent of its revenues from property taxes.

Overall, the District water and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases had been implemented over the last several years up until 2015, and are currently under consideration for the Garner Valley community, to accommodate expenditures for maintenance and capital improvements.

The District has adopted a comprehensive set of Financial Reserve Policies that designates funds for various programs and long-term debts. The policy provides direction to District staff on addressing reserves in the annual budget process and for regular update reports to the Board of Directors. Reserves are established in 14 categories and uses:

- Restricted – Bond proceeds, debt service, and uses controlled by outside agencies or regulations. The minimum amount established is the annual debt service requirement.
- Capital Facilities – To fund needed new or replacement facilities as identified in CIP and FY Budgets. Minimum amount established is 100 percent of current budget plus 80 percent of the next year budget projection.
- Liquidity Funds – This includes various operating and emergency accounts to provide funding for rate stabilization, operating reserves (to cover a maximum of 180 days of operating expenses), and capital assets. A separate Groundwater Management Program Reserve Account is maintained to fund water purchases for placement in reserve.

Lake Hemet Municipal Water District

The District maintains a substantial reserve fund balance providing good capability to absorb short term impacts, and is able to maintain an acceptable debt service to annual expenditure ratio (currently 9.5).

A comparison of three years financial statistics from the published Comprehensive Audited Financial Reports is provided below.

Table 76 – LHMWD Financial Statements, FY 2015-FY 2017

	FY 2015	FY 2016	FY 2017
Operating Revenues			
Water consumption sales	$ 11,929,696	$ 13,951,817	$ 14,055,084
Water service charges	1,210,016	1,322,341	1,460,870
Other operating revenue	463,348	461,117	484,591
Sewer services	733,038	731,097	729,726
Total operating revenue	$ 14,336,098	$ 16,466,372	$ 16,730,271
Operating Expenses			
Source of supply	$ 3,351,488	$ 5,709,837	$ 7,439,096
Pumping	1,421,201	1,076,394	1,248,170
Water treatment	400,422	322,747	337,627
Transmission and distribution	1,445,151	1,333,058	1,638,280
Customer accounts	166,809	163,933	232,189
Sewer	210,678	222,968	227,309
General and administrative	5,065,553	4,905,361	5,409,554
Total operating expenses	12,061,302	13,735,298	16,532,225
Operating income before depreciation	2,274,796	2,731,074	198,046
Depreciation expense	$ -3,224,975	$ -3,192,673	$ -3,224,466
Operating income (loss)	$ -950,179	$ -461,599	$ -3,026,420
Non-Operating Revenues (Expenses)			
Property taxes	$ 1,429,367	$ 1,518,239	$ 1,604,497
Net income from Lake Hemet Campground	212,560	238,071	322,578
Rental income, net	87,243	86,107	86,522
Investment earnings	48,219	117,518	60,015
Interest expense	-881,390	-848,220	-813,172
Gain (loss) on asset disposal	-14,106	2,681	-23,015
Other non-operating revenue, net	-45,754	28,803	-127,824
Total non-operating revenues, net	$ 836,139	$ 1,143,199	$ 1,109,601
Net income (loss) before capital contributions	$ -114,040	$ 681,600	$ -1,916,819
Capital Contributions			
Donations in aid of construction	$ 34,188	$ 101,240	$ 16,147
Connection fees	15,676	20,283	47,401
Total capital contributions	49,864	121,523	63,548
Change in net position	$ -64,176	$ 803,123	$ -1,853,271
Net Position			
Beginning of year	$ 52,784,483	$ 53,584,685	$ 54,387,808
Prior period adjustment	–	–	–
Net position - end of year	$ 52,720,307	$ 54,387,808	$ 52,534,537

Source: Comprehensive Annual Financial Reports 2015, 2016, 2017

There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The District fund overall has been experiencing surplus as well as occasional deficit spending over the last several years. However, this is attributed primarily to planned capital expenditures and cash flows. Appropriate rate increases have been implemented for sewer over the prior year (2016) and the District is completing a Cost of Service Study of water services in 2018 to accommodate increased costs and planned expenditures into the future.

2. Ratios of Revenue Sources

The District receives 87 percent of its water and sewer fund revenues from charges and fees for services, minimal revenue from property taxes (9 percent), and about 4 percent from miscellaneous other sources. The ratios of unrestricted reserves reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues such as property tax (property tax has varied based upon the economic picture over the past ten years).

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District's fund balance of $9,406,002 yields a ratio of approximately 80 percent of annual expenditures. This fund ratio represents an adequate ratio position and the reserve has been increasing over time.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of ten percent or less would reflect a very stable ratio. The District's water fund has reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time. The District's annual debt service ratio to total expenditures is approximately 5 percent, a very good ratio.

Lake Hemet Municipal Water District

5. Rate Structures

Non-potable water rates were raised in February 2018. The District has not raised potable water rates since 2016 except for a Consumer Price Index adjustment of 2.4 percent. Residential and commercial water rates use a 5 tiered rate system. Agriculture Users pay a flat rate per acre foot in one of 4 zones. The District's current water rates range from $1.980 to 2.499 per 100 cubic feet of usage. Water service charges for water line maintenance range from $30.91 to 34.85 for a typical residential ⅝" and ¾" size meter. Discussion is underway to consider a rate increase for Garner Valley.

Sewer maintenance fees for line cleaning is $4.07 per month and the EMWD sewer rates for residential vary by area from $26.53 to $26.83 per month. Commercial and other special uses pay be water consumption based rates.

6. Capital Improvement Program/Plan

The District has developed and implemented an adequate and comprehensive CIP for water, sewer and campground facility infrastructure improvements. The District's current 5-Year CIP reflects approximately $1.7 million in improvements for water and sewer infrastructure, with approximately $1.04 million programmed for FY 17/18. LHMWD maintains a consistent investment in infrastructure including pipelines, reservoirs and sewer collection systems. This reflects an ongoing investment in capital facilities.

7. Pension Liability and Other Post-Employment Benefits Liability

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries to LHMWD employees. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

California law requires an annual calculation of the Net Pension Liability and contribution for each participating agency. This calculation is utilized by the agency to budget for and make contributions to CALPERS toward its unfunded liability balance. In 2016, LHMWD contributed $545,434 toward the pension services. The 2015-16 CAFR contains a detailed description of the calculation of benefit and unfunded liability.

The District pays a fixed contribution for post-employment medical benefits to retired employees who satisfy the eligibility rules. (Spouses and surviving spouses are also eligible to receive benefits but these are not provided by LHMWD.) The District also pays a fixed contribution towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan on a

pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined cost.

For the year ended June 30, 2016, the District's net OPEB obligation amounted to $97,919. To reduce these liabilities, the District's annual Other Post Employment Benefit (OPEB) cost in 2016 was $18,983. A comprehensive description of the OPEB Liability is contained in the annual CAFR on the District's website.

Status and Opportunities for Shared Services

LHMWD is a water and sewer district that serves a diverse area and with multiple types of retail water customers. LHMWD has undertaken a number of shared service opportunities with other agencies, including:

- LHMWD's main source of water is ground and surface water supplies. LHMWD cooperates with Eastern MWD as a supplier of supplemental water if needed. Eastern MWD and LHMWD have an intertie connection to share water in emergency situations.
- LHMWD contracts with Eastern MWD for sewer treatment services in the cities of Hemet and San Jacinto.
- LHMWD is a member of the Hemet San Jacinto Water Master Agreement that provides for management and recharge of the groundwater basin.
- The District operates the Lake Hemet Campground to provide recreational opportunities and offset some of the expenses of the dam and reservoir

Government Structure and Accountability

LHMWD is governed by board of directors with five members elected by division for four-year terms.

Table 77 – Lake Hemet Municipal Water District Board of Directors

LHMWD Board Member	Term Expires
Div. 1 Frank D. Marshall	2022
Div. 2 Frank D. Gorman	2020
Div. 3 Todd A. Foutz	2022
Div. 4 Larry Minor	2022
Div. 5 Steven A. Pastor	2020

The Board meets at the District Office located at 26385 Fairview Avenue, Hemet, CA 92544 on the third Thursday of each month at 3:00 p.m. The Board of Directors appoints a General Manager as the Chief Administrative Officer who is responsible for managing District operations on a day-to-day basis, and select, appoint and manage staff and consultants to carry out District programs and projects. The Board also selects and hires Legal Counsel.

The District provides public information on its website at www.lhmwd.org, including information on current projects, a history of the District, customer inquiries and FAQ's, conservation

programs, annual budgets, and audits (CAFR). The website also includes contact information for the Board of Directors and staff and Board meeting agendas and minutes. Other major reports are accessible via links on the portal. A contact portal is also provided to further research District reports and studies.

The District staff state that they work cooperatively with several cities and other water agencies in the County and region. Based upon water rights and infrastructure resources, there does not appear to be increased interest in considering alternative government service structures at this time. Additionally, District staff is not aware of any properties in the area with interest in annexing to the District at this time.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

Rancho California Water District

Overview/History

Rancho California Water District (RCWD/District) provides potable water, irrigation water, recycled water, sewer collection, and treatment services to residents of the cities of Temecula and Murrieta and potable and irrigation water to some surrounding unincorporated areas. The District also maintains Vail Lake as a water reservoir and recreational facility.

The District was formed on January 1, 1977, under the Municipal Water District Act of 1911, as a result of the consolidation of the Rancho and Santa Rosa Districts. There are approximately 45,000 customers, a population of approximately 154,000 within a 155-square-mile service area. RCWD currently serves its water customers from four main sources of supply: locally pumped groundwater, surface water from the Vail Lake system, recycled water, and water purchases from Metropolitan Water District of Southern California (MWD) through both Eastern Municipal Water District (EMWD) and Western Municipal Water District (WMWD).

Local groundwater from the Temecula Valley Groundwater Basin is the primary potable water source. The District operates 49 wells that provide water to the domestic and the irrigation systems. Local groundwater supplies about 35 percent of its demands and the surface water from the Vail Lake is approximately an additional 10 percent of the District's total water supply, once recharged to the groundwater basin. The District also purchases between 50 percent and 65 percent of its water from MWD, via EMWD and WMWD. The District operates a reclamation facility and obtains recycled water for about seven percent of its uses.

RCWD will need additional water supplies to be able to satisfy projected growth within the District's service area. The District completed the Upper Valle De Los Caballos (VDC) Conjunctive Use Optimization Plan, as well as the Recycled Water Resources Plan, to optimize future groundwater and recycled water supplies, respectively. Supplemental future water supply options include an expanded recycled water distribution system, supplemental imported water supplies, increased use of local surface water, and demand reduction/ conservation. Table 78 illustrates the projected water supply/demand to year 2040.

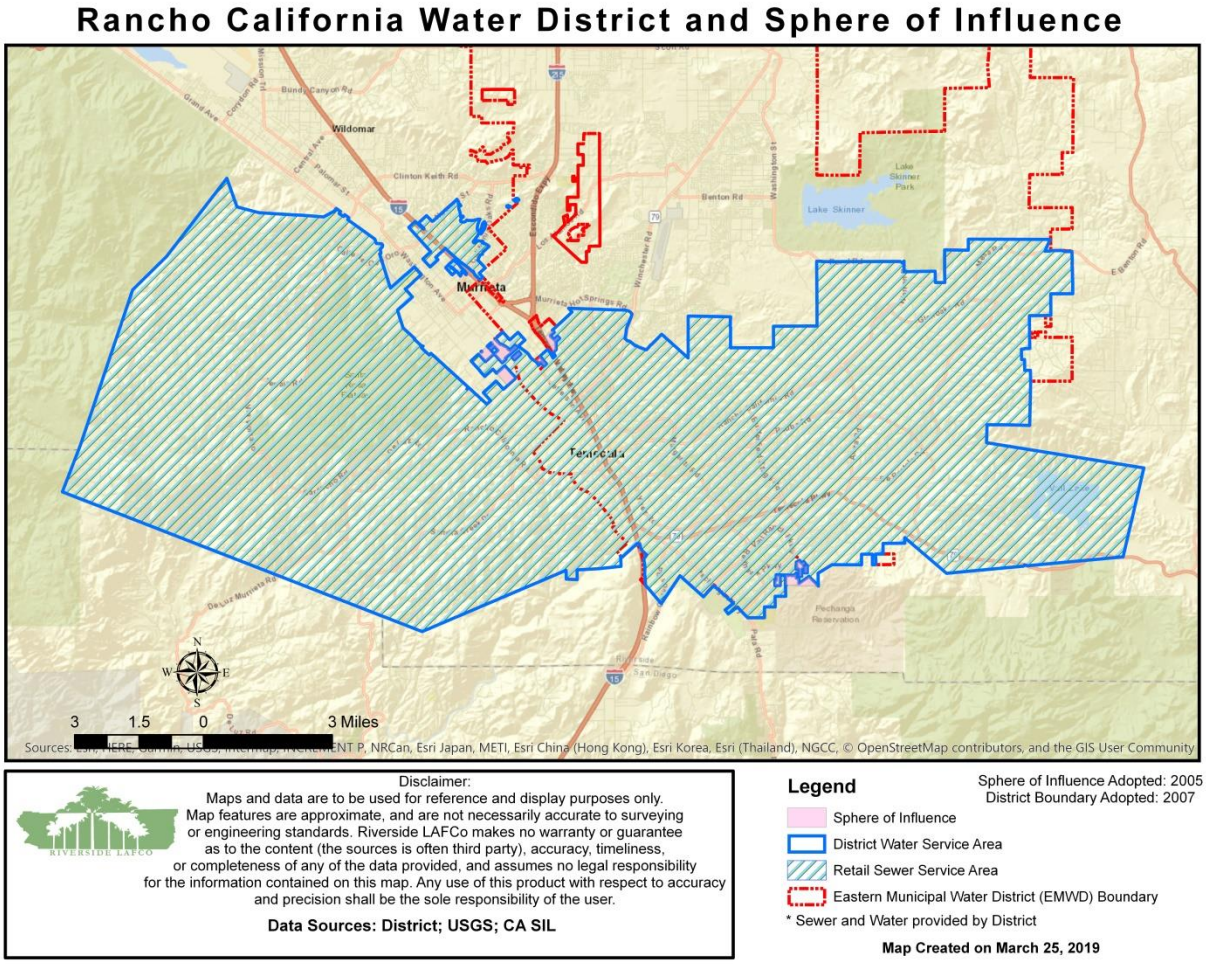
Table 78 – Normal Year Supply and Demand Comparison, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	93,414	99,660	102,639	104,410	106,986
Demand Totals	82,244	89,174	93,651	96,964	100,307
Difference	11,170	10,486	8,988	7,446	6,679

Source: UWMP Update (2016)

Rancho California Water District

Exhibit 15 – Rancho California Water District



Rancho California Water District

Rancho California Water District - Agency Profile

General Information			
Agency Type	California Water District Water Code 34000		
Date Formed	January 1, 1977		
Services	Potable and Recycled Water, Wastewater collection and treatment		
Service Area			
Location	City of Temecula and part of City of Murrieta		
Square Miles/Acres	155 Sq. Miles/99,141 acres		
Total Water/Sewer Connections	Water: Rancho Division 36,336 meters Water: Santa Rosa Division 8,293 meters Sewer: 8,321 Equivalent Dwelling Units (EDUs)-RCWD only		
Population Served	Approximately 154,400		
Water Infrastructure			
Facilities	Four connections to WMWD and EMWD; 974 miles of pipeline, 49 wells, 39 reservoir tanks; recycled system – 71 miles of pipe, 4 tanks		
Storage Capacity	1,433 AF recycled, plus open storage in Vail Lake of 45,000 AF		
Primary Source of Supply	Imported water from MWD (50% to 65%), supplemented by groundwater (35%), recycled water (7%), and releases from surface water (Vail Lake) to groundwater (10%)		
Water Rates (single-family home) (adopted FY 2018-2019)	Rancho Division – Service Charge ¾" - $22.11/month Res./Multi Fam./Landscape Commodity – 4 tiers from $0.710 to $7.070 HCF Commercial/Indus./Ag. Commodity – 3 tiers from $1.300 to $7.070 Santa Rosa Division – Service charge ¾" - $41.80/month Res./Multi Fam./ Landscape Commodity – 4 tiers from $1.220 to $7.210 HCF Commercial/Indus./Ag. Commodity – 3 tiers from $1.940 to $7.210		
Sewer Infrastructure			
Facilities	54.1 miles of pipes/2 sewer lift stations		
Current and Projected Treatment Capacity	SRWRF – average of 1.316 MGD, with maximum capacity of 2.0 of the 5.0 MGD for SRRRA Facility (renamed recently)		
Primary Disposal Method	Tertiary treatment – use for irrigation		
Sewer Rates (single-family home) (adopted FY 2018-19)	$42.50 per month, per EDU		
Budget Information - FY 2018-2019 Operating (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water Fund – Rancho Division	$41,173,229	$41,028,284	$144,945
Water Fund – Santa Rosa Division	$34,639,128	$32,911,308	$1,727,820
Sewer Fund	$2,714,231	$2,821,729	$-107,498
Combined Funds	$78,526,588	$76,761,322	$1,765,266
Budget Information - FY 2018-2019 Non-Operating (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water Fund – Rancho Division	$41,799,490	$26,459,247	$15,340,243
Water Fund – Santa Rosa Division	$18,250,666	$18,353,845	$-103,179
Sewer Fund	$2,092,737	$2,320,193	$-227,456
Long-Term Capital Expenditures	$649,902,275 (FY 2018-2019 – 2037-2038)		
Water Fund Balance	–		
Sewer Fund Balance	–		
Agency Net Position	$540,278,132 - Water and Sewer Total Net Position Consolidated in FY 2017-2018 CAFR		
Governance			
Governing Body	Seven-member Board elected at-large, meets second Thursday of each month at 8:30 a.m. at the District Headquarters, 42135 Winchester Road, Temecula, CA		
Agency Contact	Jeff Armstrong (951) 296-6900, armstrongj@ranchowater.com		

Sources: FY 2017-2018 CAFR, FY 2018-2019 Adopted Budget, FY 2018-2019 5-Year CIP

Rancho California Water District

Growth and Population Projections

As part of an Urban Water Management Plan (UWMP) Update completed in 2016, RCWD developed population and growth projections. The current and estimated future service population for RCWD is shown in Table 79 below.

Table 79 – RCWD Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
148,105	154,222	158,070	162,015	166,058	170,201

Source: UWMP (2016)

Between 2015 and 2040, the District's service population is expected to increase by approximately 5,700 connections, or 22,096 residents. The majority of this growth is expected to be in the two cities (Murrieta and Temecula) within the District's service area.

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has determined that there are no DUC areas within the District boundaries nor no DUCs identified within or adjacent to the District's SOI areas.

Present and Planned Capacity of Public Facilities

The District currently obtains its water supplies from the following primary water sources: 1) local groundwater from the Temecula Valley Groundwater Basin; 2) imported State Water Project and Colorado River water from MWD, via EMWD and WMWD; 3) recycled water from both the District and EMWD; and 4) local surface water from Vail Lake.

Imported Water (Purchased)

Imported water is acquired from the member agencies of the MWD. For the District, its member agencies are WMWD for the Santa Rosa Division and EMWD for the Rancho Division. Imported water provided to the District is from MWD's Lake Skinner Reservoir and Water Treatment Facility, with back-up storage provided by Diamond Valley Lake. MWD has six pipeline facilities that depart from MWD's Lake Skinner Reservoir and Water Treatment Facility and convey water south toward San Diego County. The District's connection point on MWD's pipeline facilities are identified as turnout facilities and are labeled WR for WMWD and EM for EMWD. Untreated water is delivered to the District from MWD's Pipeline No. 5 through turnout WR-34 and Pipeline No. 6 through turnout EM-21. Untreated water from EM-21 is conveyed through the Pauba Valley Transmission Main in De Portola Road to the District's Recharge and Recovery System. Untreated water from WR-34 is conveyed through an outfall pipeline to release makeup water into the Santa Margarita River at the Gorge, pursuant to the Cooperative Water Resource Management Agreement. As such, WR-34 is not directly utilized to meet water demands for potable water deliveries. The District also purchases excess water

from MWD, when available, for recharge of the Pauba Valley Basin, through the Cyclic Storage Program.

Groundwater

Groundwater pumping has historically provided a significant portion of the overall District water demand. The District receives groundwater from the Temecula Valley Groundwater Basin, as identified in California's Groundwater Bulletin 118. The Basin underlies several valleys in southwestern Riverside County and a portion of northern San Diego County, within the Santa Margarita River Watershed.

In addition to the District, other agencies pump water from the basins, including WMWD, Pechanga Band of Luiseño Mission Indians (Pechanga), and other private pumpers. Accounting for these users, the total natural yield available to the District varies, and is estimated to average approximately 17,000 acre-feet per year (AFY) - 25,000 AFY.

The District is working in cooperation with the Santa Margarita River Watershed Watermaster and multiple stakeholders to achieve water supply reliability, water quality, and watershed management goals for the Upper Santa Margarita River Watershed. The District's Recommended Groundwater Production report is an annual audit prepared for the District to recommend a groundwater production program for the upcoming fiscal year (FY).

The Recommended Groundwater Production report was last developed in January 2018 for production recommendations for FY 2018-2019. The recommended groundwater production program involves the operation of the groundwater basin within safe yield limits, so as not to create permanent overdraft or other undesirable conditions that could degrade water quality or violate legal restrictions. Information includes discussion of previous audits, instantaneous yield, natural and artificial recharge, water quality, pump settings, and well construction factors. The annual supply capacity of the District's groundwater sources is limited by the natural yield of the groundwater basin, in conjunction with the artificial groundwater recharge the District achieves at the VDC recharge basins. The District evaluates each groundwater well, based on hydro geologic subunit and aquifer, to determine an annual pumping budget.

In addition to the extraction of the natural yield of the basins, the District artificially recharges the Pauba Valley Basin with untreated imported water for enhanced groundwater production. The District's VDC Recharge/Recovery Facility (VDCR/RF) features two groundwater recharge sites: the Upper VDC in the easternmost area of the Pauba Valley and the Lower VDC, approximately two miles to the west. Untreated MWD water and/or Vail Lake surface water are introduced into the VDCR/RF infiltration ponds for recharge into the ground. Over the past 10 years, this supplemental water provided an average of approximately 13,000 AFY of artificial groundwater recharge through the VDC recharge basins.

Rancho California Water District

Table 80 – RCWD Groundwater Production, FYs 2014-2018

2014 (acre-feet)	2015 (acre-feet)	2016 (acre-feet)	2017 (acre-feet)	2018 (acre-feet)
39,785	37,279	33,941	30,628	31,752

Source: UWMP Update (2016)

Surface Water

The District owns and operates one surface water reservoir, located approximately 10 miles east of Temecula, having a watershed area of 318 square miles. The primary purposes of Vail Lake are water supply and recreation. The District purchased the reservoir and upstream lands with water rights in 2014.

The State Water Resources Control Board (SWRCB) issued an appropriation permit (No. 7032) in 1948 and amended the permit in 2009. Permit No. 7032 grants an appropriate storage right of 40,000 AFY from November 1 to April 30, points of diversion and re-diversion, and place and purpose of use. During these months, water releases from Vail Lake are discharged into either outfall piping that conveys the flows directly to the Upper VDC groundwater recharge site, or the Temecula Creek. Flows to the Temecula Creek either percolate into the groundwater basin or continue downstream to the Santa Margarita River, and ultimately the Pacific Ocean. The contribution of the Vail Lake water supply is reflected in the native groundwater produced from the Temecula Valley Groundwater Basin.

The District completed the Vail Lake Transmission Main, Pump Station, and Quagga Mussel Control Facilities in 2013. These facilities allow the District to acquire imported water from MWD for storage in Vail Lake.

Vail Dam is operated under an Interim Operation Restriction Plan (IORP), as submitted to the Division of Safety of Dams (DSOD) in 2014. The spillway elevation for Vail Dam is 1472.59 ft (NAVD88), the maximum operating level under the IORP is 1457.6 ft. (NAVD88). The dam has a maximum height of 152 feet from the dam crest to the lowest point in the foundation.

Since completion of Vail Dam in 1949, the spillway has only overflowed twice—in 1980 and 1993. As of this date, the District has not stored any imported water from MWD into Vail Lake. The average annual yield over the past 5 years is 1,843 AFY. There have been several years where the annual yield was 0 AFY, and with a maximum yield of 35,552 AFY in 1993 (excluding releases from the overflow spillway).

Vail Lake is currently free of invasive species such as quagga or zebra mussels. The water quality in Vail Lake varies depending on the quantity of inflow, the lake water depth, and upland activities that contribute to sedimentation and pollutant loading.

Rancho California Water District

Recycled Water Supply

RCWD began using recycled water in 1990 for irrigation and has expanded the use of recycled water over the past 30 years to serve approximately 3,800 AFY of recycled water for landscape irrigation, Santa Rosa Water Reclamation Facility (SRWRF) plant uses, and limited commercial uses.

Recycled water used by the District is produced at the SRWRF and is purchased from EMWD's Temecula Valley Regional Water Reclamation Facility (TVRWRF). The Santa Rosa Regional Resources Authority (SRRRA) comprises three member agencies: WMWD, Elsinore Valley Municipal Water District (EVMWD), and RCWD, all of which generate wastewater that is ultimately treated at the SRWRF. Both the TVRWRF and the SRWRF produce disinfected tertiary recycled water meeting the State of California Title 22 regulations for unrestricted non-potable reuse. The District currently receives supplies to meet its demands of 3,800 AF from these two sources, and anticipates that it will have excess recycled water available. The amount of surplus recycled water is expected to increase to 4,300 AFY in 2070, for a total estimated supply of approximately 8,100 AFY.

Recycled Water System

The District's recycled water distribution system provides water through four pressure zones (PZ) ranging from 1181 to 1481 feet. Recycled water is conveyed from the forebay to either the 1181 or 1381 PZ, via the Elm Street No. 2 or Elm Street No. 3 Pump Stations, respectively. With the exception of Superior Ready Mix, recycled water within the District is utilized solely for outdoor irrigation.

Water is delivered from the 1181 PZ to the 1481 PZ, via the Cole Creek Pump Station, and from the 1381 PZ to the 1441 PZ, via the Redhawk Pump Station. Water in the 1181 PZ can be also be stored in the Cole Creek Storage Pond, and transferred back into the 1181 PZ, via the Cole Creek Transfer Pump Station. The District operates six recycled water pump stations and five active recycled groundwater production wells. The District maintains four recycled water storage reservoirs, with a combined capacity of 7.5 million gallons (MG). The District owns six recycled water storage ponds, with a total of 1,495 AFY of storage, including the Cole Creek Storage Pond. The recycled water system includes 58.9 miles of water pipelines that convey water from its source to water customers.

Water Demand Projections

The UWMP Act requires a water retailer to quantify the minimum water supply available during the years 2016 to 2018, assuming years 2016 to 2018 repeated the driest three-year historic sequence for each water supply source. RCWD's estimated are shown in Table 81, below. These supplies are based on the anticipated reliability of imported water, local surface water, and local groundwater.

Rancho California Water District

Table 81 – RCWD - Minimum Supplies, 2016-2018

2016 (acre-feet)	2017 (acre-feet)	2018 (acre-feet)
85,385	74,246	72,770

Source: UWMP Update (2015)

Supply and Demand Assessment

Historically, there has been an increase in water use among agencies similar to RCWD due to increased development. Conservation efforts have proven to be effective in decreasing water use in most dry years. Additionally, the District has enacted a Water Shortage Contingency Plan that includes increased levels of conservation and water budget reductions in certain stages. In the District's recent UWMP 2015 Update, RCWD estimated that demands could increase five percent during a single-dry year due to some area property owners experiencing local supply reductions; however, during an extended multiple-dry year period, it is expected that conservation messaging and the Water Shortage Contingency Plan would lead to consumption dropping back down to, or below, normal-year levels after the third dry year.

The available supplies and water demands for the District's water service area have been analyzed to assess the District's ability to satisfy demands during three hydrologic scenarios: a normal water year, single-dry water year, and multiple-dry water years. Based on historical supply reliability data consistent with MWD, the District has identified supply reliability for imported water as 100% of normal water-year supply and the first three multiple-dry water years.

The following tables summarize the anticipated supplies and demands for a normal or single-dry year, based upon growth forecasts for RCWD.

Table 82 – RCWD Normal Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	93,414	99,660	102,639	104,410	106,986
Demand Totals	82,244	89,174	93,651	96,964	100,307
Difference	11,170	10,486	8,988	7,446	6,679

Source: UWMP Update (2016)

Table 83 – RCWD Single-Dry Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	93,414	99,660	102,639	104,410	106,986
Demand Totals	86,017	93,092	97,716	101,175	104,681
Difference	7,397	6,568	4,924	3,235	2,305

Source: UWMP Update (2016)

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Wastewater Collection and Treatment

RCWD has provided sewer services since before its origin from the consolidation of the two original water districts in 1977. With the fast development of the Temecula Valley area, sewer service has undergone expansion and change to accommodate development and financing of major facilities, and also to better utilize the effluent produced from reclamation plants. Wastewater in the upper Santa Margarita Watershed is collected by a sewer system in the more densely-populated areas and by septic systems in the rural areas. The District and EMWD collect all wastewater within the District's water service area. Wastewater collected by the District is conveyed to a collection system owned and operated by the SRRRA. The SRRRA collection system also conveys flow from EVMWD and WMWD, for ultimate treatment at the SRWRF, which is owned by the SRRRA and operated through contract with the District. Wastewater collected by EMWD is treated at the TVRWRF.

Santa Rosa Water Reclamation Facility (SRWRF) and Santa Rosa Regional Resources Authority (SRRRA)

The SRWRF has a current capacity of 5 million gallons per day (MGD), or approximately 5,598 AFY. RCWD currently owns capacity for 2 MGD, but averages 1.316 MGD. The District has plans to participate in expansion of the plant when deemed needed for the region. The plant collects flow from areas within portions of the District's service area, plus from WMWD and EVMWD. The SRRRA, a Joint Powers Authority, formed by RCWD, EVMWD, and WMWD in 2015, owns the SRWRF, as well as over 17 miles of gravity mains and the Cal Oaks Lift Station. The SRWRF, gravity mains, and lift station are operated under contract by RCWD. SRRRA purchased the SRWRF from RCWD in August 2017.

The average daily wastewater treated at the SRWRF in FY 2017 was 2.5 MGD, with all of the recycled water produced at this plant reused. Seasonal storage ponds near the SRWRF, as well as the Cole Creek Storage Ponds, store effluent during the winter months (low demand period) to prevent discharges and provide reclaimed water supply to meet peak summer demands. The current pond storage capacity is 1,495 AF.

Temecula Valley Regional Water Reclamation Facility (TVRWRF)

The TVRWRF, operated by EMWD, treats wastewater from a service area that includes the "Golden Triangle" region between Interstates 15 and 215, the Murrieta Hot Springs area, and portions of the Rancho Division in the northern section of the District. The TVRWRF also receives and treats wastewater generated within the WMWD and EVMWD service areas.

The total wastewater treated at the TVRWRF in FY 2014-2015 was 15,088 AFY, or 13,500,000 gallons per day (GPD). Recycled water produced and distributed totaled 14,650 AFY, or 97 percent of wastewater arriving at the facility. Effluent from the TVRWRF is conveyed to onsite storage ponds prior to distribution. There are 225 MG of

temporary onsite storage capacity. When additional storage is required, recycled water is conveyed to 450 MG storage ponds located 10 miles north in Winchester, providing recycled water supply for irrigation users along the way. When the ponds are full or there is not enough demand, the effluent may be discharged to Temescal Creek, a tributary of the Santa Ana River, for ultimate disposal to the Pacific Ocean. Recycled water produced by the TVRWRF is currently distributed to a variety of users in the District's service area.

Emergency Preparedness (Supply Interruption Capability)

Extended supply shortages are unlikely due to natural disasters or accidents that damage all water sources, except in the event of a major earthquake. The District has developed an Emergency Response Plan (ERP) that will be activated, as needed, up to requesting regional or statewide assistance. However, RCWD's emergency capability plan is to provide water via its wells, utilizing emergency generators at most of the main well sites. This would provide sufficient water to meet the minimum health and safety requirements of 50 GPD, per capita, for approximately 150,000 residents. This assumes reduction in uses and zero non-residential or landscape use.

Under emergency power outages or a catastrophic earthquake condition, the existing storage is expected to provide a supply at minimum demand levels. RCWD has portable back-up generators and contractors on standby status that can be used in the event of an area-wide power outage. These generators can be located on primary well sites to continue water delivery.

Financial Ability to Provide Services

As of June 30, 2018, the District reported that all non-capital assets in net position were designated as restricted to specific purposes and therefore there were no unrestricted funds. The restricted funds totaled $198,190,679, a decrease of ($18,313,073) over the prior year. The net position of the District, the value of assets, and funds on hand for operations and capital investment was reported as $540,278,132, a decrease of ($18,313,073), or 3 percent less than the prior year.

RCWD operates its water and sewer services as enterprise funds within the confines of overall district operations. Water sales and service charges comprise the significant majority of operating revenues that fund the services provided for water operations and administration. The same situation exists for the sewer operations. On average, the RCWD receives approximately 38 percent of its revenues from property taxes. The District utilizes these funds primarily for capital improvements and debt service for new facilities.

Overall, the District water, sewer, and Capital Improvement Project (CIP) funds are considered stable and self-sustaining for operational, capital, and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects

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and conservation directed by the state. Rate increases have been implemented over the last several years to accommodate expenditures for maintenance and capital improvements.

The District adopted a comprehensive Cash Reserve Policy in December 2016 that designates funds for various programs and long-term debts. The policy provides direction to District staff on addressing reserves in the annual budget process and for regular update reports to the Board of Directors. Reserves are established in 14 categories and uses:

- Operating reserve – funds to ensure adequate cash flow in the event of extraordinary expenses or reduction in revenues
- Debt Reserve – To fund payment of principal and interest for facilities, as identified in CIP and FY Budgets
- Capital Facilities Reserve – For payment of costs for new facilities required for current and planned services
- Replacement Reserve – Funds to replace aging facilities, as planned in the 5-Year CIP

The above reserves include various operating and emergency accounts to provide funding for rate stabilization, operating reserves (to cover a maximum of 180 days of operating expenses), and capital assets. A comparison of three years of financial statistics from the published Comprehensive Audited Financial Reports is provided below:

Table 84 – RCWD Financial Statements, FY 2016-FY 2018

	FY 2016	FY 2017	FY 2018
Operating Revenues			
Water consumption sales	$ 41,186,510	$ 35,874,759	$ 41,991,147
Water availability charges	17,614,066	18,422,237	18,557,377
Other services, including sewer service	8,534,085	9,135,281	8,528,673
Total operating revenue	$ 67,344,661	$ 63,432,277	$ 69,077,197
Operating Expenses			
Source of supply	$ 34,126,202	$ 40,309,186	$ 46,121,701
Pumping	3,554,038	3,470,017	3,494,391
Water treatment	1,794,705	1,200,766	1,454,567
Transmission and distribution	6,767,849	6,429,382	7,553,699
Depreciation expense	25,680,902	27,070,090	23,954,236
Reclaimed water	2,029,818	2,151,487	1,924,520
General and administrative	9,036,179	9,755,193	11,381,543
Other	5,246,377	4,098,091	3,916,189
Total operating expenses	$ 88,236,070	$ 94,484,212	$ 99,800,846
Operating income (loss)	$ -20,901,409	$ -31,051,935	$ -30,723,649

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	FY 2016	FY 2017	FY 2018
Non-Operating Revenues (Expenses)			
Property taxes and assessments	$ 40,918,313	$ 42,561,594	$ 44,341,998
Net loss from Vail Lake properties	-639,246	-305,316	-303,856
Investment earnings (loss)	7,781,877	-330,531	347,977
Intergovernmental	2,297,590	2,398,160	2,416,436
Change in investment in joint venture	0	0	-1,270,350
Interest expense	-16,383,493	-14,370,849	-12,838,733
Other	6,378,694	1,849,843	4,420,763
Total non-operating revenues, net	$ 40,353,735	$ 31,802,901	$ 37,114,235
Net income (loss) before capital contributions	$ 19,452,326	$ 750,966	$ 6,390,586
Capital Contributions			
Capacity fees	$ 1,341,570	$ 638,838	$ 1,167,560
Developer contributions	960,552	984,998	862,064
Capital grants	1,183,135	13,942	1,083,710
Total capital contributions	$ 3,485,257	$ 1,637,778	$ 3,113,334
Special Item	–	–	-12,627,773
Change in net position	$ 22,937,583	$ 2,388,744	$ 3,123,853
Beginning of year	$ 533,264,878	$ 556,202,461	$ 543,401,985*
Net position - end of year	$ 556,202,461	$ 558,591,205	$ 540,278,132

Source: Comprehensive Annual Financial Reports 2016, 2017, 2018
*Restated, see FY 2017-2018 CAFR, Note 15 for more information

The spendable fund balance is $27,442,612. Other funds have been restricted for CIP and debt service.

There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3-Year Revenue/Expenditure Budget Trends

The District fund overall has been experiencing surplus revenues over expenses, as well as occasional deficit spending over the last several years; however, this is attributed primarily to planned capital expenditures and cash flows. Appropriate rate increases have been implemented for water and sewer over prior years, utilizing a cost of service analysis to have services funded by fees and charges.

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2. Ratios of Revenue Sources

The District receives 56 percent of its water and sewer fund revenues from charges and fees for services, substantial revenue from property taxes (38 percent), and about 6 percent from miscellaneous other sources. The ratios of designated reserves and funds reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues, such as water sales and property tax (property tax has varied based upon the economic picture over the past ten years).

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted or restricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District's fund balance ratio is approximately 174 percent of annual expenditures. This fund ratio represents an adequate ratio position and the designated reserves have been increasing over time, other than the reduction due to purchase of lands surrounding Vail Lake.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. The District's water and sewer divisions have reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time. The District's annual debt service ratio to total expenditures for both its water and sewer divisions is approximately 15 percent. Excluding the sewer division, the District's water divisions have an annual service ratio to total expenditures of 16 percent.

The debt service coverage ratio is the ratio of revenue to cover the payment of an agency's principal and interest debt service obligations. The District's goal is to maintain a ratio of 2.00. For FY 2017-2018, the District exceeded that goal with a debt service coverage ratio of 2.81. The District's current credit rating with Standard & Poor's and Fitch is AAA, which is considered the highest credit rating assigned by both of these credit rating agencies.

5. Rate Structures

The District raised water rates annually to keep pace with costs and rate adjustments, including Consumer Price Index adjustments. In the Rancho and Santa Rosa Divisions, residential, multi-family, and landscape customers use a 4-tiered rate system. Customers also pay energy costs for pumping in several zones. The District's Rancho Division water commodity rates changed effective July 1, 2018 and range from $.710 (Tier 1 - Indoor use) to $7.070 (Tier 4 - Wasteful use) per 100 cubic feet of usage. Water service charges for water availability range from $22.11 to $32.34 for a typical ¾" and 1" size meter. Commercial and recycled customers have separate rates. The Santa Rosa Division water commodity rates range from $1.220 (Tier 1 - Indoor use) to $7.210 (Tier 4 - Wasteful use) per 100 cubic feet of usage. Water service charges for water availability range from $41.80 to $63.10 for a typical ¾" and 1" size meter.

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The sewer fee for the RCWD-served area is $42.50 per equivalent dwelling unit (EDU) per month, and the EMWD (eastern area of the District) sewer rate is $32.92 per EDU, per month. Current rates in detail are available on the District website: ranchowater.com.

6. Capital Improvement Program/Plan

The District developed and implemented a comprehensive CIP for water, recycled, and sewer infrastructure improvements. The District's current 5-Year CIP reflects approximately $117.5 million in improvements for water, wastewater infrastructure, with approximately $13.51 million programmed for FY 2018-2019. RCWD maintains a consistent investment in infrastructure, including wells, pipelines, reservoirs, and sewer systems. This reflects an ongoing investment in capital facilities. Major capital projects for the next five years are shown in Table 85 below.

Table 85 – RCWD Major Capital Projects, FY 2018-2019 – FY 2022-2023

Year	Project Description	Rancho Division Improvements	Santa Rosa Division Improvements	General Benefit Improvements	Wastewater Improvements
2018/19	Reservoir Recoating	$1.625M	$ .960M	–	–
2018/19	Distribution System Upgrades	$5.525M	–	–	–
2018/19	Recycled Facilities	$.900M	–	–	–
2018/19	Total Projects	$8.050M	$.960M	–	–
2019/20	Reservoir Recoating	$.155M	$1.545M	–	–
2019/20	Distribution System Upgrades	$1.460M	–	–	–
2019/20	Well Construction	–	–	$4.600M	–
2019/20	Vail Dam Modifications	–	–	$1.000M	–
2019/20	Wastewater Collection	–	–	–	$0.075M
2019/20	Total Projects	$1.615M	$1.545M	$5.600M	$0.075M
2020/21	Reservoir Recoating	$1.740M	$ .825M	–	–
2020/21	Reservoir Construction	$1.600M	–	–	–
2020/21	Pump Station Expansion	$ .650M	–	–	–
2020/21	Pipelines	$8.450M	$3.340 M	–	–
2020/21	System Studies	$.400M	$.300M	$0.850M	–
2020/21	Vail Damn Modifications	–	–	$1.500M	–
2020/21	Total Projects	$12.840M	$4.465M	$2.350M	–
2021/22	Reservoir Recoating	$0.900M	$0.180M	–	–
2021/22	System Projects	$10.750M	$5.305M	–	–
2021/22	General Resource Projects	–	–	$11.850M	–
2021/22	Total Projects	$11.650M	$5.485M	$11.850M	–
2022/23	Reservoir Recoating	$0.155M	$1.000M	–	–
2022/23	System Projects	$3.750M	$8.525M	–	–
2022/23	General Resource Projects	–	–	$13.530M	–
2022/23	Total Projects	$3.905M	$8.625M	$13.530M	–

Source: FY 2018-2019 Budget

7. Pension Liability and Other Post-Employment Benefits Liability

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries to RCWD employees. A "Classic" CalPERS Miscellaneous member (hired prior to January 1, 2013) becomes eligible for service retirement upon attainment of age 55, with at least five years of credited service. Public Employees'

Rancho California Water District

Pension Reform Act (PEPRA) Miscellaneous members (hired on or after January 1, 2013) become eligible for service retirement upon attainment of age 62, with at least five years of service.

California law requires an annual calculation of the net pension liability and contribution for each participating agency. This calculation is utilized by the agency to budget for and make contributions to CALPERS toward its unfunded liability balance. In FY 2017-2018, RCWD contributed $4,612,858 toward the pension services. The 2017-2018-17 CAFR contains a detailed description of the calculation of benefit and unfunded liability.

The District also offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. The District also pays a fixed contribution toward the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined cost.

For the year ended June 30, 2018, the District's net Other Post Employment Benefit (OPEB) obligation amounted to $9,406,148. To reduce these liabilities, the District's annual OPEB cost in FY 2017-2018 was $1,000,509. A comprehensive description of the OPEB Liability is contained in the annual CAFR on the District's website.

Status and Opportunities for Shared Services

RCWD is a water and sewer district that serves a diverse area, with multiple types of retail water and sewer customers. RCWD has undertaken a number of shared service opportunities with other agencies, including the following:

- RCWD cooperates with the primary water provider, WMWD, as well as EMWD, with supply and intertie connections to share water in emergency situations.
- RCWD participates in a Joint Powers Authority (JPA), SRRRA, with EVMWD and WMWD, for sewer treatment services at the SRWRF.
- RCWD and EMWD are members of the Western Riverside Water and Wastewater Financing Authority (WRWW), a Joint Powers Agreement that provides for the JPA to purchase obligations of the members or loan funds to a member. The JPA has not financed any public improvements as of June 30, 2017.
- The District owns Vail Lake and contracts to provide recreational opportunities and offset some of the expenses of the dam and reservoir.

Rancho California Water District

Government Structure and Accountability

RCWD is governed by a seven-member Board of Directors (Board) elected at-large for four-year terms.

Table 86 – Rancho California Water District Board of Directors

RCWD Board Member	Term Expires
Bennett R. Drake - President	2022
Bill J. Wilson – Senior Vice President	2020
Lisa D. Herman – Vice President	2020
Angel Garcia – Vice President	2022
Carol Lee Brady	2022
Danny J. Martin – Vice President	2020
William E. Plummer – President	2022

The Board meets at the District office located at 42135 Winchester Road, Temecula, CA 92590, on the second Thursday of each month, at 8:30 a.m. The Board appoints a General Manager, as the Chief Administrative Officer, who is responsible for managing District operations on a day-to-day basis, and selecting, appointing, and managing staff and consultants to carry out District programs and projects. The Board also appoints a Legal Counsel and Treasurer.

The District provides public information on its website at www.ranchowater.com, including information on a history of the District, current projects, water and sewer information, customer inquiries and FAQ's, conservation programs, annual budgets, and audits (CAFR). The website also includes contact information for the Board and staff, as well as Board meeting agendas and minutes. Other major reports are accessible via links on the portal. An online Document Center is also provided to further research District reports and studies.

The District staff state that they work cooperatively with several other water agencies and cities in the county and region. Based upon water rights and infrastructure resources, there does not appear to be increased interest in considering alternative government service structures at this time. Additionally, District staff is aware of and provided information on a number of properties in the area with interest in annexing to the District at this time. The District has agreed to participate along with the City of Murrieta and several local water agencies for a LAFCO-coordinated special study of water service to the Murrieta retail area.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

Rubidoux Community Services District

Overview/History

The Rubidoux Community Services District (RCSD) was organized in 1952 in accordance with the State of California Community Services District Law (Government Code §61000 et seq.) for the purpose of providing various public services including water resources and to construct, operate, maintain, repair, and replace water and wastewater system facilities as needed to provide water service in compliance with applicable standards and regulations. The District also provides fire protection, solid waste, weed abatement and street lighting services.

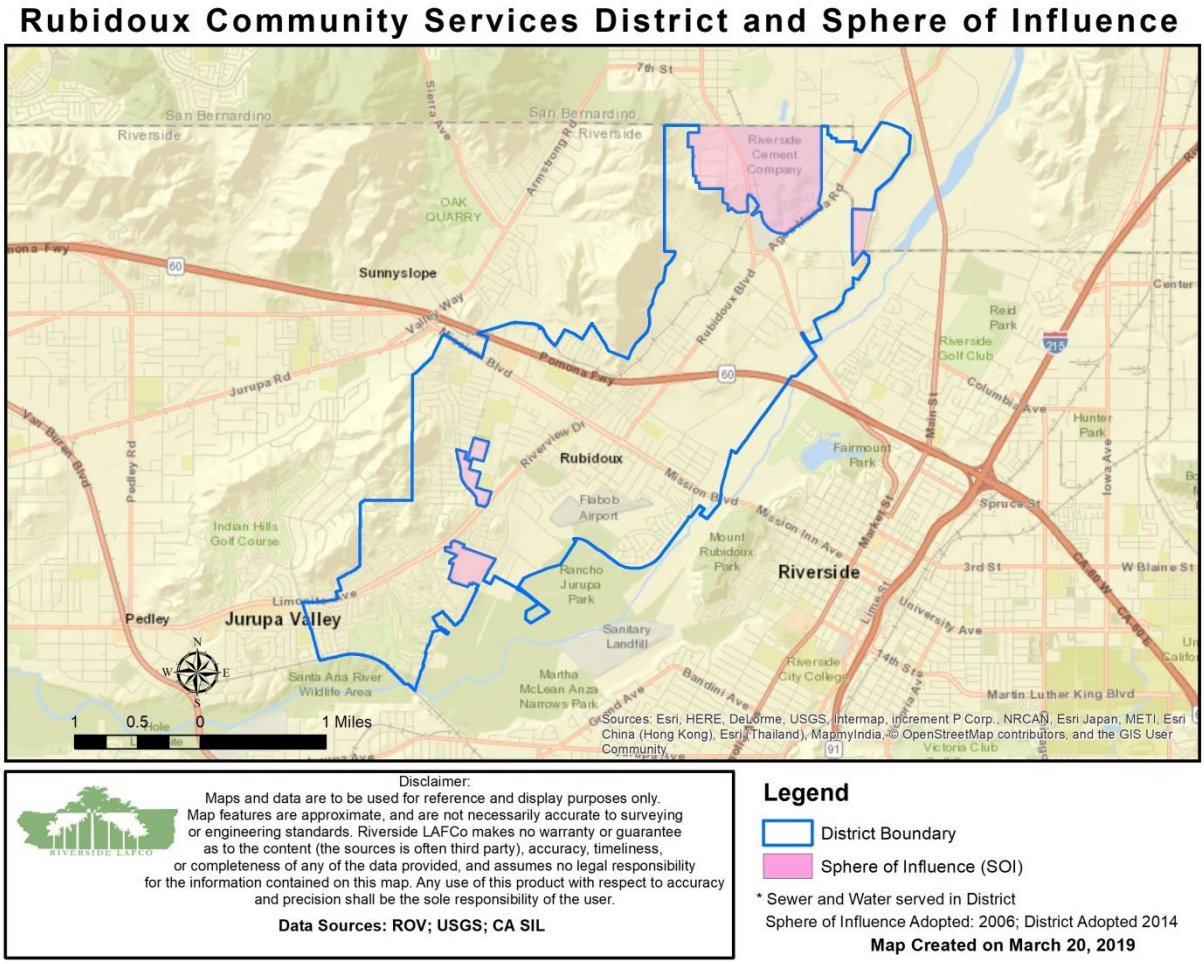
The District's primary service area is within Riverside County and approximately 128 acres in San Bernardino County. The District is located in north Riverside County and is bounded by San Bernardino County on the north, the Jurupa Mountains and Pedley Hills on the northwest, unincorporated areas of Jurupa on the west, the Santa Ana River on the south and the City of Riverside on the east. The District's current boundaries, which are shown in Exhibit 16, encompass an area of approximately 7.7 square miles with approximately 7.5 square miles in County of Riverside. The ground surface elevations within the District's service area range from approximately 760 feet to 1,250 feet above sea level.

The District's only water source is the local Riverside groundwater basin as no imported water supply is readily accessible. RCSD's groundwater supply is extracted from the Upper Santa Ana Valley Groundwater Basin which underlies the Upper Santa Ana River Watershed. RCSD produced approximately 7.800 acre-feet of water in fiscal year 2015-16 while transferring 1,837 AF to Jurupa CSD and system losses resulting in 4,146 of deliveries to customers. The District provides water services to approximately 6,250 residential, commercial, and irrigation connections and 33,441 population. Residential customers make up approximately 94 percent of the District's customer base and consume approximately 76 percent of the water produced annually by the District. The District is a regional leader in promoting water conservation and continuing to make investments in Conservation and Outreach programs to ensure compliance with State mandates and encourages customers to use water efficiently.

The District's sewer treatment is provided by the City of Riverside under a contract since May 4, 1978, to provide primary and secondary wastewater treatment. Through its network of three pumping stations, 370,000 linear feet of pipeline, and other conveyance facilities, the District conveys wastewater from the District's Jurupa Valley area to the City of Riverside Regional Treatment Plant under the 1978 agreement. The District currently owns 3.005 million gallons per day (MGD) of treatment capacity within the City of Riverside plant and in 2017 discharged approximately 2.0 MGD to the Riverside Treatment Plant. Since the treatment is provided outside the RCSD area, no recycled water supply is currently available for consideration.

Rubidoux Community Services District

Exhibit 16 – Rubidoux Community Services District



Rubidoux Community Services District - Agency Profile

General Information			
Agency Type	Community Services District Act Gov. Code 61000 et seq.		
Date Formed	November 24, 1952		
Services	Retail water, sewer, fire protection, solid waste, weed abatement, and streetlights		
Service Area			
Location	Northwest Riverside County west of City of Riverside; small area of 128 acres in San Bernardino County		
Square Miles/Acres	Total of 7.7 square miles; 7.5 square miles in Riverside County		
Total Water/Sewer Connections	Water: 6,250 Sewer: 6,250		
Population Served	33,441 (2016 UWMP)		
Water Infrastructure			
Facilities	Several water treatment plants for well water; 370,000 linear feet of pipeline; six potable wells and six non-potable wells		
Storage Capacity	6.4 MG in four reservoirs		
Primary Source of Supply	Local groundwater in Riverside Basin area of Upper Santa Ana River Watershed; no imported water supply is available		
Water Rates (single-family home)	Residential Meter Chg. ⅝" – 24.04; ¾" – 30.78 & up; Rate 1-5 units $1.14 each, 6-12 units $1.51 each, 13-20 units $1.84 each and up to 2.69 each		
Sewer Infrastructure			
Facilities	Collection system of 361,000 linear feet of pipe; three pump stations		
Current and Projected Treatment Capacity	Treatment by regional plant – Riverside Regional Wastewater Plant 3.055 GPD capacity, average flows of 2.0 MGD		
Primary Disposal Method	Regional Plant reclaims some water and balance is discharged to the Santa Ana River		
Sewer Rates (single-family home)	Residential - 1 EDU $24.74; Commercial - 1 EDU $24.74 × meter size		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water Fund	$5,538,241	$5,445,143	$93,098
Sewer Fund	$2,670,956	$5,006,196	$-2,335,240
Combined Funds	$17,566,304	$17,656,285	$-89,981
Capital Expenditures	FY 2017-2018 $719,277	Long-Term Planned Expenditures 2017-19 $1,405,000 (2017-18 FY Budget)	
Water Fund Balance/Reserves	$4,686,415		
Sewer Fund Balance/Reserves	$2,077,004		
Agency Net Position	$4,748,770		
Governance			
Governing Body	Five member Board of Directors elected at large; Board meetings on first and third Thursdays at 4:00 p.m. at District office, 590 Rubidoux Boulevard, Jurupa, CA 92509		
Agency Contact	Steven W. Appel, 951-684-7580; steve@rcsd.org		

Source: RCSD

Rubidoux Community Services District

Growth and Population Projections

As part of an Urban Water Management Plan Update completed in 2015, RCSD developed population and growth projections. The current and estimated future service population for RCSD is shown in Table 87.

Table 87 – RCSD Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
33,441	35,211	37,685	40,160	42,635	45,110

Source: UWMP (2015)

Between 2015 and 2035, the District's service population is expected to increase in service population by approximately 1,900 connections or 9,194 residents. The majority of this growth is expected to be in urban area cities within the District's service area.

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has determined that there are no DUC areas within the RCSD boundary area or within or adjacent to RCSD's SOI, so no additional analysis is required in this report.

Present and Planned Capacity of Public Facilities

RCSD utilizes water supplies from only one source, groundwater. Therefore, development and management of the basin area is of utmost priority to ensure long-term water supply.

Groundwater

RCSD draws on average six million GPD of water supply from its active six domestic wells and six active irrigation wells. RCSD has approximately 10 MGD production capability from all of its wells and 6.4 MG of storage in four reservoir tanks.

RCSD extracts groundwater from one groundwater basin: the Riverside Basin area of the Upper Santa Ana River Watershed. The basin is under the jurisdiction of a Groundwater Management Act and adjudicated stipulated judgment with the goal of keeping it in a balanced use manner. According to the 2015 UWMP Update, an overdraft condition does not exist. If an overdraft condition does occur, Western MWD is required to recharge the basin as may be needed.

Table 88 – RCSD Groundwater Production, 2011-2015

	2011 (acre-feet)	2012 (acre-feet)	2013 (acre-feet)	2014 (acre-feet)	2015 (acre-feet)
Difference	6,600	6,786	6,757	7,063	7,809

Source: UWMP Update 2015

Rubidoux Community Services District

Recycled Water

RCSD does not currently have a recycled water distribution system or access to recycled water. The UWMP states that the District has no plans for recycled water until at least 2025.

Water Demand Projections

The UWMP Act requires a water retailer to quantify the minimum water supply available during the years 2016 to 2018, assuming years 2016 to 2018 repeated the driest three-year historic sequence for each water supply source. RCSD's estimated minimum supplies are shown in Table 89 below.

Table 89 – RCSD - Minimum Supplies, 2016-2018

2016 (acre-feet)	2017 (acre-feet)	2018 (acre-feet)
17,000	17,000	17,000

Source: UWMP Update (2015)

Supply and Demand Assessment

Historically, there has been an increase in water use among agencies due to increased development. Conservation efforts have proven to be effective in decreasing water use in dry years. In the District's recent UWMP Update, RCSD estimated that demands could increase ten percent during a single dry year due to some area property owners experiencing local supply reductions. However, during a multiple dry year period, it is expected that conservation messaging and restrictions would lead to consumption dropping back down to normal year levels in the second dry year, and falling a further ten percent in the third dry year.

The following tables summarize the anticipated supplies and demands for a Normal or Single dry year based upon growth forecasts for RCSD.

Table 90 – RCSD Normal Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	17,000	17,000	17,000	17,000	17,000
Demand Totals	10,397	11,045	11,754	12,465	13,202
Difference	6,603	5,955	5,246	4,535	3,798

Source: UWMP Update (2015)

Table 91 – RCSD Single Dry Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	17,000	17,000	17,000	17,000	17,000
Demand Totals	10,397	11,045	11,754	12,465	13,202
Difference	6,603	5,955	5,246	4,535	3,798

Source: UWMP Update (2015)

Rubidoux Community Services District

Wastewater Collection and Treatment

The District's sewer treatment is provided by the City of Riverside under a contract since May 4, 1978, to provide primary and secondary wastewater treatment. The District has three pumping stations, 370,000 linear feet of pipeline, and other conveyance facilities. The District conveys its wastewater from the District's Jurupa Valley area to the City of Riverside Treatment Plant. The District states that it currently has treatment capacity of 3.005 million gallons per day (MGD) by contract within the City of Riverside plant. It was reported by the District that in 2017 it discharged approximately 2.0 MGD to the Riverside Treatment Plant. Since the treatment is provided outside the RCSD area, no recycled water supply is currently available for consideration. LAFCO staff made note that an issue of effluent quality of TDS has been identified by the City of Riverside and this issue is under discussion to better understand potential impacts on future increases of connections and effluent flows.

Emergency Preparedness (Supply Interruption Capability)

Extended supply shortages are unlikely due to natural disasters or accidents which damage all water sources. However, RCSD's emergency capability plan is to provide water via some of its wells utilizing emergency generators at main potable water well sites. This is sufficient water to meet the minimum health and safety requirements of 50 gallons per day per capita for approximately 33,000 residents. This assumes reduction in uses and zero non-residential or landscape use.

Under emergency power outages or a catastrophic earthquake conditions, the existing storage is expected to provide a supply at minimum demand levels. RCSD also has plans for emergency supply from WMWD and Jurupa CSD.

RCSD has several portable back-up generators that can be used in the event of an area-wide power outage. These generators can be relocated on primary well sites as may be to continue water delivery to tanks and customers.

Financial Ability to Provide Services

As of June 30, 2017, the District was able to report a positive balance in its unrestricted net position of $6,548,685. On June 30, 2016, the balance was $12,328,414. This is an increase of $ 2,306,613. The net position of the District, the value of assets and funds on hand for operations and capital investment, over the same period decreased slightly $89,981 or approximately .001 percent during a period of drought demand implementation and slightly increased costs of service.

RCSD operates its water and sewer services as enterprise funds within the confines of overall District operations. Water sales and sewer service charges comprise the significant majority of operating revenues that fund the services provided for water and sewer operations and administration. On average, the RCSD receives approximately 17 percent of its revenues from property taxes and utilizes most of that for sewer service expenses.

Rubidoux Community Services District

Overall, the District's water, sewer and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases had been implemented over the last several years and again in 2017 to accommodate expenditures for maintenance and capital improvements. The District reports that the cost of wastewater treatment has increased to the point that the District is studying the alternative of placing its own treatment plant back in service.

The District has adopted a Reserve Policies that designates funds for various programs and long-term debts. The policy provides direction to District staff on addressing reserves in the annual budget process and for regular update reports to the Board of Directors:

- Restricted – Bond proceeds, debt service, and uses controlled by outside agencies or regulations. The minimum amount established is the annual debt service requirement.
- Capital Facilities – To fund needed new or replacement facilities as identified in CIP and FY Budgets. Minimum amount established is 100 percent of current budget plus 80 percent of the next year budget projection.

The District maintains a substantial reserve fund balance providing good capability to absorb short term impacts, and is able to maintain an acceptable debt service to annual expenditure ratio (currently 9).

A comparison of three years financial statistics from the published Comprehensive Audited Financial Reports is provided below.

Table 92 – RCSD Financial Statements, FY 2015-FY 2017

	FY 2015	FY 2016	FY 2017
Operating Revenues			
Water charges	$ 4,868,658	$ 4,977,751	$ 5,456,657
Sewer charges	2,234,052	2,476,226	2,670,956
Solid waste charges	2,924,073	3,021,676	3,111,866
Other operating revenue	317,125	36,295	81,584
Total operating revenue	$ 10,343,908	$ 10,511,948	$ 11,321,063
Operating Expenses			
Salaries & benefits	$ 1,899,989	$ 1,895,149	$ 2,083,225
Contract services	2,665,779	2,716,120	2,855,163
Electrical power	617,416	545,000	437,047
Operating expense	332,900	300,792	382,824
Maintenance and repairs	116,090	158,671	160,099
Operating treatment	1,850,427	2,138,107	2,598,286
General, administrative and other	1,283,765	1,317,563	2,689,993
Total operating expenses	9,277,323	9,071,402	11,206,637
Operating income before depreciation	1,066,585	1,440,546	114,426
Depreciation expense	-1,794,722	-1,843,890	-1,830,461
Operating income (loss)	$ -217,180	$ -403,344	$ -1,716,035
Non-Operating Revenues (Expenses)			
Capital replacement	$ 174,475	$ 182,566	$ 195,499
Capacity fees	843,960	515,100	669,826
Bond replacement reserve	1,131,240	1,113,261	1,170,758

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	FY 2015	FY 2016	FY 2017
Interest income	39,152	65,028	111,349
Interest expense	-416,246	-406,765	-381,326
Total non-operating revenues (net)	$ 1,772,581	$ 1,469,190	$ 1,766,106
Net income (loss) before capital contributions	$ 1,555,401	$ 1,065,846	$ 50,071
Contribution in aid - construction	$ 1,214,950	–	–
Transfers in (out)	$ -140,059	$ -177,556	$ -157,799
Capital Contributions			
Capital contribution to others	–	$ 1,655,559	–
Total capital contributions/transfers	$ 1,074,891	$ -1,655,559	–
Change in net position	$ 2,630,292	$ -787,269	$ -107,728
Beginning of year	45,729,475	48,359,767	47,592,498
Prior period adjustment	–	–	–
Net position - end of year	$ 48,359,767	$ 47,592,498	$ 47,484,770

Source: Comprehensive Annual Financial Reports 2015, 2016, 2017

There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The District fund overall has been experiencing moderate drop in net income due to increasing expenses over the last several years. Appropriate rate increases have been implemented for water and sewer over the prior year (2017) and have cost of service factors built-in for three years.

2. Ratios of Revenue Sources

The District receives approximately 80 percent of its water and sewer fund revenues from charges and fees for services and nominal revenue from property tax collections (15 percent), and about 4 to 5 percent from miscellaneous other sources. The ratios of unrestricted reserves reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues such as property tax (property tax has varied based upon the economic picture over the past ten years).

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund

maintains in relation to the annual fund expenditures. The District's fund balance ratio is approximately 150 percent of annual expenditures. This fund ratio represents an adequate ratio position and the reserve has been increasing over time.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of 10 percent or less would reflect a very stable ratio. The District's water and sewer funds have reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time. The District's annual debt service ratio to total expenditures is approximately three percent, a very good ratio. One note payable to the State of California will be paid off in 2018.

5. Rate Structures

The District has not raised water rates since 2014 except for a Consumer Price Index adjustment of about 2.5 percent. Residential and commercial water rates use a 5 tiered rate system. The District's current water rates range from $1.14 to 2.69 per 100 cubic feet of usage. Water service charges for water line maintenance range from $30.78 for a residential ⅝" and $36.65 for a typical residential ¾" size meter.

Sewer maintenance fees for collection and treatment is 24.74 per EDU per month. Commercial and other special user pay based on water consumption and EDU based rates. Other fees and charges for service and late fees can be found on the District's website at www.rcsd.org.

6. Capital Improvement Program/Plan

The District has developed and implemented an adequate and comprehensive CIP for water, sewer and other facility infrastructure improvements. The District's current 5-Year CIP is developed as part of the bi-annual budget and reflects approximately $2.033 million in FY 18/19. RCSD maintains a consistent investment in infrastructure including pipelines, reservoirs and sewer collection systems. This reflects an ongoing investment in capital facilities.

7. Pension Liability and Other Post-Employment Benefits Liability

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries to LHMWD employees. A "Classic" CalPERS Miscellaneous member (hired prior to January 1, 2013) becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members (hired on or after January 1, 2013) become eligible for service retirement upon attainment of age 62 with at least 5 years of service.

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The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

California law requires an annual calculation of the net pension liability and contribution for each participating agency. This calculation is utilized by the agency to budget for and make contributions to CALPERS toward its unfunded liability balance. In 2017, RCSD contributed $232,666 toward the pension services and reflected a liability of $1,822,552. The 2016-17 CAFR contains a detailed description of the calculation of benefit and unfunded liability.

The District does not show any Other Post-Employment Benefits (OPEB) in its audit statements.

Status and Opportunities for Shared Services

RCSD is a water and sewer district that serves a diverse area and with multiple types of retail water customers. RCSD has undertaken a number of shared service opportunities with other agencies, including:

- RCSD cooperates with the primary area water provider, Western MWD, with supply and intertie connections to share water in emergency situations.
- RCSD contracts with the City of Riverside for sewer treatment services.

Government Structure and Accountability

RCSD is governed by board of directors with five members elected by division for four-year terms.

Table 93 – Rubidoux Community Services District Board of Directors

RCSD Board Member	Term Expires
Armando Muniz, President	2020
John Skerbelis	2022
Bernard Murphy	2020
F. Forest Trowbridge	2022
Hank Trueba	2022

The Board meets at the District Office located at 3590 Rubidoux Boulevard, Jurupa, CA 92509 on the first and third Thursday of each month at 4:00 p.m. The Board of Directors appoints a General Manager as the Chief Administrative Officer who is responsible for managing District operations on a day-to-day basis, and select, appoint and manage staff and consultants to carry out District programs and projects. The Board also appoints a Legal Counsel and Treasurer.

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The District provides public information on its website at www.rcsd.org. including information on current projects, a history of the District, customer inquiries and FAQ's, conservation programs, annual budgets, and audits (CAFR). The website also includes contact information for the Board of Directors and staff and Board meeting agendas and minutes. Other major reports are accessible via links on the portal. A contact portal is also provided to further research District reports and studies.

The District staff state that they work cooperatively with several cities and other water agencies in the County and region. Based upon water rights and infrastructure resources, there does not appear to be interest by the District in considering alternative government service structures at this time. However, given the proximity and future potential for SOI and annexations, consideration of possible reorganization with Jurupa CSD could be reviewed on the future. Additionally, District staff is aware of two potential properties in the area with interest in annexing to the District at this time: the Rio Vista development and the Highland Park development. Timing of possible annexation discussions will depend upon the economy and development processing.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

San Bernardino Valley Municipal Water District

Overview/History

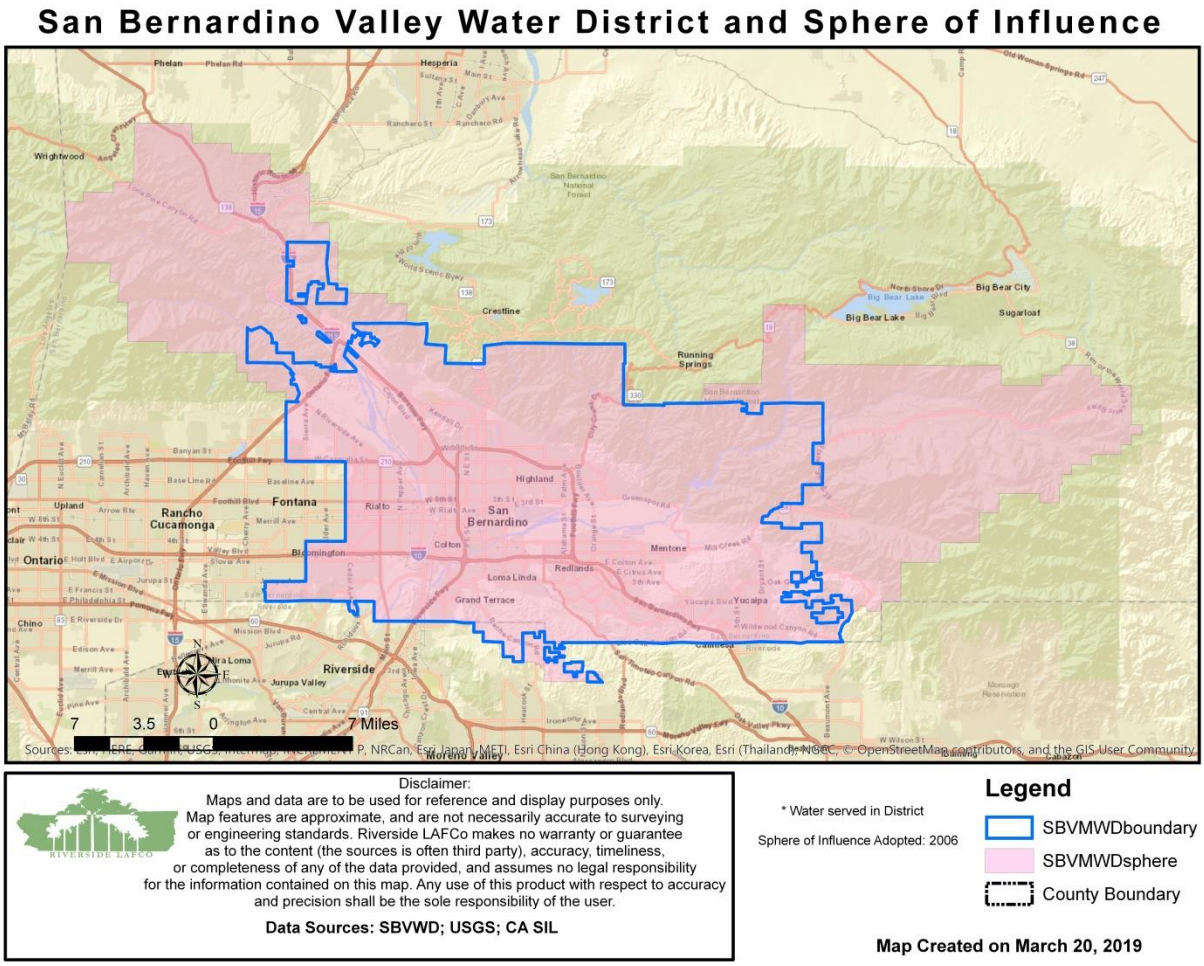
The San Bernardino Valley Municipal Water District (Valley District or SBVMWD) was formed in 1954 as a regional agency to plan a long-range water supply for the San Bernardino Valley. Formed under the Municipal Water District Act of 1911 (California Water Code Section 71000 et seq., as amended), Valley District covers approximately 353 square miles and is primarily located in San Bernardino County.

The District serves a total population of about 700,000, including the cities and communities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Bloomington, East Highland, Mentone, Grand Terrace and Yucaipa (all within San Bernardino County). Within Riverside County, the District includes service to approximately 660 residents in the Reche Canyon community and a small portion in the general Aqua Mansa area. SBVMWD does not provide service outside its current boundary. Pursuant to an agreement with San Bernardino LAFCO, Riverside LAFCO is responsible for the portion of SBVMWD's sphere of influence within Riverside County.

The District is also responsible for storage management of most of the groundwater basins within its boundaries and for groundwater extraction over the amount specified in legal judgments. Valley District fulfills its responsibilities in a variety of ways, including importing water through the State Water Project for direct delivery and groundwater recharge and by coordinating water deliveries to retail agencies throughout its area of service. Valley District is also a member of the Santa Ana River Watermaster and the San Bernardino-Western Watermaster.

San Bernardino Valley Municipal Water District

Exhibit 17 – San Bernardino Valley Municipal Water District



San Bernardino Valley Municipal Water District

San Bernardino Valley Municipal Water District - Profile

General Information			
Agency Type	Municipal Water District Act of 1911; section 71000 Water Code		
Date Formed	February 17, 1954		
Services	Regional water wholesaler		
Service Area			
Location	The District spans approximately 353 square miles and is primarily located in San Bernardino County. The District services the cities and communities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Bloomington, Highland, East Highland, Mentone, Grand Terrace, and Yucaipa. Within Riverside County, the District includes the Reche Canyon community and a small portion in the general Aqua Mansa area.		
Square Miles/Acres	353 Sq. Miles (San Bernardino and Riverside County territory combined)		
Population Served	About 700,000 (San Bernardino and Riverside County territory combined), 700 in Riverside County		
Water Infrastructure			
Facilities	Baseline Feeder, Baseline Feeder Extension South and Central Feeder to serve potable water to retail providers; many of Valley District's facilities have been integrated into the State Water Project system.		
Storage Capacity	N/A		
Primary Source of Supply	California State Water Project (SWP) through the East Branch of the State Aqueduct via Lake Sherwood		
Water Rates (single-family home)	Valley District is a water wholesaler providing water to cities and water agencies. Valley District does not deliver water directly to retail customers.		
Budget Information - FY 2017-2018			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water General Fund	$49,805,255	$60,043,100	$-10,237,845*
Capital Expenditures	FY 2017-2018 included in above	Long-Term Planned Expenditures –	
Water Fund Balance	$666,452,344 – unrestricted net position (fund reserve)		
Agency Net Position	$796,331,452		
Governance			
Governing Body	5-member locally elected Board of Directors by division; meet first and third Tuesdays at 2:30 p.m. at SBVMWD Administrative Offices, 380 East Vanderbilt Way, San Bernardino, CA 92408		
Agency Contact	Bob Tincher, 909-387-9215, bobt@sbvmwd.com		

Sources: SBVMWD UWMP (2015); District website; District Questionnaire (2018); Upper Santa Ana River Watershed Integrated Regional Water Management Plan (2015), CAFR 2017, 2018-19 FY Budget

Notes: *Budget balanced with rate reserves

San Bernardino Valley Municipal Water District

Growth and Population Projections

The estimated 2010 population within the Valley District service area was approximately 662,000. Valley District has prepared an estimate of future population for 2020 to 2040 using projections developed by the Southern California Association of Governments (SCAG) in their 2012 Integrated Growth Forecast. Population projections are shown in Table 94, below. Between 2015 and 2040, growth is expected to increase by approximately 26.7 percent, or 184,649 residents.

Table 94 – San Bernardino Valley Municipal Water District Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
690,758	721,223	757,015	794,584	834,017	875,407

Source: San Bernardino Valley Regional UWMP (2015)

Disadvantaged Unincorporated Communities (DUCs)

While Valley District serves a total population of 691,000 (mainly within San Bernardino County), the District includes service to only 660 residents in Riverside County. Riverside LAFCO has not identified any DUCs within the District's Riverside County service area nor within or adjacent to SBVMWD's SOI.

Present and Planned Capacity of Public Facilities

The Valley District's primary sources of water are from local water supplies (surface and groundwater), imported water, and recycled water. In December 1960, Valley District signed a contract with the State for an imported water supply through the State Water Project (SWP). Valley District received 46,000 acre-feet in 1972 which would gradually increase to a total of 98,000 acre-feet per year. Later, Valley District acquired an additional 4,600 acre -feet per year to establish its annual entitlement to SWP water at 102,600 acre feet.

The actual amount of SWP water Valley District receives each year is based upon hydrologic conditions and other factors. Valley District is the fifth largest of 29 State Water Contractors (Contractors) that receive water from the SWP. Each Contractor pays its proportionate share of the facilities necessary to deliver the water into their service area. This "fixed" cost pays for the infrastructure and is paid annually. In addition to the fixed cost, Valley District also pays "variable" costs (energy and operations) for the actual water delivered each year.

The District takes delivery of SWP water at the Devil Canyon Power Plant Afterbay, which is located just within its northern boundary. The SWP water is conveyed 17 miles east to various spreading grounds and agricultural and wholesale domestic delivery points in the San Bernardino Basin Area. Water is also conveyed westward for direct delivery in the Rialto-Colton Subbasin. According to Valley District, in 2010 Valley District and Western Municipal Water District received two permits, 21264 and 21265, from the State Water Resources Control Board ("SWRCB") that allow the diversion of as much as 200,000 AFY. Water is first

San Bernardino Valley Municipal Water District

diverted by Valley District/Western under Permit 21264 up to 100,000 acre-feet. The permits initiated a "development phase" of Valley District and Western's right to water from the Santa Ana River.

Developing this new water right to its full potential will involve the construction of new diversion, transmission and recharge facilities. These new facilities were outlined in the Environmental Impact Report for the water right process and were estimated to cost up to more than $200 million, if all facilities were deemed necessary. The Enhanced Recharge in Santa Ana River Basins Project (Enhanced Recharge Project) is the first phase of facilities that will capture and put to use additional stormwater diverted from the Santa Ana River under Permits 21264 and 21265. One of the permit requirements for both Valley District/Western permits is that construction of any new facilities be completed by October 1, 2020. The permits also require that the two districts prove they can put the water to beneficial use by December 31, 2059. Once Valley District and Western have achieved their maximum diversion amount, the SWRCB will issue a license that replaces the permits.

Local precipitation that runs off as surface water and local precipitation that soaks into the ground, called "groundwater," meets about 60 percent of the Valley District's regional demand in an average year. Valley District has developed a "cooperative recharge program" that is being successfully implemented to help replenish groundwater using SWP water. Recycled Water The recent drought highlighted the advantage of having a drought-proof water supply, such as recycled water, as part of a regional water strategy. This led the Valley District, agencies within its service area, the Western Municipal Water District of Riverside County, and the City of Riverside to prepare a Regional Recycled Water Concept Study to identify recycled water projects to maximize regional benefits to water supply reliability, water quality and habitat sustainability.

The following tables summarize the anticipated regional water supply sources and demand totals for the Valley District in years 2020 through 2040. As shown, Valley District anticipates adequate supplies available to meet projected demands for years 2020 to 2040 under normal year and single dry year conditions.

Table 95 – Valley District Normal Year Water Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	337,769	345,359	352,552	359,780	366,608
Demand Totals	236,799	247,969	259,104	269,563	276,818
Difference	100,990	97,390	93,448	90,217	89,780

Source: San Bernardino Valley Municipal Water District UWMP (2015)

San Bernardino Valley Municipal Water District

Table 96 – Valley District Single-Dry Year Water Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	327,444	335,034	342,227	349,455	356,283
Demand Totals	241,537	253,104	264,970	276,187	283,913
Difference	85,906	81,929	77,257	73,268	72,370

Source: San Bernardino Valley Municipal Water District UWMP (2015)

Emergency Response Capability Planning

The SBVMWD as a wholesale water agency has responsibility to plan for reliability of its water supply to retail agencies. Pipelines and pump stations have been inspected and upgraded to resist earthquake damage that is considered the most major risk to its system. Additionally, pump stations are equipped with emergency power generators and backup pumps. The UWMP Update describes plans being made to be prepared for an emergency or other event that could restrict operation of the system on a longer term basis.

Financial Ability to Provide Services

As of June 30, 2017, SBVMWD was able to report a positive balance in its unrestricted net position of $145,653,543. On June 30, 2016, the balance was $134,265,208. This represents an increase of $11,388,335. The net position of the District (the value of assets and funds on hand for operations and capital investment) increased $52,192,380, or approximately 7 percent, over the same period.

Valley District operates its water wholesale services as an enterprise fund within the confines of overall District operations. Water sales and service charges comprise a small portion of operating revenues that fund the services provided for water operations and administration. On average, the SDVMWD receives about 83 percent of its revenues from property taxes.

Overall, the District's water and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some deficit spending has occurred periodically due to planned capital improvement projects and conservation directed at retail agencies by the state. Debt issued is paid for from bond assessments on the property tax rolls and has been implemented over the last 30+ years to accommodate expenditures for maintenance and capital improvements.

The Reserve Policy provides direction to District staff on addressing reserves in the annual budget process and for regular update reports to the Board of Directors. Reserves are established in several categories and uses:

- Restricted – Bond proceeds, debt service, and uses controlled by outside agencies or regulations. The minimum amount established is the annual debt service requirement.

San Bernardino Valley Municipal Water District

- Capital Facilities – Funds for new or replacement facilities as identified in CIP and fiscal year budgets. Minimum amount established is 100 percent of current budget plus 80 percent of the next year budget projection.
- Liquidity Fund – Various operating and emergency accounts to provide funding for rate stabilization, operating reserves (to cover a maximum of 180 days of operating expenses), and capital assets.

The District maintains a substantial reserve fund balance providing good capability to absorb short term impacts, and is able to maintain a very good debt service to annual expenditure ratio (currently 4.0).

A comparison of three years financial statistics from the published Comprehensive Audited Financial Reports is provided below.

Table 97 – SBVMWD Financial Statements, FY 2015-FY 2017

	FY 2015	FY 2016	FY 2017
Operating Revenues			
Water sales	$ 3,712,329	$ 5,303,831	$ 8,858,047
Other operating revenue	5,188,034	3,006,766	7,051,353
Total operating revenue	$ 8,900,363	$ 8,310,597	$ 15,909,400
Operating Expenses			
Source of supply including O & M	$ 23,996,943	$ 27,802,920	$ 33,414,373
Salaries and benefits	4,170,141	4,212,216	3,955,009
Consultants	3,453,651	3,408,480	3,774,791
Support services	2,912,520	2,577,363	2,286,161
Water conservation and education	656,380	1,451,854	1,268,283
Field improvements	–	495,121	1,973,075
Maintenance and repair	969,623	675,742	740,012
Utilities and brine line fees	1,552,811	1,525,209	1,747,307
Total operating expenses	$ 13,715,126	$ 14,345,985	$ 16,001,845
Operating income before depreciation	$ -28,811,706	$ -33,838,308	$ -33,506,818
Depreciation expense	-11,840,983	-12,613,349	-13,694,898
Operating income (loss)	$ -40,652,689	$ -46,451,657	$ 47,201,716
Non-Operating Revenues (Expenses)			
Property taxes/debt service taxes	$ 76,604,507	$ 90,252,000	$ 97,762,492
Interest and investment earnings	3,006,831	5,223,162	1,540,657
Grant income	–	–	150,242
Gain on sale of capital assets, net	399,482	4,790	-193,059
Contribution	–	–	50,000
Interest expense	-326,333	-321,234	-315,834
Contribution	–	–	-50,000
Other non-operating revenue, net	–	–	–
Total non-operating revenue (expenses), net	$ 79,684,487	$ 95,158,718	$ 98,894,498
Net income (loss) before capital contributions	$ 39,031,798	$ 48,707,061	$ 51,692,782

San Bernardino Valley Municipal Water District

	FY 2015	FY 2016	FY 2017
Capital Contributions			
Developer contributions	$ 6,443,375	$ 10,061,797	$ 14,682,746
Total capital contributions	$ 8,446,656	$ 13,916,712	$ 24,350,755
Change in net position	$ 6,045,651	$ 14,802,068	$ 21,818,352
Net Position			
Beginning of year	$ 606,516,571	$ 646,047,967	$ 695,254,626
Prior period adjustment	–	–	–
Net position - end of year	$ 646,047,967	$ 695,254,626	$ 747,447,006

Source: Comprehensive Annual Financial Reports 2015, 2016, 2017

There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3-Year Revenue/Expenditure Budget Trends

The Water Fund overall has been experiencing consistent revenues over the last several years. However, a majority of funding is derived from property and assessment taxes. This increase in total revenues is attributed primarily to planned capital expenditures and cash flow requirements for future supplies. Appropriate rate adjustments have been implemented over the last several years to accommodate these planned expenditures into the future.

2. Ratios of Revenue Sources

The District receives the majority of revenue from property taxes and assessments (85 percent), 14 percent of its revenues from charges and fees for services, and about 1 percent from miscellaneous other sources. The ratio of unrestricted reserves ($145.6 million) for the agency reflects an appropriate balance (170 percent of annual operating expenses) for typical enterprise fund services. This minimizes the impact that negative economic or drought factors might have on more elastic revenues such as property tax. (Property tax revenues have volatility based upon the economic picture over the past ten years.)

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year and to fund capital projects is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District's

unrestricted fund balance of $145.7 million results in a ratio of approximately 170 percent of annual expenditures. This fund ratio represents a positive ratio position and the reserve has been increased over time. $22 million of this reserve is retained for purpose of self-insuring the District against any claims.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of ten percent or less would reflect a very stable ratio. The District's Water Fund has minimal debt ($8.6 million in revenues bonds) but must plan to purchase water supply capacity and pay for capital improvements on the State Water Project for needed capital projects over time. The District's annual debt service ratio to total expenditures is less than 1 percent, a very good ratio.

5. Rate Structures

The District charges retail water agencies for water supplied and for capacity to deliver water into the future. The current wholesale water charge is approximately $170 per acre-foot. A majority of the District's revenues are received via property taxes with a levy per each $100,000 valuation, resulting in approximately 85 percent of the agency revenues.

6. Capital Improvement Program/Plan

The District has developed and implemented an aggressive and comprehensive CIP for water and facility infrastructure improvements. The District's current 5-Year CIP reflects approximately $315 million in improvements for water infrastructure, with several major projects in development including the Central Feeder Phase 2 pipeline, Santa Ana River Tributary/Storm Water Capture, several recycled water systems and Conjunctive Use Well Projects. SBVMWD maintains a consistent investment in infrastructure including pipelines, reservoirs and expansion of its supply reliability inventory.

Property tax revenues primarily are available to help support the CIP budget. Current projects in process include the Riverside Groundwater Aquifer Storage Project, East Branch Extension Phase II and the design/construction of two hydroelectric plants.

7. Pension Liability and Other Post-Employment Benefits Liability

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries to SBVMWD employees. A "Classic" CalPERS Miscellaneous member (hired prior to January 1, 2013) becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members (hired on or after January 1, 2013) become eligible for service retirement upon reaching age 62 with at least five years of service.

San Bernardino Valley Municipal Water District

The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

California law requires an annual calculation of the net pension liability and contribution for each participating agency. This calculation is utilized by the agency to budget for and make contributions to CALPERS toward its unfunded liability balance. In 2017, the District contributed $1.5 million toward the pension services, recording a net pension liability of $6.2 million in addition to associated deferred outflows of $6.5 million. The 2016-17 CAFR contains a description of the calculation of benefit and unfunded liability.

The District also offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. The District also pays a fixed contribution towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined cost.

For the year ended June 30, 2017, the District's annual Other Post Employment Benefit (OPEB) cost was $2,026,972. The District's net OPEB obligation amounted to $159,768 for the year ended June 30, 2017. A comprehensive description of the OPEB Liability is contained in the annual CAFR on the District's website.

Status and Opportunities for Shared Services

Valley District is active in the following JPAs:

- Santa Ana Watershed Project Authority
- State Water Project Contractors Authority
- Institutional Controls Groundwater Management Program
- Operation and Maintenance of East Branch Extension

Government Structure and Accountability

The San Bernardino Valley Municipal Water District is governed by a five-member, locally elected Board of Directors. Directors are selected by geographic region, and each Director serves a four-year term. The Board of Directors meets the first and third Tuesday of the month at 2:30 p.m. at the SBVMWD Administrative Office located at 380 East Vanderbilt Way in the City of San Bernardino.

Reasonable arrangements are made for those citizens with disabilities when the District is notified in advance of a meeting. Meeting agendas are posted to the District's website 72 hours in advance of a meeting. Residents are also given the option of signing up for e-

San Bernardino Valley Municipal Water District

Notification if they want to receive an email notification when upcoming meeting agendas are posted to the meeting calendar.

Table 98 – SBVMWD Board Members

Division	SBVMWD Board Member	Term Expires
Division IV	T. Milford Harrison, President	2022
Division V	Paul R. Kielhold, Vice President	2022
Division III	Susan Longville, Treasurer	2022
Division I	June Hayes	2020
Division II	Gil Navarro	2020

The District's website provides easy access to District and committee agendas, minutes, public notices, budgets, audits and other key District documents. Phone numbers and email addresses for District staff members are listed on the website.

Based upon past and current service provision practices, it is reasonable to conclude that appropriate levels of public services can continue to be provided by the District to current and future populations under the existing government structure. The District has not identified any opportunities for realignment of services with adjacent agencies. No alternative government structure options were identified for further consideration at this time.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

Temescal Valley Water District

Overview/History

The Temescal Valley Water District was incorporated on December 27, 1965 as the Lee Lake Water District to provide water and wastewater services to the area known as Temescal Valley north of Lake Elsinore and south of the City of Corona in Riverside County. The service area is 10.2 square miles or 6,730 acres in size. As of July 1, 2015, the District officially changed the name to Temescal Valley Water District.

The District is governed by a five-member Board of Directors who are elected at large. The District provides potable water, wastewater collection and treatment, and recycled water services to a population of approximately 20,400 residents, two golf course communities and commercial facilities located within its service area. The District's employees and contractors are responsible for providing services to its standards to provide safe, reliable, economical and environmentally friendly public services. The District serves approximately 6,066 customers of which 650 are provided only sewer service.

The District Board of Directors has formed two financing entities to facilitate financing of needed facilities: the Lee Lake District Financing Corporation to facilitate the issuance of certificates of participation for water and sewer system improvements; and the Lee Lake Public Financing Authority (Authority) that in 2013 issued Series A and B Revenue Bonds to refinance previously issued bonds. The District's Financing Corporation has not issued any certificates and has no debt. The Authority was formed to refinance existing Community Facility District debt.

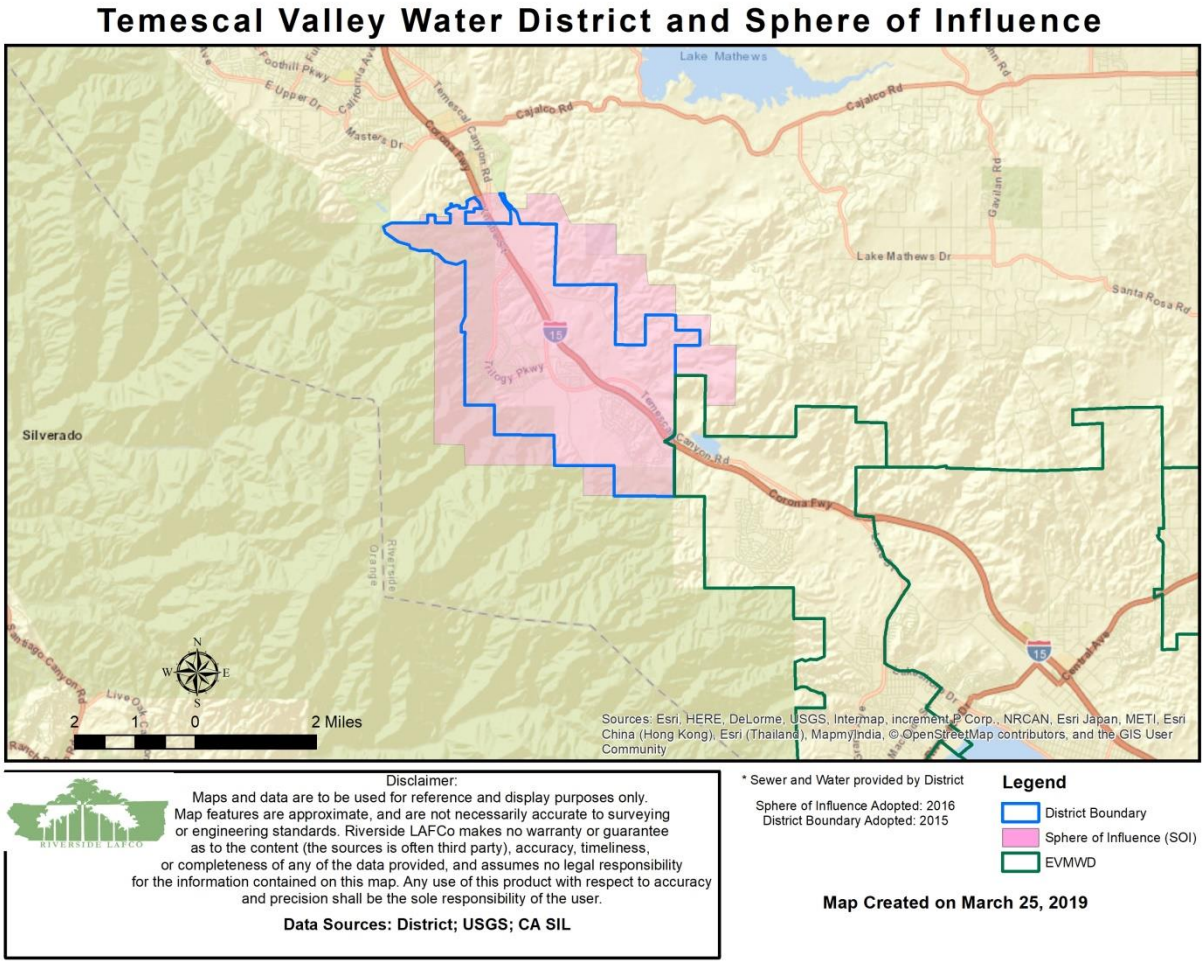
The District's primary water source for potable water customers is imported from the Metropolitan Water District via the Western Municipal Water District (WMWD). The distribution system consists of six pressure zones, five potable storage reservoirs (10.8 MG) and five water booster pump stations. Two additional storage reservoirs are planned for construction in 2018-20.

Wastewater treatment is provided by the District-owned Temescal Valley Water Reclamation Facility's tertiary plant with 1.57 MGD capacity and currently averaging 1.1 MGD. The collection system consists of four sewage lift stations and 67 miles of gravity collection pipelines. The District has plans for expansion of the WRF by .225 MGD in FY 2018-19.

The District has separate non-potable distribution systems for landscaping and industrial uses. One distributes Tertiary Recycled Water, and the other distributes Ag Water. The combined Ag and Recycled Water systems, which distribute approximately 40 percent of the water demand, consist of approximately 43 miles of pipeline and three storage reservoirs. Local groundwater supplements the system and is sourced from seven wells in the local groundwater basin.

Temescal Valley Water District

Exhibit 18 – Temescal Valley Water District



Temescal Valley Water District

Temescal Valley Water District - Agency Profile

General Information			
Agency Type	California Water District Water Code 34000		
Date Formed	December 27, 1965 as Lee Lake Water District		
Services	Retail Potable and Non- Potable water, sewer collection and treatment to Tertiary for recycled water distribution		
Service Area			
Location	North of Lake Elsinore and South of the city of Corona along I-15 in the Temescal Valley		
Square Miles/Acres	10.2 SM/6,730 acres		
Total Water/Sewer Connections	Water and Sewer: 6,066 Sewer only: 650 (two areas served for sewer only)		
Population Served	Est. 20,400		
Water Infrastructure			
Facilities	14.6 cfs capacity with Western MWD in the Mills Filtration plant for potable water; 7 non-potable wells for delivery to the non-potable system for irrigation. 65 miles of potable water pipeline, 25 miles of Recycled water pipeline and 18 miles of non-potable water pipeline		
Storage Capacity	7 -10 days – 10.38 MG Potable and 4.2 MG Non-Potable/Recycled		
Primary Source of Supply	Imported water for potable use; well water and recycled water for irrigation uses		
Water Rates (single-family home)	¾" meter - $26.63 per mo.; $2.64 – 3.28 HCF; Commercial -$2.88 HCF; Landscape Irrigation - $3.03 HCF		
Sewer Infrastructure			
Facilities	67 miles collection pipes; Tertiary WWRF 1.57 MGD		
Current and Projected Treatment Capacity	Average 1.0 MGD of 1.57 MGD capacity; Expansion to 2.25 MGD in FY 18/19		
Primary Disposal Method	Percolation and Recycled water distributed for landscape irrigation uses		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water Fund	$6,097,200	$4,945,000	$1,152,200
Sewer Fund	$2,793,350	$1,513,350	$1,280,000
Non-Potable/Recycled Fund	$1,852,000	$980,569	$871,431
Combined Funds	$10,742,550	$7,438,919	$3,303,631
Capital Expenditures	FY 2017-2018 $4,072,850	Long-Term Planned Expenditures $15,030,000 (2018-2021 CIP)	
Water Fund Balance/Reserves	$28,079,413		
Sewer Fund Balance/Reserves	$44,248,837		
Non-Potable/Recycled Fund Balance/Reserves	$9,931,000 - Unrestricted balance $21.9 million		
Agency Net Position	$ 25,131,126		
Governance			
Governing Body	Five member Board elected at large		
Agency Contact	Jeff Pape or Mel McCullough, 951-277-1414, jeffp@temescalwd.com; Board meets fourth Tuesday at 8:30 a.m. at 22646 Temescal Canyon Road, Temescal Valley, CA 92883		

Sources: Website, CAFR,2018-19 Proposed Budget

Temescal Valley Water District

Growth and Population Projections

As part of an Urban Water Management Plan Update completed in 2015, TVMD developed population and growth projections. The current and estimated future service population for TVWD is shown in Table 99.

Table 99 – TVWD Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
15,098	16,100	17,005	20,000	20,000	20,000

Source: UWMP (2015)

Between 2015 and 2030, the District's service population is expected to increase modestly in service population by approximately 1,400 connections or 4,900 residents. The majority of this growth is expected to be in the rural hill area within the District's service area.

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has determined that there are no DUCs areas within the TVWD served area nor within or adjacent to TVWD's SOI, so no additional analysis is required in this report. The UWMP adopted in 2016 reports no DUC or DAC areas within the District.

Present and Planned Capacity of Public Facilities

TVWD utilizes water supplies from one primary source for drinking water supply: Imported water via Western MWD. Other water supplies supplement the supply to meet customer demand.

Imported Water (Purchased)

TVWD purchases imported water from the Western Municipal Water District at the Mills Pipeline turnout. The distribution system consists of five storage reservoirs (10.8 MG) and five pump stations.

Groundwater

TVWD draws on average approximately 20 to 25 percent of its water supply from its 7 active irrigation wells. TVWD has approximately 0.8 MGD production capability from its wells. It is also used to supplement the recycled water system in blending and supply.

TVWD extracts groundwater from one regional groundwater basin, the Bedford Coldwater Subbasin of the Elsinore Basin, which presently is not in overdraft condition: The UWMP states that groundwater production is expected to remain stable or possibly increase nominally as some areas may convert from agricultural uses to suburban residential development. A Groundwater Sustainability Agency (GSA) has been formed to manage supply and extractions.

Temescal Valley Water District

Table 100 – TVWD Projected Groundwater Production, 2015-2040

2015 (acre-feet)	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
1,269	1,100	2,000	2,500	2,500	2,500

Source: UWMP Update 2015

Recycled Water

TVWD utilizes a recycled water distribution system from its operated wastewater Reclamation Facility. Approximately 1 MGD is produced and delivered. During winter or rainy periods, a percolation pond is available for storage and disposal. Twenty-five (25) miles of recycled water pipeline distribute the water.

Water Demand Projections

The UWMP Act requires a water retailer to quantify the minimum water supply available during the years 2016 to 2018, assuming years 2016 to 2018 repeated the driest three-year historic sequence for each water supply source. TVWD's estimated minimum supplies are shown in Table 101 below. These supplies are based on the anticipated reliability of imported water from Western Municipal Water District, local surface water, and local groundwater.

Table 101 – TVWD –- Minimum Supplies, 2016-2018

2016 (acre-feet)	2017 (acre-feet)	2018 (acre-feet)
5,500	6,000	6,300

Source: 2018 FY Budget Narrative

Supply and Demand Assessment

Historically, there has been an increase in water use among agencies due to increased development. Conservation efforts have proven to be effective in decreasing water use in most dry years. In the District's recent UWMP Update, TVWD estimated that demands could increase ten percent during a single dry year due to some area property owners experiencing local supply reductions. However, during a multiple dry year period, it is expected that conservation messaging and restrictions would lead to consumption dropping back down to normal year levels in the second dry year, and falling a further ten percent in the third dry year.

Temescal Valley Water District

The following tables summarize the anticipated supplies and demands for a Normal or Single dry year based upon growth forecasts for TVWD.

Table 102 – TVWD Normal Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	5,380	7,365	8,115	8,615	8,715
Demand Totals	4,344	5,435	5,690	6,201	6,303
Difference	1,036	1,930	2,425	2,414	2,412

Source: UWMP Update (2015)

Table 103 – TVWD Single Dry Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	5,380	7,365	8,115	8.615	8,715
Demand Totals	4,344	5,435	5,690	6,201	6,303
Difference	1,036	1,930	2,425	2,414	2,412

Source: UWMP Update (2015)

Emergency Preparedness (Supply Interruption Capability)

Extended supply shortages are unlikely due to natural disasters or accidents which damage all water sources. However, TVWD's emergency response plan (ERP) is to provide water via connections to WMWD as well as an emergency connection with City of Corona and its 7 to 10 days of reservoir storage. This is sufficient water to meet the minimum health and safety requirements of 50 gallons per day per capita for approximately 20,400 residents for approximately ten days. This assumes reduction in uses and zero non-residential or landscape use. Use of its wells is an option for irrigation/agriculture customers utilizing emergency generators at some of its 7 well sites.

Under emergency power outages or a catastrophic earthquake conditions, the existing storage is expected to provide a supply at minimum demand levels. TVWD has in place the capability to coordinate emergency response with WMWD and other agencies through the California Water Agencies Response Network (WARN) and Plan Bulldozer for construction equipment.

Financial Ability to Provide Services

As of June 30, 2017, the District was able to report a positive balance in its unrestricted net position of $21,902,969. On June 30, 2016, the balance was $18,179,426. This is an increase of $ 3,723,543. The net position of the District, the value of assets and funds on hand for operations and capital investment, over the same period increased $2,464,849 or approximately 3.2 percent during a period of drought demand implementation and increasing water expenses.

Temescal Valley Water District

TVWD operates its water services as enterprise funds within the confines of overall District operations. Water sales and service charges comprise the significant majority of operating revenues that fund the services provided for water operations and administration. On average, the TVWD receives approximately one percent of its revenues from property taxes.

Overall, the district water and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases had been implemented over the last several years and again in 2017 to accommodate expenditures for maintenance and capital improvements.

The District Board of Directors has adopted a set of Financial Reserve Policies that designates funds for various programs and long-term debts. The policy provides direction to District staff on addressing reserves in the annual budget process and for regular update reports to the Board of Directors. Reserves are established in 14 categories and uses:

- Restricted – Bond proceeds, debt service, and uses controlled by outside agencies or regulations. The minimum amount established is the annual debt service requirement.
- Capital Facilities – To fund needed new or replacement facilities as identified in CIP and FY Budgets. Minimum amount established is 100 percent of current budget plus a percentage of the next year budget projection and fund balance.

The District maintains a substantial reserve fund balance providing good capability to absorb short term impacts, and is able to maintain an acceptable debt service to annual expenditure ratio.

A comparison of three years financial statistics from the published Comprehensive Audited Financial Reports is provided below.

Table 104 – TVWD Financial Statements, FY 2015-FY 2017

	FY 2015	FY 2016	FY 2017
Operating Revenues			
Water service fees	$ 5,594,465	$ 5,387,057	$ 6,740,410
Standby charges	157,347	186,926	131,441
Service meter revenue	23,800	27,400	38,700
Sewer services	2,441,241	2,469,186	2,544,072
Other	563,710	796,715	566,575
Total operating revenue	$ 8,882,251	$ 8,895,322	$ 10,764,312
Operating Expenses			
Source of supply	$ 3,044,597	$ 2,588,104	$ 3,339,109
Pumping	102,346	92,670	65,211
Repairs and maintenance	962,982	716,898	1,048,017
Contract work – management	221,000	226,485	252,393
Contract work – operations/engineer	88,870	130,302	213,807
Wages and benefits	829,571	762,684	782,852
General and administrative, other	2,696,639	2,737,622	3,627,274
Total operating expenses	$ 7,946,005	$ 7,254,765	$ 8,545,811
Operating income (loss)	$ 936,246	$ 1,640,557	$ 2,218,501

Temescal Valley Water District

	FY 2015	FY 2016	FY 2017
Non-Operating Revenues (Expenses)			
Property taxes	$ 131,679	$ 141,315	$ 147,240
Interest earnings	33,185	65,635	42,865
Other	25,713	67,202	56,243
Total non-operating revenues, net	$ 190,577	$ 274,152	$ 246,348
Net income (loss) before capital contributions	$ 1,126,823	$ 1,914,709	$ 2,711,197
Capital Contributions			
Donations in aid of construction	$ –	$ –	$ –
Connection fees	–	–	–
Total capital contributions	$ –	$ –	$ –
Change in net position	$ 1,126,823	$ 1,914,709	$ 1,914,709
Beginning of year	$ 75,597,788	$ 76,751,471	$ 78,666,180
Prior period adjustment	$ 26,860	$ –	$ –
Net position - end of year	$ 76,751,471	$ 78,666,180	$ 81,131,029

Source: Comprehensive Annual Financial Reports 2015, 2016, 2017

There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The District fund overall has been experiencing positive increases as well as occasional increased spending over the last several years. However, this is attributed primarily to planned capital repairs, cost of water purchased and connection fees. Appropriate rate increases have been implemented for water, sewer and recycled water over the prior year as of February 1, 2017 after a Cost of Service Study was completed in 2016 and a Public Hearing in January 2017.

2. Ratios of Revenue Sources

The District receives 97 percent of its water and sewer fund revenues from charges and fees for services, minimal revenue from property taxes (1 percent), and about 2 percent from miscellaneous other sources. The ratios of unrestricted reserves reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues such as property tax (property tax has varied based upon the economic picture over the past ten years).

Temescal Valley Water District

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District's fund balance of $21.9 million provides a ratio that is approximately 200 percent of annual expenditures. This fund ratio represents a very positive ratio position and the reserve has been increasing over time.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of ten percent or less would reflect a very stable ratio. The District's has reasonable debt in form of a loan agreement with Elsinore Valley MWD for purchase of a pipeline in the amount of $2,027,322, to be paid over time. The District's annual debt service ratio to total expenditures is approximately 3 percent, a very good ratio. The District does have Community Facilities District Special Tax Bonds in form of Revenue Bonds outstanding that are pledged for revenues of the District in current amount of $64,145,000 but these are not debt reflected on the District financial statements.

5. Rate Structures

The District has raised rates in February 2017 to address increased costs including cost of water purchased and utilities. Residential water rates use a 3-tiered rate system based upon indoor use, typical use and higher use calculations. Commercial and potable irrigation users pay a uniform rate. Recycled water users pay a flat rate per CCF in one of five pumping zones. The District's current residential water rates range from $2.67 to 3.34 per 100 cubic feet of usage. The non-residential water user rate is uniform at $2.92 per 100 cubic feet of usage. Recycled water users rates are uniform at $2.21 per 100 cubic feet of usage. Monthly meter service charges range from $21.96 to 28.74 for a typical residential ⅝" and ¾" size meter.

Sewer service charges for line cleaning and treatment services are $36.36 per month per EDU and projected to increase an average of three percent over each of the next three years. Commercial and other special uses pay based upon treatment loading factors for each special type use. A copy of the Notice of Public Hearing and rate rationale can be found at: https://www.temescalvwd.com/images/userImages/2016-notice-of-public-hearing.pdf.

6. Capital Improvement Program/Plan

The District has developed and is implementing a systematic and comprehensive CIP for potable water, non-potable water, recycled water and sewer capacity infrastructure improvements. The District's current 5-Year CIP reflects approximately $15.912 million in improvements for water and sewer infrastructure, with approximately $2.322 million programmed for FY 17/18.

TVWD maintains an additional system upgrade and capital repair budget of $ 1.157 million in the 2017-18 budget. These facility projects represent a consistent investment in planning and infrastructure including pipelines, reservoirs, sewer treatment expansion and sewer collection systems. This reflects an ongoing investment of capacity fees and operating funds in capital facilities.

7. Pension Liability and Other Post-Employment Benefits Liability

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries to TVWD employees. A "Classic" CalPERS Miscellaneous member (hired prior to January 1, 2013) becomes eligible for service retirement upon attainment of five years of service and age 60 with at least five years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members (hired on or after January 1, 2013) become eligible for service retirement upon attainment of age 62 with at least five years of service.

California law requires an annual calculation of the net pension liability and contribution for each participating agency. This calculation is utilized by the agency to budget for and make contributions to CALPERS toward its unfunded liability balance. In 2017, TVWD contributed $53,460 toward the pension services. As of June 30, 2017, the District reported $50,718 net pension liability for its proportionate share of the net pension liability. The 2016-17 CAFR contains a detailed description of the calculation of benefit and unfunded liability.

The District reports no post-employment medical benefits to retired employees.

Status and Opportunities for Shared Services

TVWD is a water and sewer district that serves a diverse area and with various types of retail and commercial water customers. TVWD has undertaken a number of shared service opportunities with other agencies, including:

- TVWD cooperates with the primary water provider, Western MWD with supply and intertie connection to share water in emergency situations and need for equipment.
- TVWD has coordinated service in the northern area by previously selling City of Corona excess water. This service is no longer in effect but an emergency connection and pump station remain in case of need.

Government Structure and Accountability

TVWD is governed by board of directors with five members elected at large for four-year terms.

Table 105 – Temescal Valley Water District Board of Directors

TVWD Board Member	Term Expires
Charles Colladay, President	2019

Temescal Valley Water District

Paul Rodriguez, Vice President	2021
Grant Destache	2021
John Butler	2019
David Harich	2021

The Board meets at the District Office located at 22646 Temescal Canyon Road, Temescal Valley, CA 92883 on the fourth Tuesday of each month at 8:30 a.m. The Board of Directors appoints a General Manager under a consulting contract who is responsible for managing District operations on a day-to-day basis, and select, appoint and manage staff and consultants to carry out District programs and projects. The Board also appoints a Legal Counsel.

The District provides public information on its website at www.temescalvwd.com, including information on current projects, a history of the District, customer inquiries and FAQ's, conservation programs, and audits (CAFR). The website also includes contact information for the Board of Directors and staff and Board meeting agendas and minutes. Other major reports are accessible via links on the portal.

The District staff state that they work cooperatively with other water agencies in the County and region. Based upon water rights and infrastructure resources, there does not appear to be interest by the District in considering alternative government service structures at this time. However, the District is within the SOI of the City of Corona and future annexations or requests for services in those areas may serve an opportunity to review service responsibilities. Additionally, District staff is aware of a few properties in the area with interest in annexing to the District at this time.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

West Valley Water District

Overview/History

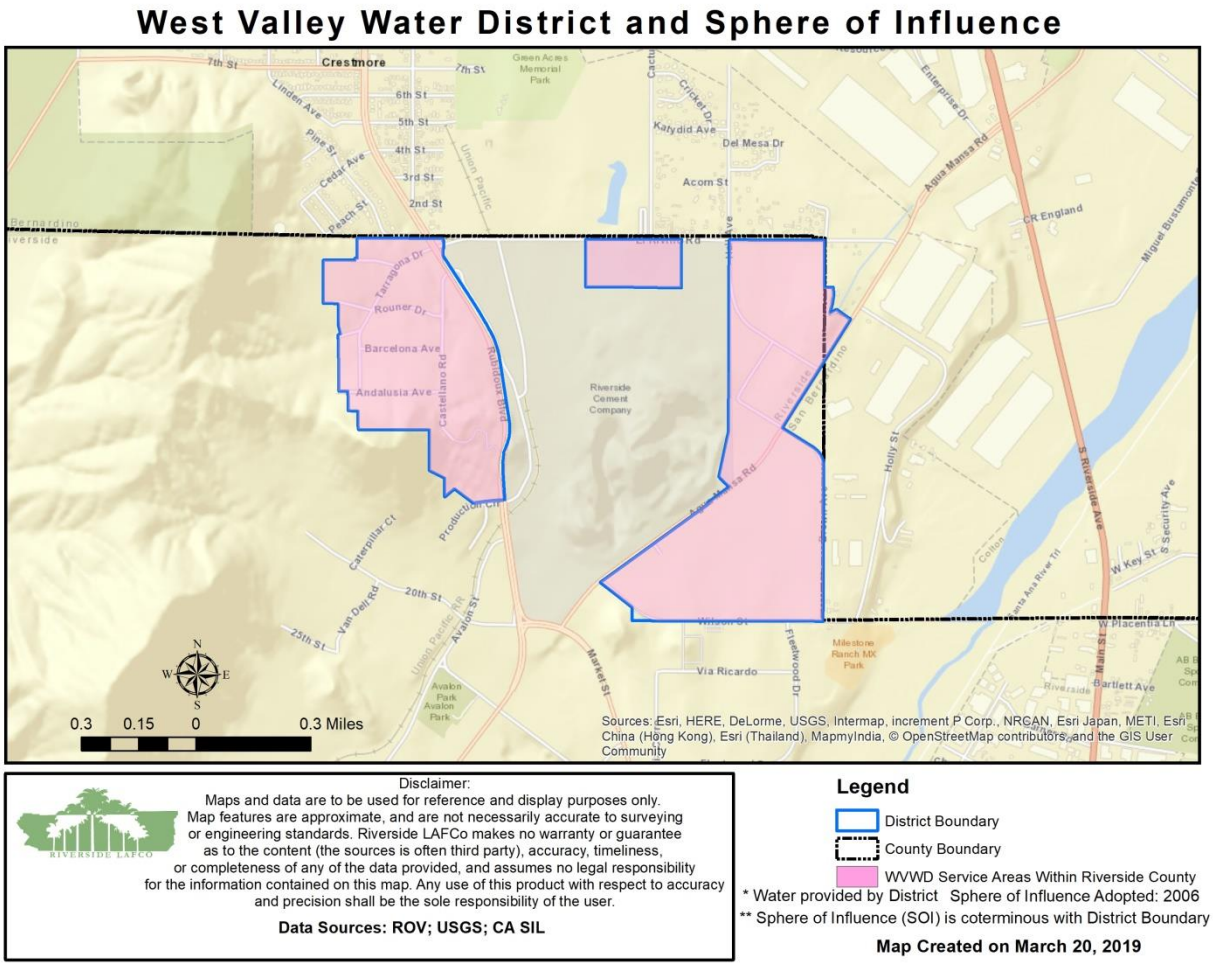
West Valley Water District (WVWD) is a County Water District, a public agency of the State of California, organized and existing under the County Water District Law (Division 12, Section 30000 of the Water Code). The District was formed on February 28, 1952. The District began as the West San Bernardino County Water District and in the 1960s became the owner and operator of three local mutual water companies. It was through this acquisition that the District became the owner of water rights dating back to 1897. During those early years, the District supplied more water primarily for agricultural purposes than for domestic use. During the 1970s and 1980s, there were other mergers where smaller water companies became a part of WVWD. The District provides retail water service only.

WVWD is located partly in northern Riverside County with the major service area in southern San Bernardino County. The service area is shown in Exhibit 19. WVWD is adjacent to the western limits of the City of San Bernardino on the east; adjacent to, and including the eastern part of the City of Fontana on the west; adjacent to the U.S. Forest Service boundary on the north; and the County of Riverside on the south.

WVWD is divided into northern and southern sections by the central portion of the City of Rialto. WVWD's service area overlaps five political jurisdictions: the Cities of Jurupa Valley, Rialto, Fontana and Colton and the unincorporated areas of San Bernardino County (including the community of Bloomington). The density of development and recent growth patterns vary considerably within these different jurisdictions, and WVWD maintains records of the number of connections within each jurisdiction.

West Valley Water District

Exhibit 19 – West Valley Water District



West Valley Water District

West Valley Water District - Agency Profile

General Information			
Agency Type	County Water District WC 30000, et seq.		
Date Formed	February 28, 1952		
Services	Water Retail Service		
Service Area			
Location	West Riverside County (Jurupa Valley area) and Southwest San Bernardino County		
Square Miles/Acres	31 square miles / 19,860 acres		
Total Water Connections	21,676		
Population Served	Approximately 80,000		
Water Infrastructure			
Facilities	23 wells, 25 reservoirs, 12 booster stations, 360 miles pipelines, 14.4 MGD Water Treatment Plant, 2.9 MGD Fluidized Bed Reactor (FBR) Perchlorate Treatment Facility in Rialto, CA		
Storage Capacity	73 MGD in system/reservoirs; 23.6 MGD pumping capacity		
Primary Source of Supply	Groundwater – Local wells- 51%; Bunker Hill Basin – 17%; Surface – 18%; Imported – 14%		
Water Rates (single-family home)	$33.07 - flat monthly charge + tiered rate system for water usage: Tier 1 (1 to 10 units @ $2.13 per unit); Tier 2 (11 to 50 units @ $2.30 per unit); Tier 3 (over 50 units @ $2.53 per unit).		
Budget Information - FY 2018-2019 (Water Fund)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water Fund	$30,734,623	$25,986,474	$4,748,149
Capital Expenditures	FY 2018-2019 $ 11,149,758	Long-Term Planned Expenditures Various projects including Highland Avenue Pipeline, Reservoir recoating, Various rehab projects; end of WMP 2017 CIP	
Water Fund Balance/Reserves	$22,622,990		
Agency Net Position	$125,702,976		
Governance			
Governing Body	Five Member Board elected at-large; meetings on first and third Thursday at 6:00 p.m. at 855 W. Baseline Road, Rialto, CA		
Agency Contact	Clarence Mansell, General Manager (909) 875-1804; cmansell@wvwd.org		

Sources: FY 2018-19 Budget; 2017-18 CAFR and Questionnaire Response

West Valley Water District

Growth and Population Projections

As part of an Urban Water Management Plan Update completed in 2015, WVWD developed population and growth projections in cooperation with several other water agencies in San Bernardino County. For future population projections, the Southern California Association of Governments (SCAG) forecast model was utilized. The current and estimated future service population for WVWD is shown in Table 106.

Table 106 – West Valley Water District Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
80,161	86,246	92,793	99,836	107,415	115,568

Source: UWMP (2015); Southern California Association of Governments

Between 2015 and 2040, the District's service population is expected to increase in service population by approximately 11,000 connections or 35,407 residents. The majority of this growth is expected to be in urban area cities within the San Bernardino County service area.

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has determined that there are no DUCs or DAC areas within the WVWD served area or within or adjacent to its SOI since it is coterminous. Accordingly, no additional analysis is required in this report.

Present and Planned Capacity of Public Facilities

WVWD utilizes water supplies from three primary sources for drinking water supply: local surface water from flows on the east side of the San Gabriel Mountains, including North Fork Lytle Creek, Middle Fork Lytle Creek, and South Fork Lytle Creek; groundwater; and imported water from the State Water Project (SWP). The WVWD distribution system is divided into eight pressure zones. The District currently has a total storage capacity of approximately 72.61 million gallons. WVWD also operates a 14.4-MGD Water Filtration Facility (Oliver P. Roemer WFF). Once treated or pumped from wells, potable water is stored in 25 reservoirs and distributed via 360 miles of pipeline.

Imported Water (Purchased)

WVWD receives State Water Project (SWP) water from the San Bernardino Valley Municipal Water District through the Lytle Turnout off the San Gabriel Feeder Pipeline. Recently constructed metering and transmission facilities enable WVWD to purchase and treat up to 20 MGD (approximately 23,000 AFY at final treatment plant expansion). SWP water is treated at the District's Oliver P. Roemer Water Filtration Facility (WFF) and used for potable supply, or can be used to supply non-potable customers, or for groundwater recharge in the Lytle Creek Basin. In 2006 the WFF was expanded to increase production capacity to 14.4 MGD.

West Valley Water District

Ultimately this plant will have a capacity of 20.4 MGD. WVWD has been utilizing SWP water through the Lytle Turnout since 1999.

Groundwater

WVWD draws on average approximately 50 to 65 percent of its water supply from its wells. WVWD's normal operating practice is to pump its wells 16 hours a day during off peak hours to take advantage of Southern California Edison's time of use rate. If, for some reason, wells are not in service (maintenance or repair), WVWD has the ability and right to pump its wells up to 24 hours per day. WVWD has approximately 36 MGD production capability from all of its wells in operation 24 hours per day.

WVWD extracts groundwater from five regional groundwater basins: Bunker Hill and Lytle Creek (which are both part of the SBBA), Rialto-Colton, Riverside North, and Chino Basins. All five basins have been adjudicated and are managed in a balanced use manner. According to the 2015 UWMP Update, no overdraft conditions are expected in these basins. WVWD has received water through the Baseline Feeder pipeline since 1998. Because this water is not produced by WVWD, it is not included in Table 107. WVWD's historical production for the past five years (2011-2015) averaged 11,801 acre-feet (AF).

Table 107 – West Valley Water District Groundwater Production, 2011-2015

2011 (acre-feet)	2012 (acre-feet)	2013 (acre-feet)	2014 (acre-feet)	2015 (acre-feet)
12,345	13,709	13,055	11,648	8,249

Source: UWMP Update (2015)

Surface Water

When available, WVWD has the right to divert and export out of the Lytle Creek Region at 2,290 GPM. WVWD can also purchase an additional 1,350 GPM of Lytle Creek flows through an agreement with the City of San Bernardino (San Bernardino is not able to utilize their surface water flows). This water is treated at the Oliver P. Roemer WFF. WVWD also utilizes Lytle Creek surface water flows for groundwater recharge in the Lytle Creek Basin.

Recycled Water

WVWD does not currently have a recycled water distribution system. WVWD is completing a master plan for potential use of recycled water within its service area. WVWD's plans for recycled water are still preliminary, and the expected beneficial use has not been quantified.

WVWD is studying and evaluating current large landscape and non-potable users for potential use of recycled water and identifying the infrastructure required to supply that demand. To the extent feasible, if and when recycled water is available to WVWD, this water will be offered to WVWD customers.

West Valley Water District

Water Demand Projections

The UWMP Act requires a water retailer to quantify the minimum water supply available during the years 2016 to 2018, assuming years 2016 to 2018 repeated the driest three-year historic sequence for each water supply source. WVWD's estimated minimum supplies are shown in Table 108 below. These supplies are based on the anticipated reliability of imported SWP water from San Bernardino Valley Municipal Water District, local surface water, and local groundwater.

Table 108 – West Valley Water District - Minimum Supplies, 2016-2018

2016 (acre-feet)	2017 (acre-feet)	2018 (acre-feet)
33,030	33,030	33,030

Source: UWMP Update (2015)

Supply and Demand Assessment

Historically, there has been an increase in water use among agencies due to increased development. Conservation efforts have proven to be effective in decreasing water use in dry years. In the District's recent UWMP Update, WVWD estimated that demands could increase ten percent during a single dry year due to some area property owners experiencing local supply reductions. However, during a multiple dry year period, it is expected that conservation messaging and restrictions would lead to consumption dropping back down to normal year levels in the second dry year, and falling a further ten percent in the third dry year.

The following tables summarize the anticipated supplies and demands for a Normal or Single dry year based upon growth forecasts for WVWD:

Table 109 – WVWD Normal Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	36,400	41,900	45,400	48,400	48,400
Demand Totals	20,799	22,256	23,802	25,492	27,312
Difference	15,601	19,644	21,598	22,908	21,088

Source: UWMP Update (2015)

Table 110 – WVWD Single Dry Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	33,030	38,530	42,030	45,030	45,030
Demand Totals	22,879	24,481	26,183	28,041	30,043
Difference	10,151	14,049	15,847	16,989	14,987

Source: UWMP Update (2015)

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Emergency Preparedness (Supply Interruption Capability)

Extended multi-week supply shortages are unlikely due to natural disasters or accidents which damage all water sources. However, WVWD's emergency capability plan is to provide water via its 25 storage reservoirs that have a combined capacity of over 72 million gallons. This is sufficient water to meet the health and safety requirements of 50 gallons per day per capita for approximately 80,000 residents for 18 days. This assumes zero non-residential or landscape use.

Under emergency power outages or a catastrophic earthquake conditions, the existing storage is expected to provide a supply of four days of average day demand or 2.5 days under maximum summer demand. WVWD also has interconnections with other neighboring agencies for emergency supplies.

WVWD has portable back-up generators that can be used in the event of an area-wide power outage. These generators can be located on both wells and booster stations to continue water production. These generators will be located in the northern part of the distribution system. Water can then be boosted to higher zones or gravity fed to the lower zones. In addition to the portable generators, WVWD has installed back-up generators at the Zone 5 and 6 booster stations.

Facilities within Riverside County Service Area

As referenced in the Overview section, only a small percentage of area served by WVWD is within Riverside County. The District reports that it serves 358.36 acres (out of a total of 19,860 acres) within Riverside County. To serve this area at the southern end of the District, Reservoirs 2-3 and 2-4 are used as storage facilities and a Pressure Reducing Station manages the pressure to meters. A planned project will also be activating service by June 2018 from Well 18A. In the Jurupa Valley area of Riverside County service area, the District reports that a total of 281 metered service connections supply an average of 502.19 acre-feet per year.

Financial Ability to Provide Services

As of June 30, 2018, the District was able to report a positive balance in its unrestricted net position of $22,622,990. On June 30, 2017, the balance was $26,895,792. This is a decrease of $ 4,272,802. The net position of the District, the net value of assets and funds on hand for operations and capital investment, over the same period increased $10,146,107 or approximately 8.7 percent during a period of drought demand implementation and increased sales.

WVWD operates its water services as enterprise funds within the confines of overall District operations. Water sales and service charges comprise the significant majority of operating revenues that fund the services provided for water operations and administration. On average, the WVWD receives less than 7 percent of its total revenues from property taxes.

West Valley Water District

Overall, the District's water and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities. Increase spending has occurred periodically over the past few years due to population growth, planned capital improvement projects and conservation directives from the state. Increased service connections, significant grant revenue, debt refinancing and new development infrastructure revenue have helped offset increased funding requirements for capital improvements and maintenance.

The District has adopted a comprehensive Financial Reserve Policy by Resolution 2015-10 on July 16, 2015. The policy provides direction to district staff on addressing reserves in the annual budget process and for regular update reports to the Board of Directors. Reserves are established in three basic categories and uses:

- Restricted – Bond proceeds, debt service, and uses controlled by outside agencies or regulations. The minimum amount established is the annual debt service requirement.
- Capital Facilities – To fund needed new or replacement facilities as identified in CIP and FY budgets. Minimum amount established is 100 percent of current budget plus 80 percent of the next year budget projection.
- Liquidity Fund – This includes various operating and emergency accounts to provide funding for rate stabilization, operating reserves (to cover a maximum of 180 days of operating expenses), and capital assets. A separate Water Banking Reserve Account is maintained to fund water purchases for placement in reserve.

The District maintains a substantial reserve fund balance providing good capability to absorb short term impacts, and is able to maintain a very good debt service to annual expenditure ratio (currently 3.82).

A comparison of three years' financial statistics from the published Comprehensive Audited Financial Reports is provided below:

Table 111 – WVWD Financial Statements, FY 2016-FY 2018

	FY 2016	FY 2017	FY 2018
Operating Revenues			
Water consumption sales	$ 14,286,722	$ 15,854,879	$ 17,370,508
Water service charges	6,702,841	6,989,061	7,201,939
Other operating revenue	2,240,801	3,833,946	3,971,525
Total operating revenue	$ 23,230,364	$ 26,677,886	$ 28,543,972
Operating Expenses			
Source of supply	$ 1,404,819	$ 1,307,160	$ 972,624
Pumping	2,910,119	2,823,389	3,066,501
Water treatment	1,842,223	3,723,148	4,110,055
Transmission and distribution	1,825,012	2,071,867	2,074,410
Customer accounts	1,885,567	1,923,943	2,031,657
Conservation	656,120	1,273,562	1,280,123
General and administrative	6,212,618	7,322,998	8,170,915
Total operating expenses	$ 16,736,478	$ 20,446,067	$ 21,706,285

West Valley Water District

	FY 2016	FY 2017	FY 2018
Operating income before depreciation	$ 6,493,886	$ 6,231,819	$ 6,837,687
Depreciation expense	-7,346,162	-7,567,940	-5,946,892
Amortization of water participation rights	-321,529	-321,529	-321,529
Operating income (loss)	$ -1,173,805	$ -1,657,650	$ 569,266
Non-Operating Revenues (Expenses)			
Property taxes	$ 1,758,220	$ 1,821,922	$ 2,023,173
Grants and reimbursements	43,241	2,518,254	554,897
Interest and investment earnings	127,090	227,465	367,911
Rental revenue	29,966	37,241	32,941
Gain on sale of capital assets, net	24,400	60,980	15,400
Board approved rate rebate	-2,547,492	–	-2,263,619
Interest expense	-1,055,660	-940,835	-879,953
Coyote Canyon CFD project expenses	–	-453,938	–
Debt issuance cost	–	-268,915	–
Debt administration expense	–	-493,246	53,076
Other non-operating revenue, net	24,524	16,122	20,422
Total non-operating revenues, net	$ -1,595,711	$ 2,525,050	$ -75,752
Net income (loss) before capital contributions	$ -2,769,516	$ 867,400	$ 493,514
Capital Contributions			
Developer contributions	$ 3,292,230	$ 2,340,207	$ 8,161,111
Facility charges	1,091,234	1,166,730	8,482,441
Total capital contributions	$ 4,383,464	$ 3,506,937	$ 16,643,552
Change in net position	$ 1,613,948	$ 4,374,337	$ 17,137,066
Net Position			
Beginning of year	$ 109,568,584	$ 111,182,532	$ 115,556,869
Prior period adjustment	–	–	$ -6,990,959
Net position - end of year	$ 111,182,532	$ 115,556,869	$ 125,702,976

Source: Comprehensive Annual Financial Reports 2018/17, 2017/16

There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3-Year Revenue/Expenditure Budget Trends

The water fund overall has been experiencing surplus as well as occasional deficit spending over the last several years which is attributed primarily to planned capital expenditures. Rate increases, which have been implemented over the last several years (2012-2014), along with

debt refinancing, grant revenue intake, increased service connections and new development revenue, will offset these planned expenditures into the future.

2. Ratios of Revenue Sources

As of fiscal year ended June 30, 2018, the District receives 90 percent of its water fund revenues from charges and fees for services, minimal revenue from property taxes (seven percent), and about three percent from miscellaneous other sources. The ratios of unrestricted reserves for the water fund reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues such as property tax (property tax has variety based upon the economic picture over the past ten years).

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District's unrestricted fund balance ($22,622,990) ratio is approximately 81 percent of annual operating expenses. This fund ratio represents a positive ratio position, and the reserve dollar value has increased over time.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of ten percent or less would reflect a very stable ratio. The District's water fund has reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time. The District's annual debt service ratio to total expenditures is approximately 5.94 percent, a very good ratio.

5. Rate Structures

The District has not raised water rates since late 2014 when they set new rates effective January 1, 2015. Residential and commercial water rates use a three tiered rate system. Agriculture Users pay a flat rate per agreements. The District's current water rates range from $2.13 (1 – 10 HCF), $2.30 (11 – 50 HCF) and $2.53 (51 + HCF) of usage. Water service charges for water line maintenance range from $22.21 - $33.07 for a typical residential ¾" and 1" size meter. Other fees and charges for service and late fees can be found at the following link: http://ca-westvalleywaterdistrict.civicplus.com/DocumentCenter/View/1114.

6. Capital Improvement Program/Plan

The District has developed and implemented an aggressive and comprehensive CIP for water and facility infrastructure improvements. The District's current 5-Year water facilities master plan CIP reflects approximately $49 million in improvements for water infrastructure. WVWD

maintains a consistent investment in infrastructure including pipelines, reservoirs and expansion of its Water Filtration Facility.

FY 2016-17 included the procurement of two additional Granular Activated Carbon (GAC) lead-lag vessels at the Oliver P. Roemer Water Filtration Facility. This project was completed in Fall of 2017. In addition, the District, in collaboration with Carollo Engineers under a design-build delivery contract, is in the final stages of the FXB Perchlorate Treatment Plant construction project, which will add 700 gallons per minute (1.0 MGD) of perchlorate removal capacity to the existing FBR capacity of 2.9 MGD, for a total plant capacity of 3.9 MGD. The District's portion of the FXB construction was funded by the Cleanup and Abatement Account (CAA) grant awarded to the District by the State Water Resources Control Board in 2016.

Net revenues from the operations are available to help supplement the CIP budget for FY 2018-19. The CIP budget totals $11.15 million and includes $6 million in new system infrastructure; $4.35 million in repairs, rehabilitation, and system maintenance; and $8 million in other projects. This reflects an ongoing investment in capital facilities.

7. Pension Liability and Other Post-Employment Benefits Liability

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries to WVWD employees. A "Classic" CalPERS Miscellaneous member (hired prior to January 1, 2013) becomes eligible for service retirement upon attainment of age 55 with at least five years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members (hired on or after January 1, 2013) become eligible for service retirement upon attainment of age 62 with at least five years of service.

The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months of compensation.

California law requires an annual calculation of the net pension liability and contribution for each participating agency. This calculation is utilized by the agency to budget for and make contributions to CALPERS toward its unfunded liability balance. In 2018, WVWD contributed $715,005 in employer contributions. The 2017-18 CAFR contains a detailed description of the calculation of benefit and unfunded liability.

The District also offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. The District also pays a fixed contribution towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan based on the actuarially determined contribution.

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For the year ended June 30, 2018, the District's annual Other Post Employment Benefit (OPEB) cost was $1,119,255. The District's net OPEB obligation amounted to $8,110,225 for the year ended June 30, 2018. The District contributed $287,245 for retiree benefit payments. A comprehensive description of the OPEB Liability is contained in the 2017-2018 CAFR.

Status and Opportunities for Shared Services

WVWD is a multi-county water district that serves a diverse area and with multiple types of retail water customers. WVWD has undertaken a number of shared service opportunities with other agencies, including:

- WVWD cooperates with several area water providers with intertie connections to share water in emergency situations. Currently, WVWD has interties with the Cities of Rialto, Colton, and San Bernardino, the San Bernardino Valley Municipal Water District, the Fontana Water Company and the Marygold Mutual Water Company.
- WVWD, through and agreement with the City of Rialto, received grant funding to jointly construct the Groundwater Wellhead Treatment System Project. Designed to protect local groundwater supplies, the system treats groundwater at a rate of about 2,000 gallons per minute (GPM) or 2.9 million gallons per day (MGD). The project represents a scientific first in California through the utilization of a state-approved biological treatment process employing micro-organisms to destroy the perchlorate and other contaminants in drinking water and minimize the need for waste handling and disposal. The Groundwater Wellhead Treatment System Project has allowed WVWD to restore a portion of its groundwater basin supply.
- WVWD has entered into a water purchase agreement with the City of San Bernardino allowing WVWD to purchase up to 2,290 GPM of surface water from the City.
- The District has entered a MOU with the San Bernardino Valley Municipal Water District and the City of San Bernardino to allow for water transfers from the Baseline Feeder Pipeline. WVWD may take delivery of up to 5,000 AF per year.
- WVWD, in cooperation with 19 other water agencies, developed the website iEfficient.com to promote water conservation and other education programs.
- In partnership with five cities, three special districts and one private water agency, WVWD participated in the joint development of a 2015 regional Urban Water Management Plan 2015 Update. This approach provides for regional and coordinated planning and information sharing.

West Valley Water District

Government Structure and Accountability

WVWD is governed by Board of Directors with five members elected at-large for four-year terms.

Table 112 – West Valley Water District Board of Directors

WVWD Board Member	Term Expires
Dr. Clifford O. Young	2021
Greg Young	2019
Kyle Crowther	2019
Dr. Michael Taylor	2021
Donald Olinger	2019

The Board meets at the District Office located at 855 W, Base Line Road, Rialto, on the first and third Thursday of each month at 6:00 p.m. The Board of Directors appoints a General Manager as the Chief Administrative Officer who is responsible for managing District operations on a day-to-day basis, and select, appoint and manage staff and consultants to carry out District programs and projects. The Board also appoints a Legal Counsel and Treasurer.

The District provides public information on its website at www.wvwd.org, including information on current projects, a history of the District, customer inquiries and FAQ's, conservation programs, annual budgets, and audits (CAFR). The website also includes contact information for the Board of Directors and staff and Board meeting agendas and minutes. Other major reports are accessible via links on the portal. A transparency portal is also provided to further research District reports and studies.

The District staff state that they work cooperatively with several cities and other water agencies in the County and region. Based upon water rights and infrastructure resources, there does not appear to be increased interest in considering alternative government service structures at this time. Additionally, District staff is not aware of any properties in the area with interest in annexing to the District at this time.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

Western Municipal Water District

Overview/History

Western Municipal Water District (Western) is a wholesale and retail water agency and also provides sewer service in a limited area. Western was formed on January 19, 1954 under the Municipal Water District Act of 1911 (Water Code 71000 et seq. Western's service area is located in western Riverside County, approximately 50 miles east of Los Angeles. Western's total service area covers 527 square miles, of which 118 square miles are included in its retail service area. As a wholesale agency obtaining a majority of its water from the Metropolitan Water District of Southern California (MET), Western has 12 retail water agencies within its general service area, eight of whom currently receive water.

Western's retail water service area includes portions of the City of Riverside, the unincorporated areas around Lake Mathews, portions of the City of Murrieta, and unincorporated Riverside County south of the City of Temecula. Western also pumps groundwater from two basin areas – the Riverside-Arlington Basin and the Northern section of the Temecula-Pauba Basin – and purchases some water from local agencies on an as-needed basis. A recycled water system has been developed within the Riverside retail service area to provide local supply reliability and dispose of treated affluent.

Western's Riverside retail service area is served by three wastewater treatment facilities: the City of Riverside Regional Treatment Plant, the Western Riverside County Regional Wastewater Treatment Plant (WRCRWTP), and the Western Water Recycling Facility (WWRF). Western operates the WRCRWTP, which is a regional wastewater treatment facility owned by the Western Riverside County Regional Wastewater Authority (WRCRWA). The WRCRWA is a joint powers authority composed of the cities of Norco and Corona, Western, Jurupa Community Services District and the Home Gardens Sanitary District. Western also serves as the JPA administrator.

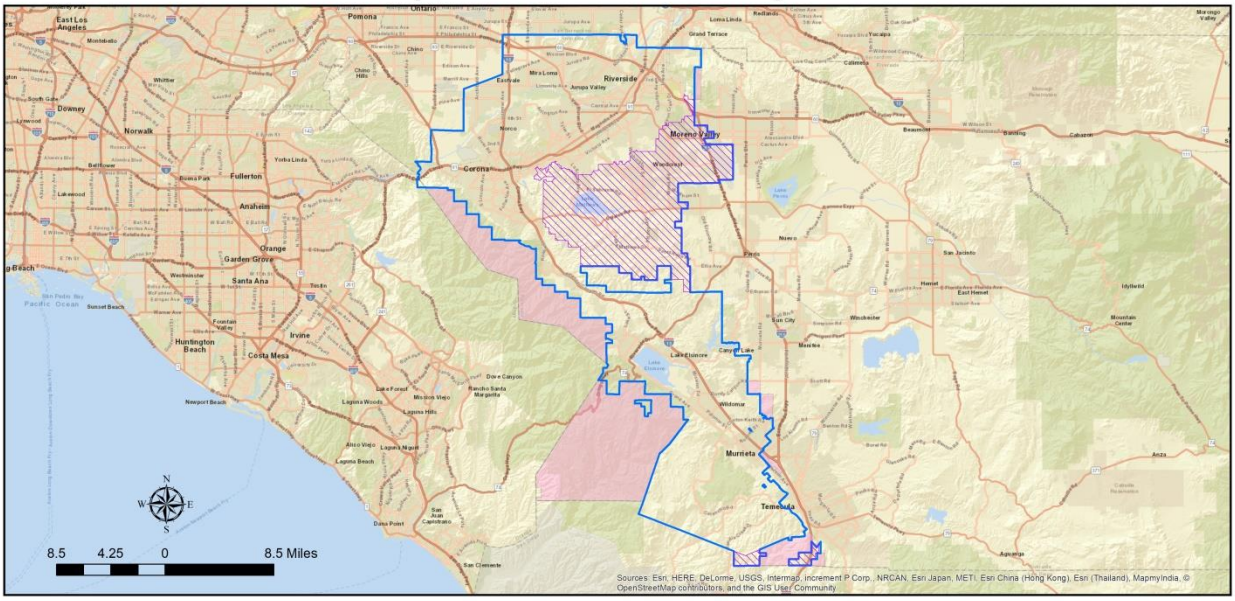
Western also owns and operates the Western Water Recycling Facility (WWRF), formerly the March Wastewater Treatment Plant. The WWRF was expanded in 2011 to a capacity of 3 MGD tertiary treatment.

Wastewater treatment in Western's Murrieta Division is provided by EMWD at the Temecula Valley Regional Water Reclamation Facility and in cooperation with Rancho California Water District (RCWD) at the Santa Rosa Water Reclamation Facility (recently reorganized under a JPA to be a regional facility including Western, Elsinore Valley Municipal Water District and RCWD). RCWD is the JPA administrator.

Western Municipal Water District

Exhibit 20 – Western Municipal Water District

Western Municipal Water District and Sphere of Influence



Disclaimer:
Maps and data are to be used for reference and display purposes only. Map features are approximate, and are not necessarily accurate to surveying or engineering standards. Riverside LAFCo makes no warranty or guarantee as to the content (the sources is often third party), accuracy, timeliness, or completeness of any of the data provided, and assumes no legal responsibility for the information contained on this map. Any use of this product with respect to accuracy and precision shall be the sole responsibility of the user.

Data Sources: District; USGS; CA SIL

Sphere of Influence Adopted: 2014
District Boundary Adopted: 2017

* Sewer & Water Provided by District

Map Created on March 20, 2019

Legend

- District Boundary
- Sphere of Influence (SOI)
- WMWD Retail Service Areas

Western Municipal Water District

Western Municipal Water District - Agency Profile

General Information			
Agency Type	Municipal Water District Act of 1911; section 71000 Water Code		
Date Formed	January 19, 1954		
Services	Wholesale and Retail Water Service, Sewer to portions of the District		
Service Area			
Location	Generally west of I-215 Freeway south of Hwy 91 to Temecula		
Square Miles/Acres	527 SM/337,000 acres in total; 118 SM retail water service		
Total Water/Sewer Connections	Water: 24,092 Sewer: 8,592 (WWRF – 1,708; WRCRWA – 4,781; Murrieta – 2,103)		
Population Served	94,107 retail; 955,531 via wholesale agencies		
Water Infrastructure			
Facilities	Arlington Desalter –6.9 MGD; several connections to MWD; 639 miles of pipe; 25 Reservoirs/Tanks; 1 potable well in Murrieta Service Area		
Storage Capacity	25 Active Reservoir/Tanks; Total Storage Capacity = 83.33 MGD		
Primary Source of Supply	Imported water from MWD; groundwater via wells for potable; some reclaimed water from WRCF's sold to other agencies		
Water Rates (as of 1/1/18)	Riverside area ¾" meter charge - $34.67/mo; Murrieta area - $36.21/mo Commodity range: Riverside area - $1.216 – 7.979 HCF; Murrieta - $1.834 – 6.071 HCF		
Sewer Infrastructure			
Facilities	Collection system –37 miles of pipes; 21 pump lift stations; Western Water Recycling Facility – 3 MGD		
Current and Projected Treatment Capacity	WWRF – 3 MGD Capacity; WRCRWA – 14 MGD Capacity Contract with SRRRA facility (1.0 MGD Primary and Secondary and 0.4 MGD Recycled)		
Primary Disposal Method	Reclaimed for sale; some effluent discharged for recharge & Santa Ana River for Orange County Sanitation District reuse		
Sewer Rates (as of 10/1/18)	La Sierra area residential - $49.41/mo; Murrieta - $42.58/mo; other special uses have calculated rates		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Combined Funds (without capital contributions)	$123,143,222	$122,759,323	$383,899
Capital Expenditures	FY 2017-2018 $16,727,547 (net)	Long-Term Planned Expenditures $33,110,546 (2017-2022 CIP)	
Water Fund Balance	$113,704,094 Provided by excluding Sewer Fund Balance		
Sewer Fund Balance	$0 Sewer Fund in deficit with interfund borrowing; therefore, zero		
Agency Net Position – unrestricted balance	$113,704,094		
Governance			
Governing Body	Five member Board of Directors elected by division; first and third Wednesday at 9:30 a.m. at 14205 Meridian Parkway, Riverside, CA 92518		
Agency Contact	Tim Barr 951-571-7254, tbarr@wmwd.com; Susie Aguilar 951-571-7270, saguilar@wmwd.com		

Sources: UWMP 2016; website; CAFR 2016-17; Approved CIP 5/17/2017; questionnaire response

Western Municipal Water District

Growth and Population Projections

As part of an Urban Water Management Plan Update completed in 2015, Western developed population and growth projections. The current and estimated future service population for Western is shown in Table 113.

Table 113 – WMWD Retail Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
94,107	99,584	114,584	123,519	132,341	140,371

Source: UWMP (2015)

Between 2015 and 2035, the District's service population is expected to increase in service population by approximately 9,700 connections (using 3.94 persons per connection) or 38,234 residents. The majority of this growth is expected to be in urban and suburban area cities within the District's service area.

Table 114 – WMWD Wholesale Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
955,531	1,019,255	1,081,428	1,139,578	1,193,125	1,244,880

Source: UWMP (2015)

Disadvantaged Unincorporated Communities (DUCs)

Riverside LAFCO has determined that there are several DUCs within the Western MWD boundaries and SOI. Those identified to date are listed as follows: Corona DUC 1) Home Gardens community adjacent to City of Riverside and Corona. While served by the Home Gardens CWD and Sanitary District, there may be unserved parcels within that area; Corona DUC 2) El Cerrito – East with water served to a portion by City of Corona; Riverside DUC 1) Highgrove – west; Riverside DUC 2 Highgrove – east, both served water and sewer by City of Riverside but there may be unserved parcels within that area. Each of these areas is identified in other agency reviews. There are no DUCs identified within or adjacent to the District SOI.

Present and Planned Capacity of Public Facilities

Western utilizes water supplies from two primary sources for drinking water supply: Imported water from MET or cities of Corona or Riverside and groundwater wells from several basin areas. Western also utilizes several sources for recycled water to meet retail demands.

Imported Water (Purchased)

Western purchases supplemental imported water from the MET, averaging about 25% of needed annual supply for the entire wholesale service area. Purchases may be higher during drought conditions or when other local sources are limited. These supplies are divided between wholesale and retail purchases in terms of how MET accounts for the supply and

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costs. In 2015, Western retail use of imported water accounted for 23% of purchases and wholesale for about 71%. An additional 3% of water is purchased from local sources including the City of Riverside, Riverside Highland Water Company and the Meeks and Daley Water Company through contract agreements. The Meeks and Daley reciprocal exchange agreement is with Elsinore Valley MWD. Western receives access to a limited supply of local groundwater in the San Bernardino Basin Area (Meeks and Daley Rights) and in exchange, Elsinore Valley MWD receives limited access to imported supply through Western's Mills Gravity Pipeline.

Groundwater

Western draws on average approximately 13 percent of purchased water and 85% of locally-produced water representing 21% of Western's total supply (2015 UWMP).

Western currently extracts groundwater from two regional groundwater basins. Most groundwater basins that Western uses are adjudicated or subject to groundwater management plans and therefore stable in terms of planned supply. According to the 2015 UWMP Update, the following basins and average supply are planned for long-term sources:

- Riverside-Arlington Basin; Upper Santa Ana River Valley in northwest Riverside County; supplies about 7% of Western's total wholesale supply and is currently treated at the Arlington desalter and served to the Cities of Norco and Corona.
- Temecula-Murrieta Basin: Temecula Valley (alluvial) Basin in southwestern Riverside County for use in only the portions of the City of Murrieta served by Western
- Chino Basin: water from the Chino Basin requires desalting and a treatment plants administered by the Chino Desalter Authority are in operation but Western will not begin taking water from this JPA until a pipeline is completed under the Santa Ana River (completion is estimated in spring of 2019).

Table 115 – WMWD Total Groundwater Production, 2011-2015

2011 (acre-feet)	2012 (acre-feet)	2013 (acre-feet)	2014 (acre-feet)	2015 (acre-feet)
19,534	19,786	20,767	17,115	25,369

Source: UWMP Update (2015)

Surface Water

Western does not utilize surface or lake water supply in its supply resources.

Recycled Water

Western is both a producer and retailer of recycled water from its sewer treatment facilities and in cooperation with other water agencies in its service area. Western adopted a "Western Strategic Plan in 2012 which addresses various elements of water resource management including recycled water. IN 2015, Western treated and distributed approximately 3,400 AF of

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tertiary treated water to wholesale and retail customers. Western has plans to develop an additional 2 MGD average flow treatment at tertiary levels (UWMP 2015).

Water Demand Projections

The UWMP Act requires a water retailer to quantify the minimum water supply available during the years 2016 to 2018, assuming years 2016 to 2018 repeated the driest three-year historic sequence for each water supply source. Western's estimated minimum supplies are based upon the MET UWMP analysis that resulted in determination that minimum supply could be delivered in each of the three years at 100% of prior year's levels. Therefore, supply reliabilities are based on the anticipated reliability of imported water from MET and local groundwater sources.

Supply and Demand Assessment

Historically, there has been an increase in water use among agencies due to increased development. Conservation efforts have proven to be effective in decreasing water use in dry years. In the District's recent UWMP Update, Western estimated that demands could increase during a single dry year due to some area property owners experiencing local supply reductions. However, during a multiple dry year period, it is expected that conservation messaging and restrictions would lead to consumption dropping back down to normal year levels in the second dry year, and falling a further ten percent in the third dry year.

The following tables summarize the anticipated wholesale supplies and demands for a Normal or Single dry year based upon growth forecasts for Western (retail supplies are expected to grow proportionately over the same period):

Table 116 – WMWD Wholesale Normal Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	152,491	159,389	169,372	178,155	184,095
Demand Totals	110,787	114,039	123,515	122,895	132,999
Difference	42,704	45,350	45,857	55,260	51,096

Source: UWMP Update (2015)

Table 117 – WMWD Single Dry Year Supply and Demand Projections, 2020-2040 – Wholesale Supply

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	152,491	159,389	169,372	178,155	184,095
Demand Totals	110,787	114,039	123,515	122,895	132,999
Difference	41,704	45,350	45,857	55,260	51,096

Source: UWMP Update (2015)

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Future Water Projects

WMWD is continuing to study ways to expand its water supplies when the opportunity arises, and coordinates with nearby agencies to achieve water supply goals. As part of its 2015 UWMP, Western identified the following priority water projects to consider:

- Arlington Recharge Project – in construction (recharge and rehabilitate groundwater basin)
- Chino Basin Desalter Phase 3 Expansion – in construction (increase lower salt water recovery capability)
- La Sierra Pipeline portion of the Riverside-Corona Feeder – in construction (Arlington Desalter water supply delivery to the Riverside retail area)
- Conjunctive Storage and Use Programs – in planning
- Riverside North Aquifer Storage and Recovery Project – in review (recharge groundwater)

All of these projects are active and funded in the Western CIP process.

Sewer (Wastewater) Collection and Treatment

There are five centralized wastewater treatment facilities to which wastewater collected within Western's service area is conveyed, though individual septic systems also remain actively in use within the rural areas of the region.

1. **Western Riverside County Regional Wastewater Treatment Plant (WRCRWTP)**. Western and the City of Riverside both provide wastewater collection and treatment services for Western's Riverside Retail Service Area. Western operates the Western Riverside County Regional Wastewater Treatment Plant (WRCRWTP), which is a regional wastewater treatment facility owned by the Western Riverside County Regional Wastewater Authority (WRCRWA). The WRCRWA is a joint powers authority composed of Western, the cities of Norco and Corona, Jurupa Community Services District and the Home Gardens Sanitary District.

2. **Western Water Recycling Facility (WWRF)**. Western owns and operates the Western Water Recycling Facility (WWRF), formerly the March Wastewater Treatment Plant. The WWRF was expanded in 2011 to a capacity of 3 MGD tertiary treatment. Recycled water is then distributed to customers including the Riverside National Cemetery, General Archie Old Golf Course, schools, parks, agricultural groves, and nurseries.

3. **The Santa Rosa Water Reclamation Facility (SRWRF).** Western, EVMWD and RCWD are participants in the SRWRF Facility (renamed recently as the result of the JPA formation) that serves central and western Temecula and some adjacent areas. The Santa Rosa Water Reclamation Facility (SRWRF) and Santa Rosa

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Regional Resources Authority (SRRRA) have a current capacity of 5 MGD, or approximately 5,598 AFY.

Western currently owns capacity for 2 MGD but averages 1.316 MGD. The District has plans to participate in expansion of the plant when deemed needed for the region. The plant collects flow from areas within portions of the District's service area plus from RCWD and EVMWD. The SRRRA, a Joint Powers Authority, formed by Western, Elsinore Valley MWD and RCWD in 2015, owns the SRWRF, as well as over 17 miles of gravity mains and the Cal Oaks Lift Station. The SRWRF, gravity mains, and lift station are operated by contract by RCWD. Purchase of the SRWRF by the SRRRA is planned for late 2018.

The average daily wastewater treated at the SRWRF in FY 2017 was 1.0 MGD, with all of the recycled water produced at this plant reused. Seasonal storage ponds near the SRWRF, as well as the Cole Creek Storage Ponds, store effluent during the winter months (low demand period) to prevent discharges and provide reclaimed water supply to meet peak summer demands. The current pond storage capacity is 1,495 AF.

4. **Temecula Valley Regional Water Reclamation Facility (TVRWRF)**. The TVRWRF, operated by Eastern MWD, treats wastewater from a service area that includes the "Golden Triangle" region between Interstates 15 and 215, the Murrieta Hot Springs area, a small number of connections (approx. 75) in Western's retail service area within the City of Murrieta, and portions of RCWD's Rancho Division in the northern section of the District. The TVRWRF also receives and treats wastewater generated within the RCWD and EVMWD service areas.

   The total wastewater treated at the TVRWRF in FY 2014-2015 was 15,088 AFY or 13,500,000 GPD. Recycled water produced and distributed totaled 14,650 AFY, or 97% of wastewater arriving at the facility. Effluent from the TVRWRF is conveyed to onsite storage ponds prior to its distribution. There are 225 MG of temporary onsite storage capacity.

   When additional storage is required, recycled water is conveyed to 450 MG storage ponds located 10 miles north in Winchester, providing recycled water supply for irrigation users along the way. When the ponds are full or there is not enough demand, the effluent may be discharged to Temescal Creek, a tributary of the Santa Ana River, for ultimate disposal to the Pacific Ocean. Recycled water produced by the TVRWRF is currently distributed to a variety of users in the District's service area.

5. **Riverside Water Quality Control Plant (RWQCP)**. The City of Riverside operates its own wastewater collection and treatment system. Within a portion of Western's

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Riverside Retail Service Area, the City of Riverside conveys wastewater flows to its Riverside Water Quality Control Plant (RWQCP). The RWQCP was recently expanded, but currently has capacity to treat up to 40 MGD through one of its two treatment plants and single tertiary filtration plant. Wastewater treated at the RWQCP is discharged to the Santa Ana River. Western has an active planning and development process that encourages use of recycled water throughout its service area. A joint planning process with other agencies has been ongoing for over ten years.

Emergency Preparedness (Supply or Treatment Interruption Capability)

Extended supply shortages are unlikely due to natural disasters or accidents which damage all water sources. However, Western's emergency response plan (ERP) is to provide water via its imported water supply connections, groundwater storage and available wells. Western has emergency supply connections with the cities of Corona and Riverside as well as EVMWD and EMWD. This is sufficient water to meet the minimum health and safety requirements of 50 gallons per day per capita for approximately 900,000 residents. This assumes reduction in uses and zero non-residential or landscape use.

Under emergency power outages or a catastrophic earthquake conditions, the existing storage is expected to provide a supply at minimum demand levels. Western also has interconnection with cities of Corona and Riverside for emergency supplies. MET also has emergency plans for their treatment plants and pipelines in case of earthquake.

Western has several portable back-up generators that can be used in the event of an area-wide power outage. These generators can be located on primary pump stations and well sites to continue water delivery.

Wastewater Treatment Plants are required to have emergency power generators for minimal operating levels. Pump stations either have generators or portable generators can be moved to sites requiring them.

Financial Ability to Provide Services

As of June 30, 2017, the District was able to report a positive balance in its unrestricted net position of $113,704,094. On June 30, 2016, the balance was $86,965,126. This is an increase of $ 26,738,968. The net position of the District, the value of assets and funds on hand for operations and capital investment, over the same period increased $15,632,796 or approximately 4% during a period after drought demand reductions were lifted and an increase in activity of developer capital contributions and connection fees.

Western operates its water and sewer services as enterprise funds within the confines of overall district operations. They also perform contract services to several other agencies. Water sales and service charges and sewer service charges comprise the significant majority

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of operating revenues that fund the services provided for water and sewer operations and administration. On average, the District receives approximately 16 % of its revenues from property taxes.

Overall, the district water, sewer and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities, although some minor deficit spending has occurred periodically due to planned capital improvement projects and conservation directed by the state. Rate increases had been implemented over the last several years to accommodate expenditures for maintenance and capital improvements.

The District has adopted a comprehensive set of Financial Reserve Policies that designates funds for various programs and long-term debts. The policies provide direction to district staff on addressing reserves in the annual budget process and for regular update reports to the Board of Directors. Reserves are established in various categories and uses:

- Restricted – Bond proceeds and reserves, debt service, and uses controlled by outside agencies or regulations.
- Capital Facilities – To fund needed new or replacement facilities as identified in CIP and FY Budgets.
- Liquidity Funds – This includes various operating and emergency accounts to provide funding for rate stabilization, operating reserves (to cover a maximum number of days of operating expense in event of disaster)

The District maintains a substantial reserve fund balance providing good capability to absorb short term impacts, and is able to maintain an acceptable debt service to annual expenditure ratio.

A comparison of three years financial statistics from the published Comprehensive Audited Financial Reports is provided below:

Table 118 – WMWD Financial Statements, FY 2015-FY 2017

	FY 2015	FY 2016	FY 2017
Operating Revenues			
Water consumption sales	$ 69,533,791	$ 63,988,478	$ 70,698,068
Water service charges	16,841,065	16,669,887	17,335,249
Other operating revenue	3,425,078	4,357,863	4,624,224
Sewer services	10,292,222	10,234,040	11,512,039
Total operating revenue	$100,092,156	$ 95,250,268	$104,189,580

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	FY 2015	FY 2016	FY 2017
Operating Expenses			
Source of supply and water purchase	$ 62,508,434	$ 57,225,095	$ 64,671,160
Pumping	4,327,789	4,703,808	4,943,515
Water treatment	1,694,759	2,361,121	2,112,687
Transmission and distribution	8,019,861	10,040,804	9,361,842
Customer accounts	1,052,779	1,133,477	1,477,687
Sewer disposal	9,032,370	9,610,188	10,746,113
General and administrative	16,646,386	13,223,997	14,573,543
Total operating expenses	$103,282,378	$ 98,298,490	$109,024,748
Operating income before depreciation	$ -3,190,222	$ -3,048,222	$ -4,835,168
Depreciation expense	-12,904,209	-12,787,432	-12,722,189
Operating income (loss)	$ -16,094,431	$ -15,835,654	$ -17,557,357
Non-Operating Revenues (Expenses)			
Property taxes/assessments	$ 18,266,670	$ 18,837,852	$ 20,053,770
Investment earnings	2,221,947	4,759,409	-212,898
Interest expense	-6,048,196	-5,122,063	-4,611,061
Capacity rights sales	414,280	338,202	1,548,535
Intergovernmental revenue	853,994	855,836	857,677
Other non-operating revenues	1,085,880	353,264	1,023,295
Other expenses	-1,194,694	-1,499,812	-1,621,529
Gain (loss) on asset disposal	-88,543	-228,815	-63,908
Total non-operating revenues, net	$ 15,511,338	$ 18,293,873	$ 16,973,881
Net income (loss) before capital contributions	$ -583,093	$ 2,458,219	$ -583,476
Capital Contributions			
Connection fees, capacity charges	$ 570,684	$ 696,787	$ 2,452,147
Donations in aid of construction	2,453,657	251,167	9,850,515
Federal/state capital grants	2,115,190	4,057,387	3,913,610
Total capital contributions	$ 5,139,531	$ 5,005,341	$ 16,216,272
Change in net position	$ 4,556,438	$ 7,463,560	$ 15,632,796
Net Position			
Beginning of year	$358,282,017	$351,591,225	$359,054,785
Prior period adjustment - GASB	-11,247,230	–	–
Net position - end of year	$351,591,225	$359,054,785	$374,687,581

Source: Comprehensive Annual Financial Reports 2015, 2016, 2017

There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Program/Plan
7. Pension Liability and Other Post-Employment Benefits Liability

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1. 3 Year Revenue/Expenditure Budget Trends

The district fund overall has been experiencing surplus as well as occasional deficit spending (2016 due to water conservation in first part of the fiscal year) over the last several years. However, this is attributed primarily to planned capital expenditures and cash flows. Appropriate rate increases have been implemented for water and sewer over the prior years (2016).

2. Ratios of Revenue Sources

The District receives approximately 77% of its water and sewer fund revenues from charges and fees for services, minimal revenue from property taxes (16%), and about 7% from miscellaneous other sources. The ratios of unrestricted reserves reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues such as property tax (property tax has varied based upon the economic picture over the past ten years).

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District's unrestricted fund balance in 2017 of $113.7 million results in a ratio of approximately 110% of annual expenditures. This fund ratio represents an above average ratio position and the reserve has been increasing over time.

4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of 10% or less would reflect a very stable ratio. The District's water fund has reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time. The District's annual debt service ratio to total expenditures is approximately 5%, a very good ratio.

5. Rate Structures

The District has adjusted rates regularly to account for costs of purchase of water and utilities. Water rates were updated in October of 2017 for a three year period. Residential and commercial water rates use a 5 tiered rate system. Agriculture Users pay a flat rate of $1.833 per 100 cubic feet. The District's current residential water rates range from $1.216 – 7.979 per 100 cubic feet of usage. All users pay a pumping charge in several zones. Water service charges for fixed system charge range from $25.71 to $34.67 for a typical residential ⅝" and ¾" size meter. Other charges are levied on the water bill based upon location and MET charges.

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Sewer maintenance fees were last adjusted on July 18, 2018, effective October 1, 2018, for the three sewer service areas and for various other classes of service. Basic service in the La Sierra area is $49.41 per month per EDU, WWRF area is $69.31 per month per EDU, and in the Murrieta area served by SRRRA is $42.58 per month per EDU. Commercial and other special uses have designated rates per the approved resolution 3029.

Table 119 – WMWD Adopted Water Rates (2018) - Single Family Residential*

Fixed Monthly Charge – ¾" meter	$34.67
MET Readiness-to-Serve Charge	$2.67
Tiered Rates	
Tier 1 (indoor budget)	$1.216 (HCF)
Tier 2 (outdoor budget)	$2.574 (HCF)
Tier 3 (inefficient)	$3.889 (HCF)
Tier 4 (wasteful)	$4.489 (HCF)
Tier 5 (unsustainable)	$7.979 (HCF)

*Rates based on ¾" meter

Table 120 – WMWD Adopted Sewer Rates (2018) - Single Family Residential

	La Sierra Area	WWRF Areas	Murrieta Area
Fixed Monthly Account Charge [a]	$49.41 - $54.41	$69.31	$42.10 - $42.58
Variable Charge [b]	N/A	$11.23	N/A

a EDU – Equivalent dwelling unit

b Variable charge based upon volume of water used per 1,000 gallons

Other fees and charges for service and late fees can be found on the District website.

6. Capital Improvement Program/Plan

The District has developed and implemented an adequate and comprehensive CIP for water, sewer and related facility infrastructure improvements. The District's current 5-Year CIP reflects approximately $48.8 million in improvements for water and sewer infrastructure, with approximately $14.9 million in projected expenditures for FY 18/19. Western maintains a consistent investment in infrastructure including water supply and recharge, pipelines, reservoirs, sewer collection systems as well as sewer treatment facilities. This reflects an ongoing investment in capital facilities. The program is funded by Capacity charges, loans and grants.

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Table 121 – WMWD "Top Ten" Current CIP Projects

CIP Project	Projected Cost
Victoria Basin Recharge Project	$ 4,950,598
Murrieta North Well Rehabilitation	3,600,000
Meter Replacement and Retrofit Project	1,364,353
Upper SAR HCP/SAR Integrated Model	700,000
WRCRWA Non-Asset Replacement Capital Projects	600,000
MARB Area Pipeline Replacement	500,000
ADS Automation Upgrade PLC and Software	350,000
Reservoir Management - Murrieta	300,000
Reservoir Management - Riverside	300,000
Total Project Costs	$ 28,905,735
Offsets (possible offsets include loans, grants, reimbursements)	$ -19,240,784
FY18/19 Net Cash Outflow	$ 9,664,951

7. Pension Liability and Other Post-Employment Benefits Liability

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries to Western employees. A "Classic" CalPERS Miscellaneous member (hired prior to January 1, 2013) becomes eligible for service retirement upon attainment of age 55 with at least five years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members (hired on or after January 1, 2013) become eligible for service retirement upon attainment of age 62 with at least five years of service.

California law requires an annual calculation of the Net Pension Liability and contribution for each participating agency. This calculation is utilized by the agency to budget for and make contributions to CALPERS toward its unfunded liability balance. In 2016, Western contributed $2,128,890 toward the pension services. The 2016-17 CAFR contains a detailed description of the calculation of benefit and unfunded liability which was $12,365,976 on July 1, 2015, the start of the measurement period for the expected average remaining service lifetime calculation.

The District also offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses of retirees hired before December 18, 2002 are also eligible to receive benefits. The District also pays a fixed contribution towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan on a pay-as-you-go basis and makes the contributions to a voluntary employee's beneficiary association (VEBA) trust.

For the year ended June 30, 2017, the District's net OPEB contribution paid amounted to $708,338. A comprehensive description of the OPEB Liability is contained in the annual CAFR on the District's website.

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Status and Opportunities for Shared Services

Western is a water and sewer district that serves a diverse area and with multiple types of wholesale and retail water and sewer customers. Western has undertaken a number of shared service opportunities with other agencies, including:

- Western cooperates with the primary water provider, MET, with supply and intertie connections to share water in groundwater recharge and in emergency situations.
- Western contracts with Eastern MWD for sewer treatment services in the East Temecula area.
- Western contracts with the City of Riverside for sewer treatment services at the Riverside Water Quality Control Plant.
- Western is a member of and administrator of four groundwater agreements that provide for management oversight and recharge of the groundwater basins.
- The District is a member of the SRRRA wastewater facility that serves a portion of the sewer area in Murrieta and west Temecula.

Government Structure and Accountability

Western is governed by board of directors with five members elected by division for four-year terms.

Table 122 – Western Municipal Water District Board of Directors

WMWD Board Member	Term Expires
Brenda Dennstedt, President	2022
Bob Stockton, Vice, President	2022
Donald D. Galleano, Secretary-Treasurer	2020
Gracie Torres, Director	2022
S. R. "Al" Lopez, Director	2020

The Board meets at the District Office located at 14205 Meridian Way, Riverside, CA 92518 on the first and third Wednesday of each month at 9:30 a.m. The Board of Directors appoints a General Manager as the Chief Administrative Officer who is responsible for managing District operations on a day-to-day basis, and select, appoint and manage staff and consultants to carry out District programs and projects. The Board also appoints a Legal Counsel.

The District provides public information on its website at www.wmwd.com, including information on current projects, a history of the District, customer inquiries and FAQ's, conservation programs, annual budgets, and audits (CAFR). The website also includes contact information for the Board of Directors and staff and Board meeting agendas and minutes. Other major reports are accessible via links on the portal. A contact portal is also provided to further research District reports and studies.

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The District staff state that they work cooperatively with several cities and other water agencies in the County and region. Based upon established water rights adjudications and infrastructure resources, there does not appear to be interest in considering alternative government service structures at this time unless financial or service efficiencies could be identified. The District is participating along with the City of Murrieta and other water providers to conduct a more detailed review of water and related services within the City's western area ("Murrieta Retail Area").

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.

5. Municipal Service Review Determinations - Western County

1. Growth and population projections for the affected area

Projections of growth provided by the agencies, Census data, Urban Water Management Plans, Sewer Master Plans and other resources indicate that growth will generally occur throughout Riverside County's Western County Region over the next 20 years. High growth areas include the Cities of Hemet and Riverside, the Eastern Municipal Water District, Elsinore Valley Municipal Water District and San Bernardino Valley Municipal Water District. Only three agencies, Edgemont Community Services District, Elsinore Valley Municipal Water District and Home Gardens County Water District, are projected to experience no or very limited population growth.

2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

Within the Western County Region, Riverside LAFCO has identified a number of disadvantaged unincorporated communities (DUCs) within or contiguous to agency spheres of influence. All identified DUCs are listed within the agency summaries (Section 4) for future reference. Currently, identified DUCs are provided water and sewer service by existing agencies through contract or have the opportunity to connect to such services in the future should homeowners elect to do so. The following agencies have DUC's in or adjacent to their SOI:

Eastern MWD/Hemet area:

- Donald Street/California Avenue, west of the City of Hemet
- Roseland Mobile Home Park
- E. Stetson Avenue/S. San Jacinto Street
- E. Acacia Avenue
- Columbia Street/Mayberry Avenue
- So. Dartmouth Street/Mayberry Avenue
- Ridge area
- New Chicago Avenue/E. Acacia Avenue
- Mountain View Mobile Home Park
- Valle Vista area
- Georgia Avenue/HWY 74 area

Perris area:

- Una Street/Alexander Street- Mead Valley
- Mead Valley North
- Luckens Lane/ West San Jacinto Avenue
- Mead Valley – South

Additionally, in the Temecula Area, there is one DUC adjacent to the SOI in the Pechanga area but outside the service area of water facilities.

Elsinore Valley Municipal Water District/Lake Elsinore area:

- Warm Springs
- Lakeland Village
- Meadowbrook areas

No DUC's were identified within or adjacent to the District SOI areas.

Home Gardens County Water District area:

DUCs identified, but none within the District's SOI (which is coterminous).

Home Gardens Sanitary District area:

DUCs identified, but none within the District's SOI (which is coterminous).

Lake Hemet Municipal Water District/City of Hemet:

- E. Stetson Avenue/S. San Jacinto Street
- E. Acacia Avenue
- Columbia Street/Mayberry Avenue
- So. Dartmouth Street/Mayberry Avenue
- Ridge area
- New Chicago Avenue/E. Acacia Avenue
- Mountain View MHP
- Valle Vista area
- Georgia Avenue/HWY 74 area

No DUCs were identified within or adjacent to the Lake Hemet MWD SOI areas.

Western MWD:

- Home Gardens community adjacent to City of Riverside and Corona - while served by the Home Gardens County Water District and the Home Gardens Sanitary District, there may be unserved parcels within that area;
- El Cerrito – East - with water served to a portion by City of Corona;
- Highgrove – West
- Highgrove – East - served water and sewer by City of Riverside but there may be unserved parcels within that area.

There are no DUC's identified within or adjacent to the Western MWD SOI.

3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies, including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence

Based on expected supplies from Metropolitan and the San Bernardino Valley Municipal Water District, and through data and reports supplied by the agencies for local water supplies, the water service providers within the Western County Region have demonstrated in plans to have adequate water to meet future needs. Wastewater providers, through upgrading existing facilities and constructing new facilities, can also meet future wastewater needs within the region. The agencies adequately generally address infrastructure needs and deficiencies through master plans, Capital Improvement Plans and other long-range planning documents. As stated above, identified DUCs in the Western County Region are currently provided water and sewer service or have the opportunity to connect to such services in the future. Several of the agencies utilize regional or shared facilities for water and wastewater services and coordinate planning for future facilities.

The City of Hemet has stated that replacement of deteriorating or inadequate water lines may be needed to ensure the efficient provision of water supplies over time.

The City of Norco plans to address both the City's water and sewer infrastructure systems that are significantly aging.

4. Financial ability of agencies to provide services

The agencies prepare comprehensive annual budgets, maintain annual Capital Improvement Plans, and maintain adequate and appropriate reserves. For most of the agencies within the Western County Region, the amount of reserves held is matched to CIP and other infrastructure improvements. All agencies reviewed reported unqualified audits prepared in accordance with generally accepted accounting standards.

5. Status of, and opportunities for, shared facilities

There is extensive agency collaboration within the Western County Region. Excess capacity, facilities and staff are made available through cooperative agreements whenever possible. The agencies increase opportunities for shared facilities through joint powers agreements, inter-ties, service agreements and industry groups. The City of Riverside operates a regional WWTF that treats effluent from several area agencies including Rubidoux CSD and Western MWD.

6. Accountability for community service needs, including governmental structure and operational efficiencies

The governing bodies of the agencies are locally accountable through adherence to applicable government code sections, open and accessible meetings, and dissemination of information. With the exception of Home Gardens County Water District and Home Gardens Sanitary District, all agencies have websites which help to promote transparency and accountability as well as allowing public oversight of agency activities. These two agencies are aware of a new law requiring districts to have a website in 2019 unless specific conditions are met. As noted in agency narratives (Section 4), there may be opportunities for further consideration of reorganization of service areas and governance in several areas, including but not limited, to:

- The Murrieta retail area including Eastern Municipal Water District, Rancho California Water District, Western Municipal Water District and the City of Murrieta;
- The region of Home Gardens, including the Home Gardens County Water District and the Home Gardens Sanitary District and the cities of Corona and Riverside, that provide some services to each other;
- Potential future revisions of service areas and SOIs of Jurupa Community Services District and Rubidoux Community Services District should development occur; and
- The Temescal Valley area within the Temescal Valley Water District, Elsinore Valley Municipal Water District, and City of Corona.

7. Any other matter related to effective or efficient service delivery, as required by commission policy

No other matters related to effective or efficient service delivery were identified by Commission policy.

List of Tables

List of Exhibits