Board of Directors approved 6/19/2025

QUARTZ HILL
WATER DISTRICT

# Budget FY 26

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# QUARTZ HILL WATER DISTRICT

## FISCAL YEAR 2026 BUDGET-EXECUTIVE SUMMARY

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. (Mission Statement)*

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Dear President Carter, Board of Directors, community, and staff:

I am pleased to submit this report outlining how Quartz Hill Water District (QHWD) has met recent challenges—water reliability and quality, inflationary pressures, workforce needs, and evolving state and federal regulations—while remaining fiscally sound. Thanks are due to our customers, who consistently uphold conservation practices, and to our staff, whose commitment keeps essential services running smoothly. What follows is an overview of key achievements and take-aways from the past year.

**Five-Year Strategic Plan**

Guided by the Board of Directors and our leadership team, we finalized a five-year Strategic Plan anchored in our Mission and Vision. Four strategic focus areas and their associated actions drive the plan:

1. **Water Resource Management**
2. **Customer, Staff, and Industry Relations**
3. **Infrastructure & Capital Assets**
4. **Financial Sustainability**

**Responding to 2025's Water Supply**

*Storage & Infrastructure*

The generous 2025 water supply allowed QHWD to concentrate on expanding storage and modernizing infrastructure. We assessed reservoir capacity, upgraded treatment facilities, and strengthened distribution networks to capture and deliver surplus water safely and reliably.

*Long-Term Planning*

Given California's cyclical hydrology, we advanced long-range resilience efforts—establishing

interties with neighboring agencies (e.g., LACWW), exploring groundwater banking, and adopting smart-meter (AMI) technologies to refine system management and conservation.

*Public Outreach*
Even in times of plenty, we reinforced the message that "Conservation is a California way of life." Outreach campaigns highlighted the value of water and encouraged residents to maintain efficient habits that will carry us through future dry spells.

**Financial Management**

*Budget Discipline*
We adopted proactive budgeting that accounts for uncertain supply and required capital projects, ensuring balanced financial performance despite fluctuating conditions.

*Strategic Investing*
District reserves were prudently invested to generate supplemental revenue. These earnings funded infrastructure renewal, rate stabilization, and community outreach—broadening our ability to strengthen system resiliency.

**Conclusion**
Fiscal Year 2025 presented both tests and opportunities. Thanks to a dedicated workforce and engaged community, QHWD continued to deliver high-quality water and positioned itself for enduring success. I am proud of what we accomplished together and look forward to building on this momentum in FY 2026.

Respectfully,

*Brent Byrne*

General Manager

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Quartz Hill Water District expects operating revenues for FY'25 to be **$7.96 million** with **$7.65 million** in operating expenses (Without Depreciation). Planned capital expenditures are expected to be $1.2 million and financial obligations for payment of principal and interest on debt was $566K. Revenues were higher largely due to increased water sales. The expenses were slightly higher due to employee COLA/benefits, inflated supply costs and increasing energy expenses.

The proposed budget is utilizing the long-term financial model provided by RDN, 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 elements provide the framework for the remaining 2025 budget discussion and proposed FY '26 budget.

## 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.*

## District History

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 FY25 QHWD contracted with Robert D. Niehaus, INC to perform a multiply year rate analysis for FY 2026-2030 found at WWW.QHWD.ORG.

## Rate Structure Design

In January 2025, Quartz Hill Water District (QHWD) retained Robert D. Niehaus, Inc. (RDN) to develop a comprehensive water rate study, which includes financial planning, revenue requirements, cost of service, and rate-setting analyses (Study). The overall goal of this Study was to develop a financial plan to Identify necessary revenues to meet the District's financial needs and design rates which recover the costs from ratepayers commensurate with their service requirements. RDN amended the District's current rates to further improve equity, review the cost-basis of rates, and ensure compliance with Proposition 218 (Prop 218) requirements and other legal mandates.

The District bills all customers based on a three-tiered rate structure, which allows better cost to tier allocation. Tier 1 width for single-family residential customers is based on indoor, or essential, water use which includes a cap of 52 gallons per capita per day (gpcd), based on household size. To ensure equity between customer classes, non-residential accounts, essential (tier 1) water use should be defined by each individual customer's use pattern because of the heterogeneous nature of the category. The District assesses the lowest use average use month over the previous three years to develop essential use for each account with a floor of eight hcf (based on the average essential budget for single family residential customers). Tier 2 widths for single family residential customers will continue to be based on efficient use patterns for each account's outdoor irrigable area. For non-residential customers, tier 2, be defined as the average water use for the previous three years with a floor of one hcf. In the proposed structure, all use which is in excess of the essential and efficient use tiers will be billed in the third tier. The resulting rates form an equitable rate structure which is based on the actual cost to provide service for each customer. Costs were allocated between all customers during the cost of service analysis. The rates for each meter size represent an equitable portion of the total cost of service for each class allocated the respective meter.

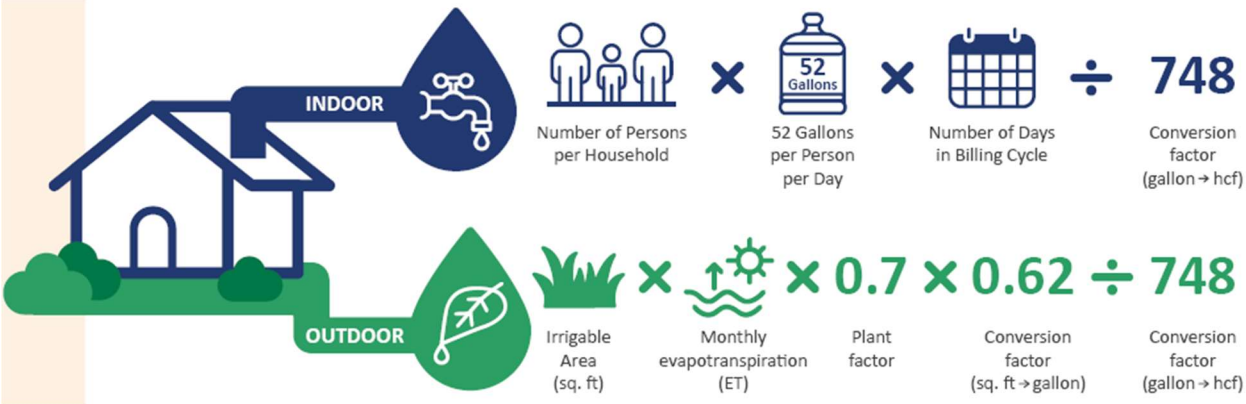


*Figure 1 Graphic depicting allocation methods and practices. Taken from QHWD Prop 218 mailer.*

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.

**Monthly Fixed Charge**

| Meter Size | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
|---|---|---|---|---|---|
| 3/4" | $33.16 | $34.99 | $36.91 | $38.94 | $41.09 |
| 1" | $33.16 | $34.99 | $36.91 | $38.94 | $41.09 |
| 1 1/2" | $57.57 | $60.74 | $64.08 | $67.60 | $71.32 |
| 2" | $86.86 | $91.64 | $96.68 | $101.99 | $107.60 |
| 3" | $179.61 | $189.48 | $199.91 | $210.90 | $222.50 |
| 4" | $316.29 | $333.68 | $352.03 | $371.40 | $391.82 |
| 6" | $643.34 | $678.72 | $716.05 | $755.43 | $796.98 |
| 8" | $1,375.55 | $1,451.20 | $1,531.02 | $1,615.22 | $1,704.06 |

**Cost Per Unit Hundred Cubic Feet(748 gal)**

| Tier | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
|---|---|---|---|---|---|
| Tier 1 | $1.27 | $1.34 | $1.41 | $1.49 | $1.57 |
| Tier 2 | $1.89 | $1.99 | $2.10 | $2.22 | $2.34 |
| Tier 3 | $3.42 | $3.61 | $3.80 | $4.01 | $4.23 |

## 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 3550 acre feet of water however, with the 10% leave behind 3195 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 **6,330.24 acre** feet of water as “carry-over”.

## Service Area

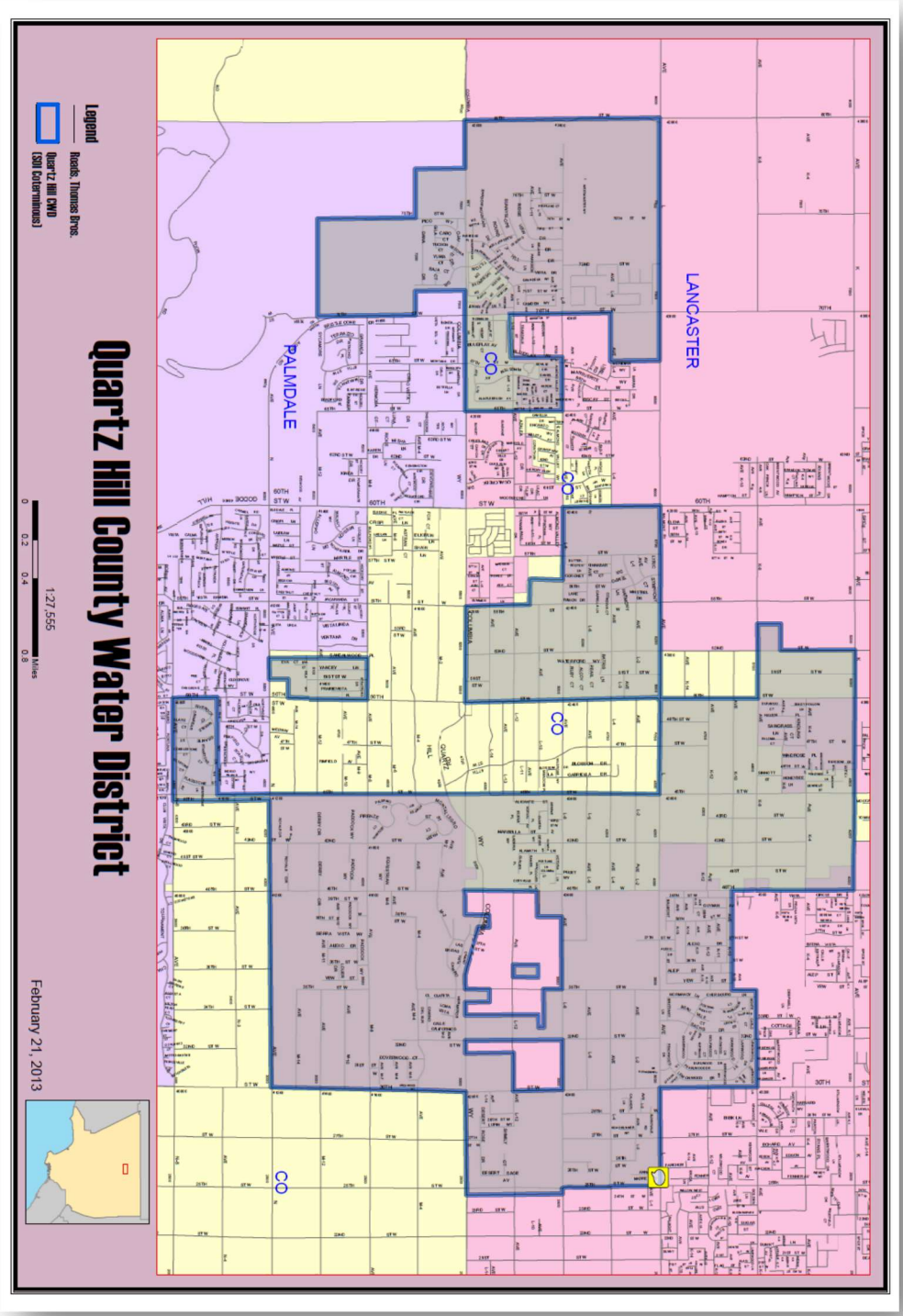


*Figure 2 Map of District Boundaries*

## 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 possible, while providing exceptional service. This means QHWD will properly maintain its facilities and continue to seek ways to operate more efficiently.

## 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.

## 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 to fulfill necessary 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.

### FY 2025 Accomplishments

The following goals/objective were accomplished during the FY25 period:

- 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 FY23 the staff continued the process started in FY22 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 FY24 we continued to follow the Rate analysis as adopted by the Board. The adopted rates and study can be viewed at www.qhwd.org
- Increased the use of Asset Management Software to greater capabilities
- All Sites “tour ready at all times”
- 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 achieve 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. 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 suitability 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 1 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 2026 Objectives

The FY '26 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 trainings and other programs will continue to improve the Districts overall readiness and ability to face challenges the District may endure. The Budget also affords for an aggressive preventative maintenance program to maintain our goal of "no unscheduled equipment down time." During the previous 70 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
- Continue to utilize and learn Elements Software Package to ensure accurate and up-to-date asset schedule.
- Continue to update the Employee Handbook and policy manual.
- Continual training for all District sites and field personnel.
- Continue to update standard operating procedures and conduct routine safety meetings.

## Litigation Expenses

James W. M. Charlton
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June 11, 2025

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

Pending or Threatened Litigation for Budget

Dear Mr. Byrne:

Pending or Threatened Litigation for Budget

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 this 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 2025 System Indicators

- 5,850 +/- Customer service connections
- 2278 system isolation valves
- 46 Cla-Valves
- 627 Fire hydrants
- 97 Miles (510,000 ft.) of pipeline ranging in size from 4"-24"
- 4628 Acre feet of water distributed (**1.5 billion gallons**)
- 13.5 million gallons of reservoir storage
- 120,000 kWh of Solar power produced

## FY 2025 Administrative Staff Accomplishments

- While water availability increased, focus on mindful water usage remained a district priority. Monthly parameters were used to review account consumption and look for locations that may have had anomalous usage and could benefit from our expert coaching.
- Utilizing blast texts, website updates, pop-ups, bill notices, individualized usage graphs, emails, and calls, informational reminders about mindful usage was disseminated throughout the year, "Conservation – A Desert Way of Life".
- Meter specific outreach on locations triggering a 'leak alert' coupled with coaching customers on the phone, emails, and videos available on our website.
- Offered one-on-one sessions with customers to help them understand their bill, usage and water use management.

- Successfully completed year-end audit and required financial reporting in a timely manner.
- Fulfilled all possible requirements by including links on our website, collected documents, and ensured all training requirements have been met in preparation of application to the Special District Leadership Foundation of CSDA for the "District Transparency Certificate of Excellence."
- Ongoing monthly financial reporting to the General Manager and Board of Directors.
- Complied with the California State Water Boards water quality regulations and reporting.
- Intensive focus on cross training of staff to a broader scope of responsibilities including but not limited to billing, cash handling, door tags, shut offs, backflow test forms, water quality sample scheduling, reporting and Annual Water Quality Reports, work order software, the new developer process, growing our autopay, all to ensure consistent and efficient operations.
- Launched paperless billing option for all customers.
- Provided Administrative staff with further training of the programs they work in most frequently, UMS, Abila MIP and Elements.
- Utilization of American Water College for broader range of information and online Education.
- Implementation of new skills learned at UMS and Abila and Elements trainings.
- Resumed a collection protocol for accounts closed and unpaid after 60 days, that Includes assignment to a debt recovery company.
- Maintained and updated inventory for meters and transmitters to ensure accurate billing and reading information.
- Completed and disseminated the Annual Water Quality Report/Consumer Confidence Report in both English and Spanish, in a timely manner.
- Successfully managed a finance workflow schedule to efficiently manage finance related tasks.
- Ongoing update and maintenance of our District website (www.qhwd.org).

### FY 2026 Administrative Staff Objectives

- Maximize the benefits of our smart meters, specifically, the ability to generate reports, offering the highest potential of community outreach and support.
- Customer engagement with our web-based tool that allows individualized calculations of their own projected usage, based on our billing schema. Schema factors include gallons per capita per day, ET factors, lot size and irrigable areas. These factors are based on regulatory requirements, such as those in SB606 and AB1668. This tool will help customers stay conservation-minded and budget water usage for the most practical of their tier allowances.
- Through technology, expand our ratepayer understanding of available information on MY WATER ADVISOR 2 app.
- Education for staff and ratepayers relating to the ever-changing State Mandated Restrictions, from limited restrictions to extremes depending upon water availability.
- Public outreach in bills, emails, calls, and texts spreading information in the format

that will best suit each customer and connect us with the broadest portion of our customer base.
- Ongoing cross training of administrative staff to ensure success for the entire team.
- Maintain up-to-date procedural documentation for all administrative and finance workflow items, keeping operations running at maximum efficiency in the absence of one or more staff.
- Remain as up to date as possible with our district website content as information and technology continuously evolves.
- Ensure all requirements are met and easily verifiable by CSDA, in order to submit our application for the Special District Leadership Foundation 'District Transparency Certificate of Excellence.'
- Begin transition to IVR (Integrated Voice Recognition) System through our existing software. This will allow customers to connect directly to a secure automated payment portal (24/7) that recognizes information from each individual account.
- Billing inserts and envelope graphics to encourage customer online participation.
- Resume classroom visits in alignment with the California State Curriculum.
- Continue to provide technical and financial support to all departments.
- Complete year-end audit and required financial reporting in a timely manner.
- Continue to provide monthly financial reports to the General Manager and Board of Directors.
- Continue to maximize efficiencies in all administrative operations.
- Maintain all record keeping in accordance with the California State Water Board.

## FY 2025 Field Staff Accomplishments

- Promptly responded to emergency leaks and repaired to District standards, to minimize water loss during this emergency drought.
- Replaced 8 mainline valves.
- Replaced 9 Hydrants
- Completed the annual valve exercise and flushing program.
- Properly maintained electric motors and pumps, minimizing down time and customer service interruption.
- Conducted efficiency testing at all Wells and pump stations
- Replaced 1 booster pump.
- Actively sought prospect well sites.
- Continued annual safety training programs.
- Responded to 2333 underground utility marking (DigAlert) requests
- Recoated the interior of one water storage reservoir.
- Replaced 55 water service lines
- 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.
- Conducted Cla-Valve preventative maintenance.

### FY 2026 Field Staff Objectives

- Continue to maintain the District's automated meter reading system.
- Replace 15+ mainline valves.
- Paint 250 fire hydrants
- Perform preventative maintenance on the District's pressure regulating valves.
- 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.
- Complete the annual valve exercising and flushing program.
- Complete District-wide service line inventory to meet LCRR requirements.
- Continue Air-vac maintenance program.
- Continue to repair and replace pumps and motors.
- Replace production meters when needed.
- 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.

## Budget Performance

| | ACTUAL FY '21 | ACTUAL FY '22 | ACTUAL FY '23 | ACTUAL FY' 24 | ANTICIPATED FY '25 | BUDGET FY '25 | **PROPOSED FY '26** |
|---|---|---|---|---|---|---|---|
| TOTAL REVENUE | $ 6,781,907 | $ 6,165,662 | $ 6,179,006 | $ 6,722,077 | $ 7,966,573 | $ 6,611,908 | **$ 7,455,820** |
| TOTAL EXPENSE | $ 6,490,978 | $ 6,811,577 | $ 6,358,192 | $ 6,853,279 | $ 7,657,435 | $ 7,020,257 | **$ 8,190,501** |
| NET INCOME (LOSS) | $ 290,930 | $ (645,915) | $ (179,186) | $ (131,202) | $ 309,137 | $ (408,349) | **$ (734,681)** |
| | | | | | | | |
| C.I.P. | $ 117,399 | $ 644,703 | $ 165,654 | $ 1,104,354 | $ 1,200,000 | $ 1,078,000 | **$ 1,416,170** |

*Table 2 Budget Performance by year*

## Source of Funds

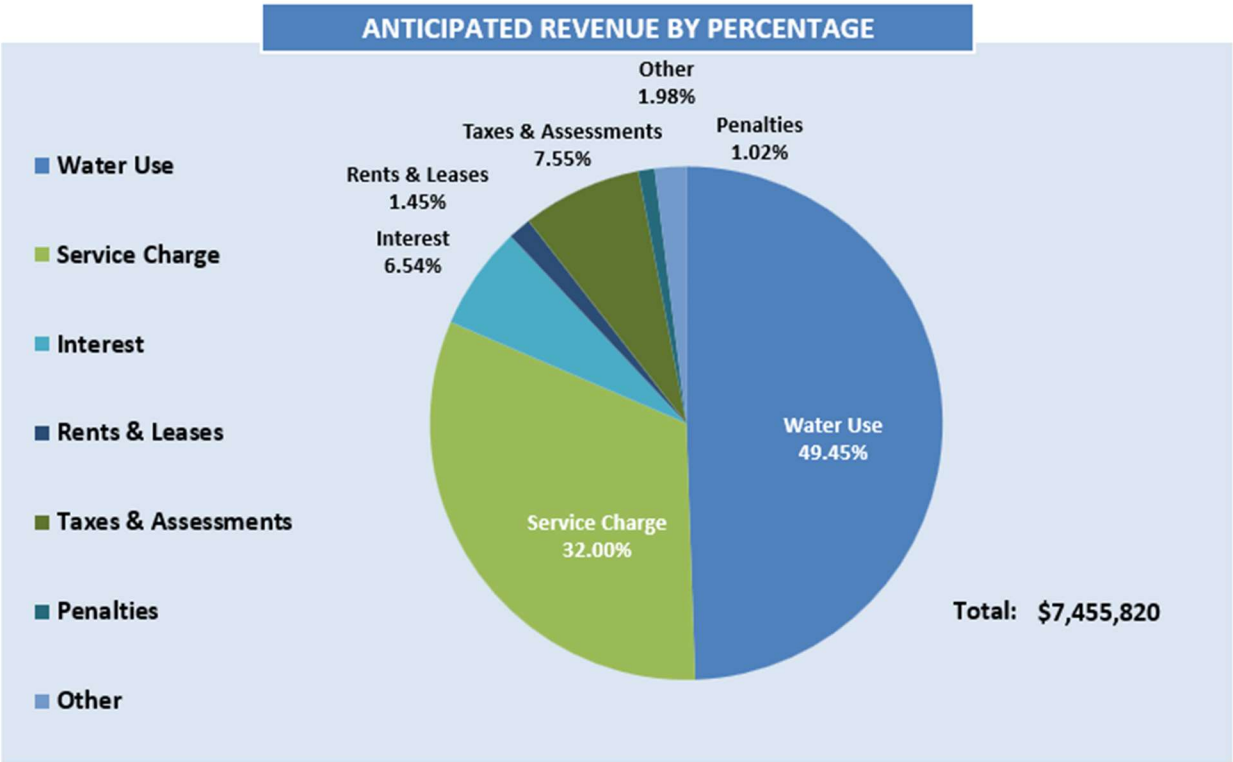


*Figure 3 FY '25 Anticipated Revenue by Percentage*

| Revenue Year | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|---|---|
| Water Use | $ 3,959,383 | $ 3,623,908 | $ 2,909,039 | $ 3,120,798 | $ 3,806,015 | $ 3,686,944 |
| Service Charge | $ 2,180,528 | $ 2,179,484 | $ 2,213,529 | $ 2,237,858 | $ 2,261,413 | $ 2,385,726 |
| Interest | $ 42,426 | $ (252,458) | $ 385,614 | $ 754,681 | $ 858,846 | $ 487,637 |
| Rents & Leases | $ 114,537 | $ 16,817 | $ 89,770 | $ 105,830 | $ 117,883 | $ 108,443 |
| Taxes & Assess | $ 333,501 | $ 357,765 | $ 409,449 | $ 349,115 | $ 633,144 | $ 562,943 |
| Penalties | $ 48,481 | $ 86,778 | $ 82,025 | $ 83,067 | $ 90,556 | $ 76,237 |
| Other | $ 103,053 | $ 153,367 | $ 89,580 | $ 70,728 | $ 198,716 | $ 147,890 |
| Total | **$ 6,781,907** | **$ 6,165,662** | **$ 6,179,006** | **$ 6,722,077** | **$ 7,966,573** | **$ 7,455,820** |

*Table 3 Actual 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](WWW.QHWD.ORG).

## How We Stack Up

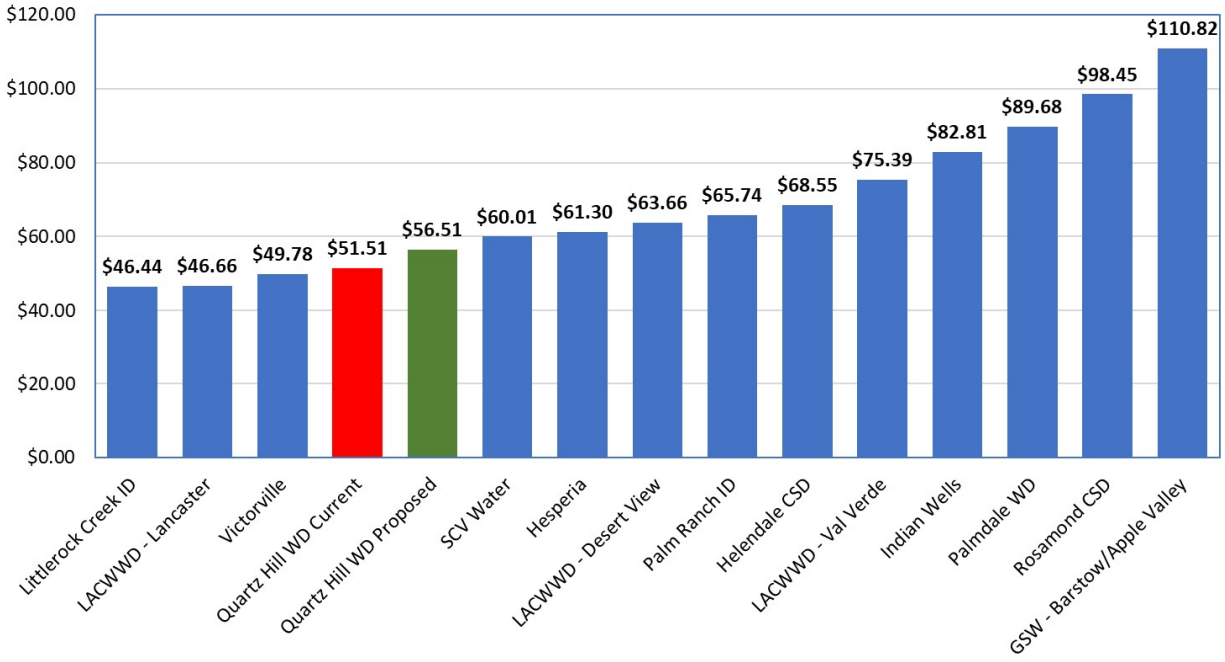


*Figure 4 Average Residential Bill using 16units (Produced by RDN) Based on rate study adopted February 2021*

## 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.

## 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

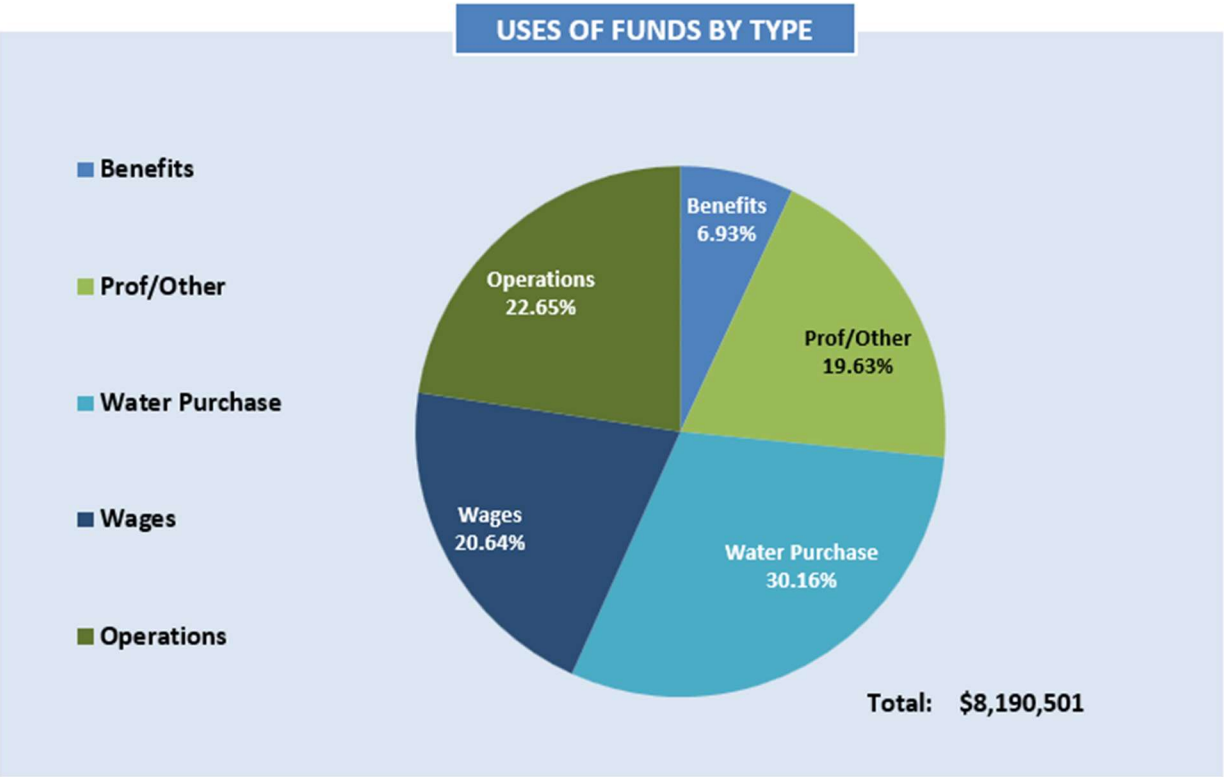


*Figure 5 FY '25 Fiscal Use of Funds by Type*

| Expenses by type | Type | | | | | |
|---|---|---|---|---|---|---|
| Year | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 |
| Benefits | $ 528,927 | $ 444,457 | $ 469,706 | $ 485,801 | $ 532,034 | $ 567,376 |
| Prof/Other | $ 362,236 | $ 114,269 | $ 130,942 | $ 139,884 | $ 160,832 | $ 157,031 |
| Water Purchase | $ 2,096,941 | $ 2,331,462 | $ 1,973,114 | $ 2,082,545 | $ 2,519,679 | $ 2,470,202 |
| Wages | $ 1,064,091 | $ 1,180,849 | $ 1,281,999 | $ 1,333,844 | $ 1,349,519 | $ 1,690,637 |
| Operations | $ 1,338,387 | $ 1,570,146 | $ 1,494,519 | $ 1,699,366 | $ 1,885,372 | $ 1,854,860 |
| Depreciation/OPEB | $ 1,100,395 | $ 1,170,395 | $ 1,007,911 | $ 1,111,839 | $ 1,210,000 | $ 1,450,395 |
| | **$ 6,490,978** | **$ 6,811,577** | **$ 6,358,192** | **$ 6,853,279** | **$ 7,657,435** | **$ 8,190,501** |

*Table 6 Actual and Projected Expenses*

## 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 6 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 7 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** |

## Budget Detail

| **Revenue Summary** | | FY 2024-25* | FY 2025-26 |
|---|---|---|---|
| | Revenues from rates | 6,067,429 | 6,072,670 |
| | Other operating revenues | 98,232 | 83,143 |
| | Non-operating revenues | 1,800,914 | 1,300,007 |
| | **Total Revenues** | 7,966,575 | 7,455,820 |
| Account Number | Description | | |
| | **Revenues from Rates** | | |
| | Water Sales | 3,806,016 | 3,686,944 |
| | Service Charge | 2,261,413 | 2,385,726 |
| | | | |
| | **Other operating revenues** | | |
| 4140 | Revenue-Returned Check Fee | 860 | 800 |
| 4700 | Revenue-Late Charges | 29,472 | 27,739 |
| 4705 | Revenue-Clean & Show | 100 | 100 |
| 4720 | Revenue-Fire Flow | 1,800 | 2,525 |
| 4730 | Revenue-Back Flow | (50) | - |
| 4740 | Revenue-Door Tag Charge | 43,225 | 27,000 |
| 4750 | Revenue-Set/Pick Up Hydrant Meter | 1,170 | 810 |
| 4780 | Revenue-Lock Cut/Missing | 1,250 | 250 |
| 4790 | Revenue-Pull Meter | 250 | 250 |
| 4800 | Revenue-Disconnection-Shut Off | 15,500 | 20,198 |
| 4820 | Revenue-New Meter | 2,255 | 3,471 |
| 4830 | Revenue-Hydrant/Meter Theft | 2,400 | - |
| | | | |
| | **Non-operating revenues** | | |
| 4000 | Revenue-Construction | 26,238 | 20,209 |
| 4015 | Revenue-Plan Check | 1,500 | 1,500 |
| 4035 | Construction Inspection Fee | 33,938 | - |
| 4135 | Revenue-Will Serve Letter | 2,000 | 500 |
| 4160 | Revenue-Capacity Charge | 63,739 | 100,000 |
| 4080 | Gain/Loss on Investments | 311,038 | 95,812 |
| 4090 | Dividend Revenues | 336,776 | 244,961 |
| 4100 | Interest Revenues | 211,032 | 146,863 |
| 4130 | Taxes & Assessments | 633,144 | 562,943 |
| 4105 | Interest Revenue - Leases | 21,592 | - |
| 4110 | Rents & Leases | 96,291 | 108,443 |
| 4045 | Revenue-Water Bank | 43,524 | - |
| 4060 | Gain/Loss on Fixed Asset Disposal | - | 9,500 |
| 4190 | Revenue-Miscellaneous | 20,102 | 9,275 |

| **Expense Summary** | | FY 2024-25* | FY 2025-26 |
|---|---|---|---|
| | Total Operating Expenses without Depreciation | $ 6,447,436 | $ 6,740,106 |
| | Depreciation | $ 1,100,000 | $ 1,344,395 |
| | OPEB | $ 110,000 | $ 106,000 |
| | **Total Expenses** | **$ 7,657,436** | **$ 8,190,501** |
| | | | |
| Account Number | Description | | |
| 5000 | Water Purchase AVEK | 2,132,376 | 2,010,763 |
| 5010 | Water Purchase-LA County | 1,823 | 3,236 |
| 6030 | Wages | 1,345,770 | 1,687,000 |
| 6040 | Payroll Tax Expense | 103,147 | 109,237 |
| 6045 | Uniform Allowance | 3,750 | 3,637 |
| 6070 | Pension Expense | 282,661 | 280,900 |
| 6415 | Insurance-Employees | 249,372 | 286,476 |
| 5100 | Fuel Expense-Trucks | 34,883 | 49,519 |
| 5105 | Fuel Expense-Equipment | 9,057 | 6,654 |
| 5200 | Water Quality | 19,175 | 21,210 |
| 5210 | Water Quality Chemical Purchase | 42,097 | 47,723 |
| 5305 | Power | 324,207 | 387,270 |
| 5400 | Small Tool Purchases | 8,348 | 15,366 |
| 5405 | Small Equipment Purchase | 7,297 | 2,099 |
| 5520 | Repairs & Maintenance-System | 445,070 | 460,117 |
| 5525 | Repairs & Maint .- Ops Center | 31,927 | 27,388 |
| 5535 | Repairs & Maint. -Equipment | 21,755 | 30,384 |
| 5545 | Repairs & Maintenance-Trucks | 14,071 | 17,681 |
| 5550 | Repairs & Maintenance-Small Tools | 2,497 | 788 |
| 5560 | Equipment Rental | 1,053 | 6,235 |
| 5570 | Operations Reporting Software | - | 9,353 |
| 5600 | Safety Supplies | 11,654 | 11,018 |
| 5605 | Safety Training/Compliance | 2,781 | 2,662 |
| 6055 | Uniforms | 4,072 | 5,196 |
| 6015 | Director Expenses | - | 742 |
| 6170 | Write Off Bad Debt | 149 | 2,801 |
| 6180 | Bank Fees | 97,816 | 102,059 |
| 6190 | Interest Expense | 339,122 | 341,338 |
| 6330 | Dues & Subscriptions | 174,284 | 163,318 |
| 6340 | Education/Seminars/Training | 13,048 | 27,538 |
| 6405 | Insurance-General Liability & Autos | 51,018 | 43,639 |
| 6410 | Insurance-Property | 15,050 | 12,734 |
| 6416 | Insurance-Director | 3,143 | 4,701 |
| 6417 | Insurance-Retiree | 60,092 | 73,894 |
| 6420 | Insurance-Workers Comp | 20,290 | 28,993 |
| 6500 | Computer Expense | 30,981 | 20,784 |
| 6520 | Miscellaneous | 12 | - |

| | | | |
|---|---|---|---|
| 6550 | Office Expense | 94,652 | 117,264 |
| 6560 | Postage | 63,010 | 43,758 |
| 6565 | Utilities | 37,935 | 34,928 |
| 6575 | Travel/Meals/Parking/Mileage | 17,858 | 18,705 |
| 6585 | Trash Removal | 4,876 | 1,954 |
| 6595 | Telephone | 17,235 | 20,903 |
| 6600 | Public Relations | 9,570 | 16,969 |
| 6615 | Accounting | 18,160 | 20,236 |
| 6625 | Professional Services | 121,670 | 116,762 |
| 6630 | Legal Services | 21,002 | 20,033 |
| 6635 | Legal Fees-Adjudication | 14,015 | 20,033 |
| 6645 | Licenses & Permits | 2,190 | 555 |
| 6650 | Security Expense | 1,964 | 1,854 |
| 6655 | None Budget-Board Approved | 119,172 | - |
| 6675 | Medical Expense | 280 | 1,699 |

*Table 8 Expanded Chart of Accounts with Expenses and previous year's details*

# Capital Projects

Capital projects and expenses adhere to the Adopted Capital Asset Accounting Policy. Single-item purchases with an anticipated useful life of at least five years, and exceeding $5,000 each, shall be capitalized. Other expenses of $5,000 or more, that provide a significant increase in future service potential of a capital item, shall also be capitalized as part of the existing asset. The District carefully reviews all equipment before determining if a replacement is necessary considering age, usefulness, and costs. The priority of projects is determined by evaluating the needs of the District with available funding. 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.

## Completed Projects

During FY 25 the following capital projects were completed:

- Valve replacements
- Hydrant replacements
- Dump truck and field service truck purchases
- 75th street tank interior recoat
- M4 and 50th booster pump replacement
- Hydraulic Model and Master plan development
- Large Meter replacement at Wells 5a, 14, and 15
- Land Acquisition of Site 32 and Site 70

## Proposed Capital Projects

- Purchase of 2 new crew trucks $200,000
- Valve and Hydrant Replacement (Ongoing) $40,000
- Large meter replacement (ongoing) $20,000
- Small meter replacement (ongoing) $200,000
- Meter box lid replacements $50,000
- Rehabilitation of 1 groundwater well $150,000
- Site 32 and Well construction $676,170
- Cal-prop emergency backup pump $80,000

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 9 QHWD Capital Improvement Projects summary by Budget Year*

| **CIP projects** | FY 2025-2026 | |
|---|---|---|
| Vehicle replacements | $ | 200,000 |
| Valve and Hydrant replacements | $ | 40,000 |
| Large meters | $ | 20,000 |
| Small meters | $ | 200,000 |
| Meter box lids | $ | 50,000 |
| Well Rehab | $ | 150,000 |
| Site 32 and well 18 construction | $ | 676,170 |
| Cal prop backup pump | $ | 80,000 |
| TOTAL CIP | $ | 1,416,170 |

# 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 runoff 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 Act is 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 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: 05/30/2025

| Original Exhibit 3 Producers Public Water Suppliers | 21 | 22 | 23 | 24 | 25 | 26 |
|---|---|---|---|---|---|---|
| | 2025 Water Sources (AF) | | | | | |
| | Production Right (AF) | Unused Federal Reserve Right | Imported Water Return Flows for 2025 | Carry Over Water for use in 2025 | Transfers (Not Permanent) | Transfer Water remaining after fulfilling Replacement Water Obligations |
| | *Judgment* | *Allocated as per Judgment* | *See Appendix D* | *[18+19+20]* | *See Appendix F* | *[25-17-previous RWOs]* |
| Boron Community Services District | 50.00 | 0.00 | 78.00 | 846.77 | 0.00 | |
| California Water Services Company | 343.14 | 175.25 | 4.44 | 123.84 | 0.00 | |
| Desert Lake Community Services District | 73.53 | 37.55 | 47.44 | 1,020.59 | 0.00 | |
| Littlerock Creek Irrigation District | 796.58 | 406.82 | 170.43 | 1,510.03 | 0.00 | |
| Los Angeles County Waterworks District No. 40 | 6,789.26 | 3,467.36 | 10,425.69 | 65,683.18 | 0.00 | |
| North Edwards Water District | 49.02 | 25.04 | 0.00 | 9.02 | 0.00 | |
| Palm Ranch Irrigation District | 465.69 | 237.83 | 14.12 | 1,494.08 | 0.00 | |
| Palmdale Water District[3] | 2,769.63 | 1,414.49 | 2,733.73 | 12,596.83 | 0.00 | |
| Quartz Hill Water District | 563.73 | 287.90 | 985.32 | 6,330.24 | 0.00 | |
| Rosamond Community Services District (Exhibit 3) | 404.42 | 206.54 | 57.49 | 53.38 | 0.00 | |
| *Transfer from eSolar Inc.; Red Dawn Suntower LLC - Exhibit 4 (2016)* | *150.00* | *0.00* | *0.00* | *0.00* | *0.00* | |
| *Transfer from Nick and Janet Van Dam - Exhibit 4 (Feb 2022)* | *350.00* | *0.00* | *0.00* | *0.00* | *0.00* | |
| *Transfer from Richard Miner - Exhibit 4 (Jan 2022)* | *999.00* | *0.00* | *0.00* | *5,991.18* | *0.00* | |
| *Transfer from Radcast - Exhibit 4 (June 2022)* | *232.56* | *0.00* | *0.00* | *1,619.26* | *0.00* | |
| West Valley County Water District | 40.00 | 0.00 | 0.00 | 98.95 | 0.00 | |
| **Total[1]** | **14,076.56** | **6,258.78** | **14,516.66** | **97,377.35** | **0.00** | **0.00** |

Taken from https://avwatermaster.net/wp-content/uploads/2023/06/Draft-2022-Annual-Report-All.pdf