



*the*

# PIPELINE

FINANCE EDITION

*Popular Annual*

## FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

HIGHLAND, CALIFORNIA



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## GOVERNING BOARD OF DIRECTORS

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

## DISTRICT MANAGEMENT

General Manager/CEO <b>JOHN MURA</b>	District Clerk <b>JUSTINE HENDRICKSEN</b>
Chief Financial Officer <b>BRIAN TOMPKINS</b>	Director of Strategic Services <b>KELLY MALLOY</b>
Director of Engineering & Operations <b>JEFF NOELTE</b>	Operations Manager <b>PATRICK MILROY</b>
Human Resources & Risk Safety Manager <b>KERRIE BRYAN</b>	



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to  
**East Valley Water District  
California**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrell*  
Executive Director/CEO

## POPULAR ANNUAL FINANCIAL REPORTING AWARD

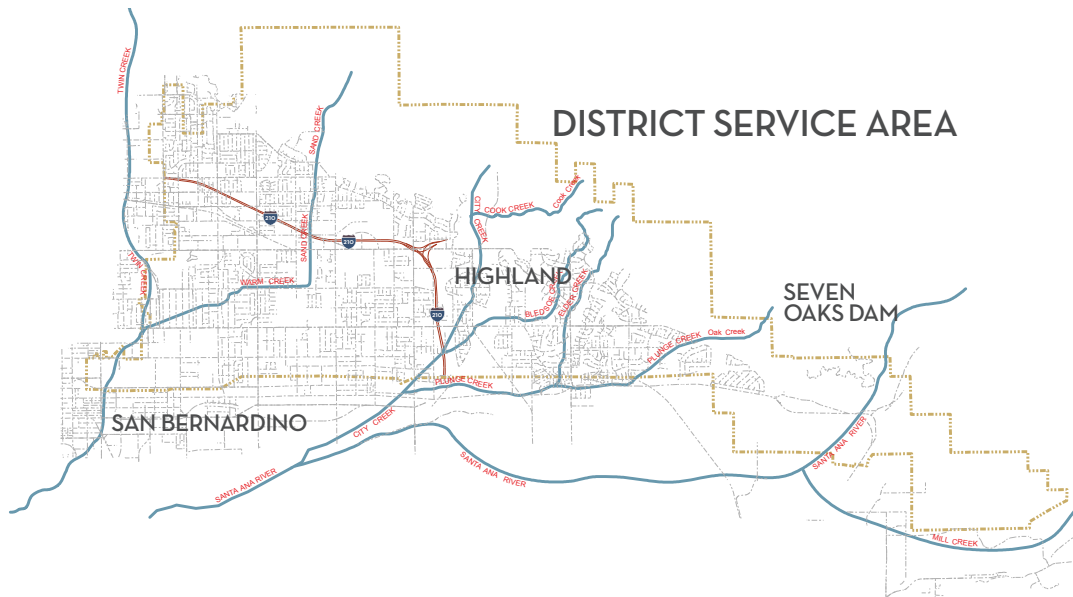
The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to East Valley Water District, California for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2018.

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

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

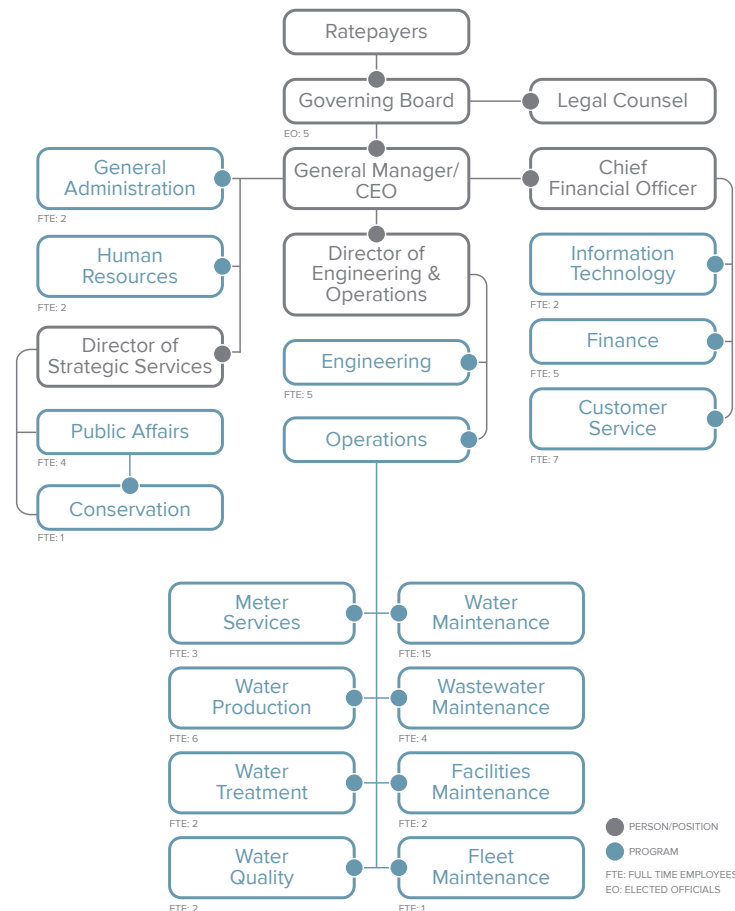
# About the District

East Valley Water District (EVWD) provides water and wastewater services to residents throughout a 30.1 square mile area to over 102,000 people within the cities of Highland and San Bernardino, portions of unincorporated County of San Bernardino, the San Manuel Band of Mission Indians, and Patton State Hospital.



# Organizational Structure

Presented to the right is an overview of the District's organizational structure. The District employs 67 full-time positions.



# TRANSMITTAL LETTER



As we commemorate 65 years of service to the community, we are pleased to present East Valley Water District's (EVWD or District) Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2019. This report summarizes financial information appearing in the 2019 Comprehensive Annual Financial Report (CAFR) and was created to provide valuable information related to District finances and the Capital Improvement Projects that support the expansion and improvement of our community's distribution system.

The PAFR is unaudited; however, the financial data presented in the PAFR is derived from the audited CAFR which is consistent with Generally Accepted Accounting Principles also known as GAAP. This document can also be reviewed on the District's website at [www.eastvalley.org/PAFR2019](http://www.eastvalley.org/PAFR2019).

For more detailed information, the District's Comprehensive Annual Financial Report is available for interested users at the District Headquarters, 31111 Greenspot Road, Highland, CA 92346. It can also be viewed on the District's website at [www.eastvalley.org/CAFR2019](http://www.eastvalley.org/CAFR2019). Questions comments and feedback regarding this report are encouraged, so please do not hesitate to contact Brian Tompkins, Chief Financial Officer, at [finance@eastvalley.org](mailto:finance@eastvalley.org) or (909) 381-6463.

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

Respectfully submitted,

John Mura  
General Manager/CEO



## *core values*

### **LEADERSHIP**

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

### **PARTNERSHIP**

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

### **STEWARDSHIP**

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



# District Vision

*Enhance & Preserve*  
THE QUALITY OF LIFE  
FOR OUR *Community*  
THROUGH INNOVATIVE LEADERSHIP  
& *World Class*  
PUBLIC SERVICE

## District at a Glance



The District serves a population of **102,000**



**16** Active Ground Water Wells



**450** Fire Hydrants Flushed Annually

**15,700** Manual & **7,300** AMI Automatic Meters Read Monthly



**214** Miles of Sewer Main



**268** Leaks Repaired



**300** Miles of Water Main



**3,300** Water Samples Collected Annually




**700** Valves Exercised

**15,000,000** AVERAGE Gallons of Water Produced Daily

**28,977,000** Gallons of Potable Water Stored

**6,000,000** Gallons of Sewage Conveyed Daily

Established **1954**  
 **30.1** Square Mile Service Area

# CAPITAL IMPROVEMENT PROJECTS



The District achieved a number of different accomplishments during Fiscal Year (FY) 2018-19. As a results-oriented organization, each program has clearly defined goals and objectives. During this period, there were four priority projects that contributed to achieving not only the District-wide goals, but also the District-Wide Vision:

- Advanced Metering Infrastructure Installation
- Plant 134 Surface Water Treatment Plant Membrane Replacement
- Wastewater Collection Main Replacement on Modesto Drive and 35<sup>th</sup> Street
- Warm Creek Facilities' Relocation

These projects are included in the Five-Year Capital Improvement Program.

## *district wide goals*

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

1 Assess the District's ability to increase development activity and implement action items as identified

2 Address challenges and opportunities related to North Fork Water Company

3 Develop a 5-year work program for Board consideration

4 Create a financial plan to reduce long-term pension liabilities

5 Research the requirements and procedures of creating a non-profit foundation for the community

6 Complete the necessary steps to continue advancement of the SNRC



Each year as part of the budget process, the District's Program Managers and Supervisors compile and submit a list of capital outlay requests for consideration. Staff reviews and prioritizes the list of equipment based on a needs assessment and the amount of funding available. Proposed Capital Improvement Projects for the budgeted fiscal year were submitted by the Engineering, Operations and Maintenance Programs in accordance with the anticipated needs of the District as outlined in the 2013 Wastewater Master Plan and 2014 Water Master Plan.

## PHASE II & III OF ADVANCED METER INFRASTRUCTURE (AMI) INSTALLATIONS



The District continues to replace its aged meters with new meters equipped with Advanced Metering Infrastructure (AMI) technology. The AMI technology allows the District to send and receive water consumption data in near 'real-time'. The completion of Phase II and III resulted in 4,276 meters replaced.

### PROJECT BENEFITS

- Reduced carbon footprint
- Provides customers with near real-time consumption information
- Faster identification of leaks

### PROJECT COMPLETED

**JUNE 2019**

### TOTAL PROJECT COST

**\$1,499,556**

## PLANT 134 SURFACE WATER TREATMENT MEMBRANE REPLACEMENT



The Surface Water Treatment Plant, also known as Plant 134, has five treatment trains that consist of 180 membrane filters per train. The manufacturer of the filters recommends replacing the filter every 5 to 7 years. In Fiscal Year 2018-19 staff replaced one full train.

### PROJECT BENEFITS

- Energy conservation
- Reduced production costs
- Intelligent use of resources

### PROJECT COMPLETED

**JANUARY 2019**

### TOTAL PROJECT COST

**\$293,992**

## WASTEWATER COLLECTION MAIN REPLACEMENT MODESTO & 35TH STREET



This project involved replacing two sections of undersized sewer main lines in the City of San Bernardino. On Modesto Drive, between 35th and 36th Streets, the project replaced 760 linear feet of 6-inch diameter main with 8-inch diameter main. The second portion of the project replaced 525 linear feet of 6-inch diameter main with 8-inch diameter main on 35th Street, between Garden Drive and Conejo Drive.

### PROJECT BENEFITS

- Modernized sewer main lines
- Reduced blockage risk
- Improved service to customers

### PROJECT COMPLETED

**JUNE 2019**

### TOTAL PROJECT COST

**\$453,728**

## WARM CREEK FACILITIES RELOCATION



The relocation of Warm Creek facilities' became necessary when the County of San Bernardino Flood Control District needed to make improvements to the Warm Creek flood channel. The project replaced 150 linear feet of 10-inch clay pipeline which crossed the flood channel. Replacement material included a 10-inch high-density polyethylene (HDPE) pipeline reinforced by encasing it with a 20-inch steel pipeline.

### PROJECT BENEFITS

- Prevented channel contamination
- Partnerships with local agencies

### PROJECT COMPLETED

**MAY 2019**

### TOTAL PROJECT COST

**\$289,725**

# STERLING NATURAL RESOURCE CENTER

## OPENING 2021

### *What is the SNRC?*

Currently under construction, the Sterling Natural Resource Center (SNRC) will treat 8 million gallons of wastewater a day initially, with the ability to expand to 10 million gallons a day, and recharge it into the local Bunker Hill Groundwater Basin where it will be stored for use in future drought years.

The facility vision is to construct a location that can produce recycled water, while creating a community center that will benefit the local residents.

### *Community Benefits*



#### COMMUNITY SPACE

The SNRC will provide a picnic area, demo garden, walking paths, workshop space, and a special events area.



#### DROUGHT-PROOF WATER SUPPLY

Water treated at the SNRC will help recharge the local Bunker Hill Groundwater Basin, where it will be stored for use in future drought years.



#### EDUCATION & TRAINING

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



#### NEIGHBORHOOD IMPROVEMENTS

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



### *Funding\**

The \$182.9 million project is being funded by a variety of sources including, low-interest loans, grants, future development fees, and wastewater service charges.

The District is continuously looking for additional funding services for the SNRC, such as grants and low-interest loans.



Funded in part by:







# STERLING

NATURAL RESOURCE CENTER

EASTVALLEY.ORG/SNRC



@EASTVALLEYWATERDISTRICT



@EASTVALLEYWATER



@EASTVALLEYWATERDISTRICT

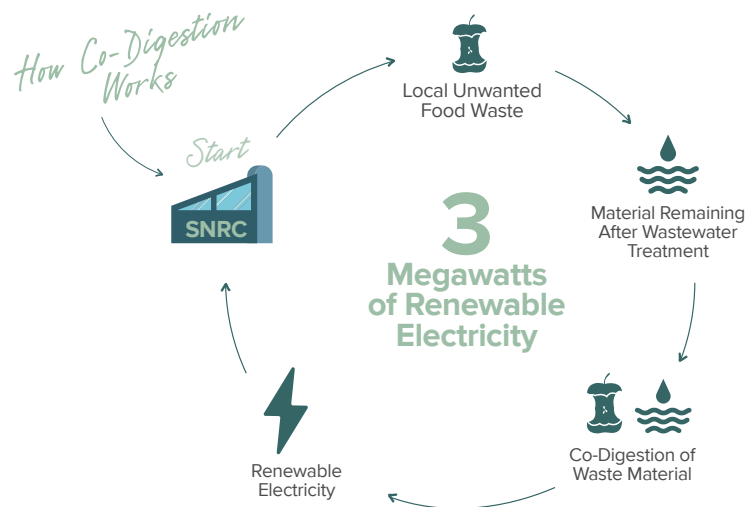


## ADDING A NEW RESOURCE

### *Co-Digestion Technology*

Making every source a resource, the SNRC will use state-of-the-art co-digester technology, to give local unwanted food waste a new purpose. Digesters will combine high-grade food waste with the material left behind during the treatment of wastewater to produce 3 megawatts of electricity.

This enhancement represents a significant improvement to the project by allowing the SNRC to produce enough renewable electricity to meet the facility's energy needs, with additional electricity transferred onto the energy grid.



*This is the equivalent amount of electricity needed to power about 1,950 homes.*

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

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

# community involvement

Since its establishment in 1954, East Valley Water District has embraced the responsibility to serve the public by going beyond the duty of providing a reliable water service. To truly make an impact on the lives of customers, the District incorporated local partnerships, active involvement, and special services to its community outreach efforts. Through these ongoing efforts, the District is able to make a positive impact and enhance the quality of life of residents of all ages.

## WORKING TOGETHER FOR CONSERVATION

Striving to be a community partner and assist residents with their conservation efforts, East Valley Water District hosted two free high-efficiency toilet distribution events where a combined total of 486 toilets were distributed. By helping the community replace their inefficient or leaky toilets, residents are able to reduce their consumption and possibly lower their monthly water bill.



## ADOPTING FAMILIES FOR THE HOLIDAYS

Hoping to bring holiday cheer to local families in need, the East Valley Water District Employee Events Association identified four families that could use some assistance during the holidays. Working together, staff collected grocery store gift cards, clothing, blankets, and toys for the little ones. Adding an extra holiday touch, staff wrapped the items so that the families would have a special gift to unwrap.

## SUPPORTING LOCAL NON-PROFITS WITH THEIR MISSION

East Valley Water District is proud to support local non-profits with fulfilling their mission through its Surplus Vehicle Donation Program. Through the program, the District donates fully functional vehicles to organizations that provide valuable services to the community. Most recently, the District donated a vehicle to the Highlanders Boxing Club and New Life Foursquare Church to assist them with transporting seniors and youth to and from their recreational programs.





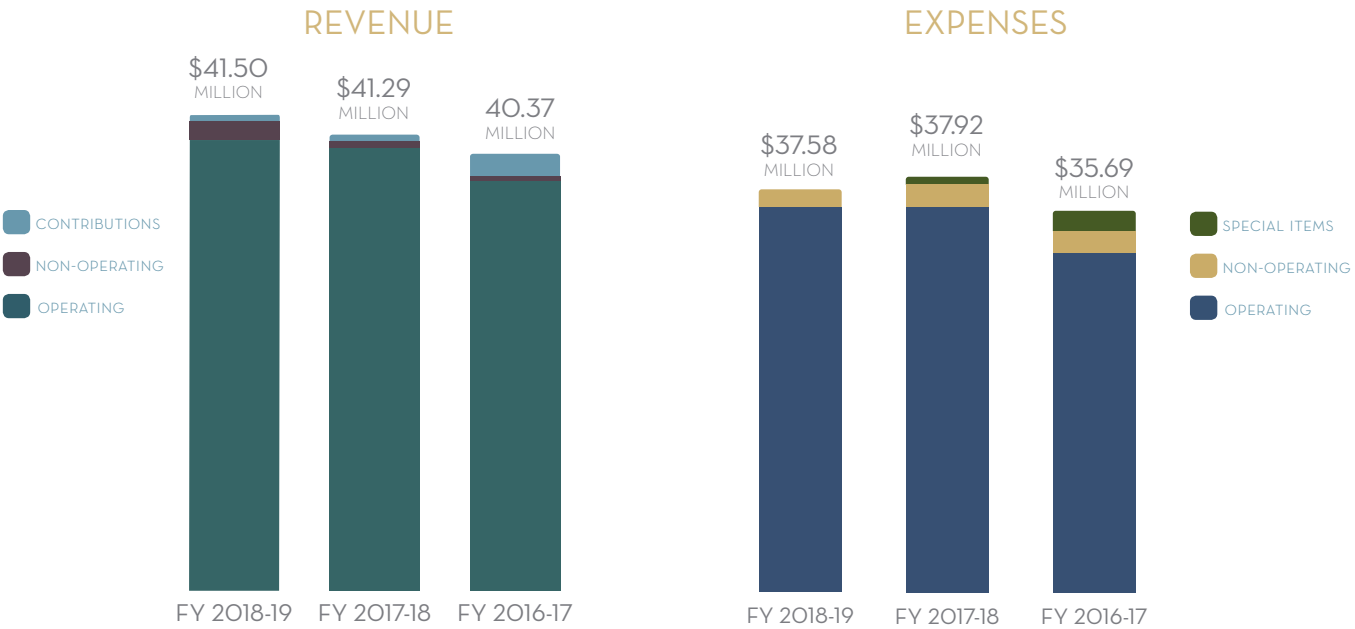
# FINANCIAL PERFORMANCE



## Revenue and Expenses

Providing safe drinking water to over 102,000 customers every day is the District’s top priority and also one of its most significant expenses. The graphs below represent the District’s combined revenue and expenses for FY 2018-19. For comparison purposes, FY 2016-17 and FY 2017-18 revenue and expenses have also been included.

Please refer to the District’s CAFR for a comprehensive breakdown of expenses which includes the availability of additional details.



### HOW IS REVENUE MANAGED?

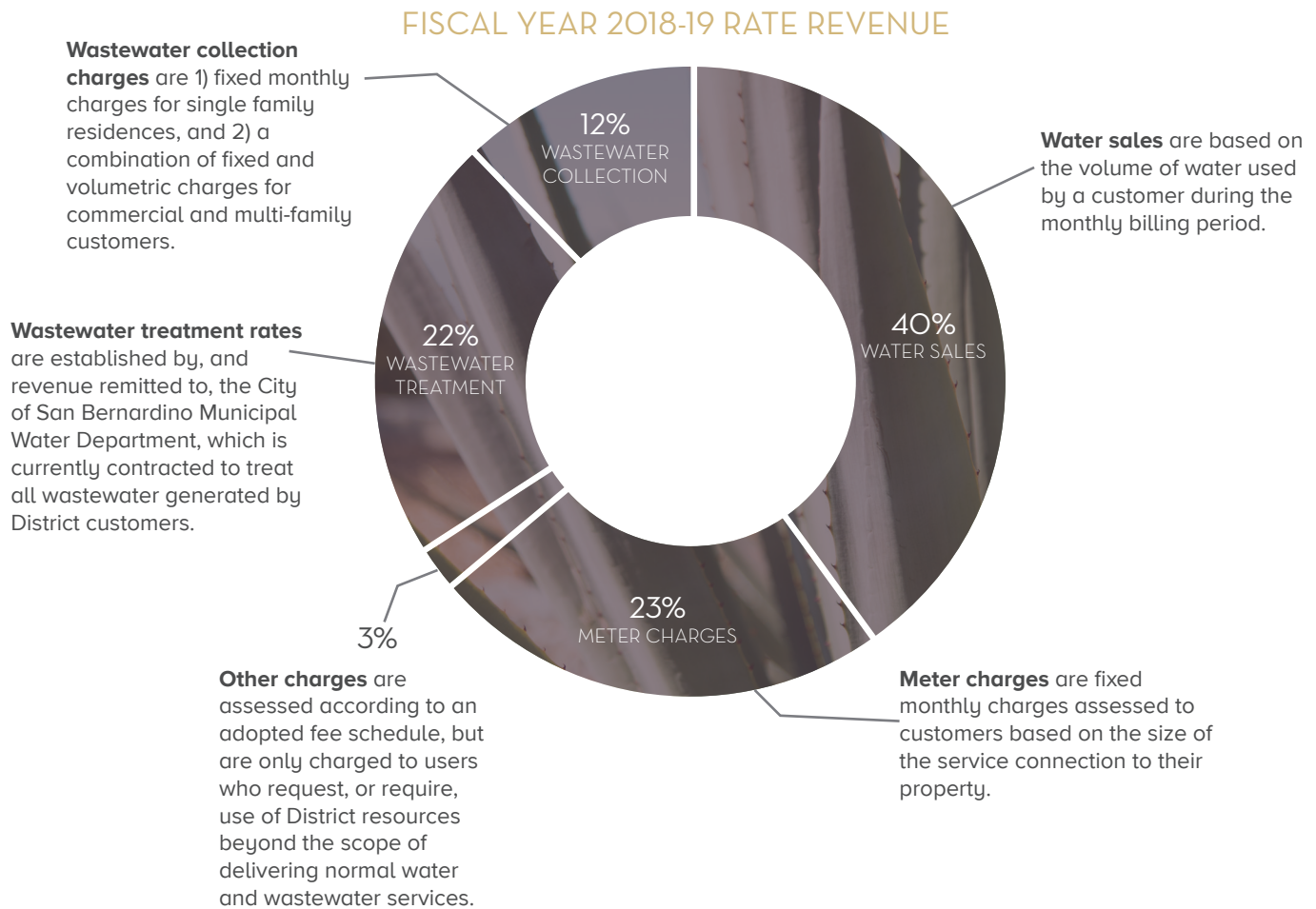
The District utilizes revenue to fund daily operations, repay loans, bonds, and interest. Remaining revenue is invested back into capital improvement projects to help maintain and improve the District’s system health so that EVWD may continue taking steps to support the Vision Statement of providing world class public service.

Revenue also provides funding for conservation and rebate programs, which empowers customers to be efficient water users and encourages water savings indoors and out. Excess net revenue after covering expenses and payments is placed in Replacement Reserves, the District’s account set aside to meet unforeseen costs.

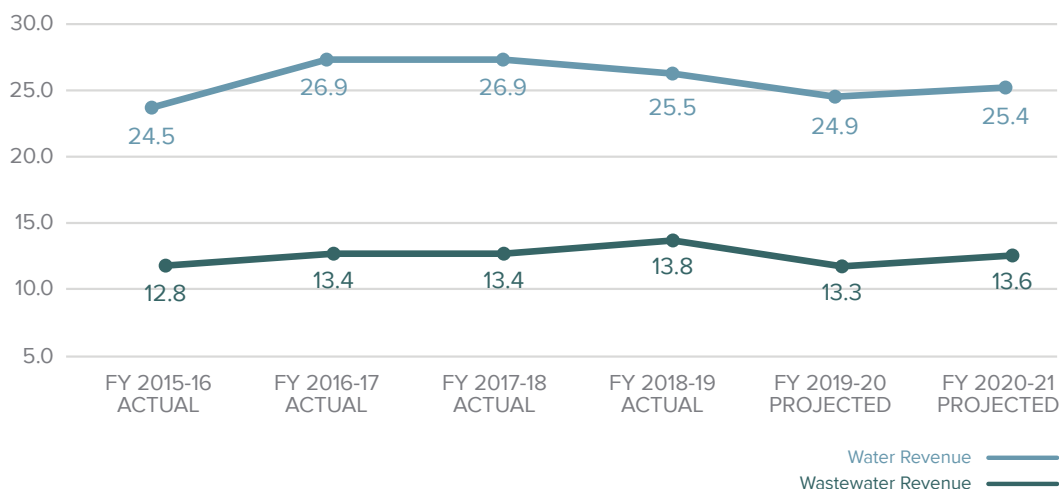
## REVENUE BY SOURCES

Revenue is used to fund day-to-day operation of the District.

East Valley Water District receives 97 percent of its revenue from user rates and fees; the District receives no increment from property or sales taxes. Rates and fees are reviewed on 3 to 5 year cycles and are adjusted as necessary to cover the costs of providing services to ratepayers.



## REVENUE HISTORY & FORECAST (IN MILLIONS)



Note: The District's water sales and meter charge revenue is expected to decrease through FY 2019-20. Due to rate increases, residents tend to reduce their water usage.

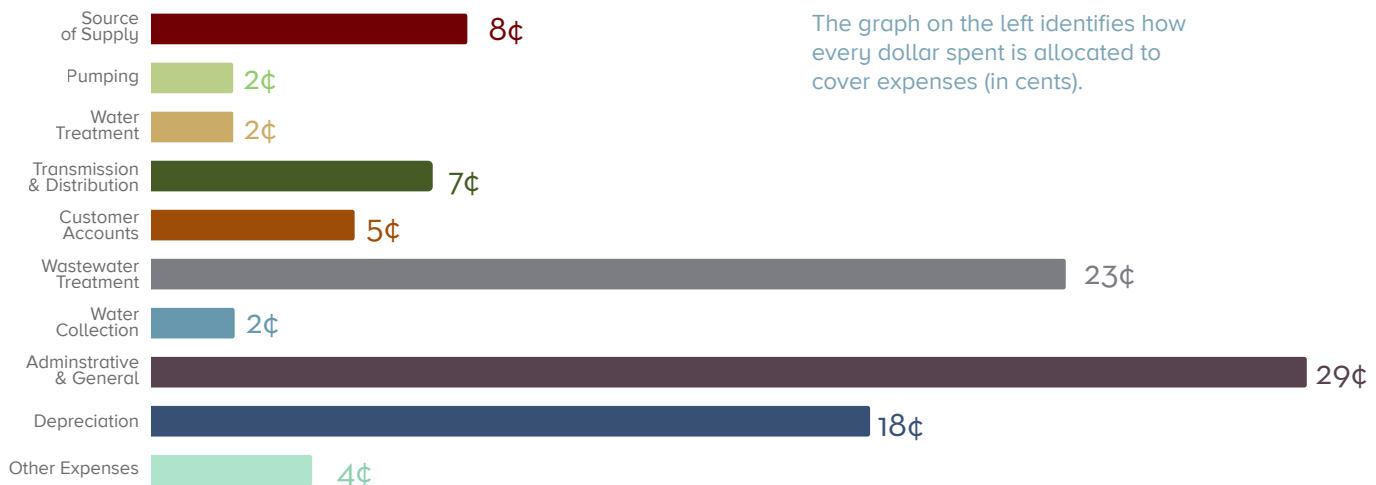
Additional information regarding the approved rates can be found at [eastvalley.org/rates](http://eastvalley.org/rates).



## BREAKDOWN OF EXPENSES

Expenses are based on the cost to provide water to meet customer demand and to collect and treat wastewater from customer residences or places of business. The District strives to provide safe and reliable water delivery services. Despite the severity of the recent drought, the District has put forth significant effort to overcome the challenges of maintaining a fiscally sustainable and operationally dependable organization.

### EXPENSES



*Operating expenses are identified and accounted for at the department level.*

### EXPLANATION OF EXPENSES

**Source of Supply** - Expenses related to the extraction of groundwater, and for procuring water from the Santa Ana River or State Water Project when supply is available.

**Pumping** - Expenses related to moving water throughout the District's water distribution system.

**Water Treatment** - Expenses related to the treatment of water.

**Transmission and Distribution** - Expenses for transmitting water to treatment plants and storage reservoirs for distribution to commercial and residential customers.

**Customer Accounts** - Expenses related to the service of customer accounts including, postage, telephone, printing and publishing, and billing services.

**Wastewater Treatment** - Expenses related to the contracted service currently provided by the City of San Bernardino Municipal Water Department.

**Wastewater Collection** - Expenses for the operation and maintenance of the District's system of wastewater collection pipelines.

**Administrative and General** - Expenses related to the administration of District operations. For example, employee compensation, benefits, conservation rebates, office supplies, banking services, materials and supplies, utilities, fuel, permits, insurance claims, legal services, and printing and publishing.

**Depreciation** - Expenses related to the use of capital assets over time.

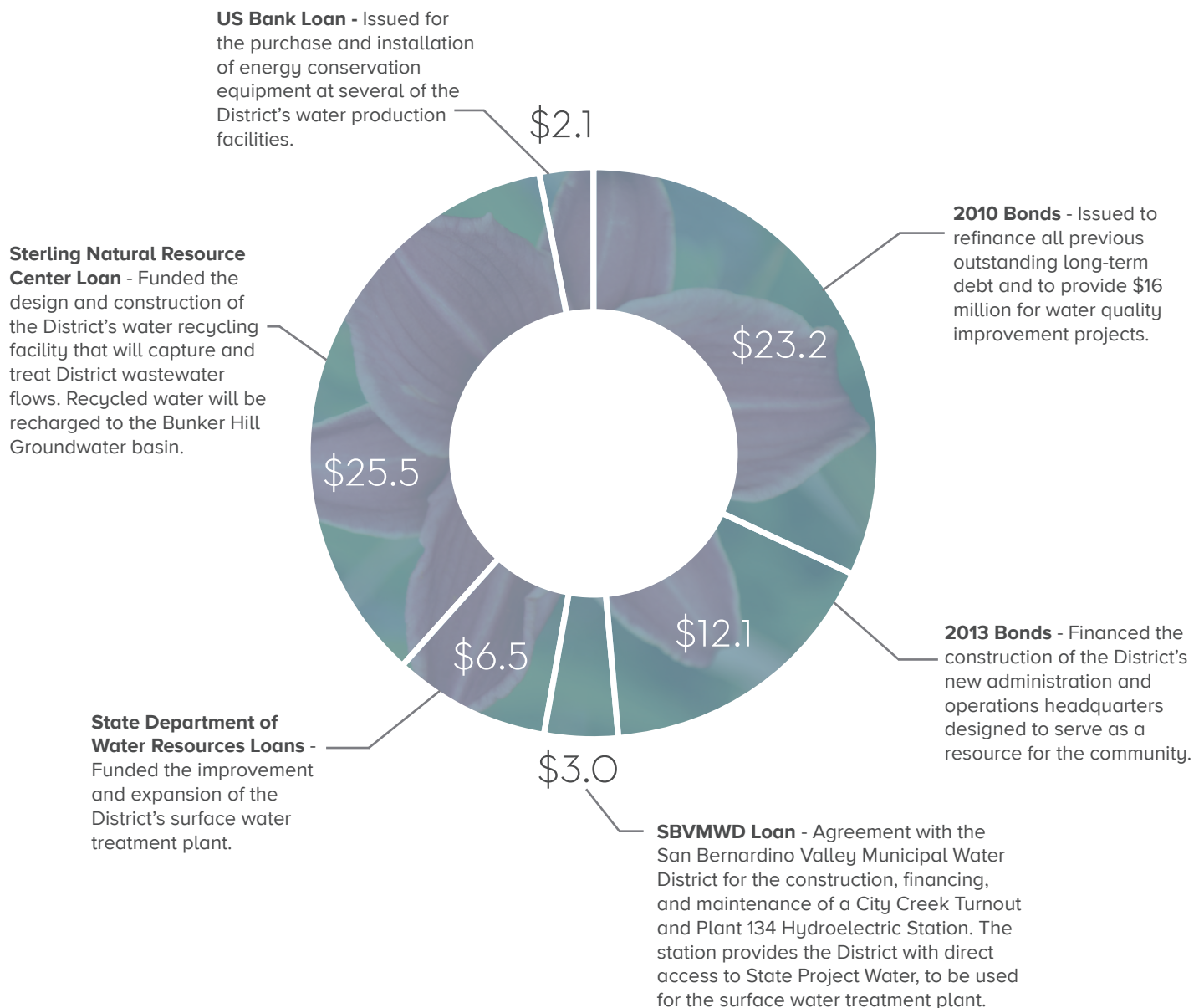
**Other Expense** - Expenses not related to the District's current cost of utility service delivery.

## OUTSTANDING LONG-TERM DEBT

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

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

### EXPLANATION OF DEBT (IN MILLIONS)

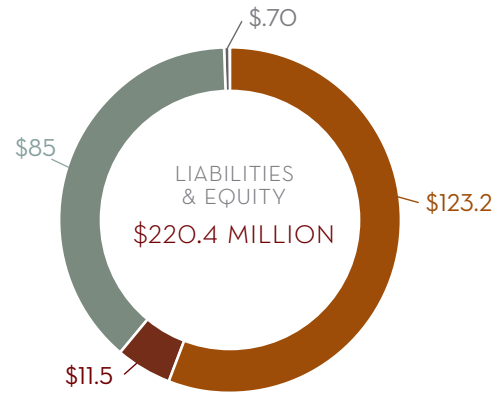
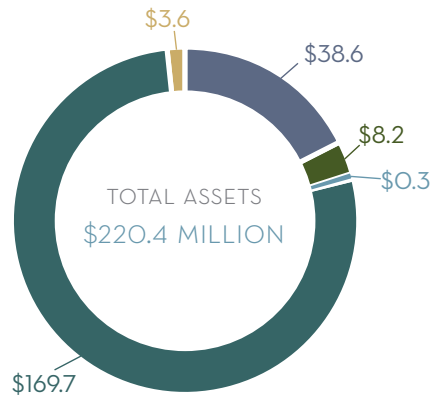


*East Valley Water District's long-term debt consists of bonds, loans and installment purchases.*

## 2 YEAR COMPARATIVE NET POSITION (IN MILLIONS)

As an infrastructure based organization, the District is heavily invested in capital investments to maintain and improve its water and wastewater system. Comparative net position offers perspective of the District's assets, liabilities, and equity. The information presented below applies to fiscal years ended June 30, 2019 and 2018.

### NET POSITION 2019



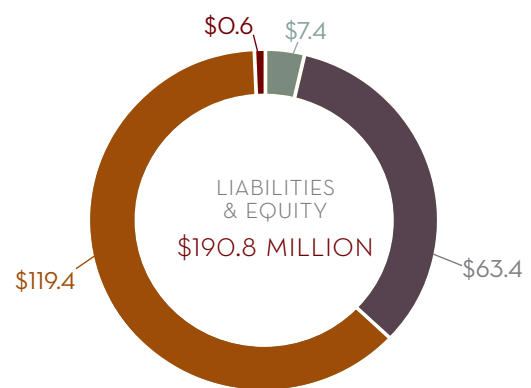
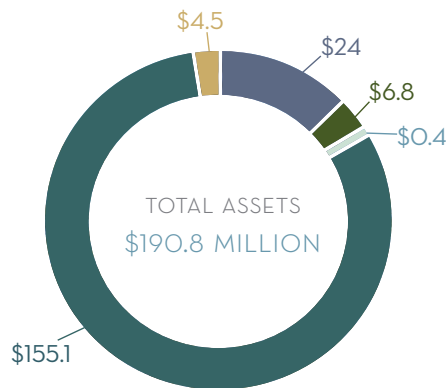
#### ASSETS

- Current Assets
- Restricted Assets
- Other Assets
- Capital Assets
- Deferred Outflow of Resources

#### LIABILITIES

- Current Liabilities
- Non-Current Liabilities
- Net Position
- Deferred Inflow of Resources

### NET POSITION 2018



### EXPLANATION OF ASSETS

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

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

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

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

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

### EXPLANATION OF LIABILITIES & EQUITY (NET POSITION)

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

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

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

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





## SAFE RELIABLE WATER & WASTEWATER SERVICE PROVIDER

East Valley Water District was formed in 1954 and provides water and wastewater services to over 102,000 residents within the cities of Highland and San Bernardino, and portions of San Bernardino County. EVWD operates under the direction of a 5-member elected Board.

### OFFICE HOURS

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

### CUSTOMER SERVICE & AFTER-HOURS EMERGENCY SERVICE

(909) 889-9501

### DISTRICT BOARD MEETINGS

Second and fourth Wednesday of each month  
District Headquarters Board Room, 5:30pm

### DISTRICT HEADQUARTERS

3111 Greenspot Road, Highland, CA 92346  
(909) 889-9501 [www.eastvalley.org](http://www.eastvalley.org)