QUARTZ HILL WATER DISTRICT

Board of Directors

AGENDA
NOTICE OF REGULAR MEETING

TIME: 5:30pm
DATE: June 16, 2022

Location: Quartz Hill Water District
5034 W Avenue L, Quartz Hill or
Join Zoom Meeting
https://us02web.zoom.us/j/83645610821?pwd=QnFJQVFjZHNzbEExS04wREFoYlFYdz09
Meeting ID: 836 4561 0821 Passcode: Water
Phone: +16699009128,,83645610821#,,,,*696372#

Our Mission is to be a responsible overseer of the resources, assets and natural environments entrusted to us in order to provide a high-quality water supply that is resilient, reliable, and supplied at a fair and equitable rate.

1. CALL TO ORDER

2. ROLL CALL

3. PLEDGE OF ALLEGIANCE

4. ADOPTION OF AGENDA
Members of the public shall have an opportunity to comment on each agenda item as the Board is considering it, prior to action being taken.

5. PUBLIC COMMENT

6. DISCUSSION ITEMS
None requested

7. ACTION ITEMS
Matters listed under this item are considered routine and non-controversial and will be acted upon in one motion in the order listed below. There will be no separate discussion on these items unless requested by a Member of the Board or the public prior to the time the Board approves the items.

A. CONSENT CALENDAR
1. Consideration and possible approval of the May 12, 2022, Minutes of the Regular Meeting of the Board of Directors.

and

2. Consideration and approval of the check register.

B. ACTION CALENDAR

1. Consideration and possible action to renew the Will Serve Letter for Tract 60431, located at 70th St West and Avenue M-8, 155 lots.

2. Consideration and possible action to approve the General Manager recommended Budget for Fiscal Year 2023.

8. INFORMATION ITEMS (Written reports included)

A. STAFF REPORTS
1. Report by Administrative Supervisor
   Debi Pizzo
2. Report by Assistant General Manager
   Brach Smith
3. Report by General Manager
   Brent Byrne

B. REPORT BY DIRECTORS
   Director Mercy: Report on June 7, 2022, SDANLAC meeting.

C. REPORT BY ATTORNEY
   To be presented during closed session.

9. DIRECTOR REQUESTS FOR FUTURE AGENDA ITEMS

10. CLOSED SESSION

A. Conference with Legal Counsel
1. Existing Litigation (Paragraph (1) of subdivision (d) of Section 54956.9)
   a. Diamond Farming/Bolthouse Farms Case/LA County
2. Anticipated Litigation
   Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9
   a. Agreement KWHW:JHH.mh 12-10-59-6 of February 4, 1959.

B. Public Employee Performance/Discipline/Dismissal/Release

C. Personnel Matters
   PUBLIC EMPLOYEE EMPLOYMENT

11. PUBLIC REPORT ON ACTION TAKEN IN CLOSED SESSION

12. ADJOURNMENT

In accordance with the Americans with Disabilities Act of 1990, if requested, this agenda will be made available in an appropriate alternative format to persons with a disability. If you need disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call Debi Pizzo at (661) 943-3170, or inquire at Quartz Hill Water District's office, at least 48 hours prior to the meeting.

QUARTZ HILL
WATER DISTRICT

QUARTZ HILL WATER DISTRICT

Board of Directors

MINUTES of the REGULAR MEETING

TIME: 5:30pm **DATE:** Thursday, May 12, 2022

Location: Quartz Hill Water District

~~5034 W Avenue L, Quartz Hill or~~

Join Zoom Meeting

https://us02web.zoom.us/j/86555757599?pwd=Mzc4cTBvbkQ5bzFWVlU3b2ZuVDBQZz09

Meeting ID: 865 5575 7599 Passcode: Water

Phone: +16699009128,,86555757599#,,,,*473530#

Our Mission is to be a responsible overseer of the resources, assets and natural environments entrusted to us in order to provide a high-quality water supply that is resilient, reliable, and supplied at a fair and equitable rate.

1. CALL TO ORDER THE REGULAR MEETING OF THE BOARD OF DIRECTORS

President Carter calls the meeting to order at 5:30 p.m.

2. ROLL CALL

President Sheldon A. Carter, Vice President Drew Mercy, Director Allen G. Flick, Sr., Director Holtz, Board Clerk Debi Pizzo, Assistant General Manager Brach Smith, General Manager Brent Byrne, and Brad Weeks of Charlton Weeks LLP.

Absent: Director Lance Pierson Staff in Attendance: None

Members of the Public in Attendance or online: Former General Manager Chad Reed via Zoom

~~3. PLEDGE OF ALLEGIANCE~~

~~Led by Board Vice President Drew Mercy~~

4. ADOPTION OF AGENDA

With no request for amendment, the Agenda is adopted by assent.

5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC)

Dedication of Well 17 to Chad J. Reed pictures shared. The Board expressed their appreciation to Mr. Reed and he was humbled and honored by this presentation.

6. DISCUSSION ITEM

None requested.

7. ACTION ITEMS

A. CONSENT CALENDAR

1. Consideration and possible approval of the April 21, 2022, Minutes of the Regular Meeting of the Board of Directors.

and

2. Consideration and possible approval of the check register.

With no request for amendment, the consent calendar is approved by assent.

DRAFT

B. AUTHORIZATION FOR STAFF TO ATTEND CONFERENCES, MEETINGS, SEMINARS AND TRAINING SESSIONS AS FOLLOWS:

and

C. AUTHORIZATION FOR MEMBERS OF THE BOARD TO ATTEND CONFERENCES, MEETINGS, SEMINARS AND TRAINING SESSIONS AS FOLLOWS:
None requested.

D. ACTION CALENDAR

1. Consideration and possible action to approve Drought Watering Restrictions in accordance with our Water Shortage Contingency Plan.
On motion by Director Holtz, and second by Director Flick, the mandatory watering days on Tuesday, Thursday, Saturday and Sunday after 6pm and before 10am (holding off surcharges as long as possible) was unanimously approved effective Sunday, May 15, 2022.

2. Consideration and possible action to approve bid for asphalt seal coating in the amount of $18683.00.
On motion by Director Holtz, and second by Director Flick, the Board unanimously approved bid.

8. INFORMATION ITEMS (Written reports included)
   A. STAFF REPORTS
   1. Report by Administrative Supervisor
      Debi Pizzo
   2. Report by Assistant General Manger
      Brach Smith
   3. Report by General Manager
      Brent Byrne
   C. REPORT BY ATTORNEY
      None
9. DIRECTOR REQUESTS FOR FUTURE AGENDA ITEMS
   None
10. CLOSED SESSION
   A. Conference with Legal Counsel
      1. Existing Litigation (Paragraph (1) of subdivision (d) of Section 54956.9)
         a. Diamond Farming/Bolthouse Farms Case/LA County
      2. Anticipated Litigation Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9
         a. Agreement KWHW:JHH.mh 12-10-59-6 of February 4, 1959.
         b. Possible Fraud
   B. Public Employee Performance/Discipline/Dismissal/Release
   C. Personnel Matters
      PUBLIC EMPLOYEE EMPLOYMENT
11. PUBLIC REPORT ON ACTION TAKEN IN CLOSED SESSION
   None
12. ADJOURNMENT
   President Carter called or any other business. When none was presented, the meeting adjourned at 6:59.

_____ Attested: _____

Sheldon A. Carter, President Debi Pizzo, Board Secretary

DRAFT

Quartz Hill Water District
Check/Voucher Register - CHECK REGISTER
From 5/1/2022 Through 5/31/2022

Document Date	Check Number	Payee	Check Amount	Spoiled
5/12/2022	13645	Antelope Valley Window Cleaning	30.00	No
5/12/2022	13646	Antelope Valley Watermaster	9,647.95	No
5/12/2022	13647	Antelope Valley East Kern Water Agency	66,726.54	No
5/12/2022	13648	Antelope Valley East Kern Water Agency	55,773.21	No
5/12/2022	13649	FRANCISCO CRESPO	90.00	No
5/12/2022	13650	DataProse, Inc.	4,212.81	No
5/12/2022	13651	Michael K. Nunley & Associates, INC.	312.50	No
5/12/2022	13652	PUBLIC WATER AGENCIES GROUP	963.75	No
5/12/2022	13653	MICHAEL REINHOLDSON	1,128.84	No
5/12/2022	13654	Tesco Controls, Inc	82,479.75	No
5/12/2022	13655	KEVIN WHITNEY	524.98	No
5/12/2022	13656	ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOC (AVSWCA)	2,308.00	No
5/12/2022	13657	MERCEDES MORALES	2,774.89	No
5/12/2022	13657	MERCEDES MORALES	(2,774.89)	No
5/27/2022	13658	AFSCME LOCAL 1902	485.38	No
5/27/2022	13659	Anthem Blue Cross	823.23	No
5/27/2022	13660	ATS COMMUNICATIONS	1,550.00	No
5/27/2022	13661	MERCEDES MORALES	725.11	No
5/27/2022	13662	Olivarez Madruga Lemieux O'neil	861.00	No
5/27/2022	13663	RBC Inc	14,590.00	No
5/27/2022	13663	RBC Inc	(14,590.00)	No
Report Total			228,643.05	

Quartz Hill Water District
Cash Journal - Check Register
From 5/1/2022 Through 5/31/2022

1030 - Cash In Bank (California Bank & Trust)

Document Number	Effective Date	Transaction Description	Journal Vouchers
01	5/2/2022	BANKCARD USA-1015 APRIL 2022	108.06
02	5/2/2022	SCE Power Well 14 (03.16 to 04.13.22) SCE	479.69
03	5/2/2022	EDD 01.01 to 03.31.22 CA STATE UNEMPLOY (EMPLOYER)	1,297.50
03	5/2/2022	EDD 01.01 to 03.31.22 SUTA PAYROLL TAXES	86.50
04	5/2/2022	SCE Power (Opp Center) 03.16 to 04.13.22 SCE	1,449.94
04	5/2/2022	SCE Power (Opp Center) 03.16 to 04.13.22	408.51
05	5/2/2022	BANKCARD USA-GENERAL APRIL 2022	3,876.54
06	5/3/2022	AUTHORIZE.NET-1015 APRIL TRANS AND APRIL BATCHES	15.00
07	5/3/2022	AUTHORIZE.NET-GENERAL APRIL TRANS AND APRIL BATCHES	333.00
08	5/9/2022	EideBailly (April 2022 services)	7,000.00
09	5/10/2022	EDD 05.05.22 SDI PAYROLL TAXES	501.06
10	5/10/2022	EDD 05.05.22 SIT PAYROLL TAXES	1,827.30
11	5/11/2022	SCE Power Well 7 (03.30 to 04.28.22)	56.69
12	5/11/2022	CALPERS-PEPRA 05.05.22 PAYROLL	1,834.52
13	5/11/2022	LINCOLN 05.05.22 PAYROLL	2,054.84
14	5/11/2022	CALPERS-CLASSIC 05.05.22 PAYROLL	5,908.33
15	5/11/2022	IRS 05.05.22 SOCIAL SECURITY-TAXES PAYROLL	5,648.52
15	5/11/2022	IRS 05.05.22 FIT PAYABLE-TAXES PAYROLL	4,668.24
15	5/11/2022	IRS 05.05.22 MEDICARE-TAXES PAYROLL	1,321.04
16	5/16/2022	SCE Power Well 9 (03.30 TO 04.28.22) SCE	1,791.62
17	5/16/2022	SCE Power Multi (Well 06) 03.30 to 04.28.22	4,070.09
17	5/16/2022	SCE Power Multi (well 5A) 03.04 to 04.03.22 SCE	3,703.61
17	5/16/2022	SCE Power Multi (Well 08) 03.30 to 04.28.22	2,670.11
17	5/16/2022	SCE Power Multi (Well 12) 03.30 to 04.28.22	1,579.14
17	5/16/2022	SCE Power Multi (well 5A) 03.04 to 04.03.22	1,341.83
17	5/16/2022	SCE Power Multi (Well 17) 03.16 to 04.13.22 SCE	1,003.91
17	5/16/2022	SCE Power Multi (Well 15) 03.31 to 05.01.22	853.25
17	5/16/2022	SCE Power Multi (Forecast Pump) 03.25 to 04.25.22 SCE	643.80
17	5/16/2022	SCE Power Multi (Cal Prop) 03.04 to 04.03.22	588.65
17	5/16/2022	SCE Power Multi (Well 17) 03.16 to 04.13.22	350.29
17	5/16/2022	SCE Power Multi (Ave M Pump) 03.03 to 03.31.22 SCE	165.03
17	5/16/2022	SCE Power Multi (Tanks on Hill) 03.04 to 04.03.22	115.53
17	5/16/2022	SCE Power Multi (Forecast Pump) 03.25 to 04.25.22	109.10
17	5/16/2022	SCE Power Multi (M4 and 50th) 03.04 to 04.03.22	2.75
18	5/18/2022	SCE Power Well 16 (03.30 to 04.28.22) SCE	998.62
19	5/20/2022	LINCOLN 05.19.22 PAYROLL	2,085.94
20	5/20/2022	CALPERS-PEPRA 05.19.22 PAYROLL	2,094.92
21	5/20/2022	CALPERS-CLASSIC 05.19.22 PAYROLL	4,312.38
22	5/23/2022	Cal Bank and Trust Analysis (Bank Fees) April 2022	2,475.76
23	5/24/2022	EDD 05.19.22 SIT PAYROLL TAXES	1,540.89
23	5/24/2022	EDD 05.19.22 SDI PAYROLL TAXES	482.66
23	5/24/2022	EDD 05.19.22 SIT PAYROLL TAXES Brach Smith	35.06
23	5/24/2022	EDD 05.19.22 SDI PAYROLL TAXES Brach Smith	29.61
24	5/24/2022	SO CAL GAS (OPERATIONS CENTER) 03.31 to 04.29.22	16.78

25	5/25/2022	IRS 05.19.22 SOCIAL SECURITY-TAXES PAYROLL	5,440.80
25	5/25/2022	IRS 05.19.22 FIT PAYABLE-TAXES PAYROLL	3,650.12
25	5/25/2022	IRS 05.19.22 MEDICARE-TAXES PAYROLL	1,272.44
25	5/25/2022	IRS 05.19.22 SOCIAL SECURITY-TAXES PAYROLL Brach Smith	333.82
25	5/25/2022	IRS 05.19.22 MEDICARE-TAXES PAYROLL Brach Smith	78.08
25	5/25/2022	IRS 05.19.22 FIT PAYABLE-TAXES PAYROLL Brach Smith	33.86
26	5/27/2022	SC LUBRICANTS (oil for chlorine pumps)	237.30
27	5/31/2022	SCE Power Well 14 (04.14 to 05.15.22) SCE	468.37
28	5/31/2022	SCE Power (Opp Center) 04.14 to 05.15.22 SCE	1,241.39
28	5/31/2022	SCE Power (Opp Center) 04.14 to 05.15.22	442.85
		Report Total	85,135.64

Quartz Hill Water District
Check/Voucher Register
From 5/1/2022 Through 5/31/2022

Document Date	Document Number	Payee	Document Amount
5/12/2022	3137	MARY AGUIAR	175.20
5/12/2022	3138	STEVEN AMENT	133.37
5/12/2022	3139	CLARK BAKER	6.43
5/12/2022	3140	WILLIAM BEATTY	9.44
5/12/2022	3141	MELONI BURGESS	24.89
5/12/2022	3142	CLEARVIEW REALESTATE HOLDINGS	110.84
5/12/2022	3143	BONITA CUSMANO	1.37
5/12/2022	3144	MELINDA DULDULAO	14.55
5/12/2022	3145	GARY LANCASTER	41.46
5/12/2022	3146	CLINT MCCLURE	29.08
5/12/2022	3147	CHRISTOPHER NAGY	108.15
5/12/2022	3148	OPENDOOR LABS INC	55.18
5/12/2022	3149	MARK RERICHA	72.92
5/12/2022	3150	VICTORIA RODARTE	107.87
5/12/2022	3151	MERLE ROGERS	35.63
5/12/2022	3152	SEAN ROZENBERG	38.38
5/12/2022	3153	JOHN SCHNEIDER	15.81
5/12/2022	3154	DEREK STORM-LARSEN	27.29
5/12/2022	3155	HEATHER TOMA	16.43
5/12/2022	3156	ALAN WEDERTZ	55.42
5/27/2022	3096	LANCASTER REDEVELOPMENT AGENCY	(37.47)
5/27/2022	3157	DREW ALEXANDER	4.89
5/27/2022	3158	PHILLIP ATKINS	40.61
5/27/2022	3159	DANNY H CAROL	78.52
5/27/2022	3160	CASAS BONITAS	70.28
5/27/2022	3161	DOUGLAS JOHNSON	37.87
5/27/2022	3162	GARY LANCASTER	57.01
5/27/2022	3163	ESTELA MEJIA	4.82
5/27/2022	3164	JOHN SCHNEIDER	35.09
5/27/2022	3165	MARVIN VASQUEZ	44.31
5/27/2022	3166	PAUL VILLASENOR	61.00
5/27/2022	3167	ALAN WEDERTZ	70.36
5/27/2022	3168	LANCASTER REDEVELOPMENT AGENCY	37.47
Report Total			1,584.47

Victorville Enterprises, LLC and Lancaster Villas, LLC
11950 San Vicente Blvd., Suite 200
Los Angeles, CA 90049
310.442.6006
310.442.6002 fax

June 3, 2022

Re: Renewal of Will Serve Letter for Tract No. 60431

Board of Directors
Quartz Hill Water District
5034 W. Avenue L
Quartz Hill, CA 93536

Dear Members of the Board of Directors,

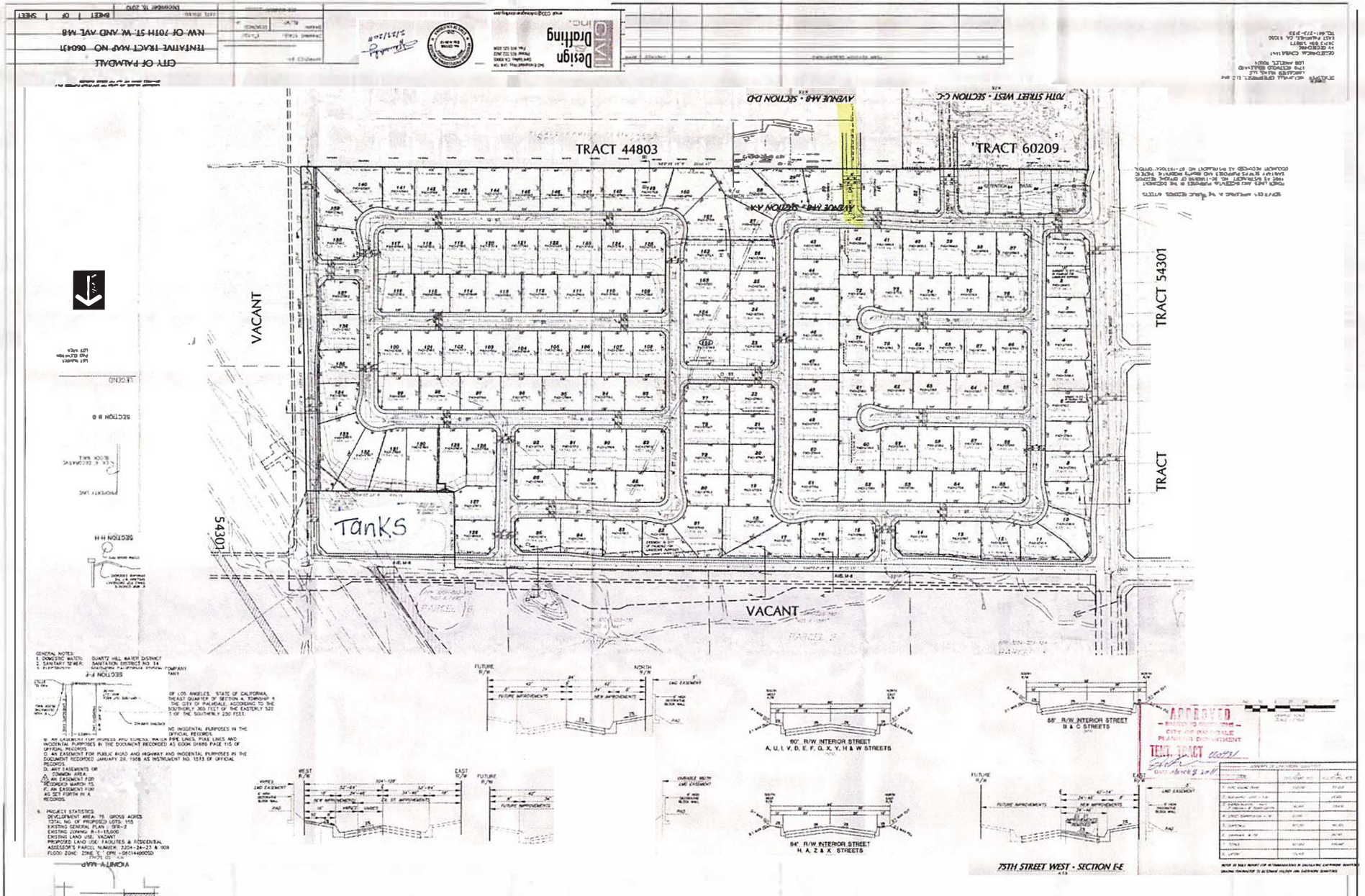
I would kindly like to request that the Board renew our Water Will Serve Letter for Tract No. 60431, located at 70th St. West and Avenue M-8. I will have a representative attend the next Board meeting who will be available to answer any questions regarding the request or the project.

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Christian Cisla

ON BEHALF OF,
Daniel Saparzadeh
Victorville Enterprises, LLC and Lancaster Villas, LLC



NO. 060431 TENTATIVE TRACT MAP

Quartz Hill Water District

Budget FY 23

QUARTZ HILL WATER DISTRICT
BUDGET FY 2023
TABLE OF CONTENTS

Table of Contents

FISCAL YEAR 2023 BUDGET-EXECUTIVE SUMMARY 5

QUARTZ HILL WATER DISTRICT 7

Drought 9

Water Portfolio 9

Chart of Accounts 10

Revenues 10

Expenses 10

Mission and Values 12

Management and Staff 13

FY 2022 Accomplishments 13

Monitoring Performance Indicators/ Benchmarking 15

FY 2023 Objectives 15

Litigation Expenses 17

Operations Report 18

FY 2022 System Indicators 18

FY 2022 Administrative Staff Accomplishments 18

FY 2022 Field Staff Accomplishments 19

FY 2023 Field Staff Objectives 20

Conservation Department 21

FY 2022 Accomplishments 21

FY 2023 Objectives 22

Budget Performance 23

Source of Funds 24

Comparison of Revenue funds 24

Operating Revenues 25

Non-Operating Revenues 25

How We Stack Up 26

Capacity Fees 27
Use of Funds 28
Comparison of Expense Funds 28
Use of Funds by Department 29
Description of Funds 30
Budget Detail 31
New Assets 33
Summary Budget Expenditure Request 34
Capital Projects 34
New Equipment 34
Replacement Equipment 35
Replacement Capital Projects 35
APPENDIXES 37
APPENDIX A Asset Management Policy 38
APPENDIX B California Water Code- Sections 370-374 45
APPENDIX C Glossary 49
APPENDIX D Water Master Report 52

Listing of Tables

TABLE 1 QHWD EXPANDED RATE COMPONENTS, FIRST TWO TABLES ARE RESIDENTIAL FIXED AND CONSUMPTION RATES TABLES THIRD AND FOURTH TABLE NON-RESIDENTIAL FIXED AND CONSUMPTION RATES,....8
TABLE 2 BENCHMARK AND INDICATORS FROM ACWA BENCHMARKING AND INDICATOR 2015 MANUAL....15
TABLE 3 ACTUAL REVENUES AND PROJECTED REVENUES....24
TABLE 4 CAPACITY FEE BY METER SIZE....27
TABLE 5 PHYSICAL METER COST....27
TABLE 7 EXPENSES BY CATEGORY....28
TABLE 8 LIST OF DEPARTMENTS AT QHWD....29
TABLE 9 CHART OF ACCOUNT SERIES FOR QHWD....29
TABLE 10 EXPANDED CHART OF ACCOUNTS WITH EXPENSES AND PREVIOUS YEAR'S DETAILS....31
TABLE 12 QHWD CAPITAL IMPROVEMENT PROJECTS SUMMARY BY BUDGET YEAR....35

Listing of Figures

FIGURE 1 GRAPHIC DEPICTING ALLOCATION METHODS AND PRACTICES. TAKEN FROM QHWD PROP 218 MAILER....8
FIGURE 2 MAP OF DISTRICT BOUNDARIES....11
FIGURE 3 FY '23 ANTICIPATED REVENUE BY PERCENTAGE....24
FIGURE 4 AVERAGE RESIDENTIAL BILL USING 16UNITS (PRODUCED BY RDN) BASED ON RATE STUDY 2021....26
FIGURE 6 FY '22 FISCAL USE OF FUNDS BY TYPE....28

QUARTZ HILL WATER DISTRICT

5034 West Avenue L, QUARTZ HILL, CA 93536-3512
t: 661-943-3170 • f: 661-943-0457

FISCAL YEAR 2023 BUDGET-EXECUTIVE SUMMARY

Quartz Hill Water District will be a responsible overseer of the resources, assets and natural environments entrusted to us in order to provide a high-quality water supply that is resilient, reliable and supplied at a fair and equitable rate. (Mission Statement)

FOR: QUARTZ HILL WATER DISTRICT CUSTOMERS AND STAKEHOLDERS

FROM: BRENT BYRNE, GENERAL MANAGER

Introduction

Quartz Hill Water District Staff is pleased to present the budget for FY 2023 to the Board of Directors and the customers we so proudly serve. Your continued interest in Quartz Hill Water District (QHWD) and the financial stability of the QHWD is appreciated.

QHWD has faced unprecedented times over the past year due to many challenges including Governor Newsom's state mandated drought restrictions, the financial state of the U.S. economy, covid related issues, supply chain delays, and staff turnover. Despite all of these challenges QHWD continues to achieve the goals set forth by the vision of the Board of Directors: be in a sound financial position, providing safe water at equitable rates delivered to our customers, maintaining a healthy water portfolio, and providing a workplace environment for staff to succeed.

The State of California mandated drought restrictions have created challenging times for both the districts customers and QHWD staff. Field Operations have altered the water supply production/delivery strategy to accommodate the needs of customers yet work within the allotments provided by the State to supply those needs. Administrative staff has put together a comprehensive outreach plan to engage customers and promote a 20% reduction of use district wide.

The U.S economy has experienced a rise of inflation rates which many of us have never suffered and may continue for FY 23. As the Federal Reserve continues to raise interest rates to help subdue inflation, we are challenged with forecasting how and when the economy will stabilize. QHWD investments have also felt the impact of the economy and are not performing

as budgeted. Further investment strategies will be reviewed to maximize the earnings of these funds.

Covid-19 continued to have an impact on the district operations both internally and externally. Some customers were able to utilize state funded grants to help ease the outstanding water bills and payment plans were arranged with others to accommodate these difficult times. Appropriate covid protocols remain in place to ensure workplace safety. A few staff were affected directly from covid or an exposure resulting in missed workdays. Another operational aspect affected by covid was the supply chain delays on material, and how that delay has influenced prices and availability for the materials needed to operate the district.

Over the past year we have experienced some staff turnover, one being the resignation of long-time general manager Chad Reed. After 15 plus years with the district Mr. Reed left to pursue other career goals, he will be missed but he leaves QHWD in a good position to succeed in the future.

Quartz Hill Water District expects operating revenues for FY'22 to be $6.62 million with $5.52 million operating expenses (Without Depreciation). Planned capital expenditures are expected to be $782K and financial obligations for payment of principal and interest on debt was $567K. Revenues were slightly less than budgeted due to State imposed restrictions regarding shutting off services for non-payment and reduced water sales in response to State mandated drought restrictions. Another financial pitfall was investments which returned historical lows. The expenses were slightly higher due to inflated supply costs and increasing energy expenses.

The proposed budget is utilizing the long-term financial model provided by RDN and along with the historically proven capital improvement strategies. Quartz Hill Water District's Strategic Plan also identifies the Core Values exercised by the District and the Strategic Elements required to accomplish our Mission**.** These management Strategic Elements provides the framework for the remaining 2022 budget discussion and proposed FY '23 budget.

They are:

- Vision
- Respect
- Integrity
- Excellence
- Legacy

QUARTZ HILL WATER DISTRICT

In 1954, Quartz Hill County Water District (name changed by Resolution 217 and recorded in January of 1980 to drop the word County) was founded when two Mutual Water Companies were combined. The names of the Mutual Water Companies were B.V Mutual Water Company (B.V.) and Belle Vue (Bel View) Mutual Water Company. At the time of the merger B.V had 54,166 feet of mains and 2 wells and the total system was appraised at $94,000.00. Bel View also had an appraisal performed for the purpose of purchasing the Company and the appraisal reports 17,120 feet of mains and 1 well was present. The total system was appraised at $23,500.00 in 1954.

Since this time, QHWD has grown and currently has over a half million feet of mains and 10 wells. During the previous audit year (Fiscal Year 2021), the distribution system and asset was valued over $40 million. During the month of May 2022 QHWD staff billed 5769 accounts with 77 dormant for that billing cycle, which would equal more than 20,000 people served based off the average household size as determined by last census. QHWD currently obtains all of its potable water from two sources, the first is the Antelope Valley Aquifer and the second is Antelope Valley East Kern, our State Water Project provider. During the past calendar year, Quartz Hill Water District used approximately 56% imported water and 44% ground water to protect this finite resource.

In 2008, QHWD changed the billing practices from bi-monthly to monthly to help customers during those difficult economic times and help standardize billing practices across all utilities. During FY21 QHWD contracted with Robert D. Niehaus, INC to perform a multiply year rate analysis found at WWW.QHWD.ORG.

Per the Cost-of-Service Analysis, new rates were adopted, and the residential rate structure of 4 tiers was maintained with an increasing conservation block rate practice that was originally put into place by the Board of Directors in early 2009. Two components are used to derive this rate structure, namely the inside and outside allotment. The inside allotment is based on the number of occupants per dwelling unit and a base amount of water allotted for each person. It is assumed that 3 people reside at each home. The outside allotment is based on the total lot size determined by the Los Angeles County Assessor's office. Once the total annual allotment is determined, a monthly ET (evapotranspiration) rate (based on water demand and seasonality) then the plant factor and conversion factor to make it gallons is applied. The irrigable area was determined by RDN staff:

> *estimated the actual landscape area of each customer parcel by matching two data sets: the parcel data from Los Angeles County Assessor's Office and the building footprints*

data from Los Angeles Regional Imagery Acquisition Consortium. The additional impervious surface area was estimated utilizing the Palmdale Water District's (PWD's) imagery data taken in 2019. The ratio of building footprint for each parcel and additional impervious area to building footprint are calculated and regressed by parcel size. The regression results are applied to the QHWD geospatial data to predict the impervious area ratio for QHWD parcels. The lower bound was imposed at 30 percent of the total parcel size to ensure the minimum allocation will not go below the threshold.

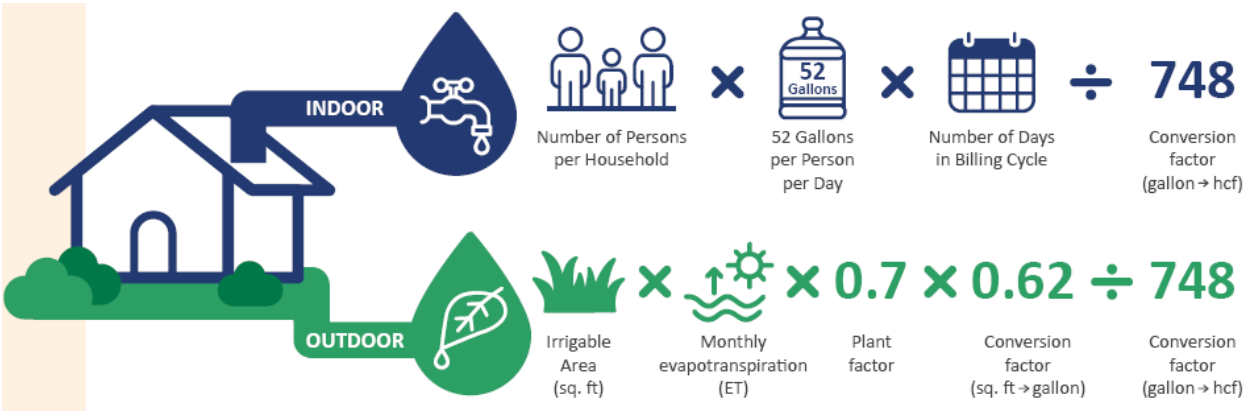


Figure 1 Graphic depicting allocation methods and practices. Taken from QHWD Prop 218 mailer.

The final piece of the calculation is the monthly Evapotranspiration rate the plant factor and conversion factor. All water rates are based on the actual cost that is associated with producing the water as denoted in the table below.

Table 1 QHWD Expanded Rate Components, first two tables are residential fixed and consumption rates tables third and fourth table Non-residential fixed and consumption Rates,

Fixed Charge Monthly						
Proposed Rates	Current	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Fixed Charge	$29.95	$30.03	$30.33	$30.64	$30.94	$31.25

Volumetric Charges per HCF						
Proposed Rates	Current	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Tier 1	$1.17	$1.12	$1.13	$1.14	$1.14	$1.15
Tier 2	$1.56	$1.52	$1.53	$1.55	$1.56	$1.58
Tier 3	$2.95	$2.61	$2.63	$2.66	$2.68	$2.71
Tier 4	$5.59	$3.87	$3.91	$3.95	$3.99	$4.03

Fixed Charge Monthly						
Proposed Rates	Current	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
3/4-in	$26.42	$31.07	$31.38	$31.70	$32.01	$32.34
1-in	$26.42	$31.07	$31.38	$31.70	$32.01	$32.34
1 1/2-in	$88.07	$62.17	$62.79	$63.41	$64.05	$64.69
2-in	$140.92	$94.06	$95.00	$95.95	$96.91	$97.88
3-in	$308.29	$274.79	$277.54	$280.32	$283.12	$285.95
4-in	$528.49	$540.58	$545.98	$551.44	$556.96	$562.53
6-in	$1,101.03	$859.52	$868.11	$876.80	$885.56	$894.42
8-in	$1,585.47	$1,231.62	$1,243.93	$1,256.37	$1,268.94	$1,281.63

Volumetric Charges per HCF						
Proposed Rates	Current	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Tier 1	$1.24	$1.00	$1.01	$1.02	$1.03	$1.04
Tier 2	$1.40	$1.22	$1.23	$1.25	$1.26	$1.27
Tier 3	$2.08	$2.54	$2.56	$2.59	$2.61	$2.64

Drought

California is well into its third year of drought with winter ending in a very dry way; January, February, and March were the driest on record dating back over 100 years. Water conditions will get more challenging as we enter the dry summer months with the state's largest reservoirs at critically low levels. The Governor has proclaimed a Drought State of Emergency and Executive Order N-7-22 calling for water usage reduction up to 20%. QHWD has continued to work proactively with our Water Conservation Program and the guidelines set by our Water Shortage Contingency Plan (WSCP).

Our ongoing efforts are aimed at keeping customers on track for reduced usage through educated choices.

Water Portfolio

Quartz Hill Water District has always strived to prepare during the wet years for the historical multi-year droughts. The Board of Directors at Quartz Hill Water District have strived to utilize available resources and safeguard our finite resources. Some of the past efforts have included water purchased during wet years and stored in the Antelope Valley East Kern Western Water Bank facility as well as maximizing our state water deliveries and carrying over water stored with the Antelope Valley Water Master. As of January 1, 2022, (Water is calculated on a calendar year and not a fiscal year) Quartz Hill Water District has purchased from AVEK and stored 3549 acre feet of water however, with the 10% leave behind 3149 acre feet would be able to be recovered. Per the annual report provided by the AV Water Master Engineer (appendix D), Quartz Hill Water District has 5,829.19 acre feet of water as "carry-over".

Chart of Accounts

During the FY 15 Budget staff at Quartz Hill Water District created a new chart of accounts that conforms to the State of California's accepted form and practice as outlined in "State Controller's Uniform System of Accounts for Water Utility Districts 2000".

Revenues

The District is funded through rates, fees and charges for services provided by Quartz Hill Water. Water rates pay for operations and maintenance expenses, repair, capital replacement and modifications to existing facilities and debt services.

Expenses

In planning expenses, QHWD follows the Mission Statement to keep rates as low as good service will permit. This means QHWD will properly maintain its facilities and continue to seek ways to operate more efficiently.

Service Area

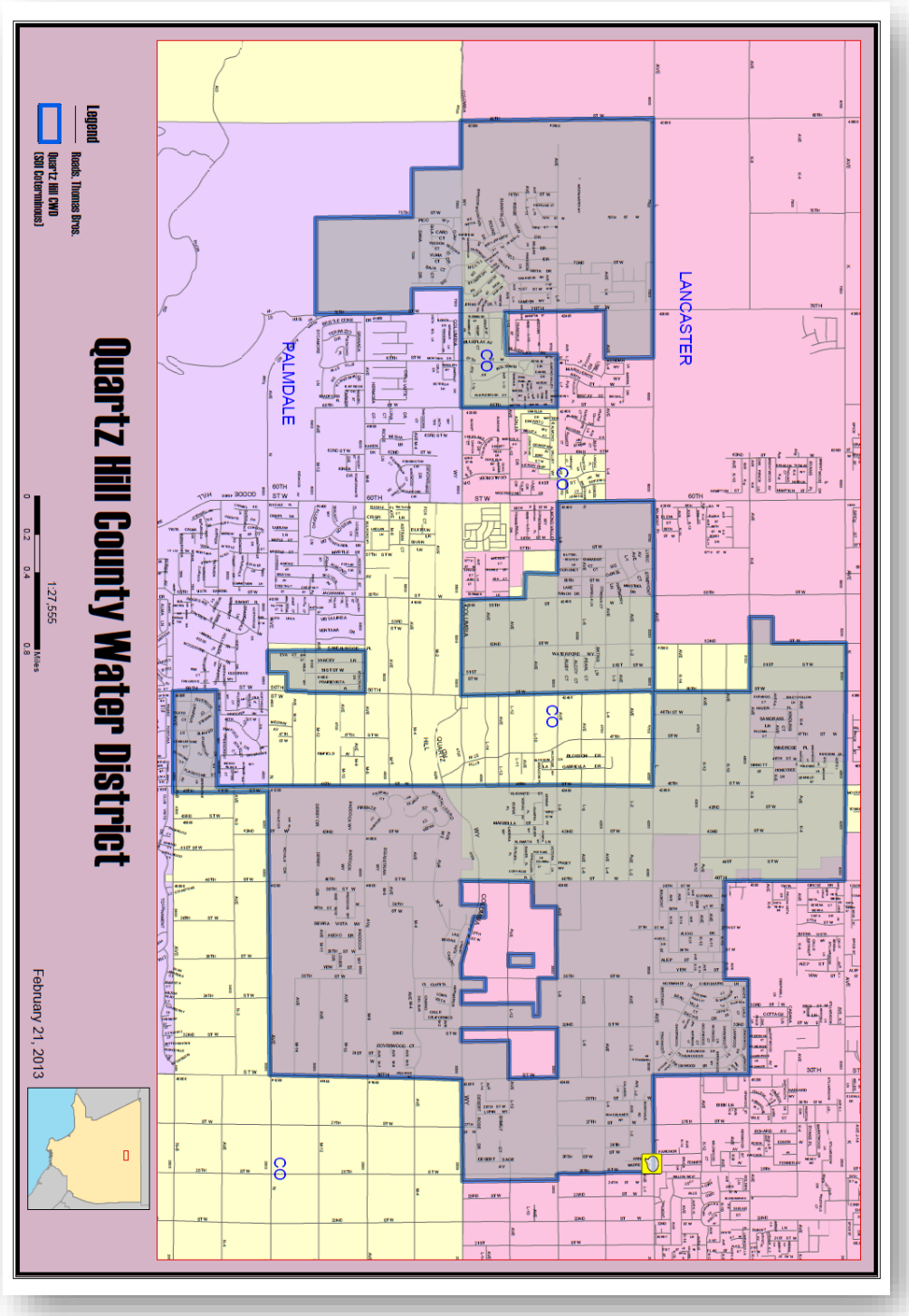


Figure 2 Map of District Boundaries

Mission and Values

Mission Statement:
Quartz Hill Water District will be a responsible overseer of the resources, assets and natural environments entrusted to us in order to provide a high-quality water supply that is resilient, reliable and supplied at a fair and equitable rate.

Core Values:
Vision: Whether something will take five minutes, five years or five decades, we will take a proactive approach and we will take actions to be prepared. We will honor the history of Quartz Hill Water District in doing what those before us have done; free our minds to think of what can be possible and not be constrained by what has or has not worked in the past. We will be flexible, adaptable and prepared for what is possible.

Respect: We will listen, honor and value each other, our customers, our community and our environment. We will earn respect by acknowledging and validating the rich and diverse experiences of others and by always acting in a fair, thoughtful, inclusive, and non-judgmental manner.

Integrity: Our word is our bond. In all of our endeavors, we will act in the best interest of the public and our community with honesty, transparency and candor.

Excellence: In all that we do every day, there is only one standard – to perform flawlessly both as individuals and as teams in order to be the best in every aspect of our operations. Doing anything less than our best is disrespectful to our customers, our employees and our mission.

Legacy: Our future is based on our duty to pass on the heirloom of a secure, reliable, high-quality water operation for generations to come. We are steadfast in our commitment to mastering our craft and offering superior value to our customers.

Our culture is a combination of these values, our experiences, our rich history and our common mission. These value statements are more than words; they are the ideas, aspirations and beliefs that guide us every day, lead us to the future and provide a measure against which we can hold ourselves accountable.

Management and Staff

The General Manager is the Chief Executive Officer for Quartz Hill Water District and reports directly to the Board of Directors (BOD). He carries out all other duties and responsibilities as assigned by the Board of Directors as it fulfills its obligations.

The General Manager executes the policies and decisions of the BOD and reviews and recommends to the BOD changes in rules and regulations with respect to all matters appropriate for its action.

In addition, the General Manager gives overall direction to employees and oversees the work necessary to provide an adequate supply of water to the residents of Quartz Hill. The General Manager represents the BOD in ongoing relationships with all levels of government, community organizations, and the public served, and recommends to the BOD a rate structure and other income producing procedures that will assure adequate sources of funds to meet operating and maintenance costs, finance of ongoing capital improvement programs, and the principal and interest payments on long-term debts.

During the past year several unprecedented events have occurred that have affected the District's fiscal position. The following is a list of items that affected the bottom line of the District.

- No Disconnects or reconnects for part of the year
- No Door tags for part of the year
- Reduced water sales in response to drought restrictions
- Inflation and supply procurement costs
- Bad returns from investments

Throughout this past year staff has been able to stay dynamic and flexible with the nearly daily changes to the COVID-19 Protocol the escalating Drought that have occurred throughout FY22.

FY 2022 Accomplishments

The following goals/objective were accomplished during the FY22 period:

- American Water Infrastructure Act (AWIA), *during 2018 United States Environmental Protection Agency put forth requirements for all water agencies that serve more than 3,300 connections to complete a detailed analysis and assess risk is several key ways.* During this year QHWD staff continued the process started in FY21 and oversaw the completion of the Risk and Resiliency Assessment and Emergency Response Plan. All observed weaknesses have been addressed or are being addressed.

- Urban Water Management Plan (UWMP), Per the State Water Boards all years that end in a zero or five require the District to update the UWMP, this document addresses water availability over different drought conditions, and assess the current available sources of water. During the year staff continued the process started in FY21 and oversaw the completion of the UWMP. The UWMP can be viewed on www.qhwd.org
- Water Shortage Contingency Plan (WSCP), Per the State Water Boards all years that end in a zero or five require the District to update the WSCP. Usually, this document works in conjunction with the UWMP and dictates when conservation steps will be applied and what is involved in each step. During FY22 the staff continued the process started in FY21 and oversaw the completion of the WSCP. The WSCP can be viewed on www.qhwd.org
- Rate Analysis, Every five years or sooner the Board of Directors directs staff to review and update as needed the rate structure and rates. During FY22 continued to follow the Rate analysis as adopted by the Board. The adopted rates and study can be viewed at www.qhwd.org
- During FY22 COVID-19 was in full swing and affected all aspects of operations at QHWD. During this period of time, staff reviewed and adhered to OSHA and CDC guidelines. Procurement procedures were adjusted to accommodate the increased lead time and supply chain delays.
- Increased the use of Asset Management Software to greater capabilities
- All Sites "tour ready at all times" (This proved to be very beneficial during the COVID-19 shut down)
- Continue to cross train to improve staff readiness and competency
- Continue to utilize and learn Elements Software Package to ensure accurate and up-to-date asset schedule.

Management and Staff strategies that helped accomplish the accomplishments:

1. Weekly front office standup meetings and an Office Supervisor to oversee office operations.
2. No significant findings on the Annual Water Audit and complied/implemented all suggestions.
3. Monthly Staff meetings so all staff can coordinate work efforts to ensure most efficient and best possible operations and results.
4. Complied with all State Mandated reporting and strategic planning documentation. UWMP/WSCP, AWIA and rate review.
5. All new staff crossed trained to ensure work order flow, conciseness, and thoroughness not dependent on specific available staff.

6. QHWD has utilized “Vector Solutions” training website provided by ACWA JPIA at no cost. This resulted in safety saving less down time in the field and more customized training.

7. QHWD staff has utilized additional financial checks to ensure best accounting practices are utilized:
    a. All current accounting practices and procedures were reviewed to check for validity and segregation of duties to ensure the adequacy of internal controls over receipting, disbursements and safeguarding of assets.
    b. Developed check list to ensure that all budgetary and financial items are checked in a systematic fashion.
    c. Each Supervisor/Manager that oversees specific operations can work with accounting staff during the review process to ensure accuracy.
    d. No material findings in annual audit

Monitoring Performance Indicators/ Benchmarking

Table 2 Benchmark and Indicators from ACWA Benchmarking and Indicator 2015 Manual

Performance Indicator	Western USA (All Sizes)			QHWD	
Description	25th per.	Median	75th per.	**Statistic #**	Desirable
Customer accounts/Employee	292	385	595	**530**	High #
Cash Reserves (days)	60	186	336	**800**	High #
12-month water loss %	4.3	6.2	11.5	**4.14**	Low #
Service Affordability	.59%	.72%	.97%	**.615%**	Low #
Customer Service Complaints	1.29	2.88	13.94	**2.41**	Low #

FY 2023 Objectives

The FY ‘23 Budget continues to support providing a safe, productive and rewarding work environment by funding employee related programs, asset maintenance and capital

improvements. Machines and computers are great but one of the most important assets to the District is the staff and employees who are addressed in the related internal communications, training and education. These training and other programs will continue to improve the Districts overall readiness and ability to face whatever trials and disaster face the District. The Budget also affords for an aggressive preventative maintenance program to maintain our goal of “no unscheduled equipment down time.” During the previous 68 years of operation, QHWD has established a great reputation by being the first District in the region to implement conservation-based rates, rebates and utilize a local water bank to ensure water availability in one of the driest years on recorded history. The following goals will help QHWD maintain a level of excellence unmatched in the region:

- Update and improve Capital Improvement Projects program
- Continue to comply with SB-555 State Mandated loss reporting
- No unscheduled equipment down time
- Continue to use Asset Management Software to greater capabilities
- All Sites “tour ready at all times”
- Continue to cross train to improve staff readiness and competency
- Organize, procure facilitation, and begin the process of updating QHWD strategic plan and vision
- Continue to utilize and learn Elements Software Package to ensure accurate and up-to-date asset schedule.
- Update the Strategic Plan
- Continue to update the Employee Handbook and policy manual.
- Continual training for all District sites and field personnel.
- Update and replace Confined Space and Personal Protective Equipment (PPE) policies.

Litigation Expenses

James W. M. Charlton
Bradley T. Weeks
Lisa A. Doran
Rikka J. Fountain

Charlton Weeks
Attorneys at Law

1031 West Avenue M-14, Suite A
Palmdale, CA 93551
(661) 265-0969
Fax (661) 265-1650
www.CharltonWeeks.com

Brad@CharltonWeeks.com

June 8, 2022

Brent Byrne
Quartz Hill Water District
5034 W Avenue L
Quartz Hill CA 93536

Pending or Threatened Litigation for Budget

Dear Mr. Byrne:

There is no pending or threatened litigation against Quartz Hill Water District.

There are no unasserted possible claims or assessments that call for disclosure pursuant to Statement of Financial Accounting Standards ASC 450, Contingencies. Specifically, I have concluded that there is no loss contingency to disclose because I am unaware of any information that indicates it is probable that an asset had been impaired or a liability has been incurred.

The basis of my opinion is limited to my role as general counsel of Quartz Hill Water District. No amount is due for my services excepting what we have billed last month.

This opinion is effective as of the day of this letter.

Sincerely,

Bradley T. Weeks
Attorney at Law

Operations Report

The District's overall operations include the Administrative Department and Field Department.

The Field staff's primary duties include maintaining and repairing all infrastructure associated with the delivery of water, fleet vehicles, equipment, and other related facilities. This includes the District's 10 active ground water wells, 8 reservoirs, 6 booster stations, 17 pressure regulating stations and 2 hydro-pneumatic tanks. Other related task performed by the Field staff include: construction inspections, meter reading, customer service, working with Local, State, and Federal agencies to comply with drinking water regulations, optimize energy consumption, maintain pump efficiency and performing safety audits/training.

The Administrative Department's primary responsibility is overseeing the customer service and finance related aspects of the District. This includes customer service, accounts payable, payroll, bank reconciliation, financial reporting, auditing, internal controls, and fixed asset allocation. The customer service portion of the Administrative Department manages the day-to-day affairs for the water customers of the Quartz Hill Water District. This includes billing, meter reading, new service applications, customer complaints, payment processing, collections and records management. Water quality reporting/compliance to the California State Water Board is also performed by the Administrative staff.

FY 2022 System Indicators

- 5,880 +/- Customer service connections
- 2144 system isolation valves
- 46 Cla-Valves
- 631 Fire hydrants
- 97 Miles (510,000 ft.) of pipeline ranging in size from 4"-24"
- 4776 Acre feet of water distributed (**1.56 billion gallons**)
- 13.5 million gallons of reservoir storage
- 120,000 kWh of Solar power produced

FY 2022 Administrative Staff Accomplishments

- Drought is front and center. In depth administrative training to best help customers understand the severity of the drought, the new regulations and evaluate their own habits has been ongoing.
- Distributed over $48,000 in state funded arrearage payments to offset delinquent bills.
- Complied with the California State Water Boards water quality regulations and reporting.
- Continued cross training of office staff in various areas (billing, cash handling, door tags and shutoffs) to enable the office to operate efficiently.
- Provided Administration staff with more advanced training to engage the ever-evolving Microsoft Office Suite product growth.

- Administrative staff are continuing to update the District website (www.qhwd.org) and the new payment portal. The website enables our customers to access their account information online at any time to view their bills and make payments via credit card. They can also perform other activities such as: address change requests, link more than one account and view their individual target allocation.
- Staff have been persistent in keeping up with the ongoing CDC and State mandates on Covid-19 protocols within the workplace and when working with customers when needed.

FY 2023 Administrative Staff Objectives

- Ongoing education for staff and ratepayers on drought requirements, regulations and State demands.
- Utilize meter data reports to help customers have a better understanding of their consumption and the part each location plays.
- Public outreach in bills, emails, calls and texts spreading information in the formats that will hit all customers.
- Cross training office personnel in various areas to maintain and/or improve the efficiency of the office. This includes opening and closing accounts, banking procedures, billing, late notices, door tags, shutoffs, and backflow monitoring.
- Continue to maintain data entry of the meter change out information in a thorough and timely manner to ensure maintain billing accuracy and efficiency.
- Continue to coordinate with the field staff to ensure that all AMI meters are manually read at least once a year to ensure that the units are operating effectively.
- Continue to work on upgrades to the website to enable customers to access more information.
- Complete year-end audit and required financial reporting in a timely manner.
- Continue to provide technical and financial support to all departments.
- Continue to provide monthly financial reports to the General Manager and Board of Directors.
- Continue development of procedural documentation related to other financial related processes such as depreciation and account reconciliation.
- Continue improving on finance workflow schedule to better position the District for information requests related to the District's financial information.
- Complete Annual Water Quality Report accordingly and on schedule (CCR).
- Maintain all record keeping in accordance with the California State Water Board.
- Provide a safe environment for staff and customers to engage in while adhering to Covid-19 protocols in place (and adapt if the CDC releases new protocol)

FY 2022 Field Staff Accomplishments

- Continued to follow Covid-19 protocol and promote a safe working environment.

- Promptly responded to emergency leaks and repaired to District standards, to minimizing water loss during this emergency drought.
- Replaced 10+ mainline valves
- Completed the annual valve exercise and flushing program.
- Completed the installation of remaining AMI meters allowing for automated reading of every meter in the District.
- Properly maintained electric motors and pumps, minimizing down time and customer service interruption.
- Actively sought prospect well sites.
- Continued annual safety training programs.
- 949 underground utility markings requested, with roughly 920 requiring markings.
- Remained compliant with CDPH sampling regulations.
- Addressed graffiti on District property swiftly.
- Continued to install, upgrade, maintain and repair a wide variety of critical distribution equipment to ensure reliable and efficient operations of the distribution system.
- Planned and exercised the District's emergency response program.
- Continued to refine distribution systems operational practices to reduce costs and optimize water quality.
- Installed additional intertie at well 16 to utilize banked water during drought conditions.
- Conducted Cla-Valve preventative maintenance.
- Completed cleaning and inspections of all District owned storage tanks.

FY 2023 Field Staff Objectives

- Continue to maintain the District's automated meter reading system.
- Replace 20+ mainline valves.
- Paint 250 fire hydrants
- Cla-Valve preventative maintenance.
- Continue to monitor pumping power cost and strategically set pumping schedules to maximize So Cal Edison power rates.
- Continue providing a safe workplace and conducting work practices safely.
- Maintain and monitor the District Solar field.
- Continue to develop the GIS map of the District's infrastructure.
- Continue the annual valve exercising and flushing program.
- Uphold exceptional interdepartmental cooperation through clear communication and promote the understanding and respect of all staff's contributions towards our shared mission.
- Continue to improve, maintain, and repair distribution infrastructure and facilities to ensure reliable and efficient performance.
- Perform two emergency response scenarios including all District staff.
- Continue Operator Certification advancement and training.

Conservation Department

The severity of the current drought, labeled the worst drought in 100 years, has been our primary focus for the Water Conservation Program. When called upon in the past, our ratepayers worked with us in meeting the goals of our Urban Water Management Plan and further meet the reduction demands, such as those called out by the State Water Resource Control Board, SB606, AB1668 and more new regulatory requirements placed upon us. Currently, we are working to meet the regulations specified in Executive Order N-7-22, approved by Governor Gavin Newsom, March 28, 2022. Since its inception, the idea of education and implementation for the customers to achieve success, have been our guiding objective. We work to create and disseminate information that will lead to effective conservation measures. These objectives have been met year after year through an ongoing public awareness campaign that includes flyers, billing inserts, special mailers, billboards, community events, education and outreach.

FY 2022 Accomplishments

- Ongoing customer contact campaign that included blast texts, automated phone calls and emails to each customer providing current information about regulations with the objective of promoting customer awareness, education and "Making Conservation a California Way of Life" and the newest Outdoor Water Restrictions.
- Bill inserts and envelope graphics that promote water efficiency, conservation tips, encourage customers to read information enclosed with bills that will keep them apprised as regulations change, events, programs, workshops, and more change.
- Monthly graphics on residential bills that are based on their actual consumption. This information, or on their website account, readily display target information, and the customer is easily able to monitor their current and past usage independently. This can assist them to best manage their water allocation.
- Meter specific outreach on locations that alarm 'leak alert,' coupled with coaching customers, video assistance on our website and more, to help them determine where the problem may be.
- Utilization of a website tool that allows customers to calculate their own projected usage, based on our new billing schema. Factors include gallons per capita per day, lot size and irrigable areas. Customers can use this tool to stay conservation minded, aiming to remain in their lowest tiers. These factors are based on regulatory requirements, such as those in SB606 and AB1668.
- Designed and distributed promotional literature and water quality report that featured conservation tips to all our customers. This information is available to the entire community on our website.

- Now that in person school has resumed, we are reaching out to local elementary schools to reboot our Water Conservation Lesson plan visits that correlate with the State Standards and to educating families how to be conservation minded, why water matters and where the water we provide comes from
- Helped customers on the phone with efficient water use tips and tools, such as the waterlog.
- Offered customers the opportunity to come in for one-on-one help in understanding their water allocation, monthly percentages, and tiers on their bill.

FY 2023 Objectives

Expanding use of smart technology this year will be a top priority. As customers are being held to stringent regulations passed on to us by the state, we can use 'live time data' to assist with education and understanding of usage. Targeting those using outdoor irrigation and ensuring they are complying is the only way we can meet the state reduction requirement. We can demonstrate usage in consumption values and times, and even offer an app for self-monitoring. For customers that are not using irrigation water, but suddenly have an increase, or leak alarm, we can be proactive in reaching out to these customers. The savings in potential lost water is significant.

Reminding our customer base that we are again in an extreme state of drought, use consistent education of water awareness, responsible water uses and minimized waste will be front and center. As always, we are diligent in our efforts to come up with additional avenues to reach the customer and ensure they do not lose sight of the ongoing requirements to keep usage down.

- Through ongoing efforts, see consistent results for customer water conservation, with emphasis on Executive Order N-7-22.
- Continue to offer new app for smart phones, tablets and online customer use. This will allow them to see their live water usage data, set their own alert notifications and monitor it as the month progresses.
- Using the benefits of our smart meters, and their report abilities, offering support through technology to educate and coach our community towards self-monitoring water usage.
- Elevate our already diligent field efforts, hanging notices and calling to prevent water on prohibited days, run-off, watering hardscape, watering within 48 hours of measurable rainfall, and "willful waste" is kept to a minimum or eliminated.
- Inundate customers with drought reminders via promotional literature and envelope carriers that that feature conservation regulations to all our customers.

- Resume school site visits, with emphasis on conservation education and why responsible use, individually and as a community is important.
- Maintain an open line of communication with our customers and local schools to ensure they are aware of the resources we offer, such as the water budget assistance, the use of a waterlog, conservation tips and educational items.
- Maintain good relationships with the other water agencies and landscapers in the community for ongoing the success.

Budget Performance

	ANTICIPATED FY '22 *	BUDGET FY '22	PROPOSED FY '23
TOTAL REVENUE	$ 6,620,244	$ 6,486,440	$ 6,904,188
TOTAL EXPENSES	$ 6,648,744	$ 6,537,015	$ 6,903,157
NET INCOME (LOSS) TOTAL	**$ (28,500)**	**$ (50,575)**	**$ 1,031**

* Estimated actuals as of 6/9/22

Source of Funds

Comparison of Revenue funds

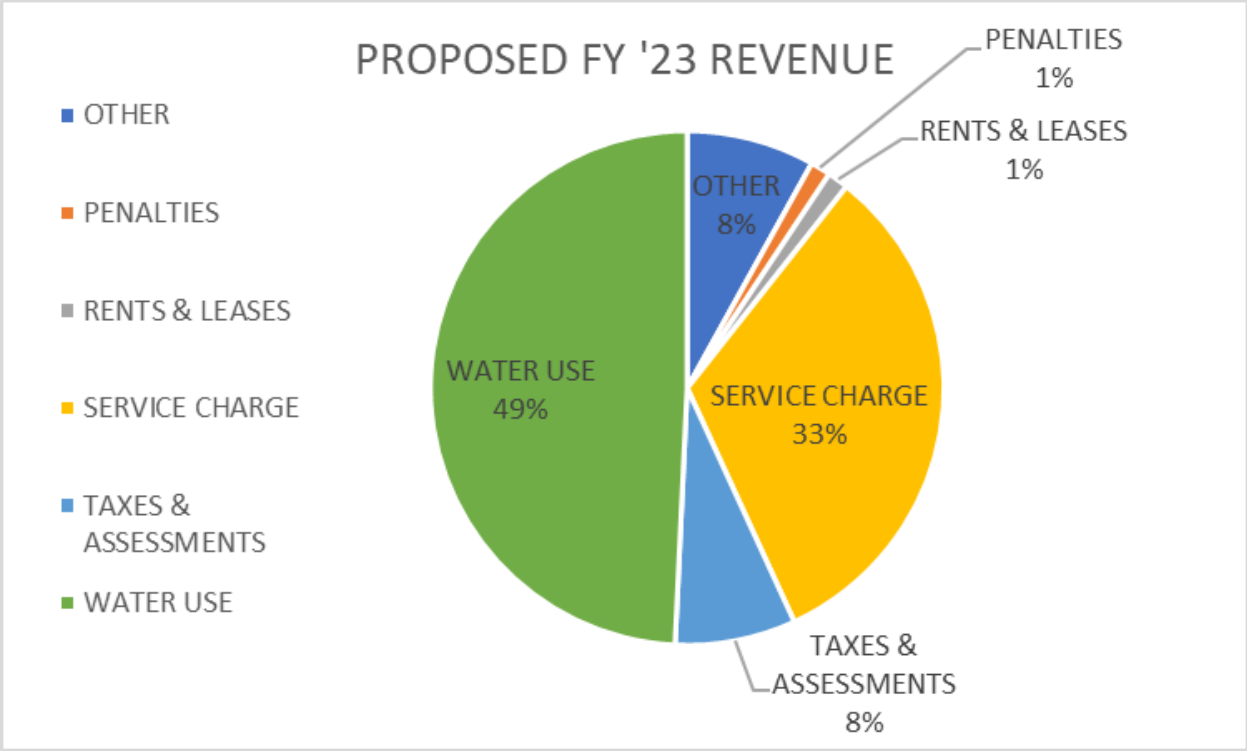


Figure 3 FY '23 Anticipated Revenue by Percentage

REVENUE	ANTICIPATED FY '22 *	BUDGET FY '22	PROPOSED FY '23
INVESTMENTS	$ (198,151)	$ 224,148	$ -
OTHER	$ 146,285	$ 130,235	$ 556,978
PENALTIES	$ 86,711	$ 75,344	$ 87,579
RENTS & LEASES	$ 90,136	$ 73,655	$ 91,037
SERVICE CHARGE	$ 2,175,346	$ 2,194,037	$ 2,243,661
TAXES & ASSESSMENTS	$ 519,736	$ 456,829	$ 524,933
WATER USE	$ 3,800,180	$ 3,332,192	$ 3,400,000
TOTAL REVENUE	**$ 6,620,244**	**$ 6,486,440**	**$ 6,904,188**

* Estimated actuals as of 6/9/22

Table 3 Actual revenues and projected revenues

Operating Revenues

The operating revenues are derived from two components that are charged on every bill the first is a flat service charge that is detailed in the rate study at WWW.QHWD.ORG. The second component of operating revenues is the amount of water in CCF (hundred cubic feet) that was used each month. The cost for one CCF is based on the cost of serving that unit of water Further details of how these charges were derived and maintained can be read in the rate study found at WWW.QHWD.ORG.

Non-Operating Revenues

These funds are obtained from payments for services that Quartz Hill Water District renders on behalf of rate payers. Example of these include Property Taxes collected by Los Angeles County, interest revenue on cash and investments, door tags and rent collected for use of Quartz Hill Water District facilities and other such services.

How We Stack Up

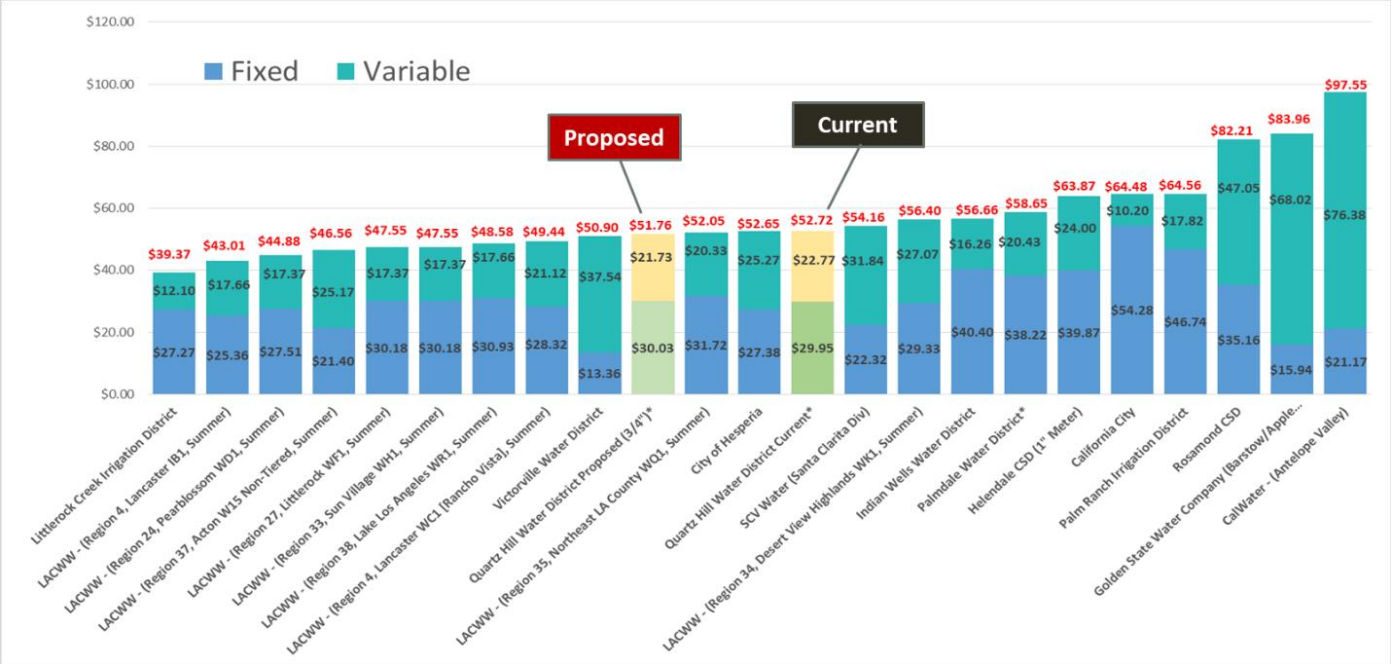


Figure 4 Average Residential Bill using 16units (Produced by RDN) Based on rate study adopted February 2021

Capacity Fees

Capacity Fees are for new water services in the District. The fees provide funds to build facilities needed to accommodate new development. These fees are as follows:

Table 4 Capacity Fee by meter size

Meter Size	Capacity Charge
.75”	$4,903*
1”	$9,806*
1.5”	$14,709*
2”	$24,515*
3”	$39,224*
4”	$83,351*
6”	$161,799*
8”	$259,859*

*Plus, the cost of one (or more) share in Water Bank (rate at time paid) to be a Water Replenishment Fee. As the increment of meter size increases, so does the relative number of shares required for replenishment. As of September 2013, it was $3348

Meter Cost: Effective July 13, 2006 Regular Board Meeting

Table 5 Physical Meter Cost

Meter Size	Cost
3/4"	$275
1"	$330
1-1/2"	$510
2"	$700

Use of Funds

Comparison of Expense Funds

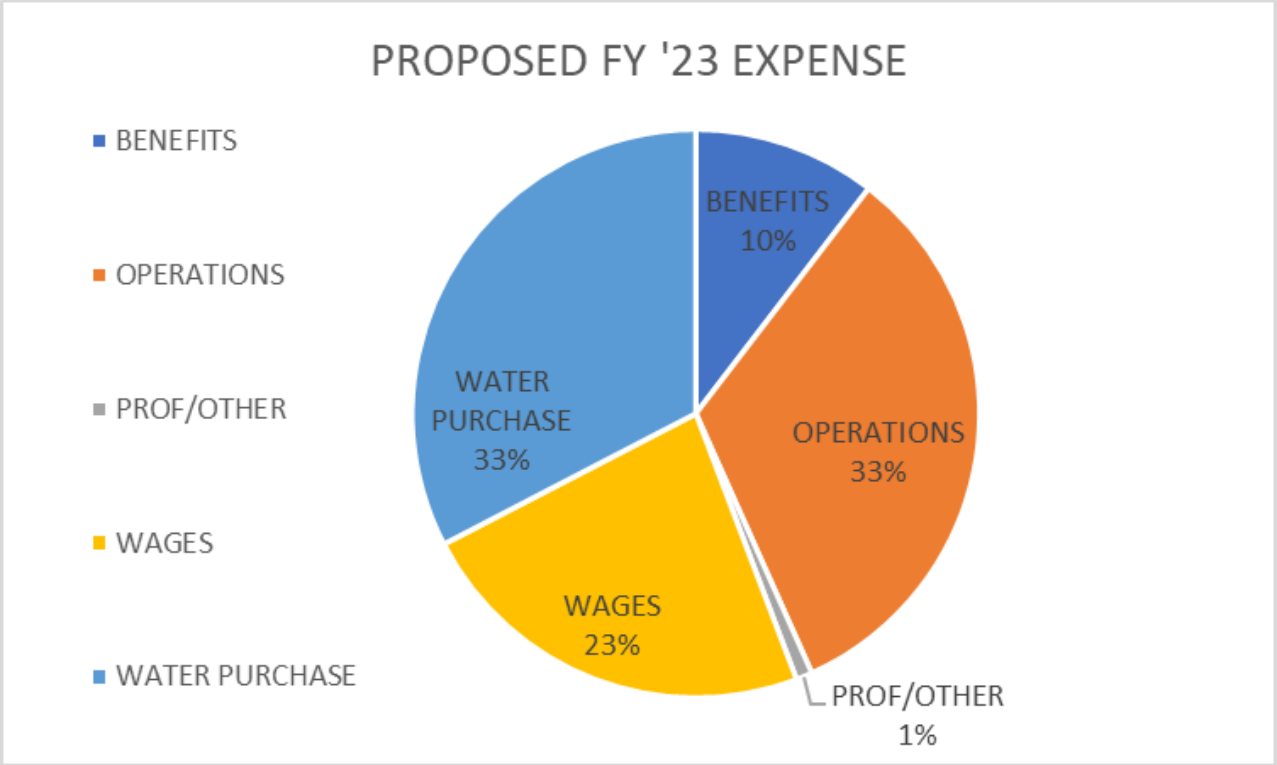


Figure 5 FY '22 Fiscal Use of Funds by Type

EXPENSE	ANTICIPATED FY '22 *	BUDGET FY '22	PROPOSED FY '23
BENEFITS	$ 582,672	$ 632,153	$ 597,239
OPERATIONS	$ 1,752,326	$ 1,776,009	$ 1,881,389
PROF/OTHER	$ 103,771	$ 85,253	$ 53,418
WAGES	$ 1,263,568	$ 1,067,487	$ 1,326,729
WATER PURCHASE	$ 1,820,537	$ 1,800,718	$ 1,866,050
TOTAL EXPENSES	**$ 5,522,874.08**	**$ 5,361,619.96**	**$ 5,724,824.86**

* Estimated actuals as of 6/9/22

Table 6 Expenses by Category

Use of Funds by Department

The following Departments have been created to follow the Chart of Accounts as proposed by the State of California and definitions for the accounts are provided in the document "State Controller's Uniform System of Accounts for Water Utility Districts".

Table 7 List of Departments at QHWD

Departments	
Departments	
1	**Water Purchases**
2	**Pumping Plant**
3	**Transmission & Distribution**
4	**Customer Accounts**
5	**Administrative & General**
6	**Non-Cash**
7	**Conservation**

For convenience in working with the new chart of accounts all accounts were organized into sub-categories that are denoted below. A definition for these categories are currently being developed/revised as need arises.

Table 8 Chart of Account Series for QHWD

ACCOUNT SERIES	
50	**Accounts related to the purchase of water from supplier**
51	**Expenses related to fuel/power for fleet vehicles**
52	**Expenses related to Water Quality/Treatment/Maintenance**
55	**Expenses related to Repairs to all departments within the District**
56	**Safety Training/Maintenance of Safety Equipment and Purchase of Safety Supplies**
60	**Salaries & Wages and all accounts related to employee benefit costs**
61	**Finances-all accounts related to fees & banking/bad debt & misc cash expenses**
62	**Depreciation of Fixed assets & Loan Amortizaiton expense**
63	**Education-Expenses related to continuting education/seminars/training**
64	**Insurance-All insurance related to the District**
65	**Office-Expenses for office supplies/utilities/postage & miscellaneous**
66	**Professional services rendered/dues & subscriptions**
67	**Conservation-all epxenses related to promoting conservation**

Description of Funds

Fund 01 Facilities Replacement

All District owned asset(s) and available reserves are stored/housed in this fund. This Fund is used to replace existing asset(s) and repair existing asset(s). This Fund will also procure new equipment that is deemed necessary by the Board of Directors. All available funds in this Fund are unencumbered. The sources of funds for this Fund is from Taxes (Fund 05), and the Rate Structure (Fund 04)

Fund 02 Emergency Replacement

No long-term assets are stored in this Fund and only a sufficient amount of money will be stored in this Fund to address potential emergencies. The amount of cash is to be determined by the Board of Directors.

Fund 03 Capacity

No assets will be stored in this Fund and all money in this Fund is encumbered and can only be used on projects that effect the available capacity and future capacity. The source of funds for this Fund come from new customers hooking up to the District's water system.

Fund 04 General Operations

No Assets will be stored in this Fund and cash in this Fund is for the day/day running of the District. The source of funding for this Fund is from operating revenue and from some non-operating revenue sources.

Fund 05 Property Taxes

No Assets will be stored in this Fund and cash in this Fund should be moved biannually to Fund 01.

Fund 06 Construction

No assets will be stored in this Fund and the cash within this fund will be used for construction related projects.

Fund 07 Conservation

No assets will be stored in this Fund and the cash within this Fund will be used for conservation programs and public outreach.

Fund 08 Water Bank

The water in the water bank (asset) will be stored in this Fund and any additional monies collected with water replenishment fee.

Budget Detail

Table 9 Expanded Chart of Accounts with Expenses and previous year's details

DESCRIPTION	FY 22 Est Year End	Proposed FY 23 Budget
Operating Revenue		
Residential Service	$ 2,026,376	$ 2,095,645
Residential Usage	$ 3,157,294	$ 2,800,000
Non-Residential Services	$ 148,970	$ 148,016
Non-Residential Usage	$ 642,886	$ 600,000
Total Operating Revenue	$ 5,975,526	$ 5,643,661
Non-operating Revenue		
Revenue-Construction	$ 54,144	$ 54,685
Revenue-Plan Check	$ 7,013	$ 7,083
Revenue-Water Bank	$ -	$ -
Gain/Loss on Fixed Asset Disposal	$ -	$ -
Gain/Loss on Investments	$ (295,165)	$ (100,000)
Dividend Revenues	$ 1,254	$ -
Interest Revenues	$ 95,760	$ 100,000
Rents & Leases	$ 90,136	$ 91,037
Taxes & Assessments	$ 519,736	$ 524,933
Revenue-Will Serve Letter	$ 3,500	$ 3,535
Revenue-Returned Check Fee	$ 800	$ 808
Revenue-Capacity Charge	$ 68,642	$ 478,558
Revenue-Miscellaneous	$ 6,717	$ 6,784
Revenue-Late Charges	$ 72,311	$ 73,035
Revenue-Clean & Show	$ 100	$ 101
Revenue-Fire Flow	$ 2,500	$ 2,525
Revenue-Door Tag Charge	$ 6,025	$ 6,085
Revenue-Set/Pick Up Hydrant Meter	$ 810	$ 818
Revenue-Lock Cut/Missing	$ 250	$ 253
Revenue-Pull Meter	$ -	$ -
Revenue-Disconnection-Shut Off	$ 7,325	$ 7,398
Revenue-New Meter	$ 2,860	$ 2,889
Total Non-operating Revenue	$ 644,718	$ 1,260,527
Total Revenues	**$ 6,620,244**	**$ 6,904,188**
Expenses		
Water Purchase AVEK	$ 1,816,989	$ 1,862,413
Water Purchase-Los Angeles County	$ 3,548	$ 3,637
Fuel Expense-Trucks	$ 33,861	$ 37,247
Fuel Expense-Equipment	$ 5,198	$ 5,328

Water Quality	$ 14,758	$ 15,127
Water Quality Chemical Purchases	$ 41,180	$ 82,210
Power	$ 317,974	$ 350,000
Small Tool Purchases	$ 10,146	$ 14,000
Repairs & Maintenance-System	$ 381,272	$ 390,804
Repairs & Maintenance-Operations Center	$ 17,760	$ 18,204
Repairs & Maintenance-Equipment	$ 15,460	$ 27,000
Repairs & Maintenance-Trucks	$ 15,075	$ 15,451
Repairs & Maintenance-Small Tools	$ 663	$ 679
Equipment Rental	$ 3,965	$ 5,000
Safety Supplies	$ 9,550	$ 11,000
Safety Training/Compliance	$ 950	$ 974
Director Expenses	$ 682	$ 699
Wages	$ 1,178,764	$ 1,237,702
Payroll Tax Expense	$ 84,122	$ 88,328
Uniform Allowance	$ 1,750	$ 1,750
Pension Expense	$ 360,925	$ 369,948
Write Off Bad Debt	$ 1,487	$ 1,525
Bank Fees	$ 86,039	$ 88,190
Interest Expense	$ 381,737	$ 385,000
Dues & Subscriptions	$ 124,824	$ 127,944
Education/Seminars/Training	$ 10,405	$ 15,000
Insurance-General Liability & Autos	$ 29,943	$ 30,692
Insurance-Property	$ (2,257)	$ (2,313)
Insurance-Employees	$ 216,414	$ 221,824
Insurance-Director	$ 3,962	$ 4,061
Insurance-Retiree	$ 1,371	$ 1,406
Insurance-Workers Compensation	$ 23,749	$ 24,343
Computer Expense	$ 38,020	$ 38,970
Office Expense	$ 91,241	$ 93,522
Postage	$ 38,357	$ 39,316
Utilities	$ 26,277	$ 28,000
Pension Expense-Unfunded Liability	$ -	$ -
Travel/Meals/Parking/Mileage	$ 7,160	$ 10,000
Trash Removal	$ 1,683	$ 1,725
Telephone	$ 8,217	$ 8,422
Public Relations	$ 9,615	$ 9,855
Accounting	$ 16,993	$ 17,418
Legal Services	$ 13,798	$ 18,000
Legal Fees-Adjudication	$ 18,610	$ 18,000
Licenses & Permits	$ -	$ -
Security Expense	$ 1,625	$ 1,666
Non Budget-Board Approved	$ 54,371	$ -
Medical Expense	$ 4,643	$ 4,759
Rebates-/Purchases - Conservation	$ -	$ -
New Service Installation	$ -	$ -
Uniforms	$ -	$ -
Legal Settlement	$ -	$ -
Total Expenses	$ 5,522,874	$ 5,724,825

	$ -	$ -
Net Income (Loss) Subtotal	$ 1,097,370	$ 1,179,363
	$ -	$ -
Professional Services-Other	$ -	$ -
	$ 92,551	
Total Professional Services-Other	$ 92,551	$ 100,000
	$ -	$ -
Non-Cash Operating Expenses	$ -	$ -
Depreciation	$ 905,690	$ 928,332
OPEB Expense	$ 127,628	$ 150,000
Total Non-Cash Operating Expenses	$ 1,033,318	$ 1,078,332
	$ -	$ -
Net Income (Loss) Total	**$ (28,500)**	**$ 1,031**

New Assets

During FY 22 the following assets were added to QHWD:

- Valve replacement
- Hydrant replacement
- Truck #4028 purchase
- SCADA radio and server replacement

- Well 8 rehabilitation

Due to aging valves in the system, staff presented the Board of Directors with the option of replacing approximately 20 valves throughout the District per a year. This project allowed staff to perform preemptive work versus reactive work. This method of work is not only cheaper for the District (scheduled during regular shift) but also has a significantly better response with customers of QHWD so they can plan for outages as well as significantly less water is wasted when a valve goes till failure.

The SCADA system is the backbone of the District's water production and distribution operations. This system allows water production and delivery to occur without constant oversight from staff and reduces energy costs by allowing overnight pumping during off-peak hours. This year outdated equipment was replaced with the best available technology that will continue this operation and savings for the foreseeable future.

Summary Budget Expenditure Request

Capital Projects

Capital Expenses are payments by a business for fixed assets, like buildings and equipment. Capital expenses are not used for ordinary day-to-day operating expenses of a business, like rent, utilities, and insurance.

Another way to consider capital expenses is that they are used to buy assets that have a useful life of more than one year.

I.E. (If you buy office supplies for your business, that purchase is an operating expense, because office supplies don't typically last more than one year). On the other hand, if computers are purchased for Board of Directors, it is expected that they will last longer than a year, so you are buying a short-term asset and that purchase is considered a capital expense.

New Equipment

On several different occasions the District has needed a larger vacuum excavation equipment. This was as a direct result to the Ditch Witch equipment not being able to keep up with the amounts of water that occurred due to ageing infrastructure not achieving a drip tight shutdown. As this infrastructure is replaced the need for this equipment will increase. Over the past few years Edison has rumored on more than once occasion that

they will have some significant increases to power cost. These increases have derived from the cost charged to Edison from past wildfires and power shutdowns due to high winds. So, District staff has reviewed Edison accounts and has determined which sites could utilize solar to offset set the rate increase.

- Vacuum Truck
- Solar array at the Operations Center
- Solar array at Well 5a
- TBA

Replacement Equipment

During the budget process, staff did not identify any equipment that will need replacement during the upcoming fiscal year. If replacements are needed after budget adoption the General Manager will present those items to the Board of Directors.

- TBA

Replacement Capital Projects

- Valve and Hydrant Replacement (Ongoing)
- Rehab two wells 7 and 9 (2023,2024)
- Re-coat Cal prop tank 1 interior
- Re-coat 75th street tank interior and exterior

The Distribution system of Quartz Hill Water District is the single largest asset on the book; for this reason, staff has and will continue to replace faulty and worn-out equipment to keep the entire system in an operable state at all times. During this past year, staff has primarily focused on valve/Hydrant Replacement and Meter Replacement to ensure a state of readiness and fiscal responsibility. However, during the rate analysis performed during FY 21 significant amount of time were put into developing a comprehensive CIP (Capital Improvement Plan) that details how much money needs to be put aside each year to address aging infrastructure and average historical breakage.

Table 10 QHWD Capital Improvement Projects summary by Budget Year

Descriptions	FY 21-22	FY 22-23	FY23-24
Valve Replacement	$ 40,000	$ 40,000	$ 40,000
Cla-Valve		$ 20,000	$ 20,000
well 8 Rehab	$ 90,000		
AWIA	$ 500,000		
Scada radios/server	$ 19,000		
Parking lot recoat	$ 50,000		
Well 7 solar inverters	$ 61,000		$ 70,000
Fleet Truck	$ 22,000		

Tank Inspections			
75th tank recoat int/ext		$ 350,000	
Cal Prop recoat (int)			$ 225,000
Well 7 rehab		$ 90,000	
Well 9 rehab			$ 90,000
Solar arrays		$ 225,000	$ 225,000
Total CIP Actual Expense	**$ 782,000**	**$ 725,000**	**$ 670,000**
Total CIP Budget	**$ 705,600**	**$ 726,212**	**$ 747,438**
Total CIP Available Funds	**$ 1,196,771**	**$ 1,140,983**	**$ 1,163,421**
Ending Balance	**$ 414,771**	**$ 415,983**	**$ 493,421**

APPENDIXES

APPENDIX A Asset Management Policy

Resolution 13-0612A
RESOLUTION OF BOARD OF DIRECTORS OF QUARTZ HILL WATER DISTRCT
ADOPTIONG A CAPITAL ASSET ACCOUNTING POLICY

WHEREAS, the auditors of Quartz Hill Water district have recommended the adoption of a uniform policy addressing the types of assets to be capitalized and the values at with such asset are capitalized, and

WHEREAS, the District's financial consultants have assisted in the preparation of a uniform policy in response to the recommendation from the District's auditors;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Quartz Hill Water District hereby adopts the Capital Asset Accounting Policy attached hereto as Exhibit "A".

ADOPTED this 20th day of June, 2013.

_____
Allen G. Flick, Sr., President of the Board
Quartz Hill Water District

ATTESTED:

__Signed Original in Office_____
Debi Pizzo, Secretary of the Board
Quartz Hill Water District

Quartz Hill Water District Capital Asset Accounting Policy
Appendix M Policies, Procedures, Rules, Regulations

Capital Asset Policy

A. General—It is essential for both financial statement and cost accounting purposes that all departments of the Quartz Hill Water District follow a uniform policy with respect to the types of expenditures capitalized and the values at which expenditures are capitalized. When there is any doubt as to the proper treatment of possible capital expenditures, contact the Administrative Supervisor.

B. Capitalization Policy

1. Land. All land purchases, regardless of cost, are capitalized. When land is acquired with a building, an allocation should be made for each individually. Typically, a recent appraised value with specific amounts for land and structure can be used for this allocation. This ration should be applied to the purchase price to determine the capitalized amount.

2. Buildings.

    a. New buildings are e capitalized at the sum of transactions deemed to be directly related to the construction of the building upon notification the building is completed and available for occupancy. $5,000.
    b. A renovation or building addition is capital when it enhances the use or efficiency of the building. This amount is generally capitalized over the remaining useful life of the building. If the building is fully depreciated, the renovation will be capitalized for 10-30 years based on input from accounting personnel or consultants, if necessary. The capitalized amount recognized is the total cost of the renovation/addition project less any movable equipment expense and other incidental expenses incurred during the project. Incidental expenses are deemed to be those which do not lend to the enhancement or extension of the building life (e.g., moving and storage costs).
    c. Land Improvements. This category includes roads, curbs, walkways, parking lots Streetlights, landscaping, wells, irrigation systems, drainage systems, fences, boundary signs, directional signage, and similar items. Items in this category will be capitalized if they have capitalized value of at least $5,000 and are durable.
    d. Other Assets Attached to the Buildings. Items in this category will be capitalized if they have capitalized value of at least $5,000 and are durable. Examples include building systems and fixed equipment. Building systems include such items as elevators, HVAC units, and fire prevention systems. Fixed equipment includes items physically attached to the building that are not utilized by the whole building.

e. Movable Assets. This category includes vehicles, furniture, software, and equipment that are not a part of a building. Movable assets are capitalized at the invoiced cost, (plus any applicable transportation and installation charges) if they meet the following criteria:
    i. Have capitalized value of $5,000 or more;
    ii. Are durable (an economic estimated useful life of more than one year);
    iii. Are free standing and moveable (not permanently affixed to a building or structure.

3. Small and Attractive Assets. Assets valued at less than $5,000 that are defined as high risk for theft. These assets are not normally consumed within one year. These assets may include items in one or more of the following categories:
    a. Portable and marketable, either alone or as a component unit.
    b. Assets that can be utilized for personal gain.
        a. Assets repeatedly reported as lost and/or stolen within the industry and society.
4. Construction in Progress. Construction in progress accounts will be used as cost accumulation centers. Projects that accumulate costs that are non-capital expenditures.
5. Should be cleared out and expensed before the fiscal year is closed. Projects that accumulate costs that are capital expenditures will be categorized into the appropriate.
6. Capital asset classification and capitalized in the year the project is complete. Projects that primarily contain capital expenditures but have some non-capital items associated with the project will be capitalized and expensed as appropriated in the year the project is completed.

7. Amount to be capitalized. The costs values to be capitalized for capital assets are outlined below: (Please not these lists are examples and may not be all inclusive of appropriate items to capitalize.)
8. Land:
    a. -Original contract price
    b. -Brokers' commissions
    c. -Legal fees for examining and recording title
    d. -Cost of title guarantee insurance policies
    e. -Cost of real estate surveys
    f. -Cost of an option when it is exercised
    g. -Special paving assessments
    h. -Cost of razing an old building existing when the land is originally acquired
    i. -Cost of cancellation of unexpired lease
    j. -Payment of noncurrent taxes accrued on the land at date of purchase if payable
    k. by Purchaser.
9. Buildings:

a. -Original contract price of cost of construction
b. -Expenses incurred in remodeling, reconditioning or altering a purchased building to make it available for the purpose for which it was acquired.
c. -Cost of excavation or grading or filling of land for the specific building.
d. -Expenses incurred for the preparation of plans, specifications, blueprints, etc.
e. -Cost of building permits
f. -Payment of noncurrent taxes accrued on the building and date of purchase if payable by purchaser
g. -Architects' and engineers' fees for design and supervision.
h. -Costs of temporary buildings used during the construction period.

10. Machinery and equipment:
    a. -Original contract or invoice cost
    b. -Freight, cartage, import duties, handling, and storage costs
    c. -Specific in-transit insurance charges
    d. -Sales, use, and other taxes imposed on the purchase.
    e. -Costs of preparation of foundations and other costs in connection with making a proper site for the assets.
    f. -Installation charges.
    g. -Costs for reconditioning used equipment to make it usable for the purpose it was purchased.
11. Construction in progress:
    a. -Direct material
    b. -Direct labor
    c. -Direct professional services
    d. -Permits and fees
    e. -Internal labor costs incrementally identified to the specific project and appropriately tracked and documented.
12. Donated assets:
    a. Donated Capital Assets should be recorded at their estimated fair value at the time of acquisition.
13. Small and Attractive Assets:
    a. All assets costing less than $5,000 do not meet the District's capitalization threshold policy, but are considered assets for the purpose of marking and identification, record keeping, and tracking. Exceptions to this policy are hydrants and water service, which have no cost threshold.

14. Amounts not to be capitalized – following are types of expenditures that should not be recorded as Capital Assets (not all inclusive):
    a. Costs relating to the removal or demolition of buildings, structures, equipment or other facilities. The two exceptions are as follows:
        1. The cost to remove or demolish a building, structure existing at the time of acquisition of land with the intention of removal or

demolition to accommodate its intended use (such cost is considered a part of the cost of the new capital projects).

b. The cost of relocating a facility including the cost of relocating the personnel. The cost of equipment rearrangement within a facility or the transfer of individual assets from one location to another should also be expensed.
c. Administrative and executive salaries even though a portion of such salary costs are related to fixed asset acquisitions.
d. Costs incurred on assets that were not purchased, e.g., surveying, title searches, legal fees, and other expert services on land not purchased.
e. Extraordinary costs incidental to the construction of Capital Assets such as those due to strike, flood, fire or other casualties.

15. The cost of abandoned construction.
16. The costs of normal repairs and maintenance that do not add to the value or extend the lives of assets materially are not capitalized, but are shown as expenses in the year incurred.

E. Asset Types and Most Common Useful Lives:

Type Classification Description Useful Life

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Plant and Facilities	20-75 Years
Furniture and Equipment	3-10 Years
Trucks and Automobiles	5 Years

Capital Asset Definition of Terms

The following definitions, which relate specifically to the accounting for capital assets, are presented below to afford a better understanding of the capital asset policy.

Definitions for Capital Expenditures

1. Newly acquired item.
2. Replacement of complete units.
3. Rebuilt equipment if the rebuilding project effectively restores to like-new condition and/or significantly extends the items useful life or markedly increases the items net book value.
4. Accessory equipment should be considered as a portion of the capitalized vale of accessory equipment, which was purchased with the intent of using it interchangeably with two or more items, should be capitalized and recorded as a separate item of equipment.
5. Accessory equipment, which is acquired subsequent to the purchase of the parent item, must have the capitalization criteria applied to it separately. These criteria will determine if the item is to be expensed or capitalized.

Definitions for Non-Capital Expenditures

1. Expenditures for repairs, maintenance or replacement of component parts which do not extend the unit's original life or significantly enhance its net value.
2. Expenditures incurred in demolishing or dismantling equipment including those expenditures related to the replacement of units or systems.
3. Expenditures incurred in connection with the rearrangement, transfer, or moving of capitalized items from one location to another, including expenditures incurred in dismantling, transporting, reassembling, and reinstalling such items in a new location.

Noncapital costs, such as those listed above, are expenses as incurred.

Moveable Assets

Consists of vehicles and software, as well as furniture and equipment that are not part of the supporting structure of a building and that meet the specific criteria for capital assets.

Fixed Assets

Fixed assets consist of land, land improvements, buildings, building systems, leasehold improvements, and fixed equipment including new construction, alterations and renovation projects that meet the specific criteria for fixed capital assets.

Depreciation

Depreciation is the process of allocating the cost of a capital asset over a period of time benefitted by the use of that asset, rather than deducting the cost of the asset as an expense in the year of acquisition. A capital asset is depreciated over its estimated useful life, which is meant to be an indication of the number of year that an asset will be used for the purpose for which was purchased.

Accumulated Depreciation

Accumulated depreciation equals the total amount of depreciation recognized for a capital asset since it was initially put in use.

Net Book Value

Net book value represents the capitalized value of an item less Accumulated Depreciation.

Repairs and Maintenance

Repairs and maintenance are costs to keep equipment operating for normal use that may be recurring and regular in nature. Such costs include the replacement of any existing parts of components and any repairs that do not extend the useful life of the existing asset. Any expenditure meeting the above guidelines will be treated as repairs and will not be capitalized by the property management system.

Component Parts
Component Parts are any part of a unit of equipment that cannot be used independently of the remaining piece of equipment. This definition will apply even though the component part may cost more than $5,000 and have a useful life of more than one year. For property management purposes, component parts are not identified separately, but are capitalized with the system of which they are a part.

District Constructed Assets
Assets constructed by the District are made up of multiple components parts both above and below the capitalization threshold. The department generally uses a construction in progress account number to capture all the expenses related to the item. Upon completion, they collaborate with the General Manager, accounting staff or consultants to determine a description, in service date, estimated useful life and final capitalized amount for the item.

APPENDIX B California Water Code- Sections 370-374

CALIFORNIA WATER CODE

SECTION 370-374

(Copied from original posted at http://www.leginfo.ca.gov/calaw.html)

370. The Legislature hereby finds and declares all of the following:

(a) The use of allocation-based conservation water pricing by public entities that sell and distribute water is one effective means by which waste or unreasonable use of water can be prevented and water can be saved in the interest of the people and for the public welfare, within the contemplation of Section 2 of Article X of the California Constitution.

(b) It is in the best interest of the people of California to encourage public entities to voluntarily use allocation-based conservation water pricing, tailored to local needs and conditions, as a means of increasing efficient uses of water, and further discouraging wasteful or unreasonable use of water under both normal and dry-year hydrologic conditions.

(c) The Legislature intends that allocation-based conservation water pricing is an alternative method that can be used by public entities to encourage water users to conserve water, increase efficient uses of water, and further discourage waste of water. The Legislature does not intend to limit the discretion of public entities to evaluate and select among different methods for conserving water or to create a presumption that the election to not use a particular method is a waste or unreasonable use of water by the public entity.

(d) Nothing in this chapter is intended to limit, or dictate, the design of rate structures that public entities may use to promote conservation by water users.

(e) Nothing in this chapter directs, or otherwise compels, a public entity to use allocation based conservation water pricing.

371. For purposes of this chapter, the following terms have the following meanings:

(a) "Allocation-based conservation water pricing" means a retail water rate structure that meets all of the criteria in Section 372.

(b) "Basic charge" means a volumetric unit charge for the cost of water service other than any fixed costs that are recovered through meter charges or other fixed charges other than incremental costs that are recovered through conservation charges. A basic charge may include the cost of generally applicable conservation measures assumed in establishing basic use allocations.

(c) "Conservation charge" means a volumetric unit charge for incremental costs.

(d) "Incremental costs" means the costs of water service, including capital costs, that the public entity incurs directly, or by contract, as a result of the use of water in excess of the basic use allocation or to

implement water conservation or demand management measures employed to increase efficient uses of water, and further discourage the wasteful or unreasonable use of water, and may include any of the following:

(1) Conservation best management practices, conservation education, irrigation controls and other conservation devices, and other demand management measures.

(2) Water system retrofitting, dual plumbing and facilities for production, distribution, and all uses of recycled water and other alternative water supplies.

(3) Projects and programs for prevention, control, or treatment of the run off of water from irrigation and other outdoor water uses. Incremental costs shall not include the costs of storm water management systems and programs.

(4) Securing dry-year water supply arrangements.

(5) Procuring water supplies to satisFY increments of water use in excess of the basic use allocations for the customers of the public entity, including supply or capacity contracts for water supply rights or entitlements and related energy costs for water delivery.

(e) "Public entity" means a city, whether general law or chartered, county, city and county, special district, agency, authority, any other municipal public corporation or district, or any other political subdivision of the state that provides retail water service and that is an urban water supplier, as defined in Section 10617.

372. A public entity may employ allocation-based conservation water pricing that meets all of the following criteria:

(1) Billing is based on metered water use.

(2) A basic use allocation is established for each customer account that provides a reasonable amount of water for the customer's needs and property characteristics. Factors used to determine the basic use allocation may include, but are not limited to, the number of occupants, the type or classification of use, the size of lot or irrigated area, and the local climate data for the billing period. Nothing in this chapter prohibits a customer of the public entity from challenging whether the basic use allocation established for that customer's account is reasonable under the circumstances. Nothing in this chapter is intended to permit public entities to limit the use of property through the establishment of a basic use allocation.

(3) A basic charge is imposed for all water used within the customer's basic use allocation, except that at the option of the public entity, a lower rate may be applied to any portion of the basic use allocation that the public entity has determined to represent superior or more than reasonable conservation efforts.

(4) A conservation charge shall be imposed on all increments of water use in excess of the basic use allocation. The increments may be fixed or may be determined on a percentage or any other basis,

without limitation on the number of increments, or any requirement that the increments or conservation charges be sized, or ascend uniformly, or in a specified relationship. The volumetric prices for the lowest through the highest priced increments shall be established in an ascending relationship that is economically structured to encourage conservation and reduce the inefficient use of water, consistent with Section 2 of Article X of the California Constitution.

(b) (1) Except as specified in subdivision (a), the design of an allocation-based conservation pricing rate structure shall be determined in the discretion of the public entity.

(2) The public entity may impose meter charges or other fixed charges to recover fixed costs of water service in addition to the allocation-based conservation pricing rate structure.

(c) A public entity may use one or more allocation-based conservation water pricing structures for any class of municipal or other service that the public entity provides.

373. (a) Revenues derived from allocation-based conservation water pricing shall not exceed the reasonable cost of water service including basic costs and incremental costs. This chapter does not limit the sources of funding for incremental costs to charges for water use.

(b) Revenues derived from allocation-based conservation water pricing shall not exceed the proportional cost of service attributable to the customer's parcel, as determined by giving consideration to all of the following:

(1) Customer classes established in consideration of service characteristics, demand patterns, and other factors.

(2) Basic use allocations.

(3) Meter size.

(4) Metered volume of water consumed.

(5) The public entity's discretionary allocation of incremental costs between and among the increments of water use subject to conservation charges, as permitted by paragraph (4) of subdivision (a) of Section 372 to meet the requirement of that section.

(c) In establishing the schedule of charges and metered volumes for the increments of water use subject to conservation charges, the public entity may also consider both of the following:

(1) Customer overuse characteristics, including ratios between overuse volumes and basic use allocations, variations in demand and consumption patterns, or other characteristics of overuse experienced by the public entity.

(2) The extent to which the pricing structure of the increments will be effective in minimizing or eliminating the need for other measures to curtail potential overuse.

374. (a) Allocation-based conservation water pricing under this chapter may be used on an ongoing basis and shall not require any finding of emergency or other water shortage conditions.

(b) The authority granted in this chapter is in addition to any other authority that a public entity has to use rate structure design to foster the conservation of water.

(c) The imposition and revision of rates and charges by a public entity under this chapter shall be subject to the procedures otherwise required by law for the public entity's water rates.

APPENDIX C Glossary

ACH Automated Clearing House (ACH) is an electronic network for financial transactions in the United States. ACH processes large volumes of credit and debit transactions in batches. At the District, we are receiving bill payments for customers through Metavante.

ACWA Association of California Water Agencies – Association of California Water Agencies represents and provides key services to its members. From legislation, to regulatory activity, to broad policy issues, ACWA is on the front lines in Sacramento and in Washington, D.C. as a constant and respected advocate for California's public water agencies. ACWA's involvement at the state and federal level has helped shape laws and policies that affect ACWA member agencies and their customers. (http://www.acwa.com)

AWWA American Water Works Association – Agency that is the authoritative resource on safe water, sharing knowledge on water resource development, water and wastewater treatment technology, water storage and distribution, and utility management and operations. AWWA provides knowledge, information and advocacy to improve the quality and supply of water in North America and beyond and advances public health, safety and welfare by uniting the efforts of the full spectrum of the water community. (http://www.awwa.org)

BMP A Best Management Practice (BMP) is a practice or combination of practices determined to be the most effective, practicable means for protecting natural resources.

CalPERS See PERS

CAP Capital Expense - Funds used by the District to acquire or upgrade physical assets such as property, industrial buildings or equipment. This type of outlay is made by the District to maintain or increase the scope of their operations. These expenditures can include everything from repairing a roof to building a brand new booster site.

CDPH California Department of Public Health – State agency that oversees and regulates the public drinking water systems. This includes the certification and licensing of water treatment and distribution system operators. (http://www.cdph.ca.gov)

CEQA California Environmental Quality Act - The California Environmental Quality Actis a California law (California Public Resources Code section 21000 et seq.) passed in 1970, shortly after the Federal Government passed the National Environmental Policy Act. CEQA does not directly regulate land uses, but instead requires development projects submit documentation of their potential environmental impact. (http://ceres.ca.gov/ceqa)

CIF Capital Improvement Fee – Capital improvement fees were established to provide funds for the construction of District facilities to meet water demands. These fees are collected from developers so they can contribute toward the cost of construction of these future facilities as specified by the District's Master Plan.

CSDA California Special Districts Association – California Special Districts Association is the recognized voice for all special districts. CSDA provides advocacy, outreach and member services, while

educating policy makers and the public on the vital importance of local services provided by special districts in California. (http://www.csda.net)

CUWCC The California Urban Water Conservation Council was created to increase efficient water use statewide through partnerships among urban water agencies, public interest organizations, and private entities. The Council's goal is to integrate urban water conservation Best Management Practices into the planning and management of California's water resources.

DWR California Department of Water Resources – State agency that oversees the operation of the State Water Project (SWP). (http://www.water.ca.gov)

DBP Disinfection By-Products are potentially toxic chemical compounds that are formed in extremely low concentrations during the disinfection of water supplies.

EIR Environmental Impact Report – An EIR is a public document used by a government agency to analyze environmental effects of a proposed project. It also allows for the identification of alternatives and to disclose possible ways to reduce or avoid possible environmental damage.

EIS Environmental Impact Study – See EIR

EPA Environmental Protection Agency – The federal agency responsible for setting and enforcing water quality standards.

ET Evapotranspiration, or "ET," is the combination of water that is lost from the soil through evaporation and through transpiration from plants as a part of their metabolic processes. "ET" is simply the amount of water needed by a particular plant, tree, or turf grass.

GASB Governmental Accounting Standards Board – The Governmental Accounting Standards Board exists to establish and improve standards of state and local governmental accounting and financial reporting. By doing this, the result is useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports. (http://www.gasb.org)

GIS Geographical Information System – Geographical information system captures, stores, analyzes, manages, and presents data that is linked to location. Technically, a GIS is a system, which includes mapping software and its application to remote sensing, land surveying, aerial photography, mathematics, photogrammetry, geography, and tools that can be implemented with GIS software.

MOU Memorandum of Understanding is a document describing a bilateral or multilateral agreement between parties. It expresses a convergence of will between the parties, indicating an intended common line of action.

MTBE Methyl tertiary-butyl ether (MTBE) is a chemical compound that is manufactured by the chemical reaction of methanol and isobutylene. MTBE is produced is almost exclusively used as a fuel additive in motor gasoline.

O&M Operations and Maintenance – Operations and Maintenance are the activities related to the performance of routine, preventive, predictive, scheduled, and unscheduled actions aimed at

preventing equipment failure or decline with the goal of increasing efficiency, reliability, and safety.

OPEB Other Post-Employment Benefits – Other Post-Employment Benefits obligations are primarily for retiree health care costs but also can include other benefits such as insurance.

PERS/CalPERS

California Public Employees' Retirement System – The State retirement system covering Palmdale Water District employees and retirees. The retirement program provides retirement income levels dependent on age and length of participation.

SCADA Supervisory Control and Data Acquisition is a system that collects data from various sensors at a factory, plant or in other remote locations and then sends this data to a central computer, which then manages and controls the data.

SWC The State Water Contractors is a non-profit association of 27 public agencies from Northern, Central and Southern California that purchase water under contract from the California State Water Project. (http://www.swc.org)

SWP California State Water Project – Administered by the Department of Water Resources (DWR), the State Water Project is the nation's largest state-built water and power development and conveyance system. Its purpose is to deliver water, control flooding, generate power, provide recreational opportunities, and enhance habitats for fish and wildlife.

TTHM Trihalomethanes (THM) are a group of four chemicals that are formed along with other disinfection byproducts when chlorine or other disinfectants used to control microbial contaminants in drinking water react with naturally occurring organic and inorganic matter in water. The EPA is in charge of regulating the total trihalomethanes (TTHM) at a maximum allowable annual average in drinking water.

VOC Volatile Organic Compounds are ground-water contaminants of concern because of very large environmental releases, human toxicity, and a tendency for some compounds to persist in and migrate with ground-water to drinking-water supply wells.

APPENDIX D Water Master Report

Table B-1 Exhibit 3 Non-Overlying Producers Water Accounting

last update: 6/1/2022	1	23	24	25	26	27
Original Exhibit 3 Producers Public Water Suppliers		**2022 Water Sources (AF)**				
	Production Right (AF)	2022 Rampdown	Unused Federal Reserve Right	Imported Water Return Flows for 2022	Carry Over Water for use in 2022	Transfers (Not Permanent)
	Judgment	*Agreed Upon*	*Allocated as per Judgment*	*See Appendix D*	*[20+21+22]*	*See Appendix F*
Boron Community Services District	50.00	67.17	0.00	78.00	467.44	
California Water Services Company	343.14	384.24	153.41	4.91	109.10	
Desert Lake Community Services District	73.53	73.53	32.87	43.25	663.81	
Littlerock Creek Irrigation District	796.58	900.51	356.14	214.66	155.39	
Los Angeles County Waterworks District No. 40	6,789.26	6,789.26	3,035.34	11,210.32	37,256.99	
North Edwards Water District	49.02	58.00	21.92	0.00		
Palm Ranch Irrigation District	465.69	570.65	208.20	36.78	2,509.74	
Palmdale Water District	2,769.63	2,769.63	1,238.25	4,089.38	8,775.65	
Quartz Hill Water District	563.73	869.29	252.03	1,030.87	5,829.19	
Rosamond Community Services District	404.42	823.33	180.81	38.20	355.61	
Transfer from eSolar Inc.; Red Dawn Suntower LLC - Exhibit 4 (2016)	*150.00*	*150.00*	*0.00*	*0.00*	*150.00*	
Transfer from Nick and Janet Van Dam - Exhibit 4 (Feb 2022)		*350.00*	*0.00*	*0.00*	*0.00*	
Transfer from Richard Miner - Exhibit 4 (Jan 2022)		*999.00*	*0.00*	*0.00*	*5,084.77*	
West Valley County Water District	40.00	64.17	0.00		0.00	100.00
Total[1]	**12,495.00**	**14,868.79**	**5,478.97**	**16,746.36**	**61,357.69**	**100.00**

Taken from https://avwatermaster.net/wp-content/uploads/2022/06/Draft-AVWM-2021-Annual-Rpt-6-2-22.pdf

1. Asphalt Coating

Crack filling and seal coating services were performed on the 77,000 square foot asphalt parking lot at the district office. This proactive maintenance will prolong the life of the asphalt and display the level of pride we take in our facilities.

2. Tank Repairs

Field staff completed a thorough cleaning and inspection of the 140,000-gallon storage tank located at the Well 9 site. The tank was completely drained while the inspection and repairs were conducted. After passing a clean bacti test the tank was refilled and returned to service.

3. Leaks

Field staff continues to replace leaking service lines promptly, minimizing loss water and the interruption of an essential service to customers. After business hours leaks have been frequent and responded to swiftly by field staff. These savings keep operating cost to a minimum which help stabilize/reduce rates.

4. Valve Turning and Flushing

Staff continues to work on the annual valve turning and flushing program. Exercising the District's valves

annually prevents corrosion build up and minimizes the chance of a valve lock up. This program also ensures that water quality standards are maintained.

5. Conservation Outreach

In the past month field staff have canvased the entire district delivering nearly 6,000 conservation notices to customers. These notices are one of the many forms of outreach we are using to inform our customers of the current drought situation and our mandatory watering days.

6. Water Levels

Monthly monitoring of the district owned ground water levels continues. These levels are currently stable and on par with historical averages. Proactive ground water management is a priority of the district commitment to preserving long term reliable sources.

7. Water Availability

Monitoring of State water supply, ground water supply, conservation cutbacks, and other available water resources continue to be a priority of management. Operational changes are made daily to utilize all available water resources and minimize production costs.

Thank you,

Brach Smith

Assistant General Manager

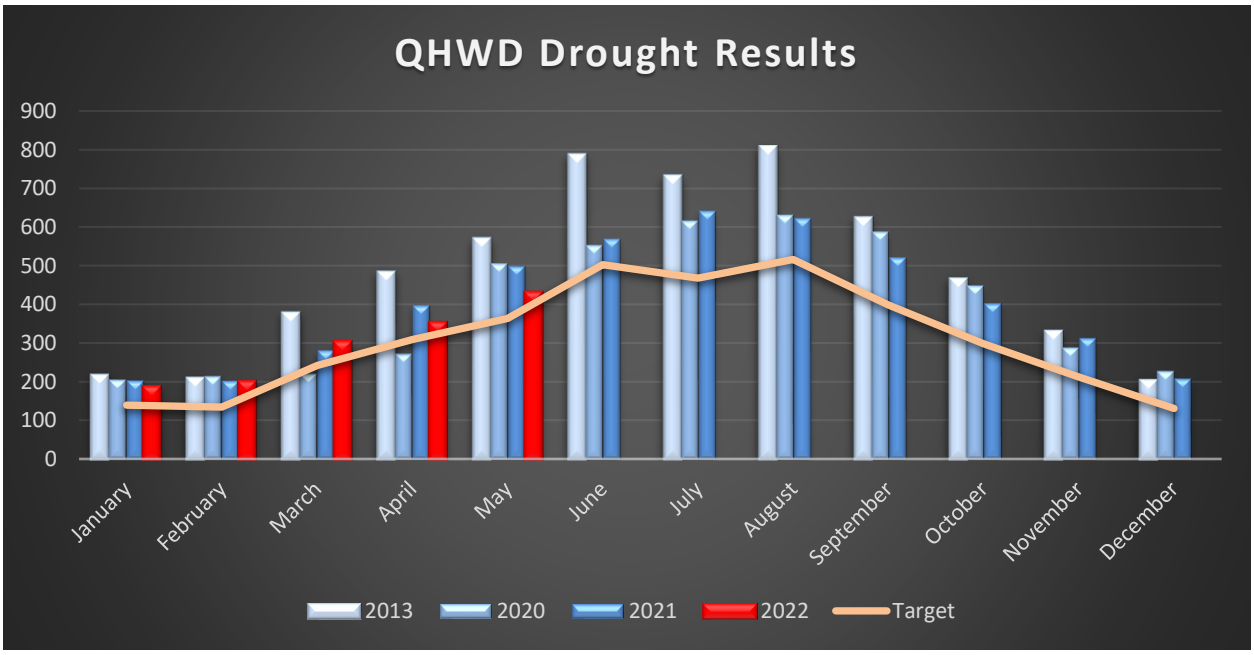
QUARTZ HILL WATER DISTRICT

General Manager Report
June 16, 2022

Dear Directors,

May was a challenging month with several large projects hitting at the same time. The State of California droughts restrictions, year-end budget preparation, and the SCADA upgrade all taking place. This report will be brief due to the time spent on these projects. However, I am very pleased to present the Board of Directors and our customers with this year's budget (see agenda packet). Considering all circumstances we have faced over the past year (inflation, drought, staff turnover) QHWD remains in a financially sound position.

Staff has been working diligently with our outreach program to inform customers of Governor Newsom's state mandated drought restrictions. Several means of outreach have included blast text messages, automated phones calls, messages on bills, door hangers, and the use of the meter reading data logs to spread the word of how dire the water shortage is within our state. Our customer's response has been encouraging as we have seen a **17%** drop in usage from the May 2020 use. If we can keep this going throughout the summer, we can hopefully avoid drought surcharges.



SCADA system radio upgrade

We are now LIVE on the new system. Some minor edits will need to take place over the next month, while we work the bugs out. Due to Covid and supply chain issues, this project has been in the works for the past year! We are happy to see the installation take place over the next few weeks. The SCADA system manages (in real time) the water production and distribution of the District owned wells, along with monitoring the reservoirs to ensure specific capacities are met. The upgrades will include all new: high speed radios, antennas, PLC's, computer server, auto dialer (to call operators after hours), large viewing monitor for field staff, a control back pan for well 12, and software upgrades.

Current Water Situation

Following a January and February that will enter records as the driest documented in state history, the manual survey recorded 35 inches of snow depth and a snow water equivalent of 16 inches, which is 68 percent of average for this location for March. The snow water equivalent measures the amount of water contained in the snowpack and is a key component of DWR's water supply forecast. Statewide, the snowpack is 63 percent of average for this date.

The Table "A" allocation form the State Water Project remains at 15%, which will meet our customers' needs for the year. However, we will still need to practice water conservation as the snowpack is looking bleak (as mentioned above).

- R-GPCD for 2013 May 303 R-GPCD
- R-GPCD for 2021 May 251 R-GPCD
- R-GPCD for 2022 May 217 R-GPCD

Drought Report

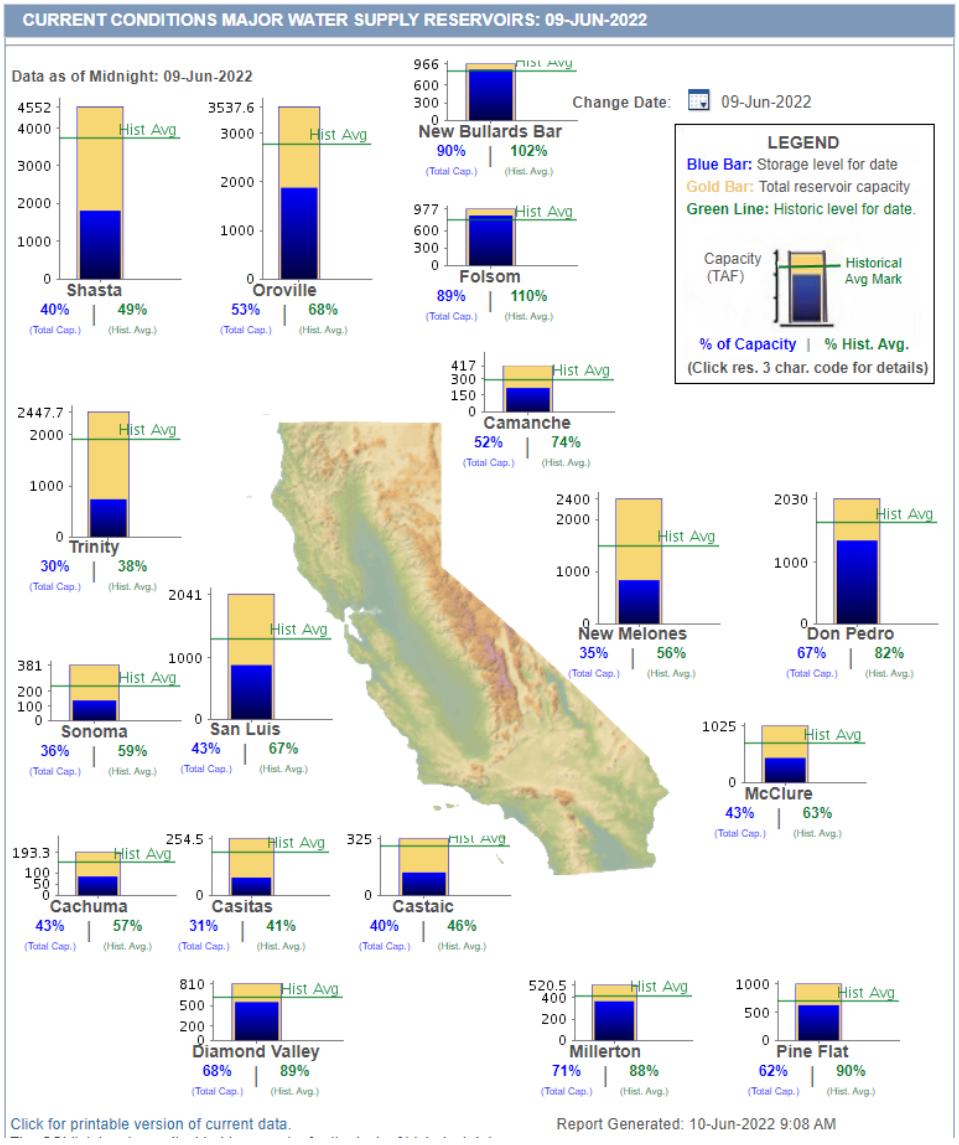
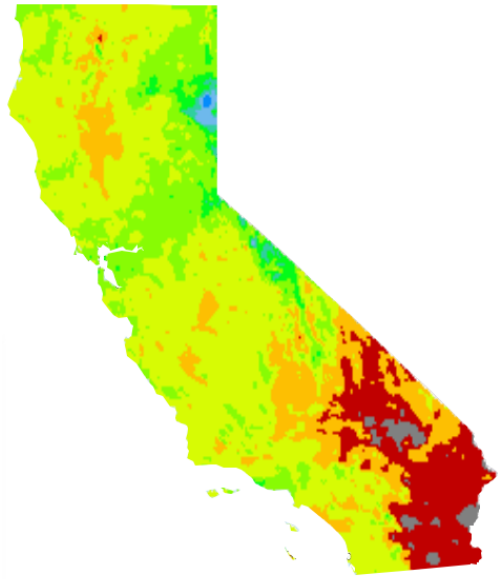
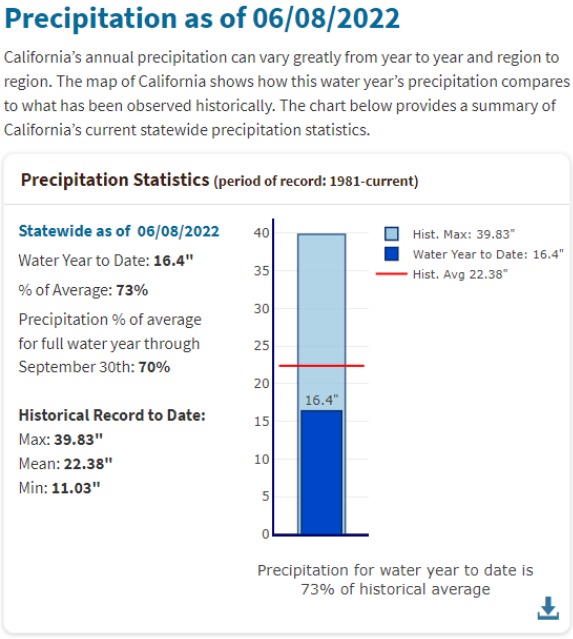


Figure 9 Reservoir conditions taken from http://cdec.water.ca.gov/cgi-progs/products/rescond.pdf





Income/Expense Report

I have been very impressed with staff's efforts to compile the data needed to present this year's budget. With people in new positions, we have had some hurdles to overcome just to acquire the data. However, some long hours worked, and the mind set to not give up…and the pride we take to present accurate data has resulted in a product I am proud of. Thank you to all those who supported this document preparation.

Yearend Budget and Expenditures

REVENUE	ANTICIPATED FY '22 *	BUDGET FY '22	PROPOSED FY '23
INVESTMENTS	$ (198,151)	$ 224,148	$ -
OTHER	$ 146,285	$ 130,235	$ 556,978
PENALTIES	$ 86,711	$ 75,344	$ 87,579
RENTS & LEASES	$ 90,136	$ 73,655	$ 91,037
SERVICE CHARGE	$ 2,175,346	$ 2,194,037	$ 2,243,661
TAXES & ASSESSMENTS	$ 519,736	$ 456,829	$ 524,933
WATER USE	$ 3,800,180	$ 3,332,192	$ 3,400,000
TOTAL REVENUE	**$ 6,620,244**	**$ 6,486,440**	**$ 6,904,188**

EXPENSE	ANTICIPATED FY '22 *	BUDGET FY '22	PROPOSED FY '23
BENEFITS	$ 582,672	$ 632,153	$ 597,239
OPERATIONS	$ 1,752,326	$ 1,776,009	$ 1,881,389
PROF/OTHER	$ 103,771	$ 85,253	$ 53,418
WAGES	$ 1,263,568	$ 1,067,487	$ 1,326,729
WATER PURCHASE	$ 1,820,537	$ 1,800,718	$ 1,866,050
TOTAL EXPENSES	**$ 5,522,874.08**	**$ 5,361,619.96**	**$ 5,724,824.86**

	ANTICIPATED FY '22 *	BUDGET FY '22	PROPOSED FY '23
TOTAL REVENUE	$ 6,620,244	$ 6,486,440	$ 6,904,188
TOTAL EXPENSES (includes depreciation)	$ 6,648,744	$ 6,537,015	$ 6,903,157
NET INCOME (LOSS) TOTAL	**$ (28,500)**	**$ (50,575)**	**$ 1,031**

Thank you,

Brent Byrne

General Manager