



Budget FY 25

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TABLE OF CONTENTS

Table of Contents

FISCAL YEAR 2025 BUDGET-EXECUTIVE SUMMARY	4
Mission and Values.....	7
District History	8
Water Portfolio	10
Chart of Accounts.....	12
Revenues	12
Expenses.....	12
Description of Funds	13
Management and Staff	14
FY 2024 Accomplishments.....	14
Monitoring Performance Indicators/ Benchmarking.....	16
FY 2025 Objectives.....	16
Litigation Expenses	18
Operations Report	19
FY 2024 System Indicators.....	19
FY 2024 Administrative Staff Accomplishments.....	19
FY 2024 Field Staff Accomplishments	19
FY 2025 Field Staff Objectives.....	22
Budget Performance	23
Source of Funds.....	24
Operating Revenues.....	25
How We Stack Up.....	25
Non-Operating Revenues.....	25
Capacity Fees	26
Use of Funds.....	27
Use of Funds by Department	28
Budget Detail	29
Completed Projects.....	32
Proposed Capital Projects	32

APPENDIXES	34
APPENDIX A Asset Management Policy	35
APPENDIX B California Water Code- Sections 370-374	42
APPENDIX C Glossary	46
APPENDIX D Water Master Report	49

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,.....	9
TABLE 2 BENCHMARK AND INDICATORS FROM ACWA BENCHMARKING AND INDICATOR 2015 MANUAL.....	16
TABLE 3 BUDGET PERFORMANCE BY YEAR	23
TABLE 4 ACTUAL AND PROJECTED REVENUES	24
TABLE 5 CAPACITY FEE BY METER SIZE	26
TABLE 6 PHYSICAL METER COST	26
TABLE 7 LIST OF DEPARTMENTS AT QHWD.....	28
TABLE 8 CHART OF ACCOUNT SERIES FOR QHWD	28
TABLE 9 EXPANDED CHART OF ACCOUNTS WITH EXPENSES AND PREVIOUS YEAR'S DETAILS	31
TABLE 10 QHWD CAPITAL IMPROVEMENT PROJECTS SUMMARY BY BUDGET YEAR	33

Listing of Figures

FIGURE 1 GRAPHIC DEPICTING ALLOCATION METHODS AND PRACTICES. TAKEN FROM QHWD PROP 218 MAILER.	9
FIGURE 2 MAP OF DISTRICT BOUNDARIES	11
FIGURE 3 FY '24 ANTICIPATED REVENUE BY PERCENTAGE	24
FIGURE 4 AVERAGE RESIDENTIAL BILL USING 16UNITS (PRODUCED BY RDN) BASED ON RATE STUDY ADOPTED FEBRUARY 2021	25
FIGURE 5 FY '24 FISCAL USE OF FUNDS BY TYPE	27

QUARTZ HILL WATER DISTRICT

FISCAL YEAR 2025 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)

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

I am pleased to present this report summarizing the efforts made by Quartz Hill Water District (QHWD) to navigate the challenges of water resiliency/quality, inflation, staffing, and other State/Federal compliance regulations. Kudos to the entire community who continue to observe water conservation measures. Our team has worked diligently to ensure the sustainable provision of water services to our community while adapting to the changing conditions. QHWD remains financially sound and will continue to be good stewards for the public we proudly serve. This report aims to provide an overview of our accomplishments and conclusions during this period.

With the vision of the Board of Directors and technical guidance from the Districts leadership team, we completed a 5-year Strategic Plan. The Plan's simple organization is outlined first by Mission and Vision, then by four strategic focus areas with actions/tactics to fulfill the Plan's objectives. The four key focus areas include 1.) Water Resource Management 2.) Customer, Staff, and Industry Relations 3.) Infrastructure/Capital Assets 4.) Financial Sustainability.

Managing the 2024 Abundance of Water:

a) Storage and Infrastructure: With the arrival of an abundant water supply in 2023, our water district focused on optimizing storage and infrastructure to capture, store, and distribute the excess water efficiently. We conducted thorough assessments of reservoir capacities, upgraded water treatment facilities, and invested in improved distribution networks. These measures enabled us to make the most of the surplus water and ensure reliable and safe water delivery to our customers.

b) Long-Term Planning: Recognizing the cyclical nature of water availability in California, we proactively engaged in long-term planning to enhance our resilience to future droughts and fluctuations in water supply. This included the development of strategic partnerships with neighboring water districts (LACWW intertie), exploring new storage options (water banking), and investing in advanced technologies to improve water management and conservation (AMI and the technologies it brings).

c) Public Education: In the wake of an abundant water supply, we shifted our public messaging to emphasize the importance of responsible water use, reiterating the “Conservation, a California way of life” slogan. Public education campaigns were launched to raise awareness about the value of water and the need for continued conservation efforts, even during periods of surplus. By promoting a culture of water conservation, we aimed to foster sustainable practices that would benefit our community in the long term.

Financial Management:

a) Budgeting: Managing the challenges of both drought and abundant water required careful financial planning. Our water district adopted a proactive approach to budgeting, taking into account the uncertainty of water availability and the need for capital investments in infrastructure upgrades. By maintaining a balanced budget, we ensured financial stability while addressing the evolving water supply scenario.

b) Investment Opportunities: To supplement our budget, we actively sought investment strategies to maximize the Districts reserves and generate additional income. These supplementary funds were utilized for infrastructure improvements, research and development, and community outreach programs. By leveraging investments, we were able to expand the scope of our initiatives and enhance the resilience of our water district.

Conclusion:

Fiscal year 2024 brought challenges and opportunities. Our dedicated staff tackled unforeseen circumstances head on and continued to provide high quality water service that we have had for many years. I am proud to be a part of this team and look forward to a successful FY 2025.

Respectfully,

Brent Byrne

General Manager

Quartz Hill Water District expects operating revenues for FY’25 to be **\$6.74 million** with **\$6.12 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 \$575K. Revenues were slightly less than budgeted due to 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 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 2024 budget discussion and proposed FY '25 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 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.

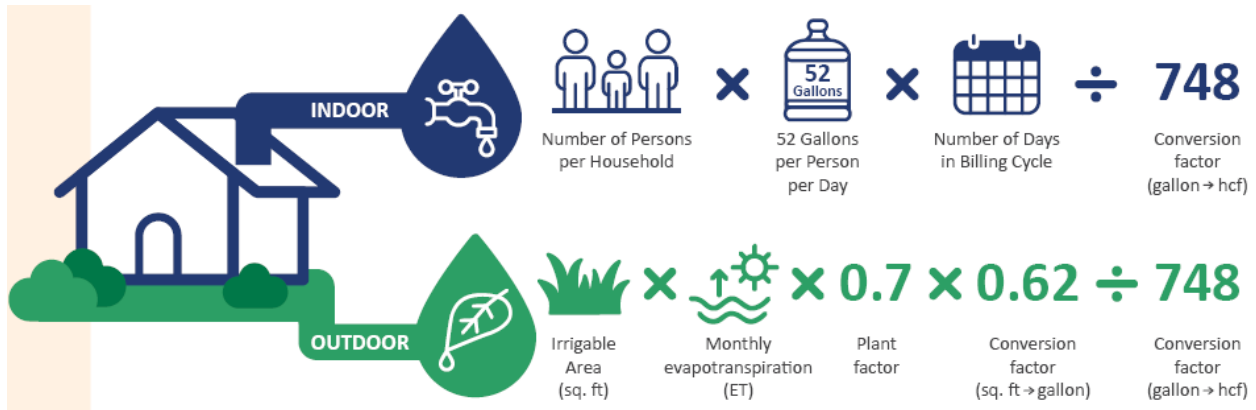


Figure 1 Graphic depicting allocation methods and practices. Taken from QHWD Prop 218 mailer.

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

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 **6,188.25 acre** feet of water as “carry-over”.

Service Area

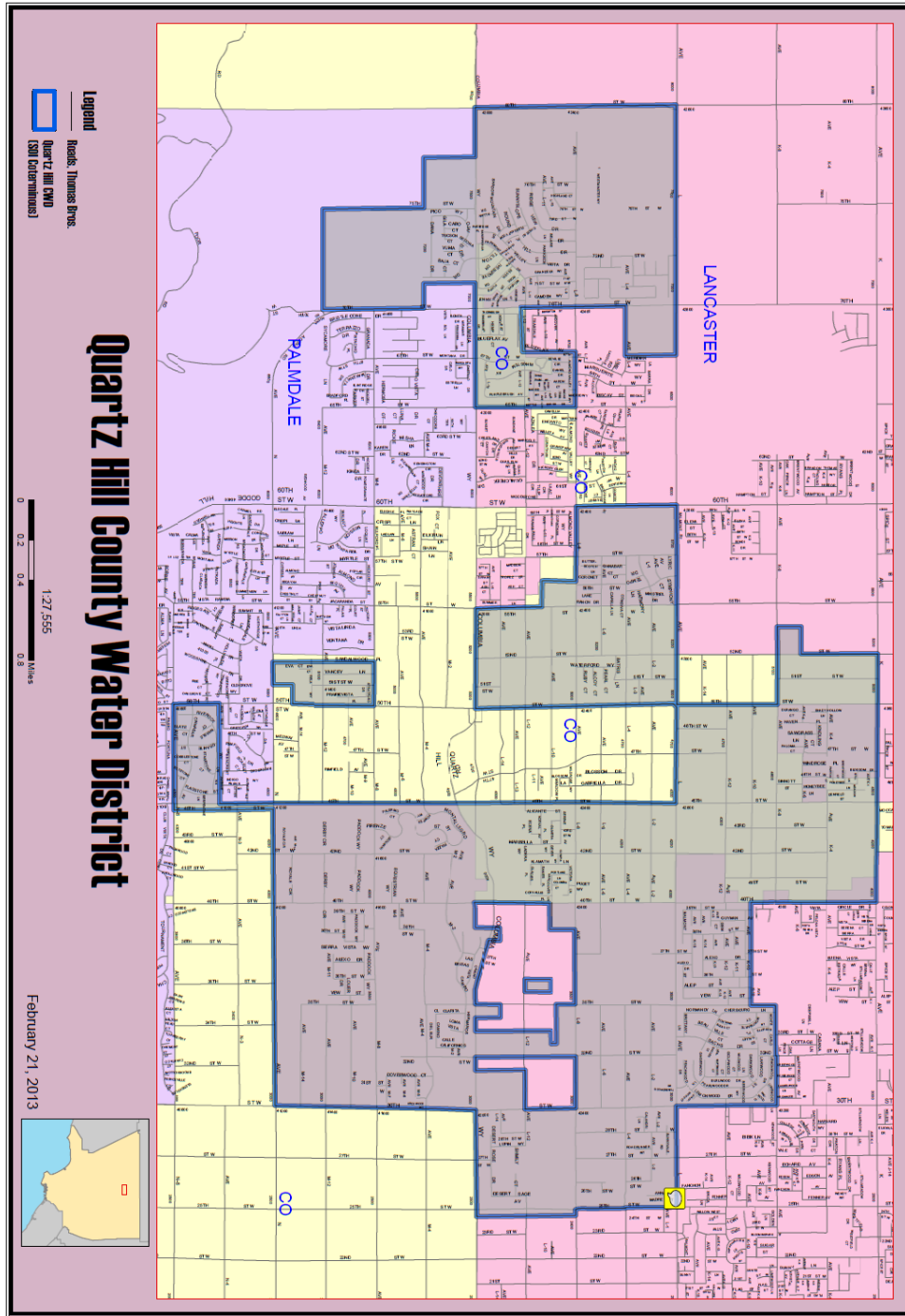


Figure 2 Map of District Boundaries

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.

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.

- **Inflation** and supply procurement costs
- Reduced water sales in response to drought restrictions
- Reduced connection fees due to slowing of the housing market

FY 2024 Accomplishments

The following goals/objective were accomplished during the FY22 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.ghwd.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 FY24 the staff continued the process started in

FY22 and oversaw the completion of the WSCP. The WSCP can be viewed on www.ghwd.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.ghwd.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 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 #
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 2025 Objectives

The FY '25 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 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 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.
- Complete the Water Master plan and hydraulic model.
- 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
Bradley T. Weeks
Lisa A. Doran
Rikka J. Fountain
David A. Cooper



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June 5, 2024

Brent Byrne
General Manager
Quartz Hill Water District
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Pending or Threatened Litigation for Budget

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

There is an asserted claim by Kim Ferguson. This claim was received by the District on December 26, 2023, and rejected December 27, 2023. As of the date of this letter, time remains for Kim Ferguson to file a court action.

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,

A handwritten signature in blue ink that reads 'Bradley T. Weeks'.

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 tasks 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 2024 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"
- 4056 Acre feet of water distributed (**1.3 billion gallons**)
- 13.5 million gallons of reservoir storage
- 120,000 kWh of Solar power produced

FY 2024 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.ghwd.org).

FY 2025 Administrative Staff Objectives

- Prepare for a staff transition as thoroughly as possible, as Mrs. Louie will be retiring.
- 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 extreme 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 2024 Field Staff Accomplishments

- Promptly responded to emergency leaks and repaired to District standards, to minimize water loss during this emergency drought.
- Replaced 10 mainline valves.
- Replaced 3 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 2070 underground utility marking (DigAlert) requests
- Installed 17 new solar inverters
- Recoated the interior of one water storage reservoir.
- Replaced 63 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 2025 Field Staff Objectives

- Continue to maintain the District's automated meter reading system.
- Replace 15+ 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.
- 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 '22	ACTUAL FY '23	ANTICIPATED FY '24 *	BUDGET FY '24	PROPOSED FY '24
TOTAL REVENUE	\$ 6,165,662	\$ 6,179,006	\$ 6,722,077	\$ 6,611,908	\$ 6,742,572
TOTAL EXPENSE	\$ 6,811,577	\$ 6,358,192	\$ 6,853,279	\$ 7,020,257	\$ 7,449,610
NET INCOME (LOSS) TOTAL	\$ (645,915)	\$ (179,186)	\$ (131,202)	\$ (408,349)	\$ (707,039)
C.I.P.	\$ 644,703	\$ 165,654	\$ 1,104,354	\$ 1,078,000	\$ 1,200,000

Table 3 Budget Performance by year

* Estimated actuals as of 6/6/24

Source of Funds

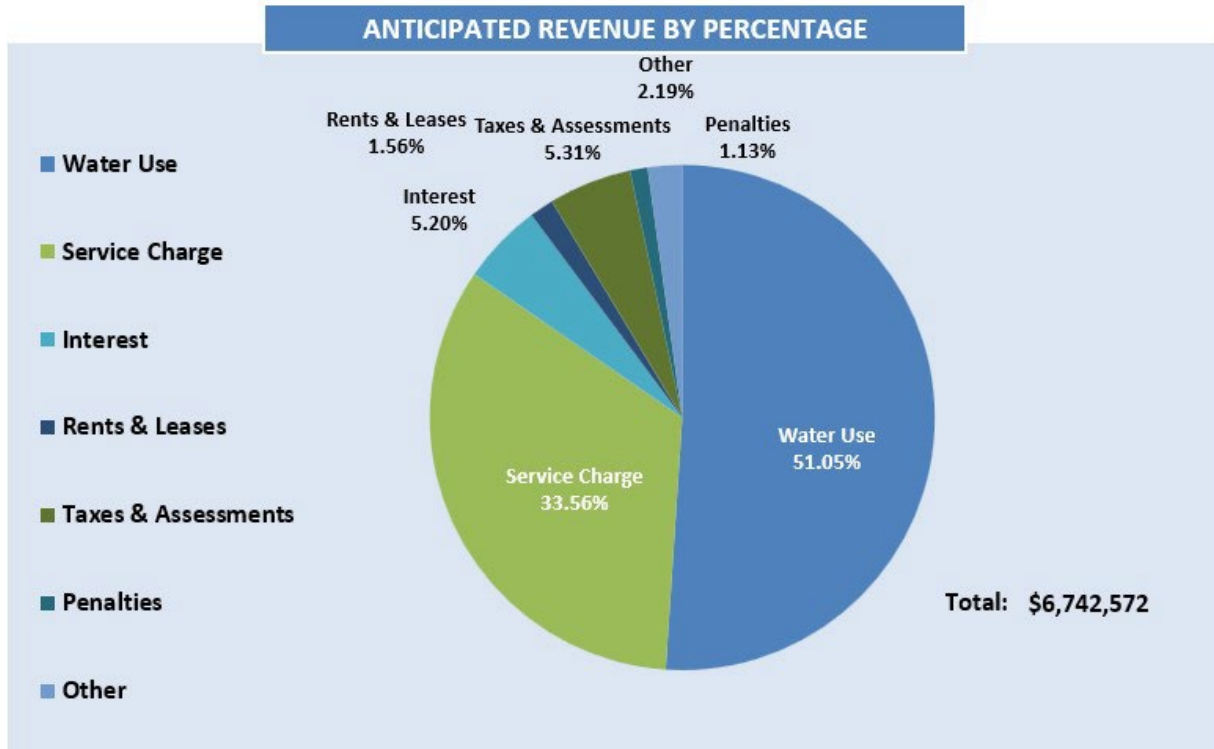


Figure 3 FY '25 Anticipated Revenue by Percentage

Revenue					
Year	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24*	FY 2024-25
Water Use	\$ 3,959,383	\$ 3,623,908	\$ 2,909,039	\$ 3,120,798	\$ 3,441,929
Service Charge	\$ 2,180,528	\$ 2,179,484	\$ 2,213,529	\$ 2,237,858	\$ 2,262,907
Interest	\$ 42,426	\$ (252,458)	\$ 385,614	\$ 754,681	\$ 350,350
Rents & Leases	\$ 114,537	\$ 16,817	\$ 89,770	\$ 105,830	\$ 105,000
Taxes & Assessments	\$ 333,501	\$ 357,765	\$ 409,449	\$ 349,115	\$ 358,258
Penalties	\$ 48,481	\$ 86,778	\$ 82,025	\$ 83,067	\$ 76,237
Other	\$ 103,053	\$ 153,367	\$ 89,580	\$ 70,728	\$ 147,890
Total	\$ 6,781,907	\$ 6,165,662	\$ 6,179,006	\$ 6,722,077	\$ 6,742,572

Table 4 Actual and Projected Revenues

* Estimated actuals as of 6/5/24

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.

How We Stack Up

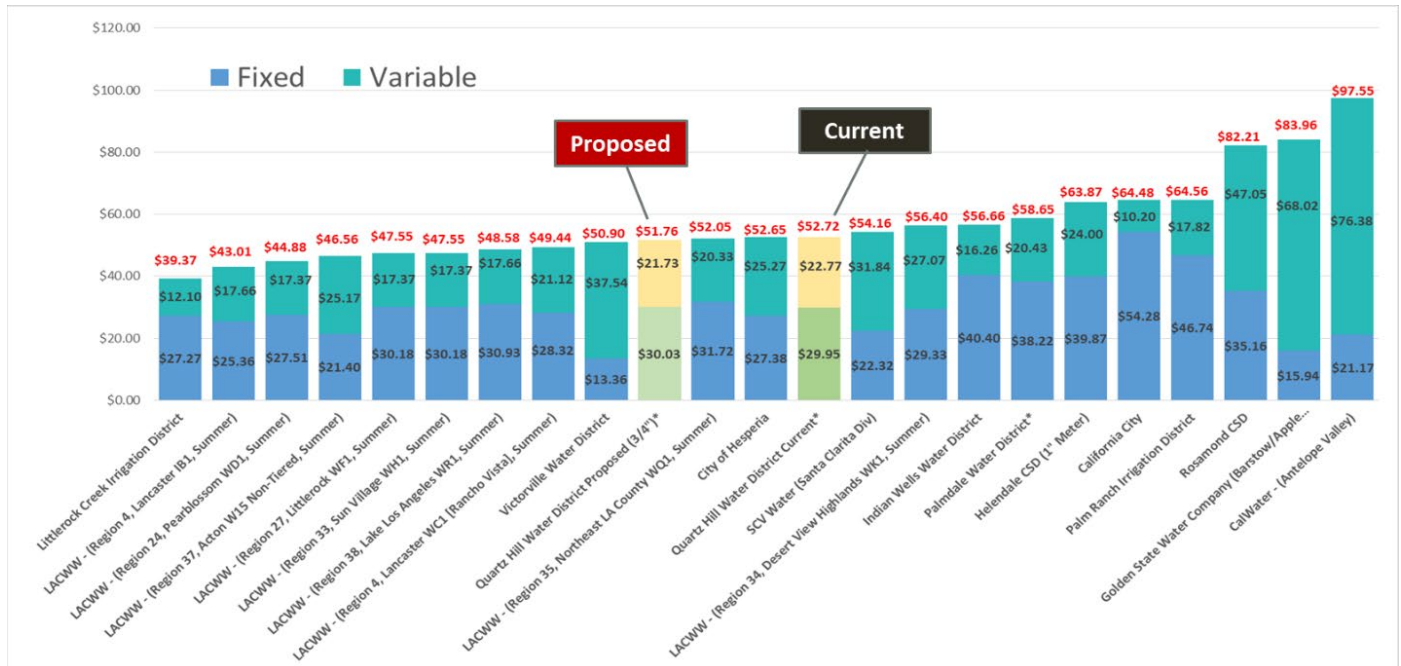


Figure 4 Average Residential Bill using 16units (Produced by RDN) Based on rate study adopted February 2021

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 5 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 6 Physical Meter Cost

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

Use of Funds

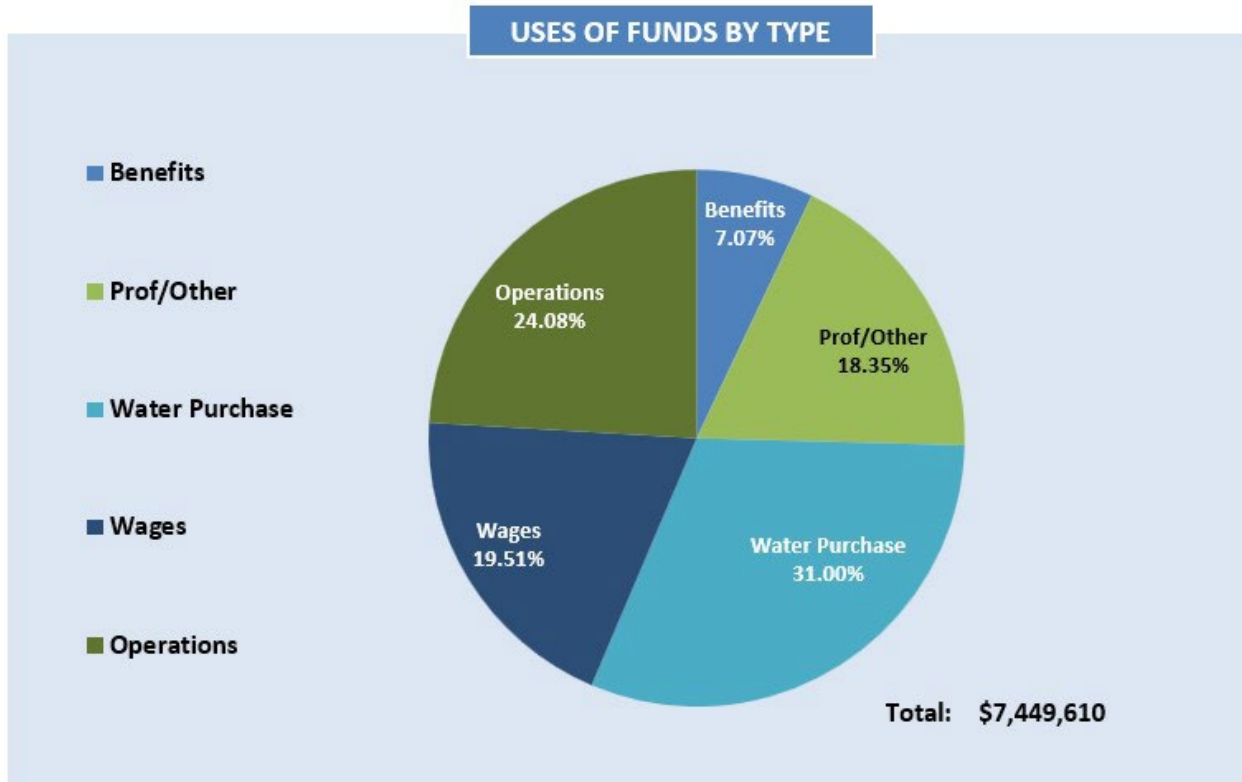


Figure 5 FY '25 Fiscal Use of Funds by Type

Expenses by type					
Year	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24*	FY 2024-25
Benefits	\$ 528,927	\$ 444,457	\$ 469,706	\$ 485,801	\$ 526,360
Prof/Other	\$ 1,462,631	\$ 1,284,664	\$ 1,138,853	\$ 1,251,723	\$ 1,367,111
Water Purchase	\$ 2,096,941	\$ 2,331,462	\$ 1,973,114	\$ 2,082,545	\$ 2,309,074
Wages	\$ 1,064,091	\$ 1,180,849	\$ 1,281,999	\$ 1,333,844	\$ 1,453,500
Operations	\$ 1,338,387	\$ 1,570,146	\$ 1,494,519	\$ 1,699,366	\$ 1,793,566
Depreciation/OPEB	\$ 1,100,395	\$ 1,170,395	\$ 1,007,911	\$ 1,111,839	\$ 1,216,000
	\$ 6,490,978	\$ 6,811,577	\$ 6,358,192	\$ 6,853,279	\$ 7,449,610

Table 6 Actual and Projected Expenses

*Estimated actuals as of 6/6/24

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 epenses related to promoting conservation

Budget Detail

REVENUE SUMMARY		FY 2023-24*	FY 2024-25
	Revenues from rates	\$ 5,358,656	\$ 5,704,836
	Other operating revenues	\$ 87,677	\$ 83,143
	Non-operating revenues	\$ 1,275,744	\$ 954,592
	Total Revenues	\$ 6,722,077	\$ 6,742,572
Account Number	Description		
	Revenues from rates		
	Water Sales - Residential	\$ 2,623,279	\$ 2,820,929
	Water Sales - Non-Residential	\$ 497,519	\$ 621,000
	Service Charge - Residential	\$ 2,082,859	\$ 2,111,682
	Service Charge - Non-Residential	\$ 154,999	\$ 151,226
	Other operating revenues		
4700	Late Charges	\$ 27,702	\$ 27,739
4705	Clean & Show	\$ 200	\$ 100
4720	Fire Flow	\$ 1,900	\$ 2,525
4730	backflow revenue	\$ (50)	
4740	Door Tag Charge	\$ 34,175	\$ 27,000
4750	Set/Pick Up Hydrant Meter	\$ 1,080	\$ 810
4780	Lock Cut/Missing	\$ 1,000	\$ 250
4790	Revenue-Pull Meter	\$ 500	\$ 250
4800	Disconnect/Reconnect Fee	\$ 18,550	\$ 20,198
4820	New Meter	\$ 1,481	\$ 3,471
4140	Returned Check Fee	\$ 1,140	\$ 800
	Non-operating revenues		
4000	Construction	\$ 17,694	\$ 20,209
4010	New service line		
4015	Plan check	\$ -	\$ 1,500
4045	Water Bank	\$ -	\$ -
4060	Gain/Loss on fixed asset disposal	\$ 23,289	\$ 9,500
4070	Market Value Adjustment (LAIF)		
4080	Gain/Loss on Investments	\$ 141,946	\$ 50,050
4090	Dividend Revenues	\$ 381,203	\$ 200,200
4100	Interest Revenues	\$ 231,532	\$ 100,100
4105	Interest Revenue - Leases		
4110	Rents & Leases	\$ 105,830	\$ 105,000
4130	Taxes & Assessments	\$ 532,444	\$ 545,070
4135	Revenue-Will Serve Letter	\$ 2,500	\$ 500
4160	Capacity charge	\$ 14,709	\$ 100,000
4190	Miscellaneous	\$ 7,925	\$ 9,275
	Taxes & Assessments used to offset Tier 1	\$ (183,328)	\$ (186,812)

Expense Summary		FY 2023-24*	FY 2024-25
	Total Operating Expenses without Depreciation	\$ 5,741,440	\$ 6,233,610
	Depreciation	\$ 1,019,839	\$ 1,116,000
	OPEB	\$ 92,000	\$ 100,000
	Total Expenses	\$ 6,853,279	\$ 7,449,610
Account Number	Description		
5000	Water Purchase AVEK	\$ 1,663,352	\$ 1,879,218
5010	Water Purchase-Los Angeles County	\$ 2,479	\$ 3,024
5100	Fuel Expense-Trucks	\$ 48,823	\$ 46,862
5105	Fuel Expense-Equipment	\$ 305	\$ 6,297
5200	Water Quality	\$ 16,320	\$ 20,000
5210	Water Quality Chemical Purchases	\$ 44,048	\$ 45,000
5305	Power - Pump	\$ 356,345	\$ 361,832
5400	Small Tool Purchases	\$ 6,572	\$ 14,787
5405	Small Equipment Purchase	\$ 2,671	\$ 2,020
5520	Repairs & Maintenance-System	\$ 416,813	\$ 432,331
5525	Repairs & Maintenance-Operations Center	\$ 22,325	\$ 25,734
5535	Repairs & Maintenance-Equipment	\$ 16,908	\$ 29,238
5545	Repairs & Maintenance-Trucks	\$ 15,888	\$ 16,732
5550	Repairs & Maintenance-Small Tools	\$ 1,487	\$ 758
5560	Equipment Rental	\$ 14,923	\$ 6,000
5570	Operations reporting software	\$ 9,000	\$ 9,000
5600	Safety Supplies	\$ 10,428	\$ 10,603
5605	Safety Training/Compliance	\$ 1,860	\$ 2,562
6015	Director Expenses	\$ 470	\$ 700
6030	Wages	\$ 1,330,344	\$ 1,450,000
6040	Payroll Tax Expense	\$ 93,863	\$ 105,118
6045	Uniform allowance(boots)	\$ 3,500	\$ 3,500
6055	uniforms (cintas)	\$ 4,547	\$ 5,000
6070	Pension Expense	\$ 241,068	\$ 265,000
6170	Write Off Bad Debt	\$ 2,442	\$ 2,695
6180	Bank Fees	\$ 88,699	\$ 98,211
6190	Interest expense	\$ 363,025	\$ 372,063
6330	Dues & Subscriptions	\$ 137,523	\$ 148,500
6340	Education/Seminars/Training	\$ 12,059	\$ 26,500
6405	Insurance-General Liability & Autos	\$ 41,469	\$ 39,813
6410	Insurance-Property	\$ 12,846	\$ 11,618
6415	Insurance-Employees	\$ 244,733	\$ 261,360
6416	Insurance-Director	\$ 4,224	\$ 4,289
6417	Insurance-Retiree	\$ 47,858	\$ 67,416
6420	Insurance-Workers Compensation	\$ 27,920	\$ 27,352
6500	Computer Expense	\$ 28,169	\$ 20,000

6520	Miscellaneous	\$ 780	\$ -
6550	Office Expense	\$ 94,822	\$ 112,843
6560	Postage	\$ 41,917	\$ 42,108
6565	Utilities	\$ 30,197	\$ 32,634
6575	Travel/Meals/Parking/Mileage	\$ 12,557	\$ 18,000
6585	Trash Removal	\$ 2,119	\$ 1,880
6595	Telephone	\$ 17,114	\$ 20,115
6600	Public Relations	\$ 12,783	\$ 10,555
6615	Accounting (Audit)	\$ 17,425	\$ 19,473
6625	Professional Services	\$ 105,297	\$ 112,360
6626	Professional Fees-Other	\$ -	\$ -
6630	Legal Services	\$ 17,162	\$ 19,278
6635	Legal Fees-Adjudication	\$ 18,325	\$ 19,278
6645	Licenses & Permits	\$ -	\$ 534
6650	Security Expense	\$ -	\$ 1,784
6655	Engineering Expense	\$ -	\$ -
6655	Non budget board approved	\$ 34,939	
6675	Medical Expense	\$ 696	\$ 1,635

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

*Estimated actuals as of 6/6/24

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 24 the following capital projects were completed:

- Valve replacements
- Hydrant replacements
- Truck #4031, 4032, and 4033 purchases
- Cal Prop Tank #1 interior recoat
- Cal Prop booster pump replacement
- Solar inverter replacements at Wells 9, 14, 15, and 16
- Large Meter replacement at Wells 5a, 14, and 15
- Land Acquisition for site 19 (future pumping station)

Proposed Capital Projects

- Valve and Hydrant Replacement (Ongoing) \$30,000
- Re-coat 75th street tank interior and exterior \$550,000
- Purchase new class 6 field service truck \$350,000
- Purchase new class 8 dump truck \$250,000
- Replace the booster pump at M-4 and 50th street west \$20,000
- Large meter replacement (ongoing) \$20,000
- Hydraulic Model \$TBD
- Cal-prop emergency backup pump \$TBD

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

Types of CIPs	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Tank	\$ -	\$ -	\$ 58,409	\$ 539,475	\$ 550,000
Water System	\$ -	\$ 35,371	\$ 7,912	\$ 40,318	\$ 30,000
SCADA	\$ 50,000	\$ 387,787	\$ -	\$ 160,000	\$ -
Equipment	\$ 19,080	\$ -	\$ -	\$ 175,714	\$ -
Trucks	\$ -	\$ 60,801	\$ 75,293	\$ 170,847	\$ 600,000
Well	\$ 48,319	\$ 160,744	\$ 24,040	\$ -	\$ -
New CIP	\$ -	\$ -	\$ -	\$ 18,000	\$ 20,000
Total CIP Actual Expense	\$ 117,399	\$ 644,703	\$ 165,654	\$ 1,104,354	\$ 1,200,000
Total CIP Budget	\$ 690,585	\$ 705,600	\$ 726,212	\$ 747,438	\$ 769,297
Total CIP Available Funds	\$ 690,585	\$ 1,278,787	\$ 1,360,296	\$ 1,942,080	\$ 1,607,023
Ending Balance	\$ 573,186	\$ 634,084	\$ 1,194,642	\$ 837,726	\$ 407,023

APPENDIXES

APPENDIX A Asset Management Policy

Resolution 13-0612A

RESOLUTION OF BOARD OF DIRECTORS OF QUARTZ HILL WATER DISTRICT ADOPTING 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 which such assets 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 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 or 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 value 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: 6/1/23

Original Exhibit 3 Producers Public Water Suppliers	2023 Water Sources (AF)						
	Production Right (AF)	Production Right (AF)	Unused Federal Reserve Right	Imported Water Return Flows for 2023	Carry Over Water for use in 2023	Transfers (Not Permanent)	Transfer Water remaining after fulfilling Replacement Water Obligations
	Judgment	Judgment	Allocated as per Judgment	See Appendix D	[20+21+22]	See Appendix F	[27-19- previous RWDs]
Boron Community Services District	50.00	50.00	0.00	135.38	593.11		
California Water Services Company	343.14	343.14	178.47	4.93	457.15	MISSING 2022 PRODUCTION REPORT AS OF 6/1/23	#VALUE!
Desert Lake Community Services District	73.53	73.53	38.24	46.45	780.59		
Littlerock Creek Irrigation District	796.58	796.58	414.31	215.22	370.05	250.00	250.00
Los Angeles County Waterworks District No. 40	6,789.26	6,789.26	3,531.15	10,762.07	46,463.83		
North Edwards Water District	49.02	49.02	25.50	0.00	0.00		
Palm Ranch Irrigation District	465.69	465.69	242.21	34.47	2,235.55		
Palmdale Water District	2,769.63	2,769.63	1,440.51	3,338.97	8,497.64	-250.00	-250.00
Quartz Hill Water District	563.73	563.73	293.20	1,033.07	6,188.25		
Rosamond Community Services District (Exhibit 3)	404.42	404.42	210.34	55.73	0.00		
<i>Transfer from eSolar Inc.; Red Dawn Suntower LLC - Exhibit 4 (2016)</i>	150.00	150.00	210.34	55.73	0.00		
<i>Transfer from Nick and Janet Van Dam - Exhibit 4 (Feb 2022)</i>	350.00	350.00	0.00	0.00	0.00		
<i>Transfer from Richard Miner - Exhibit 4 (Jan 2022)</i>	999.00	999.00	0.00	0.00	5,746.60		
<i>Transfer from Radcast - Exhibit 4 (June 2022)</i>	232.56	232.56	0.00	0.00	232.56		
West Valley County Water District	40.00	40.00	0.00	0.00	37.22	50.00	50.00
Total¹	14,076.56	14,076.56	6,584.26	15,682.02	71,602.54	50.00	#VALUE!

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