

**ADMINISTRATION AND FINANCE  
COMMITTEE MEETING  
AND  
SPECIAL MEETING OF THE  
BOARD OF DIRECTORS**

**Monday, May 9, 2022  
4:00 P.M.**

**Committee Members:**

Jennifer Santana, Chair  
Tony R. Fellow, Vice-Chair

**SPECIAL NOTICE - Teleconference Accessibility**

*Pursuant to the newly adopted provisions of the Brown Act and consistent with the Board's Resolution ratifying the declaration of a state of emergency by the State of California in response to the COVID-19 pandemic, the Upper District will hold the public hearing and its board meeting via teleconference or the most rapid means of communication available at the time. Instructions to participate in the teleconference are below:*

**Join Zoom Meeting**

**<https://us02web.zoom.us/j/82827027114>**

**Telephone Dial: 1 (669) 900-6833**

**Meeting ID: 828 2702 7114**

*Public comments may be made through teleconference when prompted by the Chair during the public comment period. Public comments may also be provided by emailing [Venessa@usgvmwd.org](mailto:Venessa@usgvmwd.org) in advance of the meeting. Please indicate "PUBLIC COMMENT" in the subject line.*

*If you have difficulty connecting to the teleconference line, please call (626) 443-2297 or email [Ruben@usgvmwd.org](mailto:Ruben@usgvmwd.org). It may take a few minutes to join Zoom or connect via telephone so please join early.*



602 E. Huntington Drive, Suite B  
Monrovia, CA 91016

(626) 443-2297  
[www.upperdistrict.org](http://www.upperdistrict.org)

\*The Administration and Finance Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Administration and Finance Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. To preserve the function of the Committee as advisory to the Board, members of the Board who are not assigned to the Administration and Finance Committee will not vote on matters before the Committee.

**Communications**

1. Call to Order
2. Public Comment

**Discussion/Action**

3. FY 2022/23 Budget and CY 2023 Water Rates

**Oral Reports**

4. Quarterly Financial Report – March 31, 2022

**Other Matters**

- 5.

**Adjournment**

**Next Meeting:** Tuesday, June 7, 2022 at 4:00 p.m.



**American Disabilities Act Compliance** (Government Code Section 54954.2(a))



To request special assistance to participate in this meeting, please contact the Upper District office at (626) 443-2297 or [venessa@usgvmwd.org](mailto:venessa@usgvmwd.org) at least 24 hours prior to meeting.

# MEMORANDUM



## ITEM 3.

**DATE:** May 6, 2022  
**TO:** Administration and Finance Committee and Board of Directors  
**FROM:** General Manager  
**SUBJECT:** Fiscal Year 2022/23 Budget and CY 2023 Water Rates

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### Recommendation

Staff recommends that the Board of Directors approve the Fiscal Year 2022/23 Budget (Attachment 1) and Resolution 5-22-642, adopting the water rates and charges for calendar year 2023 (Attachment 2).

### Background

The formal budget process began in January 2022 with midyear reviews of the administrative and program expenses by the respective committees. During February and March, staff presented the proposed initiatives and budgets for fiscal year (FY) 2022/23 to the committees and on April 5<sup>th</sup>, staff presented the first draft of Upper District's consolidated budget for FY 2022/23. Staff also presented the proposed water rates and charges for calendar year 2023 based on Metropolitan staff's recommended rates at that time under Option 1. On April 12, 2022, the Metropolitan Board of Directors approve the proposed biennial budget and water rates and charges for 2023 and 2024 under a new option – Option 4. Staff then adjusted the budget to reflect Metropolitan's adopted rates which reduced total budgeted expenses for FY 2022/23 by about \$85,000.

Uses of funds for the proposed FY 2022/23 budget total \$38.76 million, a decrease of \$1.34 million from the current year budget of \$40.10 million, mainly due to costs associated with the new district building renovation budgeted in the current fiscal year offset by the impacts of Metropolitan rate increases in 2023. In addition, cost reductions identified in prior years have been maintained and will carry over into FY 2022/23. These includes savings from reduction in total personnel and legislative consultants as well as avoided lease expenses. Attachment 1 provides a detailed discussion of the budget. Budget highlights include:

- Projected imported water deliveries total - 33,000 acre-feet
- Upper District surcharge unchanged at \$103 per acre-foot
- Increase in imported water cost due to increases in Metropolitan's Tier 1 treated and untreated water rates of 5.77% and 7.01%, respectively, effective January 1, 2023
- Increase of \$0.47 million in Metropolitan's Readiness-to-Serve Charge (RTS)
- \$0.53 million from Metropolitan's Member Agency Administered Allocation Program will fund a portion of the District's Water Use Efficiency Program.
- Net income from operations of \$0.21 million.
- Debt service coverage ratio of 1.27%.
- Estimated renovation costs for the new building carried over from current year - \$0.64 million.
- Use of reserves - \$0.56 million.

Water Rates and Charges for Calendar Year 2023

Proposed rates and charges for calendar year 2023 along with adopted rates for the past four years are presented in Table 1.

**Table 1. Upper District Rates**

	Effective 01/01/19	Effective 01/01/20	Effective 01/01/21	Effective 01/01/22	Proposed 01/01/23
<b>Full Service Treated Tier 1</b>					
MWD	1,050	1,078	1,104	1,143	1,209
Upper District Surcharge	103	103	103	103	103
Upper District Rate	1,153	1,181	1,207	1,246	1,312
<b>Full Service Treated Tier 2</b>					
MWD	1,136	1,165	1,146	1,185	1,418
Upper District Surcharge	103	103	103	103	103
Upper District Rate	1,239	1,268	1,249	1,288	1,521
<b>Full Service Untreated Tier 1</b>					
MWD	731	755	777	799	855
Upper District Surcharge	103	103	103	103	103
Upper District Rate	834	858	880	902	958
<b>Full Service Untreated Tier 2</b>					
MWD	817	842	819	841	1,064
Upper District Surcharge	103	103	103	103	103
Upper District Rate	920	945	922	944	1,167
Capacity Charge (per CFS)	\$ 8,600	\$ 8,800	\$ 10,700	\$ 12,200	\$ 10,600

Upper District will pass through Metropolitan’s 2023 capacity charge of \$10,600 per cfs for the use of the imported water distribution system during peak summer months (May 1 – September 30). Metropolitan used the three-year period ended December 31, 2021 to levy the capacity charge effective January 2023.

Metropolitan’s RTS charge is set to recover capital costs of the portion of Metropolitan’s system that is available to provide emergency storage and available capacity during outages and hydrologic variability. Upper District pays for its share of the RTS charge using a separate standby charge levied by Metropolitan on behalf of the District. In the past, the standby charge sufficiently covered Metropolitan’s RTS charge. However, Metropolitan’s RTS charge has increased significantly over the years and eventually surpassed the standby charge revenue in FY 2018/19. For FY 2022/23, the shortfall in standby charge revenue amount to \$1.08 million. This revenue gap will continue to grow over the years with Metropolitan’s projected increases in its RTS charge.

//Attachments

*Upper District*

# Budget

Fiscal Year 2022/23

TBD

# Staff Report

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# About Upper District

## District Profile

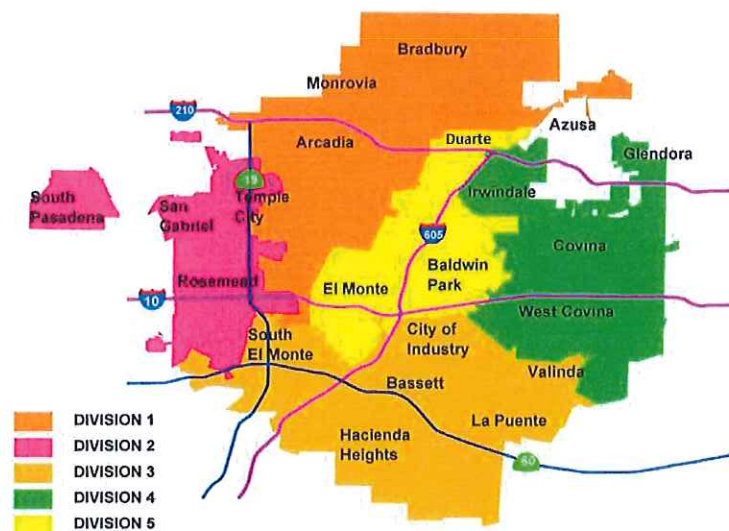
### History

Upper District, formed by voters in the San Gabriel Valley on December 8, 1959 to help solve water problems in the rapidly developing San Gabriel Valley, was later incorporated in 1960. On March 12, 1963, residents of the District voted to annex to the Metropolitan Water District of Southern California (Metropolitan), to provide supplemental water, first from the Colorado River and later the State Water Project, to replenish local groundwater supplies.

The Upper District played a vital role in determining water rights within the Main San Gabriel Basin by acting as plaintiff in the 1973 court case of the Upper San Gabriel Valley Municipal Water District, Plaintiff, v. City of Alhambra, et al, Defendants. This case brought about the creation of the Main San Gabriel Basin Watermaster (Watermaster) to administer and enforce provisions of the Judgment.

### Service Area

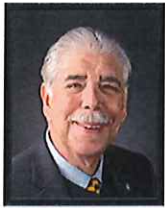
Five elected Directors, each serving a 4-year term and representing a designated geographic area within the Upper District's boundaries, govern the Upper District. Most of the water imported into the Upper District service area is used to replenish the Main San Gabriel Groundwater Basin. A small percentage is purchased by city water departments and private water utilities for direct sale to customers.



## Board of Directors



Division 1 – Director Dr. Anthony R. Fellow  
Representing all or parts of Arcadia, Bradbury,  
El Monte, Monrovia, Rosemead and Temple City



Division 2 – Director Charles M. Treviño  
Representing all or parts of Arcadia, Rosemead, San Gabriel,  
South Pasadena, South San Gabriel and Temple City



Division 3 – Director Ed Chavez  
Representing all or parts of Avocado Heights, Bassett, City of  
Industry, Hacienda Heights, La Puente, North Whittier, Spy  
Glass Hill, South El Monte, Valinda and West Covina



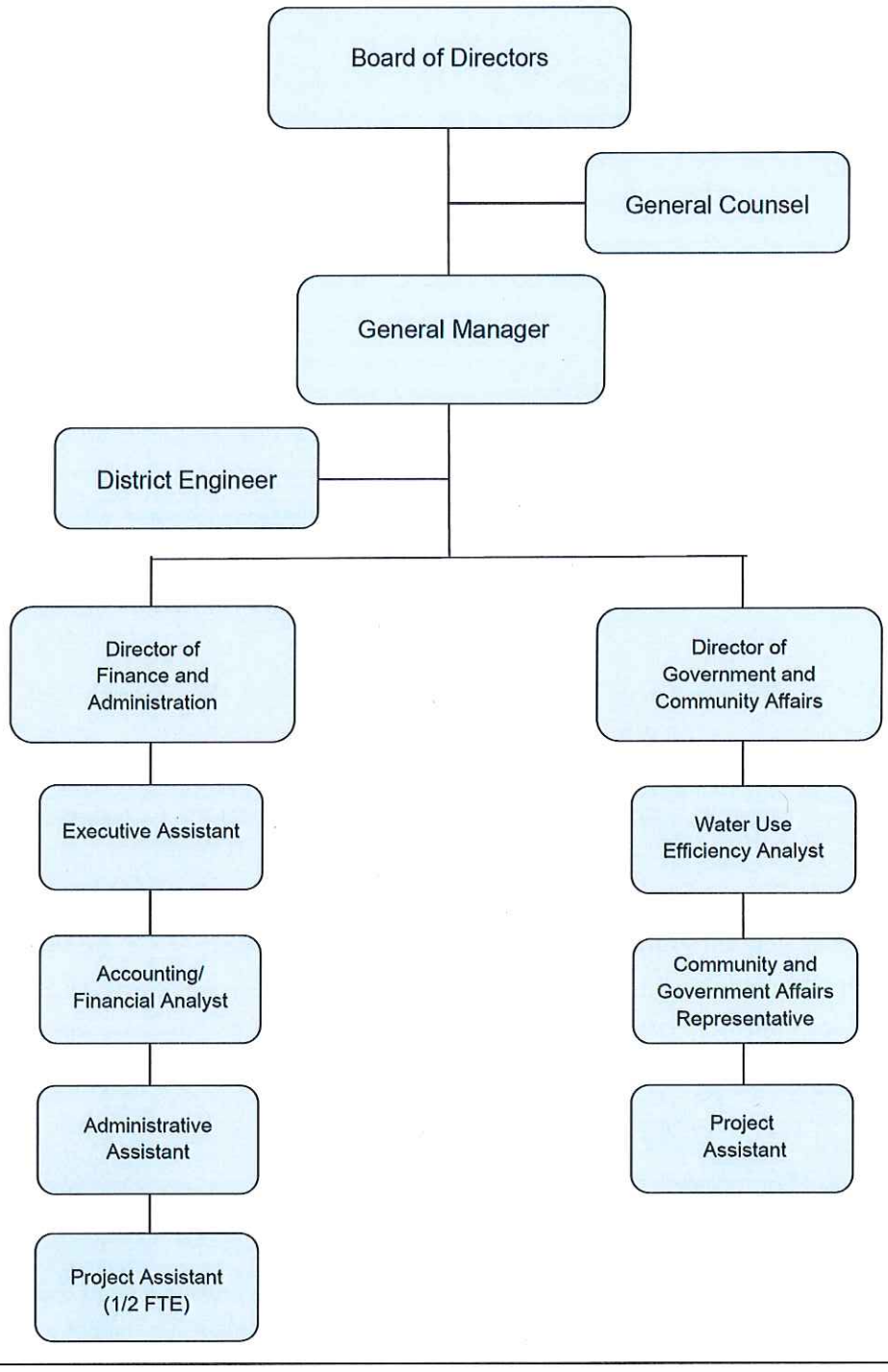
Division 4 – Director Katarina Garcia  
Representing all or parts of Azusa, Baldwin Park, Covina,  
Glendora, Irwindale and West Covina



Division 5 – Director Jennifer Santana  
Representing all or parts of Baldwin Park, Duarte, El Monte and  
Irwindale



Organization Chart



As the chart above shows, Upper District has a relatively small workforce of 9.5 full-time equivalents (FTEs) working to implement Upper District’s program initiatives and goals. No additional positions are budgeted for fiscal year (FY) 2022/23.

## **Vision**

Upper District aims to support a high quality of life in the greater San Gabriel Valley by providing valued water services.

## **Mission**

Upper District's mission is to consistently meet our region's need for reliable, high quality and affordable water.

## **Core Values**

The Upper District team, consisting of Board and staff, will embody the following core values in conducting the business of the district:

- Transparency – Our team will interact with all in a fair, open and honest manner.
- Professionalism – Our team will professionally, respectfully, and responsively serve the needs of its customers.
- Integrity – Our team will consistently adhere to high moral and ethical principles.
- Collaborative – Our team is collaborative, supporting each other's efforts, loyal to one another, and cares for each other both personally and professionally.
- Innovative – Our team will encourage and value the introduction of new ideas and methods.

## **Strategic Plan**

Upper District reassessed its mission, vision, goals and objectives and adopted a five-year strategic plan in March 2019 to provide a long-term perspective for service delivery and financial management.

Upper District's strategic plan is intended to be a living document and includes the following high-level goals: water reliability, financial integrity, workforce and governance, and community representation and engagement.

## Major Accomplishments

### Planning

In January 2013, Upper District's Board of Directors developed and approved the San Gabriel Valley's first Integrated Resources Plan (IRP), providing a roadmap to a diversified and sustainable water supply future. The IRP examines both demand-side and supply-side options, views water more holistically and interconnected, addresses multiple goals, and incorporates risks and uncertainties that may occur in the future. Upper District is in the process of updating the District's IRP, in conjunction with Metropolitan's IRP update, to reflect the changing parameters and factors affecting the water supply portfolio.

Every five years, Upper District prepares and adopts an Urban Water Management Plan (UWMP) as required under the California Water Code. UWMPs are prepared by California's urban water suppliers to ensure adequate water supplies are available to meet existing and future water demands. Every urban water supplier that either provides over 3,000 acre-feet of water annually or serves more than 3,000 or more connections (either directly or indirectly) is required to assess the reliability of its water sources over a 20-year planning horizon considering normal, dry, and multiple dry years. Upper District's 2020 UWMP was adopted on June 10, 2020. The Department of Water Resources completed its review of the District's UWMP in May 2022 and determined its compliance with the California Water Code.

In November 2020, the Board adopted Upper District's Long Range Financial Plan (LRFP) to serve as a planning tool that helps identify prudent strategies and actions for long-term sustainability by ensuring sufficient financial resources are available to Upper District to achieve its mission. The LRFP also provides guidance on the management of available resources, capital needs and service objectives.

### Imported Water

Upper District championed policies to support sustainable groundwater management and fair treatment of San Gabriel Valley ratepayers and taxpayers.

In 2015, Upper District started pre-purchasing untreated water for storage in response to the rapidly falling Basin levels and lack of local precipitation. Upper District will end the fiscal year with about 7,000 acre-feet in storage.

A new cyclic storage agreement was executed by Upper District, Metropolitan and Watermaster and executed in March 2022. The new agreement allows Metropolitan to deliver and store up

to 200,000 acre-feet of water in the Main San Gabriel Basin (Basin) in advance of demand for water by Watermaster and Upper District, payable over ten years.

During calendar years 2017 and 2018, Metropolitan delivered water totaling about 54,000 acre-feet to its cyclic account, to be purchased over a period of five years. Between calendar years 2019 and 2020, Metropolitan made additional deliveries of about 91,000 acre-feet of cyclic water, also payable over a period of five years. As of April 2022, untreated water in cyclic storage represents about 16 feet of groundwater elevation at the Baldwin Park Key Well.

While Upper District and Watermaster have agreed to defer Metropolitan's deliveries of wet water into the basin due to insufficient SWP supplies, Upper District may consider future "pre-emptive" imported water deliveries while Metropolitan has supplies available and can accommodate deliveries. These future decisions may be economically viable utilizing District reserves and continue the vision of a "wet water"-based management solutions.

As California grapples with yet another historically dry year, January to March 2022 being the driest three months in California history, Upper District continues to work closely with Metropolitan, Watermaster and the producers to develop potential short-term and long-term actions to reduce dependence on State Water Project (SWP) supplies. In an effort to get Colorado River water (CRW) into the basin, a Quagga Mussel Control Plan has been developed and will be submitted for approval to the Department of Fish and Wildlife and the Los Angeles Flood Control District. The Provisional Quagga Mussel Control Plan includes filtration of raw water discharge, monitoring at various locations, and potential post-delivery treatment. Four potential delivery locations (reaches) have been identified and control methods and monitoring strategies have been developed for each reach. This effort can potentially save up to 50 thousand acre-feet of SWP supplies.

In February 2022, Metropolitan's Board of Directors authorized its general manager to enter into reverse cyclic agreements with participating agencies to preserve SWP supplies during low allocation years. This program will allow member agencies to purchase imported water during calendar year 2022 for deferred delivery in future years at Metropolitan's discretion, but no later than five full calendar years from the date of purchase. This effort can potentially preserve up to 200 thousand acre-feet of SWP supplies.

In April 2022, Metropolitan declared a water supply shortage emergency condition for SWP dependent areas and approved the implementation of an emergency water conservation plan to address the worsening drought conditions and low SWP allocation. The emergency water conservation plan provides two paths to compliance for member agencies to avoid stiff penalties from Metropolitan – enforcing water restrictions or staying within the volumetric limits determined as the sum of human health and safety and remaining Metropolitan water

supply allocations. Upper District is working closely with Watermaster and the producers to ensure compliance and avoid penalty assessments.

## Recycled Water

The Direct Reuse Program provided for the phased construction of a recycled water distribution system used to provide water for irrigation purposes. Receiving over \$30 million in state and federal funding, Upper District completed the final site to be connected under the Package 3 and 4 Customer Retrofits Project in June 2015. The direct reuse recycled water system includes over 20 miles of 4" to 24" pipelines; several pump stations and a 2-million-gallon reservoir. This system is anticipated to serve about three million gallons per day or 3,000 acre-feet per year, directly offsetting the need to import increasingly expensive imported water.

Upper District advanced the Indirect Reuse Replenishment Project (IRRP) to final design, permitting and environmental review discussions. The original full-scale IRRP included a pump station at the San Jose Creek Water Reclamation Plant and nine miles of 36" pipeline in a general alignment northbound along the San Gabriel River to the Santa Fe Spreading Grounds, just south of the 210/605 freeway interchange, with an estimated cost of \$65 million. The IRRP project has been placed on hold as the District evaluates the full availability of tertiary treated wastewater and alternative project configurations or partnership with Metropolitan's Regional Recycled Water Program, a large-scale, regional advanced treated wastewater project, currently in the environmental planning phase.

Upper District continues to work with local water purveyors and property owners to increase the use of recycled water in the region. Upper District also supports the efforts of retail water providers that are developing recycled water facilities in El Monte and South El Monte and in La Puente and Industry by providing services for environmental permitting, design, and grants.

Recognizing the need to continue developing all feasible potential direct reuse recycled water projects, Upper District's Board of Directors approved a new project delivery model in 2015. Under this new approach, Upper District will act as the lead agency for CEQA, provide technical support services, and help finance the project by securing grant funds. The partner producer will finance the remaining balance of the project costs, construct, own and operate the project and pay Upper District's operating costs for recycled water and 80 percent of Upper District's surcharge.

The first three projects delivered under this model are the South El Monte Recycled Water Expansion Project with a project yield of 72 AFY, the Rose Hills Recycled Water Project with a projected yield of 600 AFY, and the La Puente Valley County Water District Recycled Water

Project with a projected yield of 60 AFY. These projects are now complete and will receive a total of up to \$2.17 million in Proposition 84 grant funds from the Department of Water Resources through Upper District.

### Stormwater

Upper District continued to assist the San Gabriel Valley Council of Governments in developing strategies toward reaching MS4 stormwater permit compliance issued by the Los Angeles Regional Water Quality Control Board. The SGV COG advanced four bills in the State Legislature to address issues related to storm water cleanup.

### Conservation

Upper District's dynamic public outreach programs continue to enhance the performance of its conservation rebate programs. During the last five years, rebate programs provided close to \$1.9 million to San Gabriel Valley residents for water efficient devices and turf removal, generating a lifetime water savings of about 6,207 acre-feet.

Upper District innovated and implemented a "Water Smart Home Program" which is designed to aid the DAC communities within the district boundaries. This program provides the direct installation of water efficient irrigation products, WBICs, showerheads, FLUME devices, and leak kits filled with replacement products and materials at no cost to the participant. The individuals that have been served have benefitted greatly from having this direct installation program which aids in water awareness, efficiency, and leak solutions. Through the course of the program, 137 homes have been retrofitted with 5,254 devices.

Upper District continued to expand its Water Bottle Fill Station program throughout FY 2021/22 with 49 stations provided to city facilities, community centers, and school sites. The program has garnered enthusiastic support from participating sites and cost sharing partners.

Snow and rainfall levels remained below average during the past fiscal year and groundwater storage remained depleted in many areas due to the continued impact of dry conditions. The Upper District recognizes the need to continue building on its conservation efforts by emphasizing water efficient practices as a continued way of life for its residents and businesses.

### Education & Community Outreach

Upper District implements a variety of education programs including a "Water is Life" student art contest, Water Education Grant Program (WEGP), sponsorship of Solar Cup high school teams, and its 4th-7th grade Sustainable Watershed Education Program. The WEGP offers teachers grants of up to \$1,000 for implementing water-related curriculum or projects. Twenty-

eight WEGP applicants received a total of \$22,673 in grants for FY 2021/22 that directly involved 2,641 students. Despite the ongoing impact of the Covid-19 pandemic, Upper District's 4th-7th grade Sustainable Watershed Education Program is on track to serve well over 4,000 students throughout the San Gabriel Valley during the 2021/22 school year.

Public workshops were hosted online free of charge. Topics covered an array of water efficient topics such as turf maintenance, composting, edible gardening, planter beds, drip irrigation, weed and pest management, fire-scaping, and leak detection. The online workshop series garnered high participation rates with close to 500 individuals attending ten workshops hosted by the Upper District during FY 2021/22.

Upper District's Watershed Restoration Program, hosted in partnership with the U.S. Forest Service, actively engages volunteers with tree planting and clean-up efforts within the San Gabriel River watershed. Due to the continued impact of the Covid-19 pandemic, Upper District was unable to host volunteer events during FY 2021/22. Since the start of the program in 1991, approximately 13,500 volunteers have planted over 140,000 tree saplings and collected over 4,865 lbs. of garbage.

The ongoing impact of the Covid-19 pandemic resulted in the cancellation of Upper District's annual WaterFest in 2020 which was to be held in partnership with the Los Angeles County Department of Parks and Recreation. The educational event typically features interactive booths, environmental displays, informative presentations, and free water-saving materials. As the Covid-19 pandemic has continued to pose substantial health risks to our communities, in an abundance of caution and concern, the Upper District has deemed it prudent to not host WaterFest during FY 2021/22.

## Government Affairs

The 2020 legislative year was impacted by the COVID-19 pandemic with all State Legislators scaling back their bill packages to legislation specific to address the pandemic, housing and public safety. The federal government similarly was focused on election politics and addressing the needs of the pandemic. However, Upper District's Board of Directors supported legislation that addressed COVID-19 pandemic costs to special districts, water quality legislation specific to PFAS and PFOA contaminants, consolidations, revenue bonds for wildfire mitigation and safe drinking water funding.

In February 2021, Upper District's Board of Directors adopted the 2020/21 Legislative Policy Principles which coincide with the start of the new legislative session. Upper District will continue to engage on issues that will advance the sustainability goals of the San Gabriel Watershed, and advocate positions that are consistent with Upper District's mission. Key policy

issues include CA Water Fix, stormwater and wastewater discharge, funding alternatives for safe drinking water for disadvantaged communities, water quality, recycled water, water efficiency standards and tax exemptions for water efficiency incentives.

### Finance and Administration

In 2014, the Board of Directors authorized the prefunding of Upper District's other post-employment benefit (OPEB) through the California Employers' Retiree Benefit Trust. As of the latest valuation with measurement date of June 30, 2021, Upper District's OPEB liability is close to being fully funded at 92%, having total trust assets of \$2.41 million.

During fiscal year 2021/22, the retirement of two long-time employees provided Upper District an opportunity to not only reduce staff by one FTE but also allow upward mobility for existing staff by using internal recruitment for one of the positions. Currently, the District has 9.5 FTEs working to implement its program initiatives.



## **Financial Policies**

### Investment Policy

Annually, the Board of Directors adopts an investment policy consistent with the requirements of the California Government Code. In order of priority, three fundamental criteria are followed by the Upper District in the investment program:

- (a) *Safety of Principal* - Investments shall be undertaken in a manner that first seeks to ensure the preservation of principal in the portfolio. Each investment transaction shall be entered into after taking into consideration the quality of the issuer, the underlying security or collateral, and diversification of the portfolio.
- (b) *Liquidity* - Investments shall be made so that the maturity date is compatible with cash flow needs and safety of principal.
- (c) *Return on Investment* - Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

### Designated Reserve Policy

Upper District's adopted Designated Reserve Fund Policy sets prudent levels of reserve funds to provide financial resources not only during emergencies or planned capital projects but also for scheduled and unscheduled expenses such as operation and maintenance, debt service and stabilization of rates. The Reserve Fund Policy establishes the following six designated reserves, each with its own recommended minimum, target, and maximum levels: 1) Emergency Reserve; 2) Operating Reserve; 3) Pay-go Capital Improvement and Replacement Reserve; 4) Capital Reserve; 5) Revenue Stabilization Reserve; and 6) Water Banking Reserve.

### Debt Management Policy

The District's Debt Management Policy aims to improve the quality of decision making, develop strategies using existing governing and planning documents, and support Upper District's financial needs by demonstrating a commitment to best practices in debt management, planning and execution. The Debt Management Policy provides up to date compliance procedures for existing rules and regulations in connection with the Internal Revenue Service, Municipal Securities Rulemaking Board and the Securities and Exchange Commission.

## Budget Process and Controls

Budgets are often used as a performance tool for measuring accountability of public agencies to its stakeholders. Upper District annually adopts a budget not only as a management tool for planning and control purposes but also to demonstrate its commitment to fiscal responsibility and transparency. Upper District also uses the budget as a communication tool that shows how the District intends to allocate its resources in support of its mission, goals and objectives.

Developing and monitoring the budget is an ongoing process. Upper District conducts a series of budget workshops to encourage stakeholder participation and input prior to adoption of the final budget. Monthly financial statements showing budget-to-actual comparison and analysis are presented to management and the Board of Directors to facilitate review and assessment throughout the fiscal year.

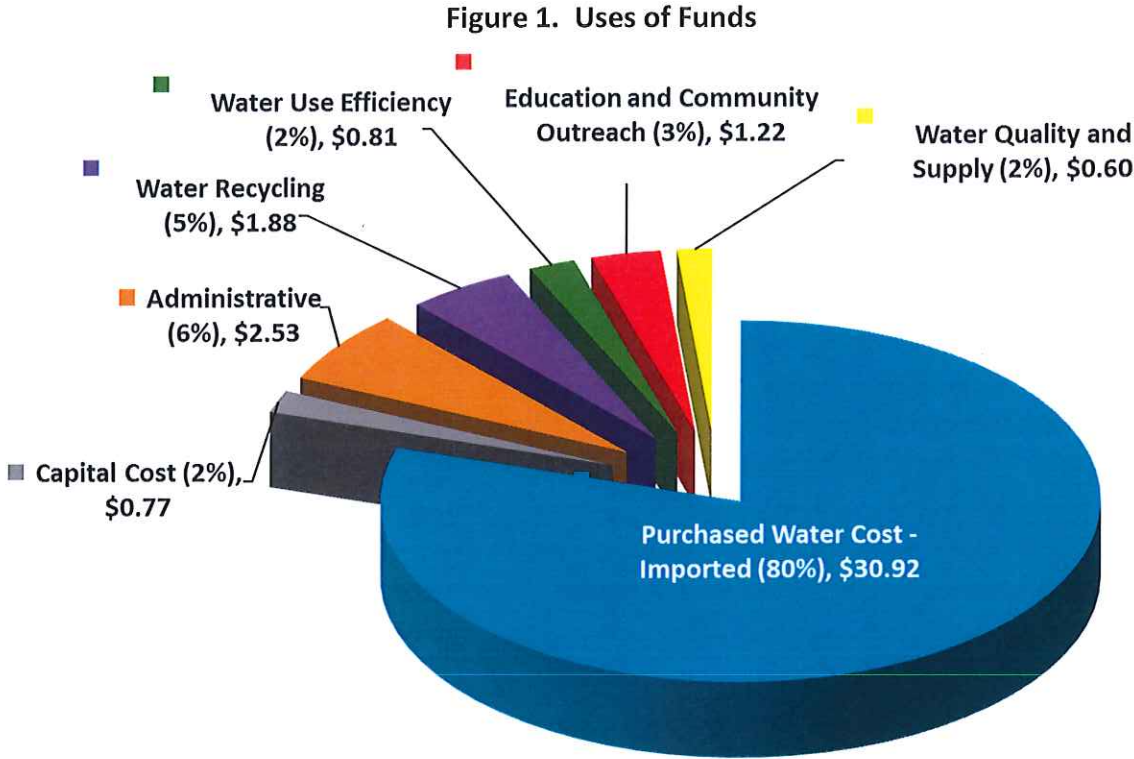
### Timeline

Upper District's budget process begins in December of each year and is a product of a comprehensive team effort between departments as shown on the following budget calendar:

- December Finance Department begins working with program managers to develop year-end projections for the current fiscal year.
- January Program managers update goals and objectives and develop proposed initiatives for the coming fiscal year.
- February Program managers present preliminary budgets to respective committees.
- March - April A consolidated draft of Upper District's proposed budget for the coming fiscal year is presented to the Administration and Finance Committee.
- April - May Proposed budget is presented to the producers. If needed, budget revisions are made prior to the 2<sup>nd</sup> presentation of the budget to the Administration and Finance Committee.
- May - June Staff presents next fiscal year's proposed budget and next calendar year's proposed water rates to the Board of Directors with a recommendation for adoption.

# Uses of Funds

Uses of funds for the proposed 2022/23 budget total \$38.76 million, \$1.34 million lower than current year's budget of \$40.10 million. Cost reductions identified in prior years will be maintained and carried over into FY 2022/23. These includes savings from reduction in total FTE personnel and legislative consultants as well as avoided lease expenses. Figure 1 illustrates the total uses of funds.



## Purchased Water Costs

### Imported Supplies

Under the current purchase order with Metropolitan, Upper District can purchase up to 67,200 acre-feet per year of the less expensive Tier 1 water through 2024. FY 2021/22 and FY 2022/23, budgeted sales consist of 3,000 acre-feet of Tier 1 treated water and 30,000 acre-feet of Tier 1 full service untreated water.

In April 2022, Metropolitan adopted its biennial budget for FY 2022/23 and 2023/24 along with the water rates and charges for calendar years 2023 and 2024. Metropolitan's Tier 1 treated water rate will increase from \$1,143 to \$1,209 per acre-foot effective January 1, 2023. Tier 1 untreated water rate will increase from \$799 to \$855 per acre-foot, also effective January 1, 2023. The increase in Metropolitan's water rates in 2023 will increase total purchased water cost for imported supplies by \$1.30 million or about 4%.

Watermaster's implementation of the water resource development assessment to purchase untreated imported water for stormwater augmentation (RDA II) in 2017 is part of its Drought Management Plan to address the rapidly declining Basin levels that threaten producers' ability to pump groundwater from the Basin. During 2020/21, Upper District delivered a total of 54,895 acre-feet of untreated water to meet Watermaster's order for RDA II water and various producers order for cyclic storage water. By the end of the current fiscal year, Upper District anticipates delivering a total of 46,000 acre-feet of untreated water to meet RDA and producer cyclic water orders. This is 16,000 acre-feet more than budget.

Metropolitan imposes capacity charge to recover costs incurred in providing capacity within its distribution system. This charge is based on a three-year trailing peak day demand, measured in cubic foot per second (CFS) during the May 1 through September 30 period. The capacity charge aims to encourage Metropolitan sub-agencies to shift demands from the peak summer months. For calendar year 2023, Metropolitan used the three-year period ended December 31, 2021 and the peak summer demand that occurred on August 18, 2021 to levy the capacity charge. Metropolitan's capacity charge will decrease from \$12,200 per CFS to \$10,600 per CFS effective January 1, 2023.

Metropolitan also levies a Readiness-to-Serve (RTS) charge on its member agencies to pay for emergency and standby service. This charge is based on a 10-year rolling average of firm demand. Upper District's share of the RTS charge will increase from \$2.50 million to \$2.97 million in FY 2022/23.

## Recycled Supplies

Recycled water demand is anticipated to be about 2,000 acre-feet for FY 2022/23. The combined effects of anticipated increases in per acre-foot cost of recycled water supplied by Central Basin Municipal Water District, Sanitation Districts of Los Angeles County (Sanitation Districts) and City of Industry will translate to an overall increase in purchased recycled water cost of about 8% in FY 2022/23.

## **Capital Costs**

### New Headquarters

In 2011, Upper District relocated its offices from the El Monte property it previously owned to a leased commercial space in Monrovia. At the Board's direction, staff evaluated options for the El Monte property culminating in the sale of the property in December 2017.

During the 2018 strategic planning sessions, development of a strategy for a permanent office space for Upper District has been discussed and identified as a top priority and in April 2020, the District successfully negotiated and completed the purchase of a commercial building located in Monrovia, California for \$3.53 million. Construction of the required improvements is underway with an anticipated completion in July 2022. Budget for the current fiscal year includes \$3 million for capital improvements. About \$0.63 million is budgeted FY 2022/23.

### Recycled Water Programs

#### *Direct Reuse*

Opportunities to develop additional direct reuse facilities have been carefully studied. However, due to the success of water conservation efforts during the drought, indoor water use and therefore wastewater flows necessary to produce recycled water, are significantly lower than in previous years. The lack of available recycled water supplies in the Upper Area of the San Gabriel River Watershed calls for the delivery of recycled water from much lower areas in the watershed.

As of June 30, 2021, Upper District's investments in direct reuse capital assets total \$52.11 million with a net carrying value of \$41.53 million.

#### *Prop 84 Recycled Water Projects*

Three projects submitted by Upper District as part of the Proposition 84 Round 3 Part 1 funding were among the Greater Los Angeles Integrated Regional Water Management Program (IRWMP) projects selected for grant funding: Rose Hills - up to \$0.50 million; San Gabriel Valley

Water Company's (SGVWC) South El Monte and El Monte Extension – up to \$1.28 million; and La Puente Valley County Water District (LPVCWD) – up to \$0.43 million.

Completed in May 2016, Rose Hills' final retrofit site will increase the use of recycled water for irrigation purposes by about 600 acre-feet per year (AFY).

SGVWC completed construction of the South El Monte Project in November 2017, estimated to generate about 72 AFY of recycled water for irrigation. Subsequent to the approval of the wastewater change petition, the individual service connections were completed with full deliveries initiated in 2019.

The La Puente Valley County Water District Project provides for conversion of approximately 60 AFY and will receive up to \$0.43 million in Proposition 84 funding. Construction of the new recycled water pipeline is complete, including the bridge crossing at Patriot Place and San Jose Creek and the connection to the City of Industry's recycled water transmission main. This project will also receive funding from Metropolitan's Local Resources Program.

#### *Whittier Narrows Pump Station*

Upper District and the Sanitation Districts evaluated the conditions of the pumps, motors, and electrical motor drives at the Whittier Narrows recycled water pump station. While the pumps and motors have been found to be operating normally, one of the four (4) variable frequency drives (VFD's) that power the pump motors has had electrical drive component failures. The District replaced all four variable frequency drives completing the construction project in FY 18/19. The FY 2022/23 budget includes \$0.10 million for major repairs and evaluation of alternatives to improve reliability of the recycled water system. Discussions are underway to evaluate the feasibility of having a potable water backup connection to the Whittier Narrows Water Reclamation Plant.

## **Storm Water Capture Program**

Upper District will continue to work closely with Watermaster, LA County Flood Control District, the Army Corps and San Gabriel Valley cities to continue the development practical ways to clean up and capture storm water. Fiscal year 2022/23 budget includes storm water capture program expenses consisting of estimated staff time.

## **Recycling Operations**

Recycled water program expenses, excluding cost of purchased water, amount to about \$1.41 million for fiscal year 2022/23. This amount consists of State Revolving Fund (SRF) debt service amounting to \$0.79 million and engineering support and operation and maintenance expenses totaling \$0.62 million.

To keep overall service costs low and not unnecessarily duplicate resources, Upper District contracts with the producers to operate and maintain the recycled water system that provides irrigation water in their respective services areas.

Upper District's existing SRF debt of about \$7.96 million as of June 30, 2021 has a twenty-year term at zero percent nominal interest and will be fully paid in May 2033.

## Water Use Efficiency

The early decades of the Water Use Efficiency (WUE) Program focused heavily on indoor residential water use, principally through water efficient toilet (PHET/HET/ULFT) giveaways which resulted in the distribution of over 43,500 water efficient toilets. The WUE Master Plan showed that Upper District's service area is well saturated with water efficient toilets (over 80%) and led to a shift in program emphasis toward outdoor water use efficiency.

Upper District continues to effectively leverage regional funding offered through Metropolitan's Member Agency Administered (MAA) allocation program. The MAA program offers funding for WUE programs administered directly by member agencies or their retailers. Stringent guidelines over the past few years have curtailed producer participation in utilizing MAA funding for implementing WUE programs. While changes to MAA funding guidelines in recent years have offered more flexibility in some program implementation, the onslaught of the Covid-19 pandemic brought many programs to an abrupt halt during the middle of FY 2020/21. Since Metropolitan operates the MAA program on a 2-year cycle, the \$472,000 of MAA funding secured during FY 2020/21 remained in place in FY 2021/22 for implementing both Upper District and producer administered WUE programs.

Upper District successfully continued to administer and expand the reach of its Water Filling Station (WFS) Program which was primarily funded through Metropolitan's MAA allocation program in conjunction with several co-funding partners. Installation of water bottle filling stations occurred at a number of schools and other public high foot-traffic venues within the service area. The WFS program raises awareness about sustainability, reduces the amount of disposable one-time use plastic bottles, and results in water savings from reduced plastic bottle production. A total of 23 water fill stations were provided during FY 2019/20, another 19 installed during FY 2020/21, and 39 installations provided during FY 2021/22.

For FY 2021/22 the Upper District conducted a new innovative WUE program called *Water Smart Home*, a direct installation program that offers qualifying residents an opportunity to choose a variety of water efficient items to be installed at their home, free of charge, by a licensed contractor. This cutting-edge program focuses on bringing water use efficiency to households within Upper District's underserved communities. Approximately 190 homes will receive this program through FY 2021/22 with over 6,000 water efficient devices being directly installed for participants throughout the District.



Upper District’s purveyors have the option to provide co-funding to increase rebate incentive amounts offered on water efficient devices received by their customers participating in the So Cal WaterSmart regional rebate program. Approximately \$20,000 in co-funding was provided by purveyors during FY 2021/22. Staff estimates approximately \$30,000 of rebate co-funding from Upper District purveyors for FY 2022/23.

It is important to note that the WUE budget remains highly dependent on outside funding. About \$0.53 million is expected to come from Metropolitan’s MAA program to partially fund the District’s FY 2021/22 Water Use Efficiency Program expenses.

Table 1 summarizes the proposed budget and sources of funding for the FY 2022/23 Water Use Efficiency Program. Depending on further input from the producers, and consideration by the Board, the emphasis on how the budget allocates resources among the different WUE programs may be adjusted during the year.

**Table 1. Water Use Efficiency Program**

CATEGORY	FY 2022/23 Budget		
	Total Program Costs	Upper District Funding	Funding from Other Agencies
<b>Residential Programs</b>			
Member Agency Administered Programs	\$ 200,000	\$ -	\$ 200,000
Regional Rebate Program	20,000	-	20,000
<b>Commercial/Industrial/Institutional (CII) Rebate Programs</b>			
Member Agency Administered Programs	330,000	-	330,000
Regional Rebate Program	20,000	-	20,000
<b>Landscape Programs</b>			
Member Agency Administered Programs	-	-	-
<b>Salaries and Overhead</b>	239,300	239,300	-
<b>Total</b>	<b>\$ 809,300</b>	<b>\$ 239,300</b>	<b>\$ 570,000</b>

## Education and Outreach

The Education and Outreach Program provides resources to schools, cities, community groups and organizations interested in learning about water use efficiency, sustainable watershed management, as well as storm water capture and water treatment.

Upper District understands the need to continue promoting water efficient practices as a way of life for its residents and businesses. Upper District remains steadfast in its public awareness efforts about the importance of water conservation. The continued impact of the COVID-19 pandemic altered the landscape for public outreach as the effects of social distancing requirements significantly reduced opportunities for engagement at city, school, and community events. Projects for FY 2021/22 include continued education to community stakeholder and residents through short educational videos, online landscaping courses, and educational outreach.

Continuing education and outreach programs include sustainable watershed and stormwater education for 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> grade students; watershed restoration program; water education grant program for teachers; sponsorship of Solar Cup high school teams; “*Water is Life*” art contest; distribution of water efficient devices; public workshops and seminars; and public information/outreach. The impact of the COVID-19 pandemic resulted in substantial efforts to offer remote learning opportunities that might be offered as an option for schools as an alternate to onsite learning experiences during the 2021/22 school year. This remote learning format will continue to be offered as an option for schools throughout the 2022/23 school year.

The sustainable watershed education program, successfully used by several other water agencies, includes interactive assembly-style lessons and classroom instruction for up to approximately 10,000 students. The curriculum focuses on water use efficiency, sustainable watershed management practices and storm water runoff prevention. The budget for this program is about \$139,500. This program is offered each year to schools within each of Upper District’s five divisions.

The advertising budget reflects print media presence outlined in the Community Outreach Plan which also meets the minimum requirements established in the Urban Water Management Plan.

Table 2 summarizes the proposed Education and Outreach Program Budget for FY 2022/23.

Table 2. Education and Outreach Program

CATEGORY	FY 2022/23 Budget Total Program Costs
<b>Watershed Programs</b>	
Watershed Restoration Program	\$ 20,000
<b>Educational Programs</b>	
Water Awareness Youth Art Contests	11,000
4th - 6th Grade Water Education Program	100,000
Solar Cup	10,000
Memberships	130,000
Educational Materials/Grant Program	55,000
Educational Outreach Programs/Events	130,000
<b>Outreach and Information Programs</b>	
Public Workshops/Seminars	35,000
Conservation Devices/Items	40,000
Bottled Water Program	15,500
Community/Industry Sponsorships	35,000
Displays/Fairs/Presentations	2,500
Conferences/Meetings	6,500
Public Information	80,000
Technical Assistance	70,000
Legal/Financial	10,000
<b>Salaries &amp; Overhead</b>	465,100
<b>Total</b>	\$ 1,215,600

## **Water Quality and Supply**

The budget for FY 2022/23 includes associated consulting costs for imported water operations, planning and administration; water supply planning; and general engineering services for water quality and supply. It also includes advocacy costs for legislative initiatives in Sacramento as well as salaries and overhead allocated to the program, mostly related to district staff's legislative efforts.

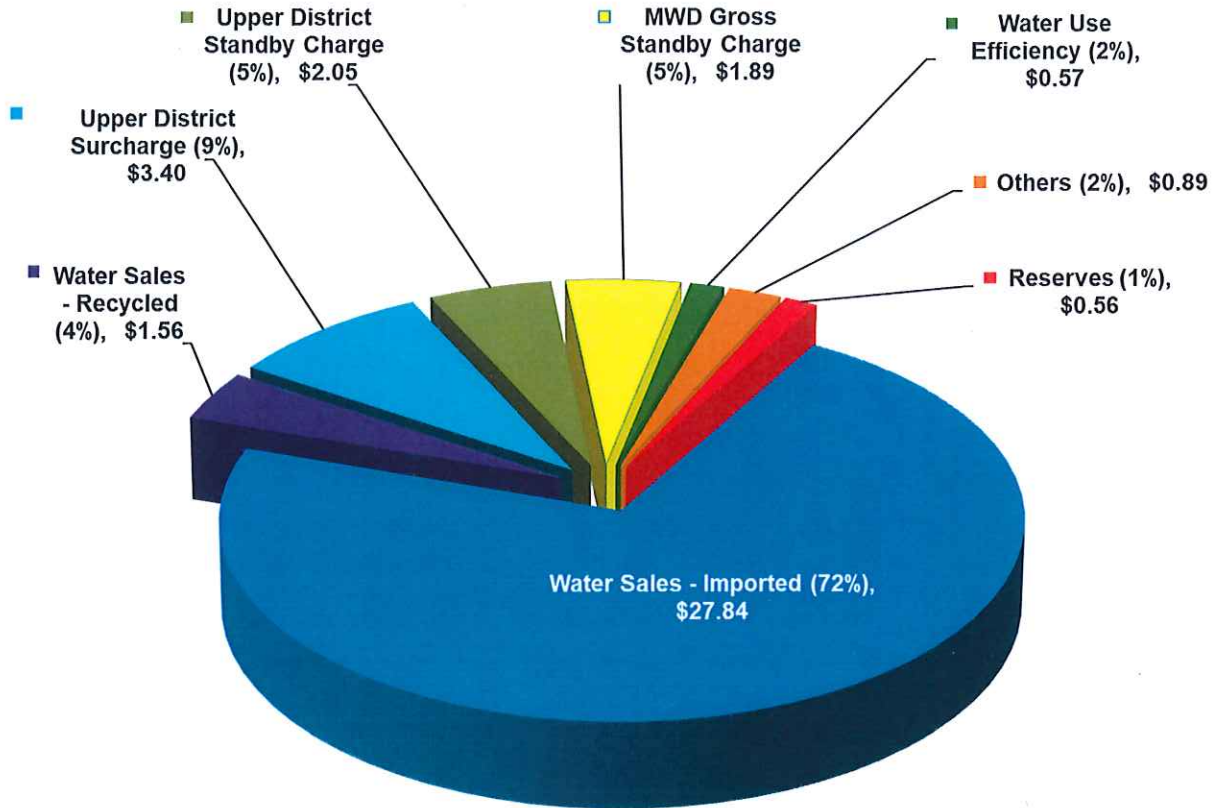
## **Administration**

Administrative expenses for FY 2022/23 total \$2.53 million and include the labor, materials, supplies and services necessary to provide general administrative support for the various programs. General administrative support includes day-to-day management, accounting operations, human resources, information technology, office administration, and administrative support for the Board of Directors.

# Sources of Funds

Total sources of funds amount to \$38.76 million and are presented in Figure 2.

Figure 2. Sources of Funds



## Water Sales

Upper District delivers both imported water purchased from Metropolitan and recycled water purchased from the Sanitation Districts, City of Industry and Central Basin MWD.

### Imported Sales

Revenue from imported water sales account for almost 81% of Upper District's revenues or about \$31.24 million, of which \$3.40 million consists of Upper District's surcharge. Treated water sales, estimated at 3,000 acre-feet for FY 2022/23, consist of water provided to the City

of Alhambra in accordance with the Alhambra Exchange Agreement. Untreated water sales for FY 2022/23 are estimated at 30,000 acre-feet.

The estimated untreated water sales for FY 2022/23 are consistent with the purchase agreement letter between Upper District and Watermaster covering replenishment water purchases for fiscal years 2021/22, 2022/23 and 2023/24. Under the agreement executed in December 2021, Watermaster commits to purchase a set amount of water each fiscal year sufficient to meet the District's required debt coverage ratio. Untreated sales in excess of the purchase commitment will not carry Upper District's surcharge. The letter agreement aims to address the variability of untreated water sales and the growing gap between the District's share of the RTS charge and the standby charge revenue collected by Metropolitan on Upper District's behalf. It also supports the overall management and sustainability of the basin by increasing Watermaster and the producers' purchasing power during years when there is excess demand for replenishment water.

### Recycled Sales

Recycled water demand is anticipated to be about 2,000 acre-feet for FY 2022/23. The recycled water distribution system includes over 20 miles of 4" to 24" pipelines, several pump stations, a 2-million-gallon reservoir and over 40 connections. Recycled water sales are based on uniform contract rates paid by Upper District's retail water provider customers set at 80% of Watermaster's replacement water assessment. FY 2022/23 revenue from sale of recycled water is estimated at about \$1.56 million.

### **Upper District Standby Charge**

To recover a portion of the costs for the recycled water program and water use efficiency program, a standby charge of \$10 per acre or portion thereof is levied on all parcels within Upper District's service area. The standby charge will generate about \$2.05 million in revenues and provides funding to the water conservation and water recycling programs.

### **MWD Standby Charge**

Metropolitan levies a separate standby charge on behalf of Upper District to cover Upper District's share of the RTS charge. The RTS charge aims to recover a portion of Metropolitan's costs for ensuring a reliable water supply, including capital infrastructure for emergency and drought water storage, and imported water system conveyance capacity. The standby charge collected by Metropolitan on behalf of Upper District is netted against the RTS charge. The

Metropolitan standby charge, set at \$9.27 per parcel, is estimated to generate about \$1.89 million in FY 2022/23. In the past, the standby charge sufficiently covered Metropolitan's RTS charge. However, Metropolitan's RTS charge has increased significantly over the years and eventually surpassed the standby charge revenue beginning FY 2018/19. For FY 2022/23, the shortfall in standby charge revenue amount to \$1.08 million. The shortfall will continue to grow over the years along with Metropolitan's projected increases in its RTS charge. The purchase agreement letter between Upper District and Watermaster which set minimum water purchases for fiscal years 2021/22, 2022/23 and 2023/24 provided a short term solution to this growing revenue gap. Staff will continue working with Watermaster and the producers to develop a viable, longer term solution.

## **Water Use Efficiency**

The proposed budget assumes continued efforts to not only raise public awareness about the importance of water conservation but is also intended to bring a significant amount of direct rebate dollars back to the San Gabriel Valley through the [socalwatersmart.com](http://socalwatersmart.com) website, a regional water conservation rebate program. About \$0.53 million of WUE revenues consist of MAA funding from Metropolitan.

## **Other Revenues**

Other revenues total \$0.89 million and include: interest, property tax allocations, RTS charge for USG-3, reimbursement from Main San Gabriel Basin Watermaster of Upper District's share in San Gabriel River Watermaster's budget, and credits received from Metropolitan's Local Resources Program for delivery of recycled water.

## **Reserves**

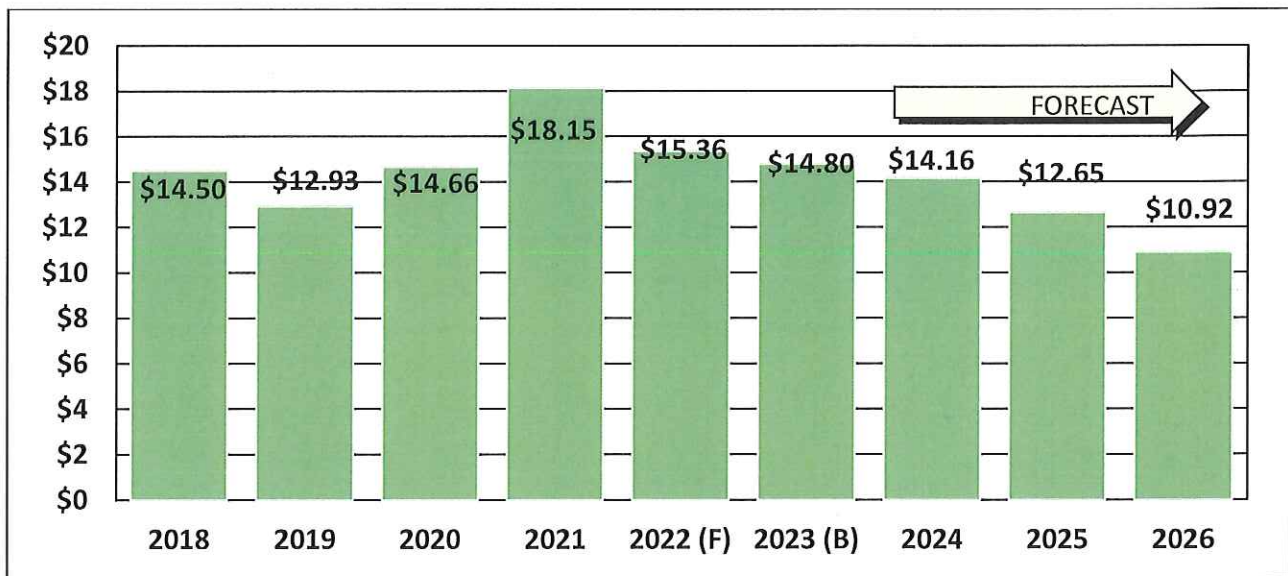
Upper District will need to draw about \$0.56 million from its reserves to fund a portion of its capital budget for FY 2022/23, including costs related to the renovation of the new district building.

# Fund Balances

In November 2020, the Upper District adopted a formal designated reserve fund policy, setting prudent levels of reserve funds to provide financial resources not only during emergencies or planned capital projects but also for scheduled and unscheduled expenses. Six designated reserves, each with its own recommended minimum, target, and maximum levels, were established - 1) Emergency Reserve; 2) Operating Reserve; 3) Pay-go Capital Improvement and Replacement Reserve; 4) Capital Reserve; 5) Revenue Stabilization Reserve; and 6) Water Banking Reserve.

The proposed budget for fiscal year 2022/23 shows a decrease in Upper District’s reserves amounting to \$0.56 million primarily attributable to capital expenses related to the renovation of the new district building. Figure 3 illustrates the trend in total fund balances, net of any storage water, five years prior to 2023 as well as forecasted levels for the next three years. From 2023 to 2026, total fund balances would drop by about \$3.88 million, largely due to the cumulative effect of the unfunded net RTS charge.

Figure 3. Net Fund Balances (in \$ millions)





## Potential Future Capital Outlays

The current IRP adopted in 2013 and last updated in 2017 identified the IRRP and Metropolitan's Regional Recycled Water Program as the best overall alternatives when all objectives, i.e., reliability, cost-effectiveness, feasibility and local control, are considered.

Upper District is in the process of updating the IRP, in conjunction with Metropolitan's IRP update, to reflect the changing parameters and factors affecting the water supply portfolio, as well as recent developments impacting the continued development of the IRRP.

## Debt Service Coverage Ratio

A critical financial ratio that Upper District must consistently maintain, demonstrating an ability to meet payment obligations to establish credit, is a debt service coverage ratio. Upper District is required per the loan agreements with the State to set rates and charges to generate sufficient net operating revenue to maintain a minimum debt service coverage ratio of 120%. However, in the financial market, a debt coverage of at least 150% is necessary to obtain an "AA" credit rating.

Total imported water sales of 33,000 acre-feet and Upper District's surcharge unchanged at \$103 per acre-foot will provide net operating revenue before debt service for FY 2022/23 of about \$1 million. This provides sufficient revenue to meet the ratio required by the District's existing SRF loan for FY 2022/23.

**Table 4. Debt Service Coverage Ratios**

	Forecasted 2021-22 \$Millions	Budget 2021-22 \$Millions	Budget FY 2022-23 \$Millions
Operating costs not including debt service	\$ 52.53	\$ 36.17	\$ 37.20
Less revenue offsets	(5.77)	(4.83)	(4.89)
Net operating costs funded from imported water sales	46.76	31.34	32.31
Operating revenues (water sales)	47.95	32.48	33.31
Operating revenues in excess/(short) of operating costs funded from water sales	1.19	1.14	1.00
<b>Debt Service</b>			
SRLF	0.79	0.79	0.79
Other			
<b>Total Debt Service</b>	\$ 0.79	\$ 0.79	\$ 0.79
<b>Debt Service Coverage Ratio</b>	<b>151%</b>	<b>144%</b>	<b>127%</b>

## 2023 Water Rates

Upper District is not proposing an increase in its current surcharge of \$103 per acre-foot for calendar year 2023. This will be the eighth year that Upper District has kept the surcharge at this level. However, Upper District's Tier 1 imported water rates will still increase by 5.30% and 6.21% for treated and untreated water, respectively, as Upper District passes through increases in Metropolitan's rates to the producers and Watermaster.

Table 5 shows the proposed rates effective January 1, 2023. Adopted rates for the prior four years are also presented.

**Table 5. Upper District Rates**

	Effective 01/01/19	Effective 01/01/20	Effective 01/01/21	Effective 01/01/22	Proposed 01/01/23
<b>Full Service Treated Tier 1</b>					
MWD	1,050	1,078	1,104	1,143	1,209
Upper District Surcharge	103	103	103	103	103
Upper District Rate	1,153	1,181	1,207	1,246	1,312
<b>Full Service Treated Tier 2</b>					
MWD	1,136	1,165	1,146	1,185	1,418
Upper District Surcharge	103	103	103	103	103
Upper District Rate	1,239	1,268	1,249	1,288	1,521
<b>Full Service Untreated Tier 1</b>					
MWD	731	755	777	799	855
Upper District Surcharge	103	103	103	103	103
Upper District Rate	834	858	880	902	958
<b>Full Service Untreated Tier 2</b>					
MWD	817	842	819	841	1,064
Upper District Surcharge	103	103	103	103	103
Upper District Rate	920	945	922	944	1,167
Capacity Charge (per CFS)	\$ 8,600	\$ 8,800	\$ 10,700	\$ 12,200	\$ 10,600

# Budget Tables

## Upper San Gabriel Valley Municipal Water District 2022/23 Budget Summary

	ACTUAL FY 2019-20	ACTUAL FY 2020-21	FORECASTED FY 2021-22	BUDGET FY 2021-22	BUDGET FY 2022-23
Administrative	\$ 2,467,985	\$ 3,305,657	\$ 3,806,100	\$ 2,423,600	\$ 2,530,400
Water Use Efficiency	479,792	469,939	898,500	955,650	809,300
Education and Community Outreach	1,067,878	884,857	1,063,000	1,260,500	1,215,600
Water Recycling	1,918,502	2,005,334	2,296,800	1,851,000	1,878,900
Water Quality and Supply	885,026	843,776	788,000	853,500	599,900
Stormwater	3,327	24,996	3,700	3,700	40,700
Water Purchases	<u>29,747,672</u>	<u>49,155,359</u>	<u>44,468,400</u>	<u>29,616,500</u>	<u>30,917,600</u>
Total Operating Expenses	36,570,182	56,689,918	53,324,500	36,964,450	37,992,400
Operating Revenues	<u>39,165,580</u>	<u>60,820,424</u>	<u>53,718,400</u>	<u>37,313,450</u>	<u>38,202,200</u>
Net Reserve Activity from Operations (+/-)	<u>2,595,398</u>	<u>4,130,506</u>	<u>393,900</u>	<u>349,000</u>	<u>209,800</u>
Capital Expenditures	3,597,724	391,838	3,177,000	3,134,000	772,000
Capital Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash Due to Capital Outlays (+/-)	<u>\$ (3,597,724)</u>	<u>\$ (391,838)</u>	<u>\$ (3,177,000)</u>	<u>\$ (3,134,000)</u>	<u>\$ (772,000)</u>
Total Change in Fund Balances (+/-)	<u>\$ (1,002,326)</u>	<u>\$ 3,738,668</u>	<u>\$ (2,783,100)</u>	<u>\$ (2,785,000)</u>	<u>\$ (562,200)</u>

**UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT  
EXPENSE SUMMARY  
FISCAL YEAR 2019/20 THROUGH FISCAL YEAR 2022/23**

	FY 2019-20 ACTUAL	FY 2020-21 ACTUAL	FY 2021-22 FORECASTED	FY 2021-22 BUDGET	FY 2022-23 BUDGET
<b><u>Administrative Expenses</u></b>					
<b>Personnel Expenses</b>					
Employee Salaries	1,489,281	1,527,379	1,350,000	1,435,000	1,416,000
Employee Benefits	315,508	310,985	300,000	315,000	278,000
Retired Employee Benefits	65,692	45,364	100,000	73,000	100,000
Employee Travel/Conference	40,364	6,369	20,000	40,000	50,000
<b>Sub Total</b>	<b>1,910,845</b>	<b>1,890,097</b>	<b>1,770,000</b>	<b>1,863,000</b>	<b>1,844,000</b>
<b>Director Expenses</b>					
Director Compensation	196,194	192,563	200,000	216,000	216,000
Director Benefits	132,281	145,111	160,000	185,000	170,000
Retired Director Benefits	50,212	32,885	30,000	42,000	32,000
Director Public Outreach	17,103	10,362	25,000	25,000	25,000
Director Travel/Conference	26,648	2,449	25,000	40,000	50,000
<b>Sub Total</b>	<b>422,438</b>	<b>383,370</b>	<b>440,000</b>	<b>508,000</b>	<b>493,000</b>
<b>Pension/OPEB Expense</b>					
CalPERS-Employees, Directors, Retirees	486,556	1,389,856	1,990,000	515,000	450,000
<b>Sub Total</b>	<b>486,556</b>	<b>1,389,856</b>	<b>1,990,000</b>	<b>515,000</b>	<b>450,000</b>
<b>Office Expenses</b>					
Office Supplies/Equipment	62,908	17,293	35,000	35,000	40,000
Equipment Operations & Maintenance	9,690	12,814	23,000	25,000	26,000
Computer Systems	45,568	48,647	60,000	60,000	60,000
Assessments	123,081	66,749	70,500	75,000	75,000
Meeting Expense	8,012	2,331	20,000	30,000	35,000
<b>Sub Total</b>	<b>249,259</b>	<b>147,834</b>	<b>208,500</b>	<b>225,000</b>	<b>236,000</b>
<b>Facility Expenses</b>					
Building Maintenance	2,549	9,001	10,000	35,000	45,000
Liability/Property Insurance	64,954	55,183	55,000	70,000	65,000
Office Lease	241,824	249,012	249,000	83,000	21,000
Telephone/Utilities	13,988	20,816	24,000	50,000	55,000
<b>Sub Total</b>	<b>323,315</b>	<b>334,012</b>	<b>338,000</b>	<b>238,000</b>	<b>186,000</b>
<b>Professional Services</b>					
Legal/Financial	64,432	102,455	95,000	95,000	105,000
Engineering	61,262	109,851	140,000	120,000	120,000
Auditor	29,086	29,085	30,000	40,000	30,000
Outside Services	59,012	44,205	45,000	70,000	55,000
Public Information/Outreach	-	-	3,000	3,000	3,500
<b>Sub Total</b>	<b>213,792</b>	<b>285,596</b>	<b>313,000</b>	<b>328,000</b>	<b>313,500</b>
<b>Other Expenses</b>					
Election Costs	258,800	542,688	212,000	212,000	212,000
<b>Sub Total</b>	<b>258,800</b>	<b>542,688</b>	<b>212,000</b>	<b>212,000</b>	<b>212,000</b>
<b>Allocation to Projects and Programs</b>					
Salaries/Overhead Allocated to Projects	(1,397,020)	(1,667,796)	(1,465,400)	(1,465,400)	(1,204,100)
<b>Sub Total</b>	<b>(1,397,020)</b>	<b>(1,667,796)</b>	<b>(1,465,400)</b>	<b>(1,465,400)</b>	<b>(1,204,100)</b>
<b>Total Administrative Expenses</b>	<b>2,467,985</b>	<b>3,305,657</b>	<b>3,806,100</b>	<b>2,423,600</b>	<b>2,530,400</b>
<b>Water Purchases/Revolving Expense</b>	<b>29,747,672</b>	<b>49,155,359</b>	<b>44,468,400</b>	<b>29,616,500</b>	<b>30,917,600</b>
<b>Program Expenses</b>					
Water Use Efficiency Program	479,792	469,939	898,500	955,650	809,300
Education and Community Outreach Program	1,067,878	884,857	1,063,000	1,260,500	1,215,600
Water Quality & Supply Program	885,026	843,776	788,000	853,500	599,900
Recycled Water Program	1,918,502	2,005,334	2,296,800	1,851,000	1,878,900
Stormwater Program	3,327	24,996	3,700	3,700	40,700
<b>Sub Total</b>	<b>4,354,525</b>	<b>4,228,902</b>	<b>5,050,000</b>	<b>4,924,350</b>	<b>4,544,400</b>
<b>Total Administrative/Operating/Program Expenses</b>	<b>36,570,182</b>	<b>56,689,918</b>	<b>53,324,500</b>	<b>36,964,450</b>	<b>37,992,400</b>
<b>Total Capital Outlays</b>	<b>3,597,724</b>	<b>391,838</b>	<b>3,177,000</b>	<b>3,134,000</b>	<b>772,000</b>
<b>TOTAL</b>	<b>40,167,906</b>	<b>57,081,756</b>	<b>56,501,500</b>	<b>40,098,450</b>	<b>38,764,400</b>

**UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT  
ADMINISTRATIVE BUDGET**

	FY 2021-22 FORECASTED	FY 2021-22 BUDGET	FY 2022-23 BUDGET
<b>ADMINISTRATIVE EXPENSES</b>			
Personnel Expenses			
Employee Salaries	1,350,000	1,435,000	1,416,000
Employee Benefits	300,000	315,000	278,000
Retired Employee Benefits	100,000	73,000	100,000
Employee Travel/Conference	20,000	40,000	50,000
Sub Total	<u>1,770,000</u>	<u>1,863,000</u>	<u>1,844,000</u>
Director Expenses			
Director Compensation	200,000	216,000	216,000
Director Benefits	160,000	185,000	170,000
Retired Director Benefits	30,000	42,000	32,000
Director Public Outreach	25,000	25,000	25,000
Director Travel/Conference	25,000	40,000	50,000
Sub Total	<u>440,000</u>	<u>508,000</u>	<u>493,000</u>
Pension/OPEB Expense			
CalPERS-Employees, Directors, Retirees	1,990,000	515,000	450,000
Sub Total	<u>1,990,000</u>	<u>515,000</u>	<u>450,000</u>
Office Expenses			
Office Supplies/Equipment	35,000	35,000	40,000
Equipment Operations & Maintenance	23,000	25,000	26,000
Computer Systems	60,000	60,000	60,000
Assessments	70,500	75,000	75,000
Meeting Expense	20,000	30,000	35,000
Sub Total	<u>208,500</u>	<u>225,000</u>	<u>236,000</u>
Facility Expenses			
Building Maintenance	10,000	35,000	45,000
Liability/Property Insurance	55,000	70,000	65,000
Office Lease	249,000	83,000	21,000
Telephone/Utilities	24,000	50,000	55,000
Sub Total	<u>338,000</u>	<u>238,000</u>	<u>186,000</u>
Professional Services			
Legal/Financial	95,000	95,000	105,000
Engineering	140,000	120,000	120,000
Auditor	30,000	40,000	30,000
Outside Services	45,000	70,000	55,000
Public Information/Outreach	3,000	3,000	3,500
Sub Total	<u>313,000</u>	<u>328,000</u>	<u>313,500</u>
Other Expenses			
Election Costs	212,000	212,000	212,000
Sub Total	<u>212,000</u>	<u>212,000</u>	<u>212,000</u>
Allocation to Projects and Programs			
Salaries/Overhead Allocated to Projects	(1,465,400)	(1,465,400)	(1,204,100)
Sub Total	<u>(1,465,400)</u>	<u>(1,465,400)</u>	<u>(1,204,100)</u>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<u><u>3,806,100</u></u>	<u><u>2,423,600</u></u>	<u><u>2,530,400</u></u>
<b>ADMINISTRATIVE AND OPERATING REVENUES</b>			
Interest	(85,000)	42,000	35,400
Sub Total	<u>(85,000)</u>	<u>42,000</u>	<u>35,400</u>
Other Administrative Revenues			
Taxes	500,000	425,000	500,000
Other Income	1,002,000	2,000	24,000
Sub Total	<u>1,502,000</u>	<u>427,000</u>	<u>524,000</u>
<b>TOTAL ADMINISTRATIVE AND OPERATING REVENUES</b>	<u><u>1,417,000</u></u>	<u><u>469,000</u></u>	<u><u>559,400</u></u>
<b>ADMINISTRATIVE AND OPERATING EXPENSES</b>	<u><u>(3,806,100)</u></u>	<u><u>(2,423,600)</u></u>	<u><u>(2,530,400)</u></u>
<b>NET</b>	<u><u>(2,389,100)</u></u>	<u><u>(1,954,600)</u></u>	<u><u>(1,971,000)</u></u>

**UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT  
WATER PURCHASES & REVOLVING FUND REVENUES**

	FY 2021-22 FORECASTED	FY 2021-22 BUDGET	FY 2022-23 BUDGET
<b>WATER PURCHASE EXPENSE</b>			
Tier 1 Treated	5,559,000	3,366,100	3,520,500
Tier 1 Untreated	35,977,000	23,310,000	23,970,000
MWD Capacity Charge	333,200	333,200	349,800
MWD Readiness-to-Serve Charge	2,502,200	2,502,200	2,972,300
Sub Total	<u>44,371,400</u>	<u>29,511,500</u>	<u>30,812,600</u>
<b>REVOLVING EXPENSE</b>			
San Gabriel River Watermaster	97,000	105,000	105,000
Sub Total	<u>97,000</u>	<u>105,000</u>	<u>105,000</u>
<b>TOTAL WATER PURCHASES/REVOLVING FUND EXPENSE</b>	<u>44,468,400</u>	<u>29,616,500</u>	<u>30,917,600</u>
<b>IMPORTED WATER PURCHASE REVENUES</b>			
Water Rate Revenues			
Tier 1 Treated	5,559,000	3,366,100	3,520,500
Tier 1 Untreated	35,977,000	23,310,000	23,970,000
Upper Surcharge Tier 1 Treated	515,000	309,000	309,000
Upper Surcharge Tier 1 Untreated	3,493,600	3,090,000	3,090,000
Capacity Charge Revenue	333,200	333,200	349,800
Gross MWD Stand-by Charge - Revenue Reconciliation	1,900,000	1,894,000	1,894,000
MSGB Watermaster-Ready-to-Serve	75,600	75,600	75,600
<b>TOTAL WATER PURCHASE REVENUES</b>	<u>47,853,400</u>	<u>32,377,900</u>	<u>33,208,900</u>
Revolving/Other Revenue			
MSGB Watermaster-SG River Watermaster	97,000	105,000	105,000
<b>TOTAL REVOLVING FUND REVENUES</b>	<u>97,000</u>	<u>105,000</u>	<u>105,000</u>
<b>TOTAL WATER PURCHASE &amp; REVOLVING FUND REVENUES</b>	<u>47,950,400</u>	<u>32,482,900</u>	<u>33,313,900</u>
<b>WATER PURCHASE EXPENSES</b>	<u>(44,468,400)</u>	<u>(29,616,500)</u>	<u>(30,917,600)</u>
<b>NET</b>	3,482,000	2,866,400	2,396,300



**UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT  
WATER USE EFFICIENCY**

	FY 2021-22 FORECASTED	FY 2021-22 BUDGET	FY 2022-23 BUDGET
<b>WATER USE EFFICIENCY PROGRAM EXPENSES</b>			
Residential Programs			
Member Agency Administered Programs	290,000	340,000	200,000
Regional Rebate Program	16,000	20,000	20,000
Sub Total	<u>306,000</u>	<u>360,000</u>	<u>220,000</u>
Commercial/Industrial/Institution Programs			
Member Agency Administered Programs	272,000	208,150	330,000
Regional Rebate Program	20,000	20,000	20,000
Sub Total	<u>292,000</u>	<u>228,150</u>	<u>350,000</u>
Landscape/Other Programs			
Landscape Retrofit/Water Surveys Program	-	-	-
Member Agency Administered Programs	30,000	97,000	-
Sub Total	<u>30,000</u>	<u>97,000</u>	<u>-</u>
Allocation to Conservation Programs			
Salaries & Overhead	270,500	270,500	239,300
Sub Total	<u>270,500</u>	<u>270,500</u>	<u>239,300</u>
<b>TOTAL WATER USE EFFICIENCY EXPENSES</b>	<u><u>898,500</u></u>	<u><u>955,650</u></u>	<u><u>809,300</u></u>
<b>WATER USE EFFICIENCY REVENUES</b>			
MWD Member Agency Allocation/Rebate Funding	629,500	640,150	570,000
Sub Total	<u>629,500</u>	<u>640,150</u>	<u>570,000</u>
<b>TOTAL WATER USE EFFICIENCY REVENUES</b>	<u><u>629,500</u></u>	<u><u>640,150</u></u>	<u><u>570,000</u></u>
<b>WATER USE EFFICIENCY EXPENSES</b>	<u>(898,500)</u>	<u>(955,650)</u>	<u>(809,300)</u>
<b>NET</b>	(269,000)	(315,500)	(239,300)

**UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT  
EDUCATION & COMMUNITY OUTREACH**

	FY 2021-22 FORECASTED	FY 2021-22 BUDGET	FY 2022-23 BUDGET
<b>EDUCATION &amp; COMMUNITY OUTREACH EXPENSES</b>			
Watershed Programs			
Natural Vegetation Restoration Program	20,000	20,000	20,000
Sub Total	20,000	20,000	20,000
Educational Programs			
Water Awareness Youth Art Contests	2,100	10,000	11,000
Educational Activities	50,000	139,500	100,000
Solar Cup	-	13,000	10,000
Memberships	126,000	126,000	130,000
Educational Materials/Grant Program	35,000	45,000	55,000
Educational Outreach Programs/Events	40,000	100,000	130,000
Sub Total	253,100	433,500	436,000
Outreach and Information Programs			
Public Workshops/Seminars	30,000	35,000	35,000
Conservation Devices/Items	50,000	40,000	40,000
Bottled Water Program	13,200	17,000	15,500
Community/Industry Sponsorships	20,000	35,000	35,000
Displays/Fairs/Presentations	1,500	2,500	2,500
Conferences/Meetings	1,000	6,500	6,500
Public Information	80,000	76,800	80,000
Technical Assistance	70,000	70,000	70,000
Legal/Financial	10,000	10,000	10,000
Sub Total	275,700	292,800	294,500
Allocation to Conservation Programs			
Salaries & Overhead	514,200	514,200	465,100
Sub Total	514,200	514,200	465,100
<b>TOTAL EDUCATION &amp; COMMUNITY OUTREACH EXPENSES</b>	<b>1,063,000</b>	<b>1,260,500</b>	<b>1,215,600</b>
<b>EDUCATION &amp; COMMUNITY OUTREACH REVENUES</b>			
Other	-	-	-
<b>TOTAL EDUCATION &amp; COMMUNITY OUTREACH REVENUES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EDUCATION &amp; COMMUNITY OUTREACH EXPENSES</b>	<b>(1,063,000)</b>	<b>(1,260,500)</b>	<b>(1,215,600)</b>
<b>NET</b>	<b>(1,063,000)</b>	<b>(1,260,500)</b>	<b>(1,215,600)</b>

**UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT  
WATER QUALITY AND SUPPLY PROGRAM**

	FY 2021-22 FORECASTED	FY 2021-22 BUDGET	FY 2022-23 BUDGET
<b>WATER QUALITY AND SUPPLY PROGRAM EXPENSES</b>			
Engineering for Water Supply Projects	31,600	44,500	42,000
Legislative Consultant	130,000	125,000	130,000
Other Outside Services	10,000	10,000	10,000
Sub Total	<u>171,600</u>	<u>179,500</u>	<u>182,000</u>
Other Expenses			
Urban Water Management Plan/Related Studies	15,400	10,000	-
Integrated Resources Plan	2,000	50,000	10,000
Water Supply Reliability Plan/Emergency Preparedness	5,000	10,000	5,000
Long Range Finance Plan/Others	-	10,000	-
Legal and Financial	6,000	6,000	6,000
Salaries & Overhead Allocation	588,000	588,000	396,900
Sub Total	<u>616,400</u>	<u>674,000</u>	<u>417,900</u>
<b>TOTAL WATER QUALITY AND SUPPLY EXPENSES</b>	<u><u>788,000</u></u>	<u><u>853,500</u></u>	<u><u>599,900</u></u>
<b>WATER QUALITY AND SUPPLY PROGRAM REVENUES</b>			
Interest	(12,000)	19,600	31,600
<b>TOTAL WATER QUALITY AND SUPPLY REVENUES</b>	<u><u>(12,000)</u></u>	<u><u>19,600</u></u>	<u><u>31,600</u></u>
<b>WATER QUALITY AND SUPPLY PROGRAM EXPENSES</b>	<u>(788,000)</u>	<u>(853,500)</u>	<u>(599,900)</u>
<b>NET</b>	(800,000)	(833,900)	(568,300)

**UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT  
RECYCLED WATER REVENUES & EXPENSES**

	FY 2021-22 FORECASTED	FY 2021-22 BUDGET	FY 2022-23 BUDGET
<b>RECYCLED WATER EXPENSES</b>			
Water Purchases-Recycled Water	436,000	430,000	465,000
SWRCB Loan Repayment	791,000	791,000	791,000
Salaries & Overhead Allocation	89,000	89,000	62,100
Standby Charge Design/Implementation	18,500	18,500	18,200
Engineering - General	38,700	50,000	45,000
Prop 84 Passthrough Payments	422,600	50,000	-
Lobbyist	90,000	90,000	90,000
Legal and Financial	1,000	8,000	3,000
Public Information	5,000	3,500	5,000
Operation and Maintenance Phase I/IIA	275,000	221,000	273,000
Operation and Maintenance Phase IIB	130,000	100,000	126,600
<b>TOTAL RECYCLED WATER EXPENSES</b>	<b>2,296,800</b>	<b>1,851,000</b>	<b>1,878,900</b>
<b>RECYCLED WATER REVENUES</b>			
Recycled Water Sales	436,000	430,000	465,000
Upper Recycled Water Surcharge Revenue	1,126,000	1,099,000	1,098,000
MWD LRP Credit	130,000	112,000	106,000
Parcel/Standby Charge	2,050,000	2,050,000	2,050,000
Prop 84 Passthrough Grant	5,000	-	-
Interest	(9,500)	7,200	6,000
<b>TOTAL RECYCLED WATER REVENUES</b>	<b>3,737,500</b>	<b>3,698,200</b>	<b>3,725,000</b>
<b>RECYCLED WATER EXPENSES</b>	<b>(2,296,800)</b>	<b>(1,851,000)</b>	<b>(1,878,900)</b>
<b>NET</b>	<b>1,440,700</b>	<b>1,847,200</b>	<b>1,846,100</b>

**UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT  
STORMWATER REVENUE & EXPENSE**

	FY 2021-22 FORECASTED	FY 2021-22 BUDGET	FY 2022-23 BUDGET
<b>STORMWATER EXPENSES</b>			
Salaries & Overhead Allocation	3,700	3,700	40,700
<b>TOTAL STORMWATER EXPENSES</b>	<u>3,700</u>	<u>3,700</u>	<u>40,700</u>
<b>STORMWATER REVENUES</b>			
Interest	-	-	-
<b>TOTAL STORMWATER REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>STORMWATER EXPENSES</b>	<u>(3,700)</u>	<u>(3,700)</u>	<u>(40,700)</u>
<b>NET</b>	(3,700)	(3,700)	(40,700)

**UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT  
RATE STABILIZATION FUND BUDGET**

	FY 2021-22 FORECASTED	FY 2021-22 BUDGET	FY 2022-23 BUDGET
<b>RATE STABILIZATION FUND EXPENSES</b>			
Miscellaneous	-	-	-
<b>TOTAL RATE STABILIZATION FUND EXPENSES</b>	-	-	-
<b>RATE STABILIZATION FUND REVENUES</b>			
Interest	(4,000)	3,600	2,300
<b>TOTAL RATE STABILIZATION FUND REVENUES</b>	(4,000)	3,600	2,300
<b>TOTAL RATE STABILIZATION FUND EXPENSES</b>	-	-	-
<b>NET</b>	(4,000)	3,600	2,300

**UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT  
CAPITAL PROGRAM BUDGET**

	FY 2021-22 FORECASTED	FY 2021-22 BUDGET	FY 2022-23 BUDGET
<b>CAPITAL EXPENDITURES</b>			
Direct Reuse	15,000	100,000	105,000
Indirect Reuse Replenishment Project	-	-	-
USG Connections	10,000	30,000	30,000
Legal and Financial	2,000	4,000	2,000
Salaries & Overhead Allocation	-	-	-
Sub Total	<u>27,000</u>	<u>134,000</u>	<u>137,000</u>
Other Capital Outflows			
District Office Building	<u>3,150,000</u>	<u>3,000,000</u>	<u>635,000</u>
Sub Total	<u>3,150,000</u>	<u>3,000,000</u>	<u>635,000</u>
<b>TOTAL CAPITAL OUTLAYS</b>	<u><u>3,177,000</u></u>	<u><u>3,134,000</u></u>	<u><u>772,000</u></u>
<b>CAPITAL PROGRAM INFLOWS</b>			
Income from Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CAPITAL INFLOWS</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>CAPITAL OUTFLOWS</b>	<u>(3,177,000)</u>	<u>(3,134,000)</u>	<u>(772,000)</u>
<b>NET</b>	(3,177,000)	(3,134,000)	(772,000)

**A RESOLUTION OF THE BOARD OF DIRECTORS OF  
UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT REPEALING  
RESOLUTION NO. 8-21-623 AND ADOPTING WATER RATES AND CHARGES  
FOR CALENDAR YEAR 2023**

**WHEREAS**, the Metropolitan Water District of Southern California ("MWD" herein) has adopted water rates and charges for its classes and conditions of service effective January 1, 2023 and the Upper San Gabriel Valley Municipal Water District ("Upper District" herein) wishes to reflect MWD's new rates and charges in the water rates and charges of the Upper District; and

**WHEREAS**, MWD has established charges in their rate structure including a Readiness-to-Serve Charge, Capacity Charge, Tier 1 and 2 Commodity Charges; and

**WHEREAS**, Upper District requested that MWD continue its standby charge in Upper District's service area with the intention that the above referenced Readiness-to-Serve Charge be paid from the funds generated from said standby charge for Calendar Year 2023; and

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT as follows:**

Section 1. Resolution No. 8-21-623, adopted on August 11, 2021, is hereby repealed.

Section 2. The following water rates are established and will remain effective for Calendar Year 2023:

**Normal Supply Rates**

	<b>Rate per Acre Foot</b>
<b>Class of Service</b>	
Full Service – Treated (Tier 1)	\$1,312
Full Service – Treated (Tier 2)	\$1,521
Groundwater Replenishment Service	Not Available
Full Service – Untreated (Tier 1)	\$958
Full Service – Untreated (Tier 2)	\$1,167
Recycled Water Service	By Contract
Capacity Charge	\$10,600 per CFS
Minimum Service Connection Charge (per year)	\$1,060
Groundwater Replenishment Ready-to-Serve	\$42 per CFS/\$6,300 per month



### Section 3. Description of Service Classes:

#### Full Service Treated (Tier 1)

For Calendar Year 2023, the Upper District may purchase up to 67,228 acre feet per year, which will be sold at the Tier 1 rate of \$1,312 per acre foot (subject to alternative pricing imposed under MWD's Water Supply Allocation during droughts).

#### Full Service Treated (Tier 2)

For Calendar Year 2023, the Upper District will have an unlimited amount (subject to MWD's Water Supply Allocation Plan) of Full Service Tier 2 supply. Once the Tier 1 Limit is utilized, all treated water sold will be subject to the Tier 2 rate of \$1,521 per acre foot effective January 1, 2023.

#### Annual Capacity Charges

The Full Service Tier 1 rate per acre foot as well as the Full Service Tier 2 rate per acre foot assumes a reasonable and normal annual maximum daily average capacity usage per acre foot of water deliveries. Upper District will pass through MWD's capacity charge on use of the imported water distribution system during the May through September time period, as determined by MWD. For Calendar Year 2023, MWD's capacity charge will be calculated at \$10,600 for each CFS of peak capacity utilized during the period of May through September period for the three calendar years ending 2021.

#### Full Service Untreated (Tier 1)

The Upper District's Tier 1 Limit includes both treated and untreated Tier 1 deliveries. Full Service untreated deliveries will be billed at the Tier 1 rate of \$958 per acre foot effective January 1, 2023 only if there is sufficient Tier 1 Limit remaining after all Full Service treated deliveries have been accounted for (subject to alternative pricing imposed under MWD's Water Supply Allocation during droughts). In the event that the Upper District Tier 1 Limit is exceeded, all Full Service untreated deliveries will be subject to Tier 2 rate.

#### Full Service Untreated (Tier 2)

For Calendar Year 2023, the Upper District will have an unlimited allocation (subject to MWD's Water Supply Allocation Plan), of Full Service Tier 2 supply. Once the total allocation of Tier 1 supply is utilized, all untreated water sold will be subject to the Tier 2 rate of \$1,167 per acre foot effective January 1, 2023.

Section 4. Each groundwater replenishment customer shall pay a monthly ready-to-serve charge in addition to the water rate for groundwater replenishment service. This monthly ready-to-serve charge will be \$42 for each cubic foot per second of groundwater replenishment service connection capacity, at an amount not-to-exceed \$6,300 per month, payable in advance.

Section 5. A minimum charge, equivalent to ten percent (10%) or one-tenth (1/10) of the value of one CFS of capacity (\$10,600) and amounting to \$1,060 per year effective January 1, 2023, will be billed to the sub-agencies prorated on a monthly basis irrespective of the amount of water used.

Section 6. All sales, deliveries and availability of water at the rates established herein shall be subject to the ability of the Upper District to sell, deliver and make available such water under operating conditions determined by the General Manager of Upper District and of MWD, and subject to the water service regulations of Upper District and of MWD. All agencies that purchase treated or untreated water must comply with all rules, requirements, and regulations of Upper District's Urban Water Management Plan adopted on or about June 2020 and any amendments or supplements thereto.

Section 7. The Board of Directors finds the rates, fees, and charges set forth herein are for the purpose of meeting operating expenses, including employee wages and benefits; purchasing or leasing of supplies, equipment or materials; meeting financial reserve needs and requirements; obtaining funds for capital projects necessary to maintain service within existing service areas, and obtaining funds to meet long-term debt costs. None of the rates, fees, and charges described above exceed the reasonable cost of providing the service for which the rate, fee, or charge is levied.

Section 8. The Board of Directors recognizes that Southern California is facing water supply challenges arising from both reoccurring droughts and environmental factors. These factors have created uncertainty regarding the reliability of all sources of water for the foreseeable future. As such, the Board reserves the authority to modify, alter, or suspend any or all sections of this resolution as determined prudent to properly respond to new developments in water supply circumstances.

Section 9. The Secretary of Upper District shall cause a copy of this Resolution to be mailed to all current purchasers of water from Upper District including the users of water replenishment service connections.

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**PASSED, APPROVED, AND ADOPTED** this 25<sup>th</sup> day of May, 2022.

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
Ed Chavez, President

ATTEST:

\_\_\_\_\_  
Katarina Garcia, Secretary

(SEAL)

APPROVED AS TO FORM:

\_\_\_\_\_  
Steven P. O'Neill, District Counsel