

# *The* PIPELINE

FINANCE EDITION

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## POPULAR ANNUAL FINANCIAL REPORT

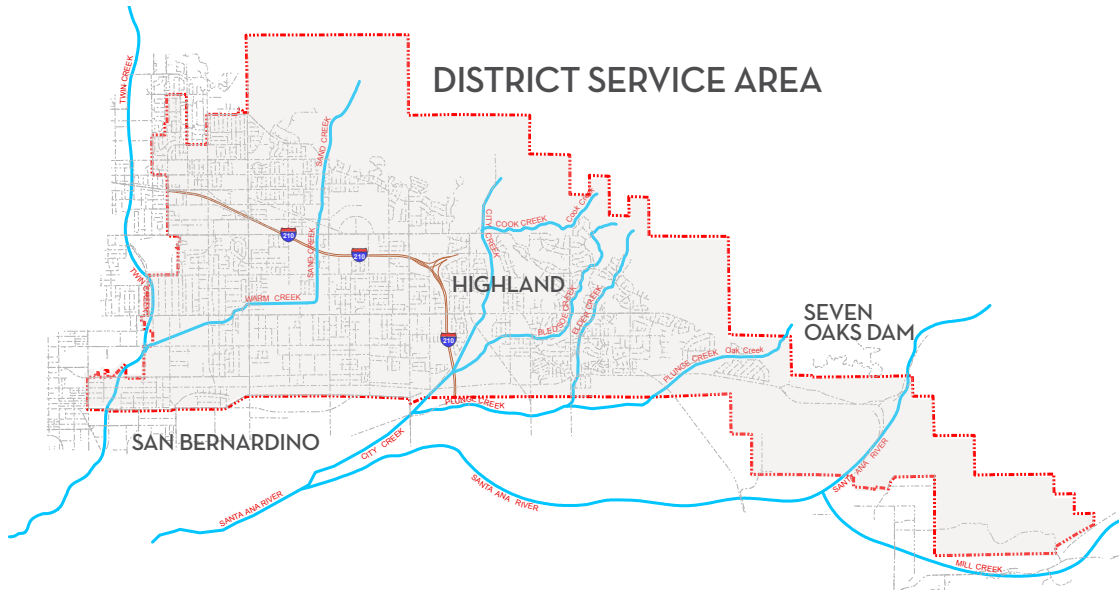
FISCAL YEAR ENDED JUNE 30, 2017



LEADERSHIP | PARTNERSHIP | STEWARDSHIP

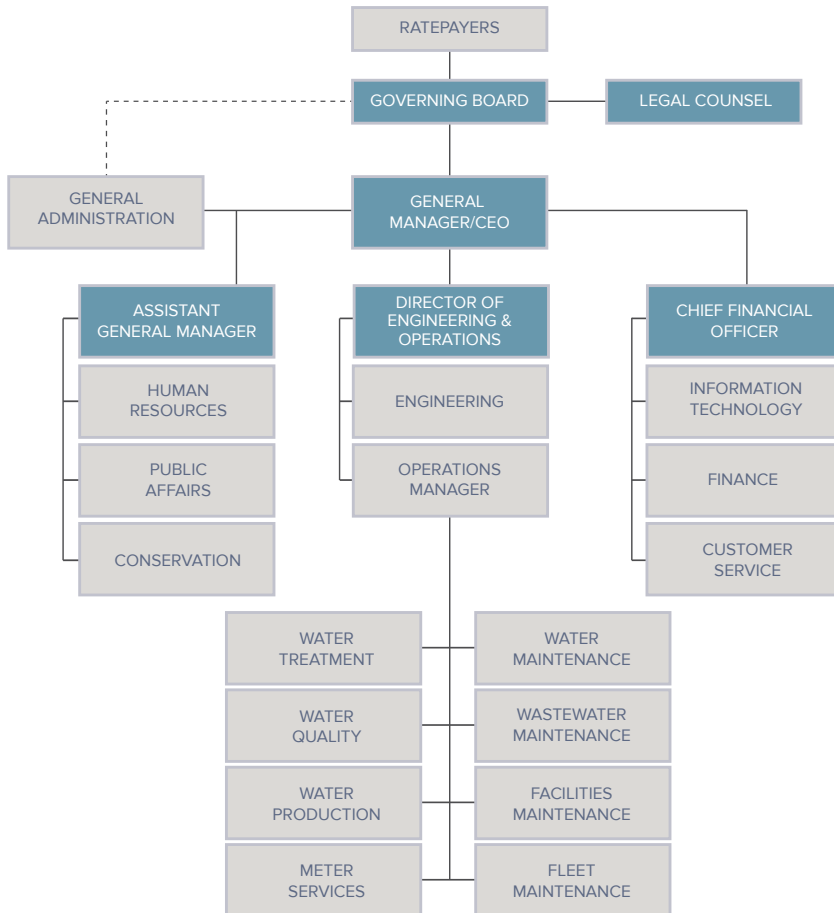
# ABOUT THE DISTRICT

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



# ORGANIZATIONAL STRUCTURE

Presented below is an overview of the District’s organizational structure.



## GOVERNING BOARD OF DIRECTORS

- |   |  |
|---|--|
| Chairman of the Board<br><b>RONALD L. COATS</b>     | Vice Chairman<br><b>CHRIS CARRILLO</b>           |
| Governing Board Member<br><b>JAMES MORALES, JR.</b> | Governing Board Member<br><b>NANETTE SHELTON</b> |
| Governing Board Member<br><b>DAVID E. SMITH</b>     |  |

## DISTRICT MANAGEMENT

- |  |  |
|--|--|
| General Manager/CEO<br><b>JOHN MURA</b>                      | District Clerk<br><b>JUSTINE HENDRICKSEN</b>               |
| Chief Financial Officer<br><b>BRIAN TOMPKINS</b>             | Public Affairs/Conservation Manager<br><b>KELLY MALLOY</b> |
| Operations Manager<br><b>PATRICK MILROY</b>                  | Information Technology Manager<br><b>ROBERT PENG</b>       |
| Human Resources & Risk Safety Manager<br><b>KERRIE BRYAN</b> |  |

# TRANSMITTAL LETTER

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We are pleased to present East Valley Water District's (EVWD or District) Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2017. This report is designed to share our District's finances in an easy to understand format for our stakeholders including customers, property owners, and government agencies. The PAFR is intended to summarize the financial activities of EVWD based on the financial information appearing in the 2017 Comprehensive Annual Financial Report (CAFR).

The PAFR is unaudited; however, the financial data presented in the PAFR is derived from the audited CAFR which is consistent with Generally Accepted Accounting Principles also known as GAAP. This document can also be reviewed on the District's website at [www.eastvalley.org/125/Financial-Documents](http://www.eastvalley.org/125/Financial-Documents).

For more detailed financial information, the District's Comprehensive Annual Financial Report is available for interested users at the District Headquarters, 31111 Greenspot Road, Highland, CA 92346. It can also be viewed on the District's website at [www.eastvalley.org/DocumentCenter/View/1231](http://www.eastvalley.org/DocumentCenter/View/1231). Questions, comments and feedback regarding this report are encouraged, so please do not hesitate to contact Brian Tompkins, Chief Financial Officer, at [finance@eastvalley.org](mailto:finance@eastvalley.org) or (909) 381-6463.

Respectfully Submitted,



John Mura  
General Manager/CEO



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## DISTRICT VISION

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Enhance and preserve the quality of life for our community through innovative leadership and world class public service.

## CORE VALUES

### LEADERSHIP

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

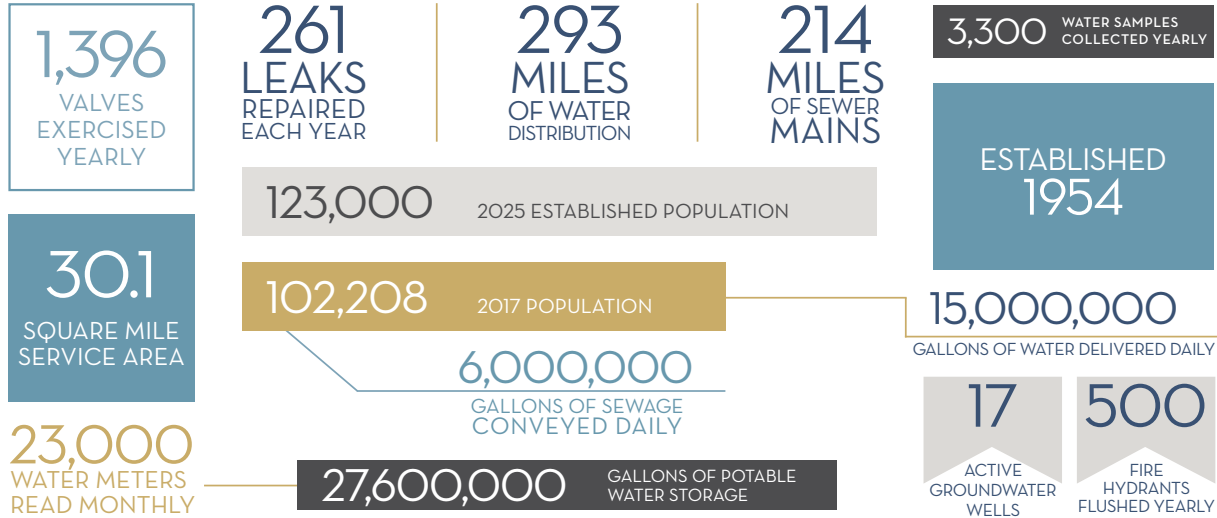
### PARTNERSHIP

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

### STEWARDSHIP

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

# DISTRICT AT A GLANCE



## DISTRICT WIDE GOALS

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

- 1 Complete Prop 1 and State Revolving Fund Applications to Secure Funding for SNRC
- 2 Coordinate Procurement of Construction Partner, Begin Construction of SNRC
- 3 Complete 20-Year Lifecycle and Staffing Analysis of SNRC for Board Consideration
- 4 Develop Programs and Events for Board Interaction with Community Groups, Regional Partners and Ratepayers
- 5 Maximize Benefits of Data Collection Through Development of Reports that will Enhance Board and Management Decision Making Capabilities
- 6 Develop a Fleet Maintenance Management Program and Vehicle Replacement Program

## PRIORITY PROJECTS

The District achieved a number of different accomplishments during Fiscal Year (FY) 2016-17. As a results oriented organization, each program has clearly defined goals and objectives. During this period, there were four priority projects that contributed to achieving not only the District-wide goals, but also the District-wide Vision: [Advanced Metering Infrastructure installation](#), [Hydroelectric Generation Turbine project](#), [water main replacement at Pumalo Street](#), and the [Sterling Natural Resource Center](#). These projects are included in the Five-Year Capital Improvement Program.

# CAPITAL IMPROVEMENT PROJECTS

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



## ADVANCED METER INFRASTRUCTURE (AMI)

East Valley Water District proposed to implement an Advanced Metering Infrastructure (AMI) Pilot Project among 6,100 connections in the most disadvantaged communities within the District's jurisdiction.

### PROJECT BENEFITS

- Energy conservation
- Decrease greenhouse gas emissions through reduced vehicle miles
- Reduce water usage by real-time identification of leaks and over-watering



Meter & Automation Group

TOTAL PROJECT COST  
**\$1,991,910**

METERS INSTALLED TO DATE  
**6,673**



## HYDROELECTRIC GENERATION PROJECT

In January 2015, the District entered into an agreement with the San Bernardino Valley Municipal Water District for the construction, financing and maintenance of a hydroelectric power generation facility. Turbines at the facility will be turned by water flowing into the District from the State Water Project.

### PROJECT BENEFITS

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

### PROJECT COMPLETION

**NOVEMBER 2017**

### TOTAL PROJECT COST

**\$4,367,927**



## WATER MAIN REPLACEMENT- PUMALO STREET

This project replaced 2,000 linear feet of 8-inch steel water main along Pumalo Street. The existing main was constructed in 1966. Since 2006, this section of the main experienced 20 main leaks.

### PROJECT BENEFITS

- Prevent future leaks
- Focus on preventive maintenance throughout the District
- Improve water services for customers

PUMALO WATER MAIN REPLACEMENT



PROJECT COMPLETION  
**SEPTEMBER 16, 2016**

TOTAL PROJECT COST  
**\$716,695**



## STERLING NATURAL RESOURCE CENTER

The SNRC will be a state-of-the-art facility that will treat up to 10 million gallons of wastewater per day. Following treatment, this water will be recharged into the local Bunker Hill Groundwater Basin, where it will be stored for use during future drought years.

### PROJECT BENEFITS

- Water reliability
- Community space
- Educational opportunities
- Job creation
- Neighborhood enhancement

### ESTIMATED PROJECT COST

**\$126 MILLION**

### USEFUL LIFE OF FACILITY

**50-100 YEARS**

 @SterlingNaturalResourceCenter  
 @SterlingCenter

# COMMUNITY INVOLVEMENT

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When East Valley Water District established its vision to enhance the community’s quality of life, it was clear that providing reliable water services was only a portion of the District’s responsibility. To truly make an impact in the lives of customers, the District integrated active involvement, special services and outreach programs to its ongoing strategy. By utilizing a variety of engagement approaches, the District maintains an open line of communication with the community to better understand their needs and concerns.



## COMMUNITY ADVISORY COMMISSION

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In an effort to foster community involvement, the District has established a five-member Community Advisory Commission. This group of residents is involved in the development stage of EVWD projects and programs. Valuable feedback from the Commission is incorporated to maximize community benefits for the District as a whole.



## JEFFERSON HUNT ELEMENTARY SCHOOL SPONSORSHIP

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Aspiring to make a difference in the community it serves, East Valley Water District employees identified a local school with underserved students in need of school supplies. Through combined efforts, staff donated over 100 backpacks filled with supplies to Jefferson Hunt Elementary school students. Recognizing a need for more than just school supplies, the District conducts year-round drives to sponsor students with shoes, socks, sweatshirts and jackets.



## COMMUNITY OUTREACH EVENTS

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With the question “what would you do without water for a day?”, East Valley Water District participated in the annual Imagine A Day Without Water campaign. During last year’s national event, EVWD staff visited the local community and engaged them in a conversation on how small changes to day-to-day tasks can help conserve water. Residents also learned about the District’s indoor and outdoor rebate programs and received goodie bags for their participation.

# FINANCIAL PERFORMANCE

## REVENUE AND EXPENSES

Providing safe quality water to over 102,000 customers per day is the District's top priority and also one of its most significant expenses. The graphs below represent the District's combined revenue and expenses for FY 2016-17. For comparison purposes, FY 2015-16 revenue and expenses have also been included.

Note: Please refer to the District's CAFR for a comprehensive breakdown of expenses.

FY 2016-17 REVENUE & EXPENSES



FY 2015-16 REVENUE & EXPENSES



TOTAL REVENUE INCREASED BY 16.2% IN 2017.

## HOW IS REVENUE MANAGED?

The District utilizes revenue to fund daily operations, repay loans, bonds and interest. Remaining revenue is invested back into capital improvement projects to help maintain and improve the District's system health so that EVWD may continue to offer reliable water services to its customers.

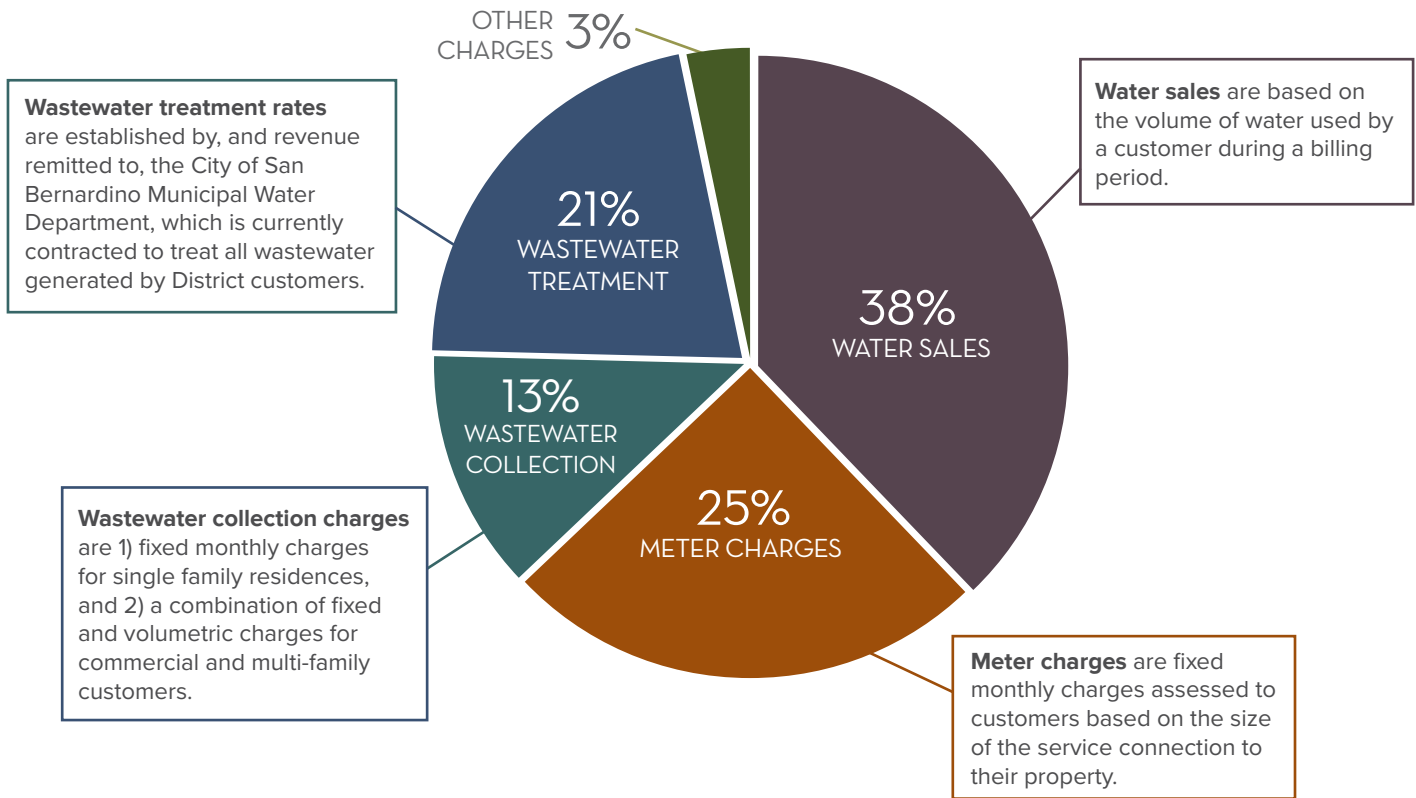
Revenue also provides funding for conservation and rebate programs, which empowers customers to be efficient water users and encourages customers to save water indoors and out. Excess net revenue after covering expense and payments is placed in Replacement Reserves, the District's account set aside to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

# REVENUE BY SOURCES

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

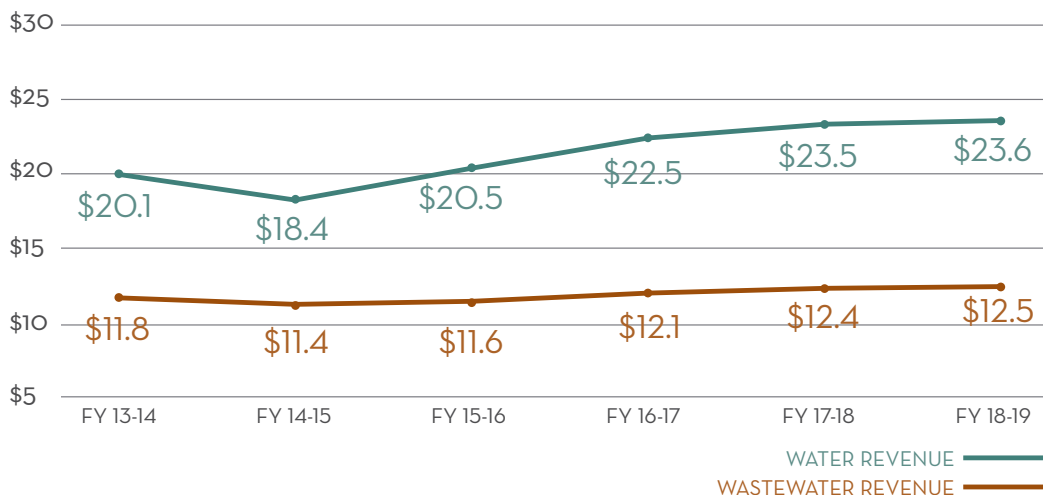
East Valley Water District receives 97 percent of its revenue from user rates and fees; the District receives no increment from property or sales taxes. Rates and fees are reviewed on 3 to 5 year cycles and are adjusted as necessary to cover the costs of providing services to ratepayers.

## FISCAL YEAR 2016-17 RATE REVENUE



Other charges are assessed according to an adopted fee schedule, but are only charged to users who request, or require, use of District resources beyond the scope of delivering normal water and wastewater services.

## REVENUE HISTORY & FORECAST (IN MILLIONS)



Note: The District's water sales and meter charge revenue are expected to increase through FY 2017-18 due to rate adjustments adopted in March 2015.

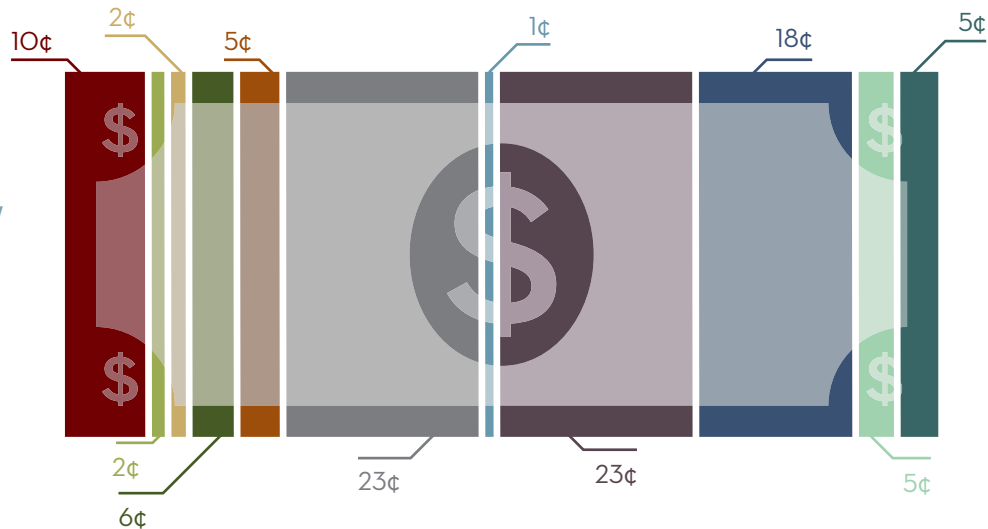


# BREAKDOWN OF EXPENSES

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

## FY 2016-17 EXPENSES

The graph on the right identifies how every dollar spent is allocated to covering expenses (in cents).



- Source of Supply
- Pumping
- Water Treatment
- Transmission and Distribution
- Customer Accounts
- Wastewater Treatments
- Wastewater Collection
- Administrative and General
- Depreciation
- Other Expense
- Special Items

The District limited cost increases by 3.5% in 2017.

## EXPLANATION OF EXPENSES

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

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

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

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

**Customer Accounts** - Expenses related to customer relationships. These include postage, telephone, printing and publishing and billing services.

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

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

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

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

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

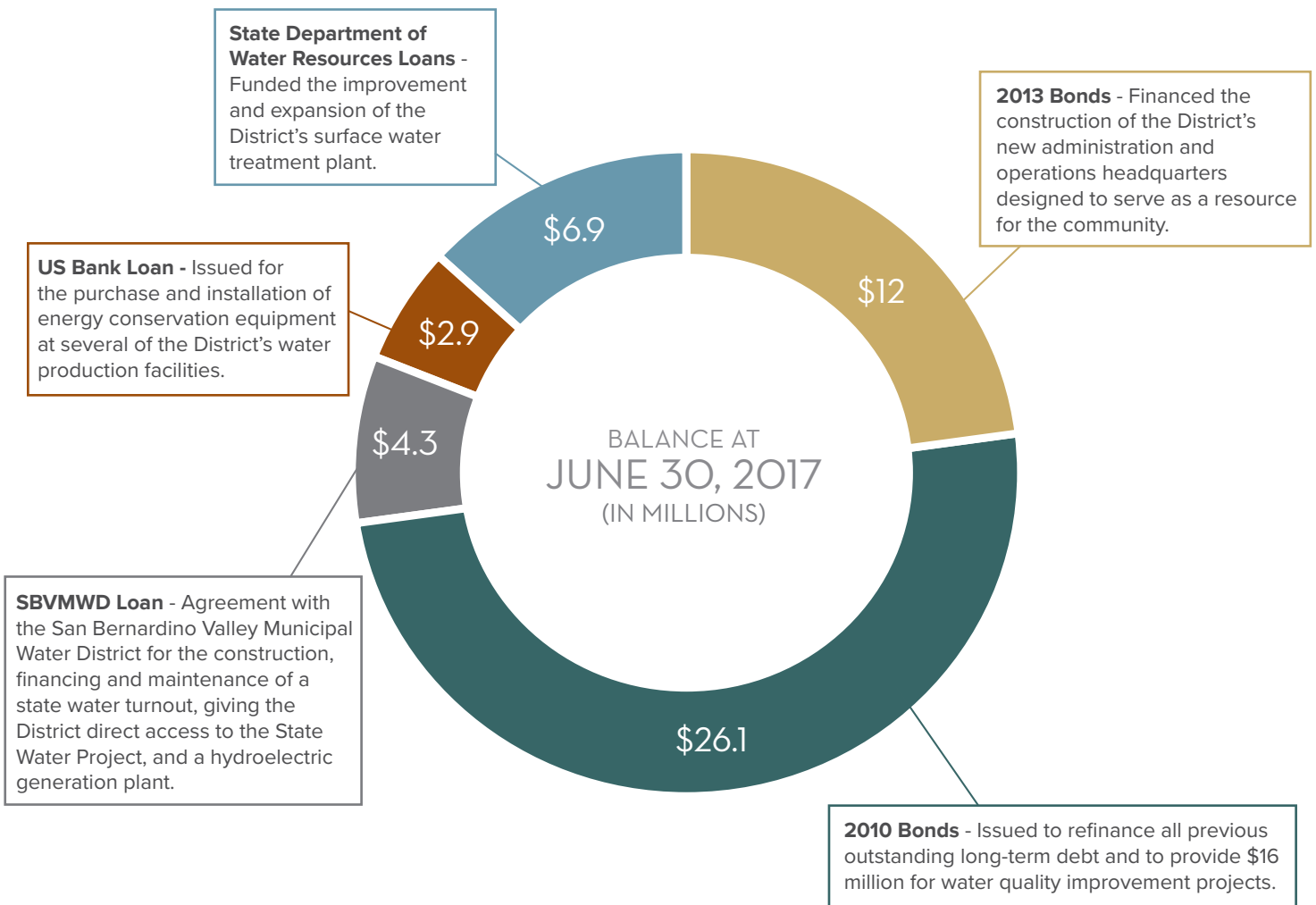
**Special Items** - The write-off for feasibility studies and other preliminary costs related to projects that were not approved for construction.

# OUTSTANDING LONG-TERM DEBT

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

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

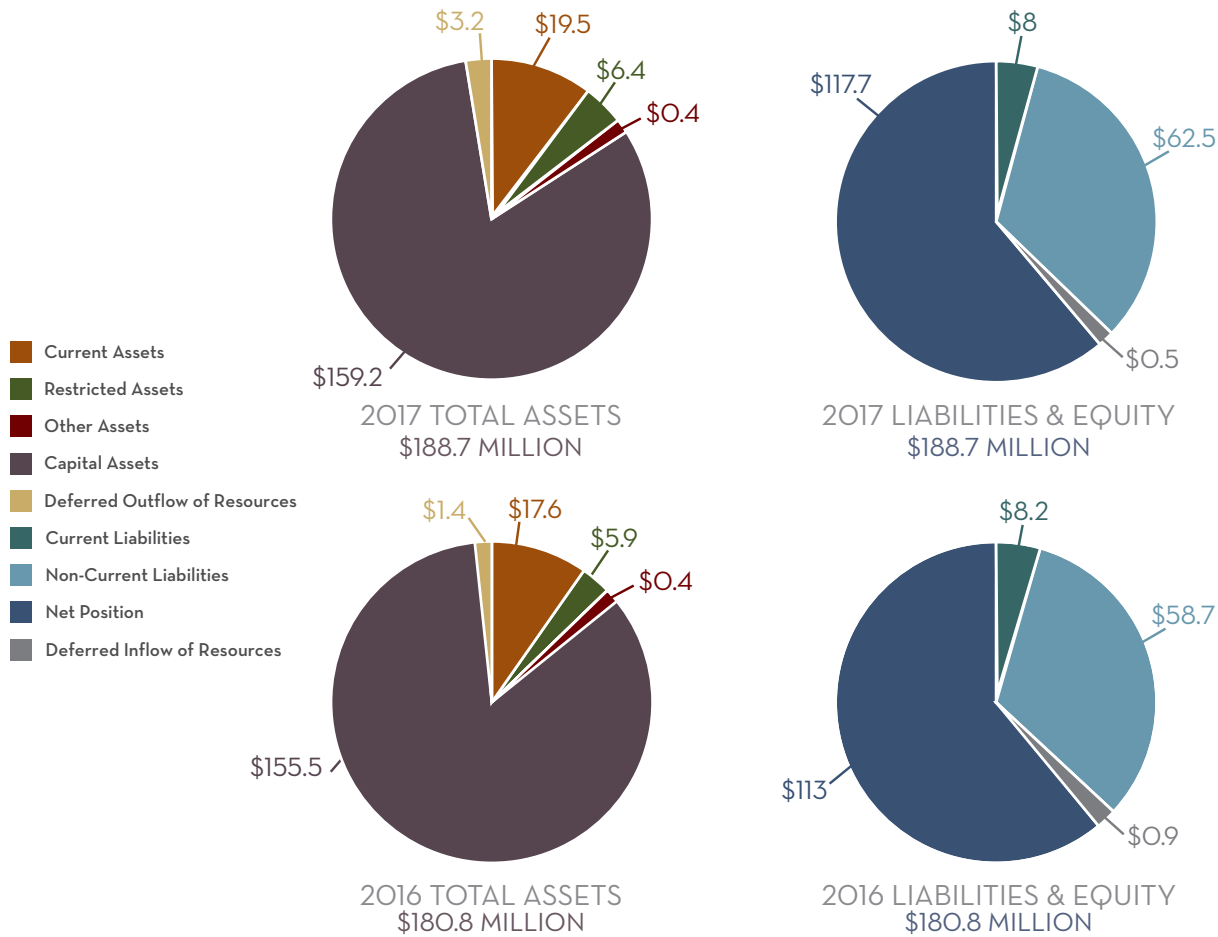
## EXPLANATION OF DEBT (IN MILLIONS)



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

## 2 YEAR COMPARATIVE NET POSITION (IN MILLIONS)

As an infrastructure based organization, the District is heavily invested in capital investments to maintain and improve its water and wastewater system. Comparative net position offers perspective of the District's assets, liabilities and equity. The information presented below applies to fiscal year ended June 30, 2017.



District assets increased by 4.4% in 2017.

### EXPLANATION OF ASSETS

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

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

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

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

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

### EXPLANATION OF LIABILITIES

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

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

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

**Net Position** - Represents the District's fiscal position after assets, liabilities, deferred outflow and deferred inflow have been balanced.



31111 Greenspot Road  
Highland, California 92346

## SAFE RELIABLE WATER & WASTEWATER SERVICE PROVIDER

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

### OFFICE HOURS

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

### CUSTOMER SERVICE & AFTER-HOURS EMERGENCY SERVICE

(909) 889-9501

### DISTRICT BOARD MEETINGS

2<sup>nd</sup> and 4<sup>th</sup> Wednesday of each month at 5:30pm  
District Headquarters Board Room  
31111 Greenspot Road, Highland, CA 92346



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