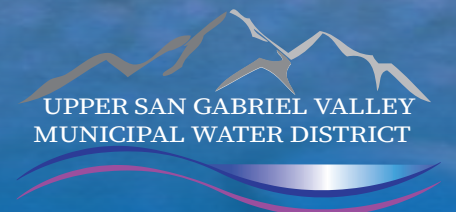


BIENNIAL BUDGET

FISCAL YEARS
2024 / 25 and 2025 / 26



Upper District

Biennial Budget

Fiscal Years 2024/25 and 2025/26

June 12, 2024

Staff Report

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About Upper District

District Profile

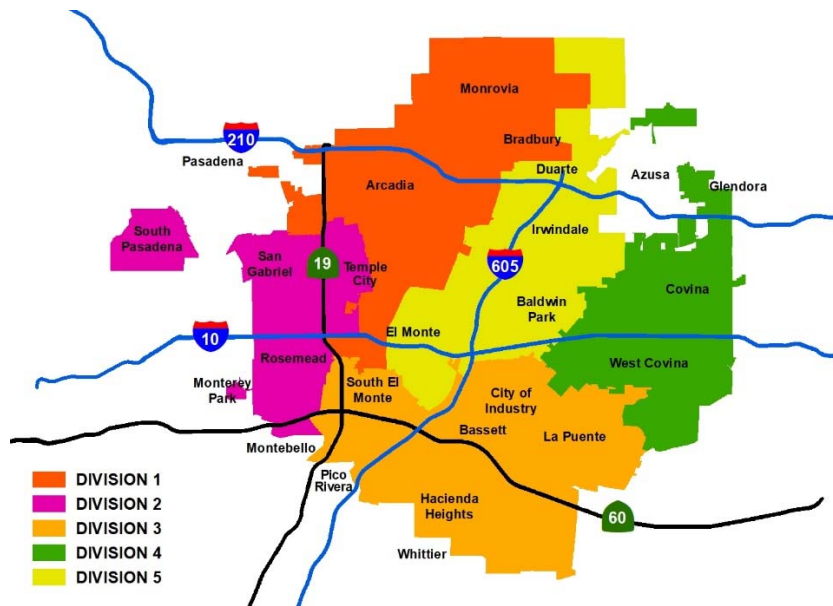
History

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 Anthony R. Fellow, Ph.D.
Representing all or parts of Arcadia, Bradbury,
El Monte, Monrovia, and Temple City



Division 2 – Director Charles M. Treviño
Representing all or parts of 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, South El
Monte, and Valinda

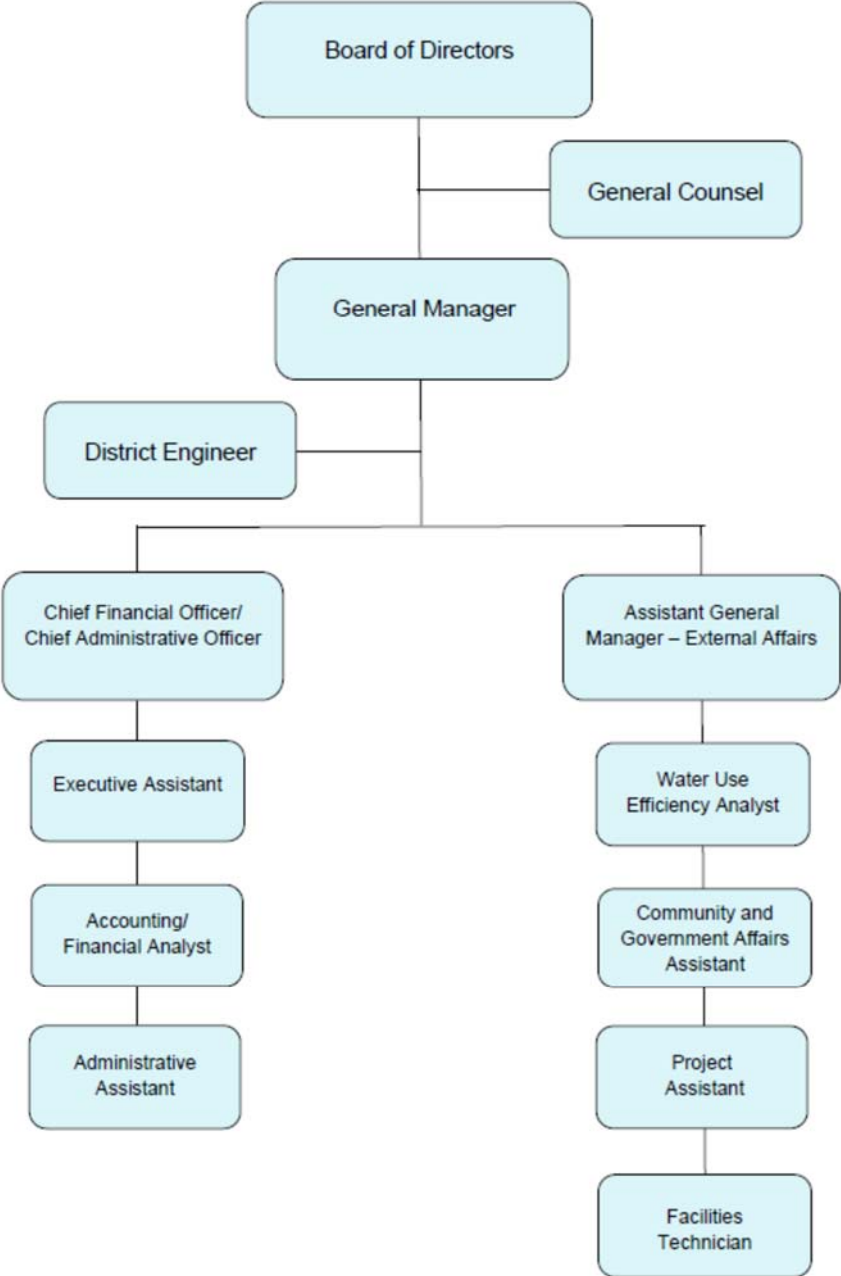


Division 4 – Director Katarina Garcia
Representing all or parts of Azusa, Covina, Glendora, and West
Covina



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

Organization Chart



During fiscal year 2023/24, the Board of Directors approved the conversion of a part-time position to full-time Facilities Technician position. No additional positions are budgeted for fiscal years (FY) 2024/25 and 2025/26. As the chart above shows, Upper District has a relatively small workforce of 10 full-time equivalents (FTEs) working to implement Upper District’s program initiatives and goals.

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:

- Diversity - Our team will maintain an inclusive culture that is characterized by civility, respect, and consideration of all viewpoints and reflects the community we serve.
- 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.
- Integrity – Our team will consistently adhere to high moral and ethical principles.
- Professionalism – Our team will professionally, respectfully, and responsively serve the needs of its customers.
- Transparency – Our team will interact with all in a fair, open and honest manner.

Strategic Plan

Upper District's strategic plan is intended to be a living document and serves as a blueprint for how Upper District will respond to current challenges and make the best of future opportunities for the benefit of its customers. Following a three-month process and working with the Board of Directors, the producers and other stakeholders, the strategic plan was reviewed and updated in 2023.

The 2023 Strategic Plan includes the following high-level goals:

1. Water Reliability - Provide reliable water services that meet the needs of the communities served.
2. Financial Integrity – Effectively and efficiently manage financial resources.
3. Workforce and Governance - Maintain a trained and motivated workforce, an informed and engaged Board of Directors, and effective business processes.

4. Community Representation and Engagement – provide responsive local governance, value, legislative engagement, and outreach to the producers and the communities served.

Management and staff identified 23 specific strategies and 95 measurable objectives for each goal area to ensure proper actions are taken to fulfill the commitment implicit in each goal area.

Major Accomplishments

Planning

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 the plan’s compliance with the California Water Code. The budget for fiscal years 2024/25 and 2025/26 includes provision for the development of the 2025 UWMP.

In 2013, the Board of Directors approved Upper District’s Integrated Resources Plan (IRP). The plan identified specific strategies and a preferred resource mix to overcome water supply challenges through 2035. In 2016, an update was provided to the Board regarding changed conditions from the IRP adopted in 2013. Upper District’s IRP update for 2021 was temporarily placed on hold to allow Metropolitan to complete its process. In 2022, Metropolitan adopted an updated IRP needs assessment which has since been expanded into a broader Climate Adaptation Master Plan for Water (CAMP4W). Working with Stetson Engineers Inc. (Stetson), Upper District resumed work to update its IRP in 2024.

Upper District’s Long Range Financial Plan (LRFP) serves 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 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.

The new 10-year cyclic storage agreement executed by Upper District, Metropolitan and Watermaster in March 2022 provided much needed flexibility in moving water into the Main San Gabriel Basin (Basin) by allowing Metropolitan to deliver and store up to 200,000 acre-feet of water in advance of demand from Watermaster and Upper District.

Between calendar years 2017 and 2019, Metropolitan deliveries to its cyclic account, including transfers from San Gabriel Valley Municipal Water District's cyclic account, totaled about 160,630 acre-feet. By the end of 2022, Watermaster and Upper District have purchased most of this water, leaving only a balance of 24,105 acre-feet in Metropolitan's cyclic account. Working with Watermaster, Upper District placed another cyclic order in March 2023 for 125,000 acre-feet of untreated water to be delivered by Metropolitan between June and December 2023. However, because of shutdowns, scheduled maintenance work at the Santa Fe Dam, percolation and flow issues, Metropolitan was only able to deliver 29,525 acre-feet of this order to its cyclic account in 2023. In December 2023, Watermaster and Upper District purchased all the remaining water in Metropolitan's cyclic account totaling 53,630 acre-feet. As of April 2024, untreated water in Upper District and producer cyclic storage accounts represents about nine feet of groundwater elevation at the Baldwin Park Key Well.

Since 2015, Upper District has been prepurchasing untreated water for storage. In December 2023, the Board of Directors authorized the purchase of up to 10,000 acre-feet of additional water for cyclic storage. However, due to the limited cyclic water deliveries from Metropolitan in 2023, Upper District was only able to purchase about 3,900 acre-feet of water for storage. By the end of fiscal year 2023/24, the District will have about 8,700 acre-feet of water in its storage account. Upper District may consider future "preemptive" 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.

The limitations on the USG-3 flows, including erosion at maximum capacity of 400 CFS, needed maintenance at the County/MWD crossing, and the percolation capacity of the spreading grounds, prompted the creation of a task force in August 2023 which has been meeting periodically to discuss improvements and find solutions to these limitations. The task force includes representatives from Upper District, Metropolitan, Los Angeles County Department of Public Works and Stetson Engineers Inc. Several alternatives have been identified for

consideration including cost sharing and funding options under each alternative to minimize direct capital cost to Upper District.

Metropolitan launched its Reverse Cyclic Program (RCP) in 2022 as another strategy for preserving SWP supplies during low allocation years through deferment of deliveries to a future wet year. This program allowed 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. Upper District purchased 15,000 acre-feet of RCP water on behalf of Watermaster in December 2022. About four thousand acre-feet of this RCP water was delivered in June 2023 while the remaining 11,000 acre-feet was delivered in July 2023. Metropolitan did not reauthorize the RCP program for 2023 nor 2024.

In 2023, the Quagga Mussel Control Plan was submitted for approval by the Department of Fish and Wildlife and the Los Angeles Flood Control District as part of Upper District's efforts to get Colorado River water (CRW) into the basin. The plan, which includes provisions for control and containment, post-delivery eradication, testing and monitoring, identified four sections of the San Gabriel River. Control methods and monitoring strategies have been developed for each section. This effort can potentially save up to 50 thousand acre-feet of SWP supplies annually. Upper District intends to annually review and update the Quagga Mussel Control Plan.

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.

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 function 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, which are now complete and delivering recycled water, received \$2.17 million in Proposition 84 grant funds from the Department of Water Resources through Upper District.

The District also continues to support Pure Water Southern California, Metropolitan’s large-scale, regional advanced treated wastewater project currently in the environmental planning phase.

Stormwater

Stormwater is often considered a nuisance because it mobilizes pollutants such as motor oil and trash. In most cases, stormwater flows directly to water bodies through sewer systems, contributing a major source of pollution to rivers, lakes, and the ocean. Stormwater discharges in California are regulated through National Pollutant Discharge Elimination System (NPDES) permits. However, storm water may also act as a resource and recharged to groundwater when properly managed.

Stormwater capture facilities in the Upper San Gabriel River Watershed have substantial capacity for capture of precipitation that falls within the upper watershed. Facilities owned and operated by the Los Angeles County Flood Control District capture runoff in three reservoirs in San Gabriel Canyon and use the captured water to replenish the groundwater basin. These facilities capture over 95% of all rainfall in the upper watershed.

The Los Angeles Water Board regulates discharges from medium and large municipal separate storm sewer systems (MS4s) through the Los Angeles County, Long Beach, and Ventura County MS4 Permits. These permits are issued under the NPDES Program. Upper District assisted the San Gabriel Valley Council of Governments in developing strategies toward reaching MS4 stormwater permit compliance.

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 over \$2 million to San Gabriel Valley residents for water efficient devices and turf removal, generating a lifetime water savings of about 2,620 acre-feet.

Following the success of the “Water Smart Home Program” in 2022, Upper District revamped the program to allow for a greater audience reach by introducing the “Water Smart Home Kit”. The kit contains the same replacement devices and educational materials with the addition of a showerhead, shower start device, and toilet flapper. The educational materials included in the kit

provide a QR code which links the user to the Upper District website containing educational videos for repair and replacement of devices. The program continued to focus on assisting DAC residents become more water efficient until Upper District was awarded a WATERSMART grant from the US Bureau of Reclamation in 2024. This grant doubles the reach of the program and includes residents regardless of DAC status. At the end of FY 2023/24, the program will provide over 1,000 kits to residents within the Upper District service area.

Snow and rainfall levels climbed to above average during the past fiscal year and groundwater storage has recovered to near average levels due to stormwater capture and imported water deliveries. Even with the unprecedented 100% State Water Project allocation, the availability of imported water deliveries were limited due to flood control operations and unforeseen maintenance required at the Santa Fe Spreading Ground facilities by Los Angeles County Public Works. The Upper District recognizes the need to continue building on its conservation efforts regardless of water supply availability by emphasizing best 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), 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-one WEGP applicants received a total of \$19,648 in grants for FY 2023/24 that directly involved 2,083 students. Upper District’s 4th-7th grade Sustainable Watershed Education Program is on track to serve well over 3,000 students throughout the San Gabriel Valley during the 2023/24 school year.

Educational public workshops were hosted online and 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, firescaping, and leak detection. The online workshop series garnered high participation rates with close to 800 individuals attending 15 workshops hosted by the Upper District during FY 2023/24.

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. Upper District was pleased to be able to host four events in FY 2023/24 after being unable to host volunteer events due to the impact of the Covid 19 pandemic. Since the start of the program in 1991, approximately 13,900 volunteers have planted over 141,000 tree saplings and collected over 5,255 lbs. of garbage.

Upper District held its annual WaterFest in May 2024 which was held in partnership with the Los Angeles County Department of Parks and Recreation. The educational event features interactive booths, environmental displays, informative presentations, and free water-saving materials. The event was fun and engaging with over 50 exhibitors and approximately 1,500 participants.

For FY 2024/25 and FY 2025/26, Upper District expects to maintain the same level of programming with slight adjustments to the budget to account for expected rate increases in advertising, industry memberships and inflationary pricing for materials. Upper District will continue to partner with local and regional entities to maximize the reputational branding for the agency and seek opportunities for state and federal grants to boost conservation programs.

Government Affairs

Both Congress and the state legislature are entering the second year of the legislative session for 2023-2024. The biggest issue the Governor and the California Legislature will have to address in 2024 is a significant budget deficit. The Governor projects a shortfall of \$38 billion and has proposed addressing the deficit by dipping into the State's rainy day fund, using \$13 billion of the \$30 billion available. The Governor also proposes a variety of budget cuts and funding deferrals to make up the shortfall. The Legislative Analyst Office projects a greater deficit of \$73 billion as a result of the economic downturn.

On the federal level, Congress continues to struggle to pass a comprehensive federal budget and has spent much of the 118th Congressional Session passing short-term continuing resolutions (CR) to avoid a government shutdown. In addition, 2024 is a presidential year and Congress has been sidelined by party politics. It is expected that the FY25 appropriations budget deadline on September 30th will be met with similar CRs through the end of the year.

Other significant policy issues impacting the state legislature and Congress are plastic reduction legislation, PFAS/PFOA funding for treatment and cleanup and the release of the State Water Resources Control Board's [revised draft regulation](#) for *Making Conservation a California Way of Life*. The revised text includes significant changes that address the Association of California Water Agencies and local water suppliers' concerns. The revised draft regulation outlines unique water use efficiency goals for each urban retail water supplier, including urban water use efficiency standards, variances, an urban water use objective, and commercial, industrial, and institutional measures.

In January 2023, Upper District's Board of Directors adopted the 2023/24 Legislative Policy Principles which coincided with the start of the new legislative session. Upper District staff will propose a revised 2025/26 Legislative Policy Principles document for the Board to consider in conjunction with the start of a new 2-year legislative session in 2025. 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.

Finance and Administration

Upper District remains committed to the effective and efficient management of its financial resources through sound fiscal management. Over the years, the Board of Directors supported staff in creating efficiencies and implementing cost containment measures within the District.

In 2014, Upper District began prefunding Upper District's other post-employment benefit (OPEB) liability through the California Employers' Retiree Benefit Trust (CERBT). As of the latest valuation with measurement date of June 30, 2023, Upper District's OPEB is essentially fully funded at 96%, having total trust assets of \$2.35 million. As of the quarter ended March 31, 2024, assets held in trust total \$2.59 million. The CERBT trust fund was initially established to take advantage of higher discount rate assumptions which translate to lower annual required contributions and unfunded liability over time as well as getting access to higher yielding investments. Since the trust assets have grown and now sufficiently cover the OPEB liability, the trust fund can now be used as an important budgeting tool. In fiscal year 2024/25, Upper District will begin withdrawing from the CERBT trust fund to cover retiree health benefit costs which will then reduce operating expenses. For FY 2024/25 and FY 2025/26, estimated annual CERBT withdrawals amount to \$0.15 million.

In June 2022, the Board authorized an additional discretionary payment of \$1 million to CalPERS to reduce Upper District's unfunded accrued liability related to pension. Estimated interest savings from this prepayment total \$1.03 million using CalPERS' 6.80% discount rate. The Board also authorized participation in the California Employers' Pension Prefunding Trust Program (CEPPT) with an initial trust funding of \$0.50 million. As of the quarter ended March 31, 2024, assets held in trust for prefunding pension liability total \$0.56 million or an average annual yield of 7.83%. Similar to the CERBT, the CEPPT is a Section 115 trust fund that can be used to build a rainy day contingency reserve fund to prefund future pension costs and provide greater budgetary flexibility in the future.

The retirement of three employees between 2020 and 2021 during fiscal year 2021/22 provided Upper District an opportunity to reduce staffing by two FTEs, reducing personnel expenses by more than \$0.38 million per year in today's dollars. It also allowed upward mobility for existing staff by using internal recruitment for one of the positions. Currently, the District has 10 FTEs working to implement its program initiatives.

Consistent with Upper District's Strategic Plan goals and objectives, staff looked at current benefits and identified areas where Upper District can reduce costs and still maintain competitive benefits. In 2021, a new tier of health benefits was adopted for new employees which not only resulted in immediate health care cost savings, but also offered potential long-term cost savings of about \$37,000 per year per retiree.

In 2020, the Board of Directors approved the purchase of a new building to serve as district headquarters. With this action, Upper District avoided more than \$0.27 million in lease expenses per year. Reducing Upper District's legislative consultants in 2020 translated to additional annual cost savings of over \$90,000.

Upper District continues to engage Watermaster and the producers in its annual rate setting process. In 2022, Upper District and Watermaster executed a minimum purchase agreement letter in December 2022 covering fiscal years 2021/22, 2022/23 and 2023/24. Under the agreement, Watermaster committed to purchase a minimum amount of water each fiscal year sufficient to meet the District's required debt coverage ratio in exchange for the right to purchase untreated water in excess of the annual commitment at cost. This letter agreement addressed the variability of untreated water sales and the growing gap between the District's share of Metropolitan's readiness-to-serve (RTS) charge and the standby charge revenue collected by Metropolitan on Upper District's behalf. It also supported 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. During this period, the surcharged waived by Upper District for Watermaster's purchases above the annual commitment totaled \$5.14 million.

Metropolitan's recently adopted rates and charges for the years 2025 and 2026 presented budgetary challenges for Upper District in terms of its existing rate structure and required minimum purchase from Watermaster. Staff is working closely with Watermaster and the producers to come up with a mutually acceptable rate option for calendar years 2025 and 2026. Options being evaluated include keeping the surcharge at its current level (\$103 per AF) with higher minimum purchases, increasing the surcharge for calendar years 2025 and 2026 with lower minimum purchases, passthrough of some or all of Metropolitan's RTS charge with lower minimum purchases and lower surcharge, or a combination of these options.

Financial Policies

Budgetary and Accounting Basis

The budget is prepared and monitored on a cash basis which recognizes revenues when received and expenses when paid. However, Upper District operates as a utility enterprise and prepares its basic financial statements using accrual accounting at the end of each fiscal year. Under accrual accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Investment Policy

This policy establishes procedures and guidelines by which surplus funds can be managed in a prudent and fiscally sound manner. This policy is reviewed annually, or whenever there are required changes, 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 establishes appropriate fund reserves by category, identified purpose for each category, appropriate target levels, funding sources, and conditions under which each is to be used and replenished. This policy also 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. Under this policy, six designated reserves, each with its own recommended minimum, target, and maximum levels were created: 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 establishes policies and procedures for the issuance and management of bonds, notes, installment purchase agreement to support certificates of participation, lines of credit, commercial paper, and other forms of indebtedness of Upper District. Its purpose is 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 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 their 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 in 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 - March Program managers present preliminary budgets to committees.
- 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 second 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.

For this budget process, Upper District developed its first biennial budget for adoption covering fiscal years 2024/25 and 2025/26.

Budget Drivers

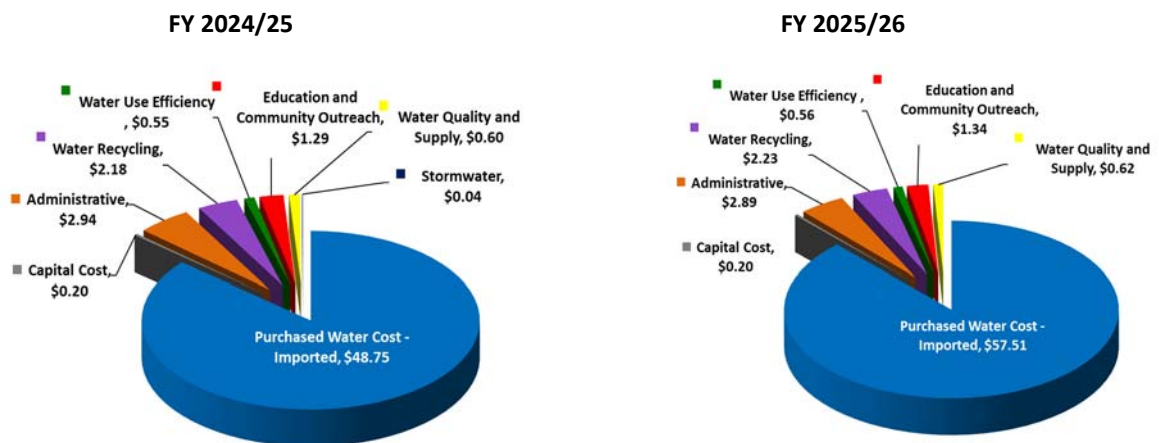
The key factors affecting the budgets for FY 2024/25 and FY 2025/26 include:

- Rate increases from Metropolitan including the readiness-to-serve charge.
- Increases in power costs and insurance and healthcare premiums.
- Significant election costs. In 2024, seats for three divisions are up and are estimated to cost about \$1 million spread over two fiscal years - FY 2023/24 and FY 2024/25. With two division seats up in 2026, election costs are estimated to be about \$0.64 million, also spread over two fiscal years – FY 2025/26 and FY 2026/27.
- The SRF loan provision requires setting of water rates that will generate sufficient net operating income of at least 120% of the annual debt service.
- Member Agency Administered (MAA) allocation program funding from Metropolitan continues to be a major source of funding for the implementation of Upper District's Water Use Efficiency Program.

Uses of Funds

Uses of funds for the proposed FY 2024/25 and FY 2025/26 budget years total \$56.55 million and 65.39 million, respectively. The increases between years, \$9.17 million from FY 2023/24 and \$8.84 million from FY 2024/25 are mainly due to higher assumed untreated purchases. Cost reductions identified in prior years and discussed earlier in the budget document will be maintained and carried over for the biennial budgets. These include savings from reduction in total FTE personnel and legislative consultants as well as avoided lease expenses. The biennial budget also reflects additional personnel expense reductions of \$0.14 million in FY 2024/25 and \$0.15 million in FY 2025/26 from retiree health reimbursements received from the CERBT trust fund. Figure 1 illustrates the total uses of funds.

Figure 1. 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 from 2014 through 2024. In November 2023, Metropolitan staff proposed not renewing the 2014 Purchase Order Agreement. Because of this, Tier 2 rates are not included in Metropolitan’s recently adopted budget and rates for FY 2024/25 and 2025/26.

Budgeted imported water purchases include 3,000 acre-feet of Tier 1 treated water for both FY 2024/25 and 2025/26 representing Upper District's commitment under the Alhambra Exchange Agreement. For untreated water, Upper District assumed 44,000 acre-feet for FY 2024/25 and 52,000 acre-feet for FY 2025/26 which represent the minimum purchase commitments needed to keep the current surcharge of \$103 per acre-foot and at the same time meet the District's debt service requirement.

In April 2024, Metropolitan adopted its biennial budget for FY 2024/25 and 2025/26 along with the water rates and charges for calendar years 2025 and 2026. Metropolitan's Tier 1 treated water rate will increase from \$1,256 to \$1,395 per acre-foot (11%) effective January 1, 2025, and then to \$1,528 per acre-foot (10%) effective January 1, 2026. Tier 1 untreated water rate will increase from \$903 to \$912 per acre-foot (1%) effective January 1, 2025, and then to \$984 per acre-foot (8%) effective January 1, 2026. The increase in Metropolitan's water rates in 2025 and 2026 along with higher untreated water sales will increase total purchased water cost for imported supplies by \$8.37 million (24%) and \$8.10 million (19%) in FY 2024/25 and FY 2025/26, respectively.

From FY 2021/22 through FY 2023/24 Upper District sold 144,910 acre-feet of untreated water to Watermaster. Pursuant to the minimum purchase agreement between Upper District and Watermaster, Upper District waived the surcharge for a total of 49,910 acre-feet of water sold above the annual minimums. This translates to \$5.14 million in avoided surcharge for Watermaster.

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 2025, Metropolitan used the three-year period ended December 31, 2023 and the peak summer demand that occurred on August 18, 2021 to levy the capacity charge. Upper District will pass through this charge to the agency that used the connections during the day when the peak flow occurred (August 18th). Metropolitan's capacity charge will increase from \$11,200 per CFS to \$13,000 per CFS effective January 1, 2025, and then to \$14,500 per CFS effective January 1, 2026. Upper District's share of the capacity charge will increase from \$0.35 million to \$0.39 million in FY 2024/25.

Metropolitan also levies a readiness-to-serve (RTS) charge on its member agencies to pay for emergency and standby service. 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. This charge is based on a 10-year rolling average of firm demand. Upper District's share of the RTS charge will increase from \$3.65 million to \$4.57 million in FY 2024/25 and to an estimated \$5.22 million in FY 2025/26.

Recycled Supplies

Recycled water demand is anticipated to be about 2,100 acre-feet for FY 2024/25 and FY 2025/26. The combined effects of lower recycled water sales and 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 decrease in purchased recycled water cost of about 11% in FY 2024/25.

Capital Costs

Capital projects are presented to the Board of Directors before initiation and allocation of budget funds. They typically begin with feasibility studies and design estimates followed by a competitive bidding process before actual construction starts. Budgets for FY 2024/25 and FY 2025/26 both include \$0.20 million for USG connection and recycled water reliability improvement efforts.

USG Connections

The San Gabriel County Water District and Sunnyslope Water Company sought Upper District's assistance to look into possibly connecting to the Metropolitan treated water system. The agencies are looking for emergency reliability through these connections in case their groundwater wells fail or require treatment in the future. These projects could provide an access point to Metropolitan treated water which could reduce future demand on the basin if restrictions are placed on imported water. Upper District is funding the study portion of the project and has retained a consultant, but the agencies will cover the cost of construction should the study find it beneficial.

Recycled Water Programs

Direct Reuse

Recycled water continues to be an important part of Upper District's water supply portfolio that not only reduces dependence on expensive and increasingly scarce imported water supplies but also lessens the overproduction of the groundwater basin.

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 the resulting wastewater flows necessary to produce recycled water have significantly declined over the 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, 2023, Upper District's investments in direct reuse capital assets total \$52.11 million with a net carrying value of \$39.38 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 its 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, and deliveries started in 2019.

The La Puente Valley County Water District Project (LPVCWD) 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. LPVCWD's project started delivering recycled water in October 2023.

No new projects nor additional capital expenditures are anticipated for FY 2024/25 and FY 2025/26.

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 budgets for FY 2024/25 and FY 2025/26 include \$0.10 million for major repairs and evaluation of alternatives to improve reliability of the recycled water system.

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 permanent office space for Upper District has been discussed and identified as a top priority. 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 was substantially completed in November 2022. Capital cost for FY 2023/24 includes \$0.10 million provision for the building elevator upgrade and installation of electric vehicle charging stations. No additional capital expenditures are anticipated for fiscal years 2024/25 and 2025/26.

Stormwater Capture Program

Upper District will continue working closely with Watermaster, LA County Flood Control District, the Army Corps and San Gabriel Valley cities to continue developing practical ways to clean up and capture stormwater. FY 2024/25 and FY 2025/26 budgets include stormwater capture program expenses consisting of estimated staff time.

Water Recycling Operations

Recycled water program expenses, excluding cost of purchased water, amount to \$1.63 million for fiscal year 2024/25 and \$1.65 million for fiscal year 2025/26. These amounts consist of State Revolving Fund (SRF) annual debt service amounting to \$0.79 million and engineering support and operation and maintenance expenses totaling \$0.84 million for FY 2024/25 and \$0.86 million for FY 2025/26. 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, amounting to \$6.65 million as of June 30, 2023, 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. Since Metropolitan operates the MAA program on a 2-year cycle, the \$572,000 of MAA funding secured during FY 2022/23 remained in place in FY 2023/24 for implementing both Upper District and producer administered WUE programs. Over the course of the 2-year cycle, Upper District and its retailers were able to utilize \$571,986 in MAA funding for various programs throughout the service area. This marks the highest amount and utilization of MAA funds in over ten years. Over the 2-year cycle, there were 13 MAA programs running with all \$572,000 reserved. Approximately \$171,000 of that reserved MAA funding was reimbursed for program costs in FY 2022/23 with the remaining \$400,000 being reimbursed over the course of FY 2023/24.

For FY 2023/24, the Upper District conducted four programs utilizing MAA program funds including a Drought Marketing Program, WaterSmart Home Kit Program, Plant Voucher Program, and an abbreviated version of the Water Fill Station Program. The Drought Marketing Program utilized over \$66,000 of MAA program funding to place billboards, marketing signage, and branding materials throughout the service area to promote the "Thank U" campaign. The WaterSmart Home Kit Program provided nearly 1,000 residents with water-saving devices utilizing approximately \$100,000 of MAA program funding. The Plant Voucher program provided over 400 residents with \$250 plant vouchers to relandscape their homes. This program was in such high demand that it was only open for applications for 24 hours before full commitments on

the funding were met. The Plant Voucher Program utilized \$103,000 in MAA program funding which was entirely used for the vouchers as staff managed the program in-house to avoid administrative costs. Finally, the Water Fill Station Program was revised to be able to provide five fill stations to three different agencies that needed stations. The stations were dropped off for installation by the agency and administrative costs were once again eliminated by running the limited program in-house resulting in only \$7,000 of MAA program funds being utilized. The remaining MAA program funding was utilized by Upper District purveyors to provide water efficient devices, reporting, and innovative water savings programs to their customers. Five purveyors were able to provide nine different programs utilizing the remaining \$245,650 in MAA program funding.

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 \$150,000 in co-funding was provided by purveyors during FY 2023/24. Staff estimates \$50,000 of rebate co-funding from Upper District purveyors for FY 2024/25 and FY 2025/26.

It is important to note that the WUE budget remains highly dependent on outside funding. About \$0.27 million is expected to come from Metropolitan's MAA program to partially fund the District's FY 2024/25 and FY 2025/26 Water Use Efficiency Program expenses.

Table 1 summarizes the proposed budget and sources of funding for the FY 2024/25 Water Use Efficiency Program. Table 2 summarizes the proposed budget and sources of funding for FY 2025/26. 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 Budget for FY 2024/25

CATEGORY	Total Program Costs	Upper District Funding	Funding from Other Agencies
Residential Programs			
Member Agency Administered Programs	\$ 167,500	\$ -	\$ 167,500
Regional Rebate Program	50,000	-	50,000
Commercial/Industrial/Institutional (CII) Rebate Programs			
Member Agency Administered Programs	105,000	-	105,000
Regional Rebate Program	-	-	-
Salaries and Overhead	224,300	224,300	-
Total	\$ 546,800	\$ 224,300	\$ 322,500

Table 2. Water Use Efficiency Program Budget for FY 2025/26

CATEGORY	Total Program Costs	Upper District Funding	Funding from Other Agencies
Residential Programs			
Member Agency Administered Programs	\$ 167,500	\$ -	\$ 167,500
Regional Rebate Program	50,000	-	50,000
Commercial/Industrial/Institutional (CII) Rebate Programs			
Member Agency Administered Programs	105,000	-	105,000
Regional Rebate Program	-	-	-
Salaries and Overhead	235,500	235,500	-
Total	\$ 558,000	\$ 235,500	\$ 322,500

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. Projects for FY 2023/24 include continued education to community stakeholders and residents through short educational videos, online and in-person landscaping courses, and educational outreach.

Continuing education and outreach programs include sustainable watershed and stormwater education for 4th, 5th, 6th and 7th grade students; watershed restoration program; water education grant program for teachers; support for Water Engineering 4 Good (WE4G) middle and high school teams; “*Water is Life*” art contest; distribution of water efficient devices; public workshops and seminars; and public information/outreach. This remote learning format will continue to be offered as an alternative to in-person activities for schools throughout the 2024/25 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 \$60,000 for FY 2024/25 and FY 2025/26. 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.

Water Quality and Supply

The budget for FY 2024/25 and FY 2025/26 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.

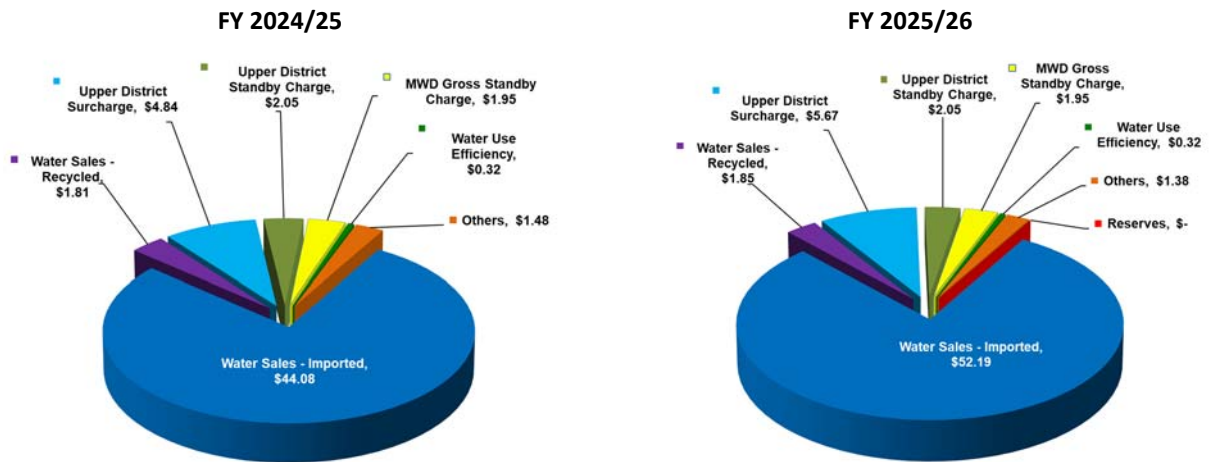
Administration

Administrative expenses for FY 2024/25 and FY 2025/26 total \$2.94 million and \$2.89 million, respectively. These 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. The biennial budget also reflects a reduction in retiree health benefits cost amounting to \$0.14 million in FY 2024/25 and \$0.15 million in FY 2025/26 resulting from strategic withdrawals from the CERBT trust fund.

Sources of Funds

Total sources of funds amount to \$56.55 million in FY 2024/25 and \$65.40 million in FY 2025/26 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

As shown in Figure 2, the relative composition of Upper District’s sources of funds remains consistent during the biennial budget period with revenue from imported water sales, accounting for the biggest portion of Upper District’s total revenue. For FY 2024/25, \$44.08 million represents passthrough of the volumetric cost of imported water from Metropolitan based on estimated untreated water sale of 44,000 and treated water sales of 3,000 acre-feet. It also includes a passthrough of Upper District’s share of the capacity charge amounting to \$0.39 million. For FY 2025/26, \$52.19 million represents passthrough of the volumetric cost of imported water from Metropolitan based on estimated untreated water sale of 52,000 and treated water sales of 3,000 acre-feet and passthrough of Upper District’s share of the capacity charge amounting to \$0.39 million.

Upper District’s surcharge totaling \$4.84 million in FY 2024/25 and \$5.67 million in FY 2025/26 assumes no change in Upper District’s current surcharge of \$103 per acre-foot. Note that untreated water sales estimates for FY 2024/25 and FY 2025/26 represent the minimum volume needed to generate sufficient revenue to meet the District’s coverage ratio. As Table 3 shows, anticipated increases in Upper District’s share of the RTS puts significant pressure on Upper District’s surcharge.

Table 3. Portion of Upper District’s Surcharge Covering Net RTS

Fiscal Year	NET RTS (\$)	Minimum Purchase (AF)	Portion of \$103 Surcharge Covering Net RTS (\$)
FY21/22	584,314	30,000	19.48
FY22/23	988,158	30,000	32.94
FY23/24B	1,698,300	35,000	48.52
FY24/25B	2,615,067	44,000	59.43
FY25/26B	3,267,496	52,000	62.84

Recycled Sales

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 2024/25 and FY 2025/26 revenue from sale of recycled water is estimated at \$1.81 million and \$1.85 million, respectively, based on an annual recycled water demand of about 2,100 acre-feet.

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 collects a separate standby charge at the request of some member agencies that have elected to use the charge as a direct offset to the member agency’s RTS obligation. In Upper District’s case, that charge is set at \$9.27 per acre or portion thereof for parcels within the District’s service area and is estimated to generate about \$1.95 million in FY 2024/25 and FY 2025/26. 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. The shortfall in standby charge revenue will increase from \$1.70 million in FY 2023/24 to \$2.62 million in FY 2024/25 and then to \$3.23 million in FY 2025/26. This shortfall will continue to grow over the years along with Metropolitan’s projected increases in its RTS charge. Table 4 shows Upper District’s share of the RTS over a ten-year period.

Table 4. Historical Metropolitan RTS and Upper District’s RTS Share

Fiscal Year	MWD RTS (\$)	UD %	UD RTS (\$)	MWD SBC (\$)	NET RTS (\$)
FY16/17	144,000,000	1.17%	1,687,880	1,903,785	(215,905)
FY17/18	137,500,000	1.35%	1,851,056	1,893,378	(42,322)
FY18/19	136,500,000	1.51%	2,056,890	1,988,345	68,545
FY19/20	134,500,000	1.50%	2,020,578	1,979,684	40,894
FY20/21	133,000,000	1.79%	2,386,467	2,153,132	233,335
FY21/22	135,000,000	1.99%	2,681,327	2,097,013	584,314
FY22/23	147,000,000	2.02%	2,963,609	1,975,451	988,158
FY23/24B	160,500,000	2.27%	3,648,300	1,950,000	1,698,300
FY24/25B	174,000,000	2.62%	4,565,067	1,950,000	2,615,067
FY25/26B	184,500,000	2.83%	5,217,496	1,950,000	3,267,496
			<u>29,078,669</u>	<u>19,840,788</u>	<u>9,237,881</u>

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. However, relying solely on minimum annual purchase commitments from Watermaster and the producers may not be sustainable given the continued increase in Metropolitan’s RTS. 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 socialwatersmart.com website, a regional water conservation rebate program. About \$0.27 million of WUE revenue for FY 2024/25 and FY 2025/26 consists of MAA funding from Metropolitan.

Other Revenues

Other revenues include interest and investment income, property tax allocations, RTS charge for USG-3, reimbursement from 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 \$13,000 from its reserves to fund a portion of its capital budget for FY 2024/25.

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 Water Resources Control Board to set rates and charges that will generate sufficient net operating revenue to maintain a minimum debt service coverage ratio of 120%. In the financial market, a debt coverage of at least 150% is necessary to obtain an “AA” credit rating.

Total imported water sales assumed at 47,000 acre-feet in FY 2024/25 and 55,000 acre-feet in FY 2025/26 and Upper District’s surcharge unchanged at \$103 per acre-foot will provide sufficient revenue to meet the ratio required by the District’s existing SRF loan for FY 2024/25 and FY 2025/26.

Table 5. Debt Service Coverage Ratios

	Budget 2024-25 \$Millions	Budget 2025-26 \$Millions
Operating costs not including debt service	\$ 55.57	\$ 64.41
Less revenue offsets	(5.49)	(5.41)
Net operating costs funded from imported water sales	50.08	59.00
Operating revenues (water sales)	51.05	59.98
Operating revenues in excess/(short) of operating costs funded from water sales	0.97	0.98
Debt Service		
SRLF	0.79	0.79
Other		
Total Debt Service	\$ 0.79	\$ 0.79
Debt Service Coverage Ratio	123%	126%

Water Rates and Charges

This budget document assumes Upper District's current surcharge of \$103 per acre-foot is maintained for calendar years 2025 and 2026 along with certain levels of untreated water sales needed to meet the District's debt coverage ratio, staff is not recommending adoption of water rates and charges for calendar years 2025 and 2026 at this time as Upper District continues to work with Watermaster and the producers to develop a viable rate option that addresses the growing revenue gap arising from Metropolitan's RTS charge and meets the District's revenue requirements. As discussed in earlier sections, several options are being explored including keeping the surcharge at its current level (\$103 per AF) with higher minimum purchases, increasing the surcharge for calendar years 2025 and 2026 with lower minimum purchases, passthrough of some or all of Metropolitan's RTS charge with lower minimum purchases and lower surcharge or a combination of these options. Proposed water rates and charges for calendar years 2025 and 2026 will be presented to the Board later this year.

Budget Tables

Upper San Gabriel Valley Municipal Water District Budget Summary

	ACTUAL FY 2022-23	FORECASTED FY 2023-24	BUDGET FY 2023-24	BUDGET FY 2024-25	BUDGET FY 2025-26
Administrative	\$ 2,221,724	\$ 2,877,200	\$ 2,848,200	\$ 2,944,200	\$ 2,892,000
Water Use Efficiency	400,361	781,300	836,300	546,800	558,000
Education and Community Outreach	1,185,687	1,155,900	1,241,900	1,294,600	1,343,600
Water Recycling	2,180,806	2,263,100	2,178,200	2,179,100	2,227,000
Water Quality and Supply	558,582	659,600	589,700	599,900	623,200
Stormwater	40,704	42,700	42,700	39,300	41,300
Water Purchases	<u>41,380,385</u>	<u>59,710,500</u>	<u>39,433,600</u>	<u>48,753,200</u>	<u>57,511,300</u>
Total Operating Expenses	47,968,249	67,490,300	47,170,600	56,357,100	65,196,400
Operating Revenues	<u>50,275,179</u>	<u>68,076,500</u>	<u>47,346,100</u>	<u>56,541,100</u>	<u>65,399,200</u>
Net Reserve Activity from Operations (+/-)	<u>2,306,930</u>	<u>586,200</u>	<u>175,500</u>	<u>184,000</u>	<u>202,800</u>
Capital Expenditures	2,036,771	115,000	217,000	197,000	197,000
Capital Program Revenues	-	-	-	-	-
Net Change in Cash Due to Capital Outlays (+/-)	<u>\$ (2,036,771)</u>	<u>\$ (115,000)</u>	<u>\$ (217,000)</u>	<u>\$ (197,000)</u>	<u>\$ (197,000)</u>
Total Change in Fund Balances (+/-)	<u>\$ 270,159</u>	<u>\$ 471,200</u>	<u>\$ (41,500)</u>	<u>\$ (13,000)</u>	<u>\$ 5,800</u>

**UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
EXPENSE SUMMARY
FISCAL YEAR 2022/23 THROUGH FISCAL YEAR 2025/26**

	FY 2022-23 ACTUAL	FY 2023-24 FORECASTED	FY 2023-24 BUDGET	FY 2024-25 BUDGET	FY 2025-26 BUDGET
<u>Administrative Expenses</u>					
Personnel Expenses					
Employee Salaries	1,312,503	1,440,000	1,455,000	1,559,000	1,637,000
Employee Benefits	241,980	268,000	288,000	366,300	389,500
Retired Employee Benefits	92,240	103,000	103,000	113,700	122,100
Employee Travel/Conference	33,089	40,000	50,000	55,000	60,000
Sub Total	1,679,812	1,851,000	1,896,000	2,094,000	2,208,600
Director Expenses					
Director Compensation	179,669	210,000	216,000	216,000	216,000
Director Benefits	141,716	155,000	155,000	171,000	181,000
Retired Director Benefits	18,848	24,000	33,000	26,700	28,400
Director Public Outreach	16,469	25,000	25,000	25,000	25,000
Director Travel/Conference	33,829	40,000	50,000	55,000	60,000
Sub Total	390,531	454,000	479,000	493,700	510,400
Pension/OPEB Expense					
CalPERS-Employees, Directors, Retirees	436,220	500,000	500,000	337,000	359,000
Sub Total	436,220	500,000	500,000	337,000	359,000
Office Expenses					
Office Supplies/Equipment	71,433	35,000	40,000	40,000	45,000
Equipment Operations & Maintenance	15,327	20,000	26,000	21,000	22,000
Computer Systems	45,956	55,000	60,000	60,000	63,000
Assessments	13,816	78,500	75,000	82,400	86,600
Meeting Expense	16,417	30,000	35,000	35,000	37,000
Sub Total	162,949	218,500	236,000	238,400	253,600
Facility Expenses					
Building Maintenance	48,676	57,000	45,000	61,000	64,000
Liability/Property Insurance	60,454	67,900	65,000	74,700	82,200
Office Lease	83,004	-	-	-	-
Telephone/Utilities	30,583	50,000	45,000	53,000	56,000
Sub Total	222,717	174,900	155,000	188,700	202,200
Professional Services					
Legal/Financial	82,856	100,000	112,000	105,000	110,000
Engineering	121,710	114,100	145,000	145,000	145,000
Auditor	29,985	30,000	31,000	31,400	32,300
Outside Services	87,048	86,000	55,000	55,000	55,000
Public Information/Outreach	-	1,000	3,500	1,500	1,700
Sub Total	321,599	331,100	346,500	337,900	344,000
Other Expenses					
Election Costs	212,000	612,000	500,000	500,000	322,000
Sub Total	212,000	612,000	500,000	500,000	322,000
Allocation to Projects and Programs					
Salaries/Overhead Allocated to Projects	(1,204,104)	(1,264,300)	(1,264,300)	(1,245,500)	(1,307,800)
Sub Total	(1,204,104)	(1,264,300)	(1,264,300)	(1,245,500)	(1,307,800)
Total Administrative Expenses	2,221,724	2,877,200	2,848,200	2,944,200	2,892,000
Water Purchases/Revolving Expense	41,380,385	59,710,500	39,433,600	48,753,200	57,511,300
Program Expenses					
Water Use Efficiency Program	400,361	781,300	836,300	546,800	558,000
Education and Community Outreach Program	1,185,687	1,155,900	1,241,900	1,294,600	1,343,600
Water Quality & Supply Program	558,582	659,600	589,700	599,900	623,200
Recycled Water Program	2,180,806	2,263,100	2,178,200	2,179,100	2,227,000
Stormwater Program	40,704	42,700	42,700	39,300	41,300
Sub Total	4,366,140	4,902,600	4,888,800	4,659,700	4,793,100
Total Administrative/Operating/Program Expenses	47,968,249	67,490,300	47,170,600	56,357,100	65,196,400
Total Capital Outlays	2,036,771	115,000	217,000	197,000	197,000
TOTAL	50,005,020	67,605,300	47,387,600	56,554,100	65,393,400

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

	FY 2023-24 FORECASTED	FY 2023-24 BUDGET	FY 2024-25 BUDGET	FY 2025-26 BUDGET
ADMINISTRATIVE EXPENSES				
Personnel Expenses				
Employee Salaries	1,440,000	1,455,000	1,559,000	1,637,000
Employee Benefits	268,000	288,000	366,300	389,500
Retired Employee Benefits	103,000	103,000	113,700	122,100
Employee Travel/Conference	40,000	50,000	55,000	60,000
Sub Total	<u>1,851,000</u>	<u>1,896,000</u>	<u>2,094,000</u>	<u>2,208,600</u>
Director Expenses				
Director Compensation	210,000	216,000	216,000	216,000
Director Benefits	155,000	155,000	171,000	181,000
Retired Director Benefits	24,000	33,000	26,700	28,400
Director Public Outreach	25,000	25,000	25,000	25,000
Director Travel/Conference	40,000	50,000	55,000	60,000
Sub Total	<u>454,000</u>	<u>479,000</u>	<u>493,700</u>	<u>510,400</u>
Pension/OPEB Expense				
CalPERS-Employees, Directors, Retirees	500,000	500,000	337,000	359,000
Sub Total	<u>500,000</u>	<u>500,000</u>	<u>337,000</u>	<u>359,000</u>
Office Expenses				
Office Supplies/Equipment	35,000	40,000	40,000	45,000
Equipment Operations & Maintenance	20,000	26,000	21,000	22,000
Computer Systems	55,000	60,000	60,000	63,000
Assessments	78,500	75,000	82,400	86,600
Meeting Expense	30,000	35,000	35,000	37,000
Sub Total	<u>218,500</u>	<u>236,000</u>	<u>238,400</u>	<u>253,600</u>
Facility Expenses				
Building Maintenance	57,000	45,000	61,000	64,000
Liability/Property Insurance	67,900	65,000	74,700	82,200
Office Lease	-	-	-	-
Telephone/Utilities	50,000	45,000	53,000	56,000
Sub Total	<u>174,900</u>	<u>155,000</u>	<u>188,700</u>	<u>202,200</u>
Professional Services				
Legal/Financial	100,000	112,000	105,000	110,000
Engineering	114,100	145,000	145,000	145,000
Auditor	30,000	31,000	31,400	32,300
Outside Services	86,000	55,000	55,000	55,000
Public Information/Outreach	1,000	3,500	1,500	1,700
Sub Total	<u>331,100</u>	<u>346,500</u>	<u>337,900</u>	<u>344,000</u>
Other Expenses				
Election Costs	612,000	500,000	500,000	322,000
Sub Total	<u>612,000</u>	<u>500,000</u>	<u>500,000</u>	<u>322,000</u>
Allocation to Projects and Programs				
Salaries/Overhead Allocated to Projects	(1,264,300)	(1,264,300)	(1,245,500)	(1,307,800)
Sub Total	<u>(1,264,300)</u>	<u>(1,264,300)</u>	<u>(1,245,500)</u>	<u>(1,307,800)</u>
TOTAL ADMINISTRATIVE EXPENSES	<u><u>2,877,200</u></u>	<u><u>2,848,200</u></u>	<u><u>2,944,200</u></u>	<u><u>2,892,000</u></u>
ADMINISTRATIVE AND OPERATING REVENUES				
Interest				
Interest	550,000	83,900	240,000	150,000
Sub Total	<u>550,000</u>	<u>83,900</u>	<u>240,000</u>	<u>150,000</u>
Other Administrative Revenues				
Taxes	775,000	500,000	798,000	822,000
Other Income	30,000	26,400	30,900	31,800
Sub Total	<u>805,000</u>	<u>526,400</u>	<u>828,900</u>	<u>853,800</u>
TOTAL ADMINISTRATIVE AND OPERATING REVENUES	<u><u>1,355,000</u></u>	<u><u>610,300</u></u>	<u><u>1,068,900</u></u>	<u><u>1,003,800</u></u>
ADMINISTRATIVE AND OPERATING EXPENSES	<u><u>(2,877,200)</u></u>	<u><u>(2,848,200)</u></u>	<u><u>(2,944,200)</u></u>	<u><u>(2,892,000)</u></u>
NET	<u><u>(1,522,200)</u></u>	<u><u>(2,237,900)</u></u>	<u><u>(1,875,300)</u></u>	<u><u>(1,888,200)</u></u>

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

	FY 2023-24 FORECASTED	FY 2023-24 BUDGET	FY 2024-25 BUDGET	FY 2025-26 BUDGET
WATER PURCHASE EXPENSE				
Tier 1 Treated	3,692,100	3,692,100	3,960,700	4,369,300
Tier 1 Untreated	51,918,400	31,635,000	39,732,000	47,424,000
MWD Capacity Charge	353,200	353,200	392,000	394,000
MWD Readiness-to-Serve Charge	3,648,300	3,648,300	4,565,100	5,217,500
Sub Total	<u>59,612,000</u>	<u>39,328,600</u>	<u>48,649,800</u>	<u>57,404,800</u>
REVOLVING EXPENSE				
San Gabriel River Watermaster	98,500	105,000	103,400	106,500
Sub Total	<u>98,500</u>	<u>105,000</u>	<u>103,400</u>	<u>106,500</u>
TOTAL WATER PURCHASES/REVOLVING FUND EXPENSES	<u>59,710,500</u>	<u>39,433,600</u>	<u>48,753,200</u>	<u>57,511,300</u>
IMPORTED WATER PURCHASE REVENUES				
Water Rate Revenues				
Tier 1 Treated	3,692,100	3,692,100	3,960,700	4,369,300
Tier 1 Untreated	51,918,400	31,635,000	39,732,000	47,424,000
Upper Surcharge Tier 1 Treated	309,000	309,000	309,000	309,000
Upper Surcharge Tier 1 Untreated	3,832,100	3,811,000	4,532,000	5,356,000
Capacity Charge Revenue	353,200	353,200	392,000	394,000
Gross MWD Stand-by Charge - Revenue Reconciliation	1,950,000	1,950,000	1,950,000	1,950,000
MSGB Watermaster-Ready-to-Serve	75,600	75,600	75,600	75,600
TOTAL WATER PURCHASE REVENUES	<u>62,130,400</u>	<u>41,825,900</u>	<u>50,951,300</u>	<u>59,877,900</u>
Revolving/Other Revenue				
MSGB Watermaster-SG River Watermaster	98,500	105,000	103,400	106,500
TOTAL REVOLVING FUND REVENUES	<u>98,500</u>	<u>105,000</u>	<u>103,400</u>	<u>106,500</u>
TOTAL WATER PURCHASE & REVOLVING FUND REVENUES	<u>62,228,900</u>	<u>41,930,900</u>	<u>51,054,700</u>	<u>59,984,400</u>
WATER PURCHASE EXPENSES	<u>(59,710,500)</u>	<u>(39,433,600)</u>	<u>(48,753,200)</u>	<u>(57,511,300)</u>
NET	2,518,400	2,497,300	2,301,500	2,473,100

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

	FY 2023-24 FORECASTED	FY 2023-24 BUDGET	FY 2024-25 BUDGET	FY 2025-26 BUDGET
WATER USE EFFICIENCY PROGRAM EXPENSES				
Residential Programs				
Member Agency Administered Programs	280,000	335,000	167,500	167,500
Regional Rebate Program	150,000	40,000	50,000	50,000
Sub Total	<u>430,000</u>	<u>375,000</u>	<u>217,500</u>	<u>217,500</u>
Commercial/Industrial/Institution Programs				
Member Agency Administered Programs	100,000	210,000	105,000	105,000
Regional Rebate Program	-	-	-	-
Sub Total	<u>100,000</u>	<u>210,000</u>	<u>105,000</u>	<u>105,000</u>
Allocation to Conservation Programs				
Salaries & Overhead	251,300	251,300	224,300	235,500
Sub Total	<u>251,300</u>	<u>251,300</u>	<u>224,300</u>	<u>235,500</u>
TOTAL WATER USE EFFICIENCY EXPENSES	<u>781,300</u>	<u>836,300</u>	<u>546,800</u>	<u>558,000</u>
WATER USE EFFICIENCY REVENUES				
MWD Member Agency Allocation/Rebate Funding	530,000	585,000	322,500	322,500
TOTAL WATER USE EFFICIENCY REVENUES	<u>530,000</u>	<u>585,000</u>	<u>322,500</u>	<u>322,500</u>
WATER USE EFFICIENCY EXPENSES	<u>(781,300)</u>	<u>(836,300)</u>	<u>(546,800)</u>	<u>(558,000)</u>
NET	<u>(251,300)</u>	<u>(251,300)</u>	<u>(224,300)</u>	<u>(235,500)</u>

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

	FY 2023-24 FORECASTED	FY 2023-24 BUDGET	FY 2024-25 BUDGET	FY 2025-26 BUDGET
EDUCATION & COMMUNITY OUTREACH EXPENSES				
Watershed Programs				
Natural Vegetation Restoration Program	18,000	20,000	20,000	20,000
Sub Total	<u>18,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Educational Programs				
Educational Activities	40,000	60,000	60,000	60,000
Memberships	135,000	135,000	140,000	145,000
Educational Materials/Grant Program	35,000	55,000	55,000	60,000
Educational Outreach Programs/Events	152,000	161,000	155,000	160,000
Sub Total	<u>362,000</u>	<u>411,000</u>	<u>410,000</u>	<u>425,000</u>
Outreach and Information Programs				
Public Workshops/Seminars	25,000	40,000	40,000	40,000
Conservation Devices/Items	40,000	40,000	40,000	45,000
Bottled Water Program	15,500	15,500	15,500	15,500
Community/Industry Sponsorships	25,000	35,000	35,000	35,000
Displays/Fairs/Presentations	3,000	5,000	5,000	5,000
Conferences/Meetings	7,000	7,000	10,000	12,000
Public Information	100,000	100,000	100,000	100,000
Technical Assistance	70,000	70,000	70,000	70,000
Legal/Financial	2,000	10,000	10,000	10,000
Sub Total	<u>287,500</u>	<u>322,500</u>	<u>325,500</u>	<u>332,500</u>
Allocation to Conservation Programs				
Salaries & Overhead	488,400	488,400	539,100	566,100
Sub Total	<u>488,400</u>	<u>488,400</u>	<u>539,100</u>	<u>566,100</u>
TOTAL EDUCATION & COMMUNITY OUTREACH EXPENSES	<u>1,155,900</u>	<u>1,241,900</u>	<u>1,294,600</u>	<u>1,343,600</u>
EDUCATION & COMMUNITY OUTREACH REVENUES				
Educational Outreach Program/Events	8,000	-	-	-
TOTAL EDUCATION & COMMUNITY OUTREACH REVENUES	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
EDUCATION & COMMUNITY OUTREACH EXPENSES	<u>(1,155,900)</u>	<u>(1,241,900)</u>	<u>(1,294,600)</u>	<u>(1,343,600)</u>
NET	<u>(1,147,900)</u>	<u>(1,241,900)</u>	<u>(1,294,600)</u>	<u>(1,343,600)</u>

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

	FY 2023-24 FORECASTED	FY 2023-24 BUDGET	FY 2024-25 BUDGET	FY 2025-26 BUDGET
WATER QUALITY AND SUPPLY PROGRAM EXPENSES				
Engineering for Water Supply Projects	113,900	32,000	73,000	73,000
Legislative Consultant	125,000	130,000	125,000	125,000
Sub Total	<u>238,900</u>	<u>162,000</u>	<u>198,000</u>	<u>198,000</u>
Other Expenses				
Urban Water Management Plan/Related Studies	-	-	15,000	20,000
Integrated Resources Plan	-	-	10,000	10,000
Water Supply Reliability Plan/Emergency Preparedness	-	5,000	5,000	5,000
Legal and Financial	4,000	6,000	5,000	5,000
Salaries & Overhead Allocation	416,700	416,700	366,900	385,200
Sub Total	<u>420,700</u>	<u>427,700</u>	<u>401,900</u>	<u>425,200</u>
TOTAL WATER QUALITY AND SUPPLY EXPENSES	<u>659,600</u>	<u>589,700</u>	<u>599,900</u>	<u>623,200</u>
WATER QUALITY AND SUPPLY PROGRAM REVENUES				
Interest	48,000	75,200	81,200	50,000
TOTAL WATER QUALITY AND SUPPLY REVENUES	<u>48,000</u>	<u>75,200</u>	<u>81,200</u>	<u>50,000</u>
WATER QUALITY AND SUPPLY PROGRAM EXPENSES	<u>(659,600)</u>	<u>(589,700)</u>	<u>(599,900)</u>	<u>(623,200)</u>
NET	(611,600)	(514,500)	(518,700)	(573,200)

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

	FY 2023-24 FORECASTED	FY 2023-24 BUDGET	FY 2024-25 BUDGET	FY 2025-26 BUDGET
RECYCLED WATER EXPENSES				
Water Purchases-Recycled Water	447,000	624,000	553,000	573,000
SWRCB Loan Repayment	791,000	791,000	791,000	791,000
Salaries & Overhead Allocation	65,200	65,200	75,900	79,700
Standby Charge Design/Implementation	18,200	18,500	18,200	18,700
Engineering - General	26,100	52,500	40,000	40,000
Prop 84 Passthrough Payments	251,200	-	-	-
Lobbyist	95,000	95,000	95,000	95,000
Legal and Financial	1,000	3,000	3,000	3,000
Public Information	5,000	5,000	5,000	5,000
Operation and Maintenance Phase I/IIA	387,400	361,000	407,200	421,300
Operation and Maintenance Phase IIB	176,000	163,000	190,800	200,300
TOTAL RECYCLED WATER EXPENSES	<u>2,263,100</u>	<u>2,178,200</u>	<u>2,179,100</u>	<u>2,227,000</u>
RECYCLED WATER REVENUES				
Recycled Water Sales	447,000	624,000	553,000	573,000
Upper Recycled Water Surcharge Revenue	1,034,000	1,323,000	1,259,000	1,276,000
Metropolitan Water District LRP Funds	100,000	128,000	120,000	120,000
Parcel/Standby Charge	2,050,000	2,050,000	2,050,000	2,050,000
Prop 84 Passthrough Grant	216,600	-	-	-
Interest	37,000	14,300	21,200	13,000
TOTAL RECYCLED WATER REVENUES	<u>3,884,600</u>	<u>4,139,300</u>	<u>4,003,200</u>	<u>4,032,000</u>
RECYCLED WATER EXPENSES	<u>(2,263,100)</u>	<u>(2,178,200)</u>	<u>(2,179,100)</u>	<u>(2,227,000)</u>
NET	1,621,500	1,961,100	1,824,100	1,805,000

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

	<u>FY 2023-24 FORECASTED</u>	<u>FY 2023-24 BUDGET</u>	<u>FY 2024-25 BUDGET</u>	<u>FY 2025-26 BUDGET</u>
STORMWATER EXPENSES				
Salaries & Overhead Allocation	42,700	42,700	39,300	41,300
TOTAL STORMWATER EXPENSES	<u>42,700</u>	<u>42,700</u>	<u>39,300</u>	<u>41,300</u>
STORMWATER REVENUES				
Interest	-	-	-	-
TOTAL STORMWATER REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
STORMWATER EXPENSES	<u>(42,700)</u>	<u>(42,700)</u>	<u>(39,300)</u>	<u>(41,300)</u>
NET	(42,700)	(42,700)	(39,300)	(41,300)

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

	FY 2023-24 FORECASTED	FY 2023-24 BUDGET	FY 2024-25 BUDGET	FY 2025-26 BUDGET
RATE STABILIZATION FUND EXPENSES				
Miscellaneous	-	-	-	-
TOTAL RATE STABILIZATION FUND EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
RATE STABILIZATION FUND REVENUES				
Interest	22,000	5,400	10,600	6,500
TOTAL RATE STABILIZATION FUND REVENUES	<u>22,000</u>	<u>5,400</u>	<u>10,600</u>	<u>6,500</u>
TOTAL RATE STABILIZATION FUND EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET	22,000	5,400	10,600	6,500

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

	FY 2023-24 FORECASTED	FY 2023-24 BUDGET	FY 2024-25 BUDGET	FY 2025-26 BUDGET
CAPITAL EXPENDITURES				
Direct Reuse	-	100,000	100,000	100,000
USG Connections	15,000	15,000	95,000	95,000
Legal and Financial	-	2,000	2,000	2,000
Sub Total	<u>15,000</u>	<u>117,000</u>	<u>197,000</u>	<u>197,000</u>
Other Capital Outflows				
District Office Building	100,000	100,000	-	-
Sub Total	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
TOTAL CAPITAL OUTLAYS	<u>115,000</u>	<u>217,000</u>	<u>197,000</u>	<u>197,000</u>
CAPITAL PROGRAM INFLOWS				
Interest	-	-	-	-
TOTAL CAPITAL INFLOWS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CAPITAL OUTFLOWS	<u>(115,000)</u>	<u>(217,000)</u>	<u>(197,000)</u>	<u>(197,000)</u>
NET	(115,000)	(217,000)	(197,000)	(197,000)



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