

BUDGET BOOK

FISCAL YEAR

2025/2026

1021 E MIRAMAR AVE, CLAREMONT, CA 91711



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Budget Message

We are pleased to present the Fiscal Year 2025/26 Budget and the Capital Improvement Plan (CIP). This budget represents a balanced approach to addressing the opportunities and challenges that lie ahead. It prioritizes funding for efficient operations and timely infrastructure upgrades. The development of this budget was a collaborative effort among departments, ensuring we provide the highest level of service to our communities while tackling rising costs. Both the Budget and CIP align with our District's vision and strategic priorities, reflecting the Board-adopted goals of fiscal responsibility, a reliable water supply, and a strong organizational culture.

Economic Condition and Industry Outlook

As we prepared this budget, we recognized that challenges such as rising construction costs, stagnant water sales, and aging infrastructure are ongoing concerns that will continue to influence budgets. Building District reserves will require time but will ultimately provide the flexibility needed to navigate unforeseen challenges. As discussed in the policies section of this document, the District revised and adopted the Debt Management and Reserve policy in preparation to address these issues.

Each year, we conduct a thorough review of operational needs and long-term financing for capital projects aimed at infrastructure development and replacement. Our Budget focuses on identifying financial resources and spending strategies. With a thoughtful and strategic approach, we strive to meet our community's needs while maintaining fiscal responsibility and a forward-looking perspective.

Financial Highlights

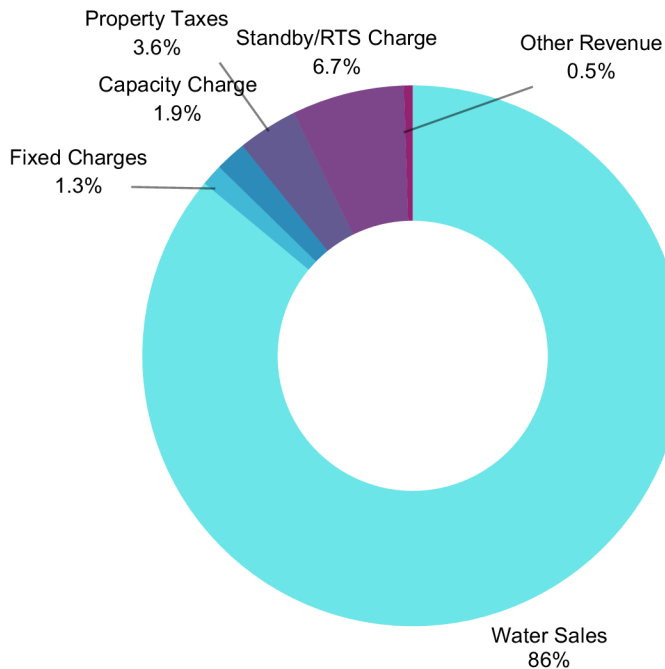
The total revenue for the FY 2025/26 budget is \$92.5 million, reflecting an increase of \$12.7 million from the prior fiscal year. The sale of treated water is the largest contributor to higher budgeted revenues. TVMWD projected water sales are based on TVMWD member agency input at 58,300-acre feet. Each agency provided an estimate regarding their 2025-2030 year demands.

Calendar year (CY) 2026, marks the second year of the Metropolitan Water District of Southern California (MWD) adopted two-year budget. MWD's adopted rates become effective on January 1 of each CY and are passed through to TVMWD's customers. The CY 2025 rates increased by 8.5% and CY 2026 was adopted to also increase by 8.5%. The untreated water rate increased by 7.9% and the treated water rates increased by 9.5%, which directly impacts TVMWD. Other adopted rates include an 11.0% increase in readiness-to-serve charges and a 1.5% increase in capacity charges. The budgeted total operating expense for FY 2025-26 is \$90.9 million, representing an increase of \$10.1 million from the prior fiscal year.

Budget Message

Although costs were reviewed and evaluated to reduce, eliminate, or delay proposed expenditures during the FY 2025-26 budget process, budgeted expenditures increased to meet the Board's strategic goals and commitments to our customers.

FY 2025/26 Revenues



Revenues

Projected revenues for FY 2025 are expected to total \$92.5 million, reflecting a \$12.7 million increase compared to the budgeted revenues for FY 2025. The majority of the revenue increase is due to the increase in member agency water demands.

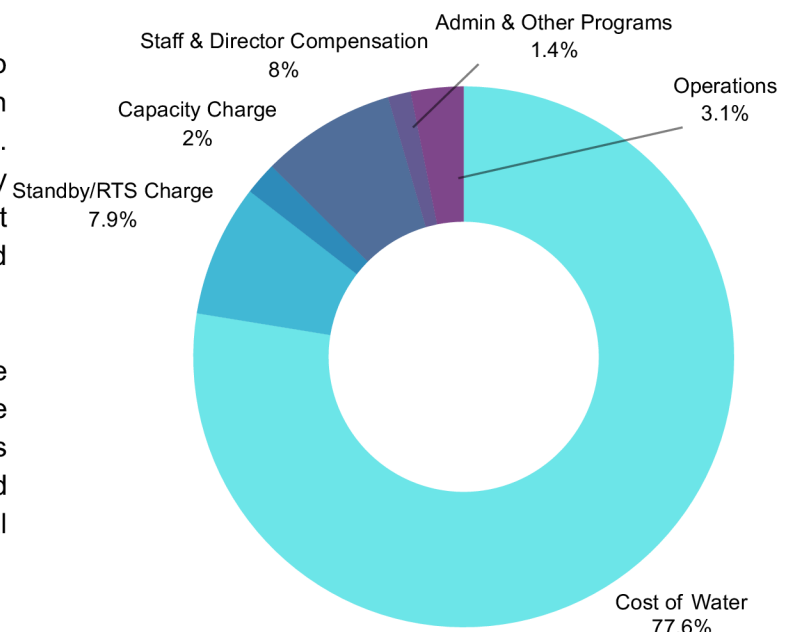
Non-operating revenues for FY 2025 are forecasted at \$3.5 million.

Expenditures

Overall expenditures are budgeted to increase by approximately \$10.1 million in FY 2025/26 as compared to FY 2024-25. Due to the increase in member agency water demands, one of the most significant increases in expenditures is untreated and treated water costs.

In addition, the budget assumes that the Miramar Treatment Plant will maximize efficiency flows to deliver treated water. This also results in increases in operations and maintenance expenses, such as chemical costs.

FY 2025/26 Expenditures



Budget Message

Staffing

The approved FYE 2026 Budget includes wages and benefits for the District's 25 full-time employees. There are currently no staff vacancies.

Wages and Benefits

The approved FYE 2026 Budget includes a cost-of-living increase and anticipated merit increases to the District's full-time employees. This has contributed to staff compensation 10.0% higher than the prior year.

Capital Improvements

Three Valley's Capital Improvement Projects for FYE 2026 are budgeted at \$3.4 million. This is split between Capital Repair & Replacement of \$2.9 million and Capital Investment Program of \$0.5 million respectively.

Capital Repair and Replacement has a few projects to note:

- Administration Building Upgrades
- Unplanned R&R Improvements
- Meter Cabinet Replacement
- Treatment System Enclosures
- Parking Space covers
-

Capital Improvement has a few projects to note:

- Security Equipment
- Padua Pump Station
- PM-21 Bypass Magmeter
- Vehicle
- SCADA & Com Systems
- Miramar Pumpback Enhancements

Reserve Replenishment and Financial Sustainability

Three Valleys Municipal Water District is taking a more thoughtful and proactive approach to managing and replenishing its reserve funds. The District recognizes the importance of maintaining strong reserves to ensure financial stability, operational continuity, and resilience against unforeseen events, such as droughts, supply interruptions, or economic downturns.

As part of this effort, the District continues to align its reserve targets with Board-adopted financial policies, ensuring that funding levels are both sufficient and strategically balanced across operating, capital, and emergency reserves. Reserve replenishment is planned through conservative budgeting, careful monitoring of revenue performance, and the timing of capital expenditures to match cash flow availability.

Budget Message

Fiscal Outlook

Overall, the FY 2025/26 Budget positions the District for continued financial strength, maintaining full funding of reserves while supporting the five-year Capital Improvement Plan (\$17.3 million). Through prudent cost control, transparent rate-setting, and strategic reinvestment in core infrastructure, Three Valleys MWD continues to ensure safe, reliable, and affordable water supplies for the communities it serves.

CONCLUSION

As we enter Fiscal Year 2025–26, Three Valleys remains focused on adaptability, innovation, and collaboration. Our region's changing climate and evolving water conditions continue to test our resiliency, but they also inspire us to think creatively and plan boldly for the future.

This year's balanced Budget and Capital Improvement Plan reflect that vision, prioritizing efficient operations, timely infrastructure investments, and the development of sustainable local water supplies. Together, these efforts strengthen our ability to meet today's challenges while preparing for tomorrow's opportunities.

Our dedicated Board and talented staff continue to drive our success, ensuring we deliver reliable, high-quality service to our member agencies and the communities we serve. As we look ahead, we do so with optimism, determination, and a shared commitment to keep the water flowing—today and for generations to come.

As the General Manager of Three Valleys, I am wholeheartedly committed to these principles as we move forward.

Respectfully submitted,



Matthew H. Litchfield, P.E.
General Manager/Chief Engineer



Leadership Staff

General Manager/Chief Engineer	Matthew Litchfield, P.E.
Chief Administrative Officer	Kirk Howie
Chief Finance Officer	Erika Gomez, CPA
Chief Operations Officer	Stephen Lang
Chief Water Resources Officer	Sylvie Lee, P.E.
Human Resources/Risk Manager	Viviana Robles, PHR, SHRM-CP
Information Technology Manager	Robert Peng





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Three Valleys Municipal Water District
California**

For the Fiscal Year Beginning
July 01, 2024

Christopher P. Morill

Executive Director

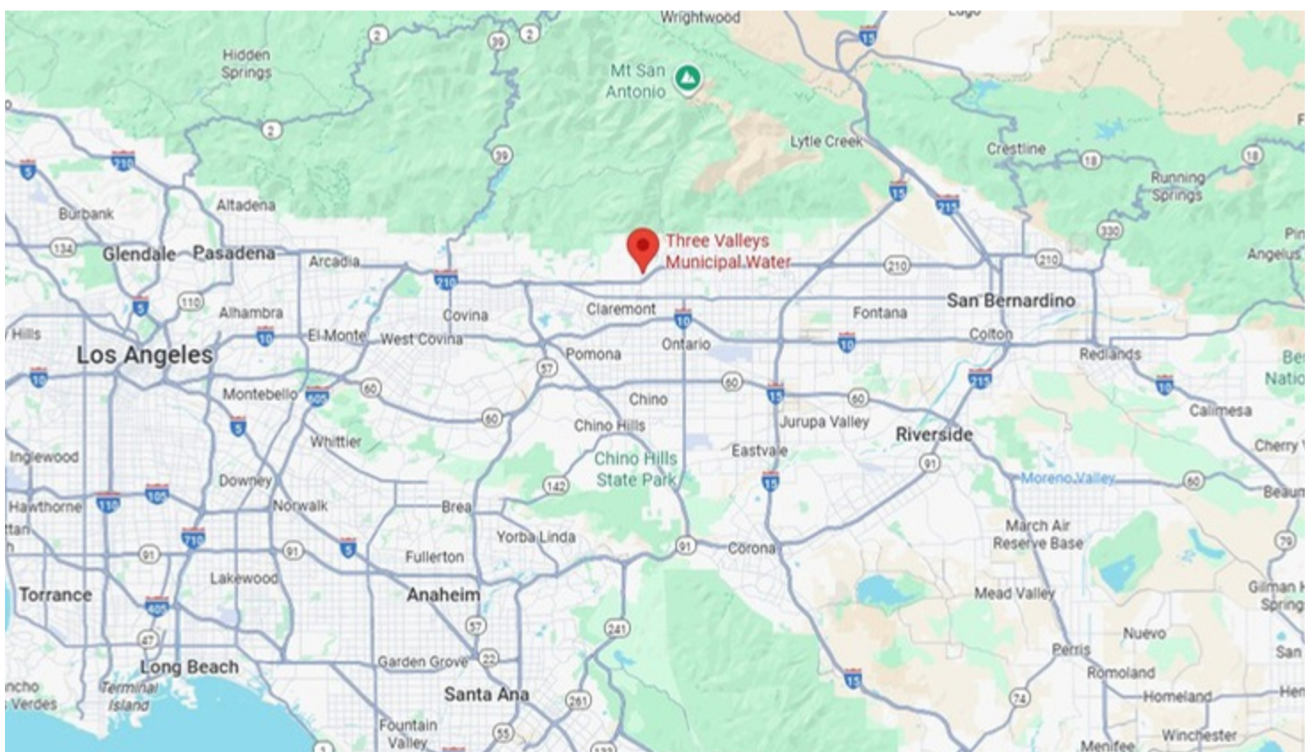
An aerial photograph of Claremont, California, showing a dense residential area with many houses featuring red-tiled roofs. In the foreground, there are green fields and trees. In the background, the San Gabriel Mountains are visible under a blue sky with scattered clouds. The title "District Profile" is overlaid in white text.

District Profile

City of Claremont

Agency Profile

Nestled at the base of the San Gabriel Mountains, the City of Claremont and Three Valleys Municipal Water District share a distinctive setting that combines natural beauty, academic excellence, and a strong sense of community. Located about 30 miles east of downtown Los Angeles, Claremont sits at the edge of the San Gabriel Valley, serving as a bridge between the Los Angeles Basin and San Bernardino. Three Valleys Municipal Water District plays a vital regional role, providing imported water to a network of cities and agencies across the foothill communities—among them, Claremont, La Verne, Pomona, and San Dimas. Its service area benefits from exceptional connectivity, with major highways such as Interstate 10 and State Routes 57, 60, and 210 linking the region to greater Southern California. Claremont itself is defined by its tree-lined streets, historic architecture, and the vibrant academic presence of the Claremont Colleges. This blend of education, community planning, and environmental consciousness mirrors TVMWD's commitment to sustainable water management. Together, the city and district embody a shared vision of stewardship—balancing growth and innovation with preservation of natural and community resources.



Board of Directors



Carlos Goyita
Division 1



David De Jesus
Division 2



Jeff Hanlon
Division 3



Jody Roberto
Division 5



Jorge Marquez
Division 6

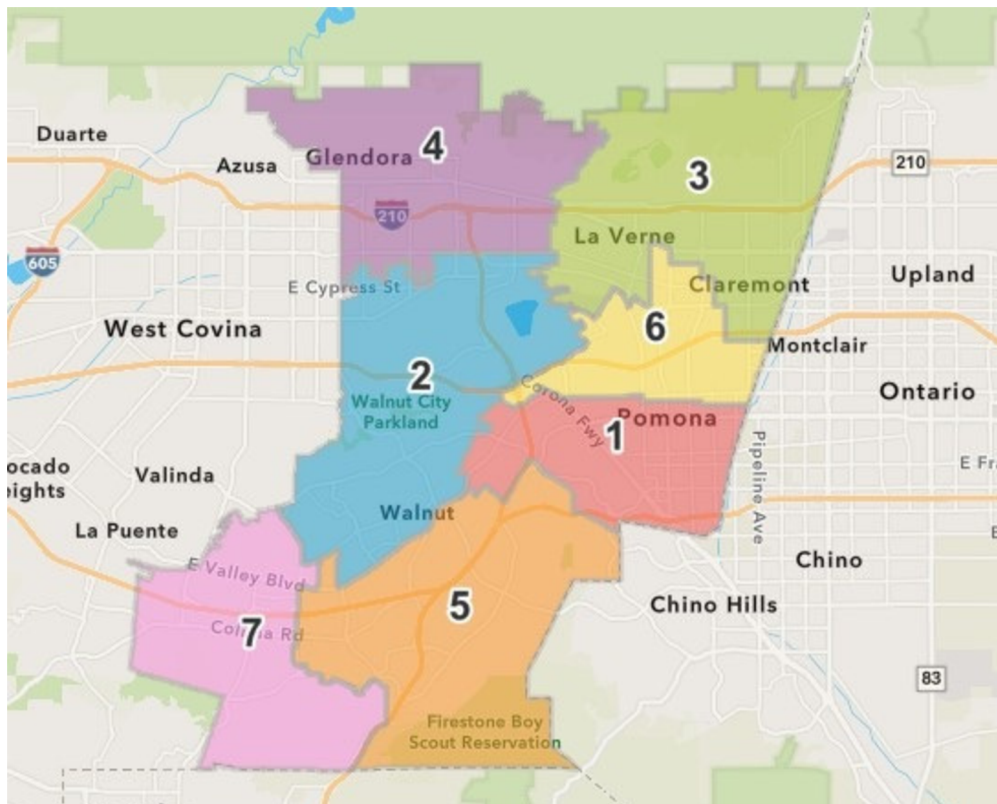


Bob Kuhn
Division 4



Mike Ti
Division 7

Service Area



History

Over a century ago, scrub sage covered the inland valleys of Los Angeles County, intersected by ribbons of oaks and sycamores along intermittent streams. By 1900 small settlements were established, and over the years a thriving citrus industry developed, irrigated by wells tapping underground aquifers. As the county's population grew, orchards gave way to housing and commerce. Civic leaders understood that the wells would run dry unless a new source of water could be obtained. From this realization sprang a new institution, the Metropolitan Water District (MWD), and by 1941 MWD first delivered water "imported" to the region through the 242-mile-long Colorado River Aqueduct.

Water leaders in the Pomona Valley soon made plans to join MWD and obtain access to Colorado River supplies. In 1950 their efforts were rewarded; voters approved formation of the Pomona Valley Municipal Water District by an overwhelming 80-to-1 margin. Later that year MWD annexed Pomona Valley Municipal Water District, and a supplemental water supply was assured.



Three Valleys Municipal Water District was established in 1950 by a vote of the people. Originally called the Pomona Valley Municipal Water District, the name was changed in 1981 to better reflect the areas served -- the Pomona, Walnut and eastern San Gabriel Valleys. Today, Three Valleys' service area covers 133 square miles.

History

TVMWD is organized under the Municipal Water District Act of 1911, which grants it the authority to acquire, store, distribute, and conserve water, as well as to set rates, issue debt, and use the power of eminent domain. The act provided legal structure for communities (including unincorporated areas) to unite and form a governmental entity dedicated to water supply—something that municipal governments or individual water companies alone might struggle to do at scale. It enabled regional coordination: communities could join forces, share costs, plan large-scale infrastructure, and ensure reliable supply beyond local groundwater limitations.

In 1987 the Miramar Water and Hydroelectric Facility was constructed at a cost of \$30 million. The Facility was financed with a revenue bond and letter of credit under a three-way partnership between Three Valleys, the City of La Verne, and Golden State Water Company (at the time, known as "Southern California Water Co."). Water entering from Metropolitan Water District pipelines descends under pressure, driving turbines that generate power used to offset facility operations.



History

The District has continuously invested in imported water conveyance, storage, treatment, and conveyance systems to support its wholesale water supply role.

Three Valleys has taken the initiative to build wells. The construction and operation of groundwater wells represent a strategic investment in local resource development, reducing dependence on imported water from the Metropolitan Water District of Southern California (MWD) and strengthening long-term water supply reliability for its member agencies. These wells tap into regional aquifers within the Six Basins Groundwater Basin, coordinated in partnership with member agencies and local watermasters.



District Profile



Established in
1950



District Service Area:
133 Square Miles



Wholesale water
service to 13 member
agencies

Our Facilities



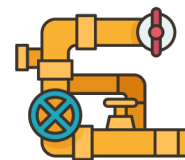
4 Active
Groundwater Wells



5 Hydroelectric Power
Generators



Treatment Plant
26 TAFY
thousand acre-feet per year

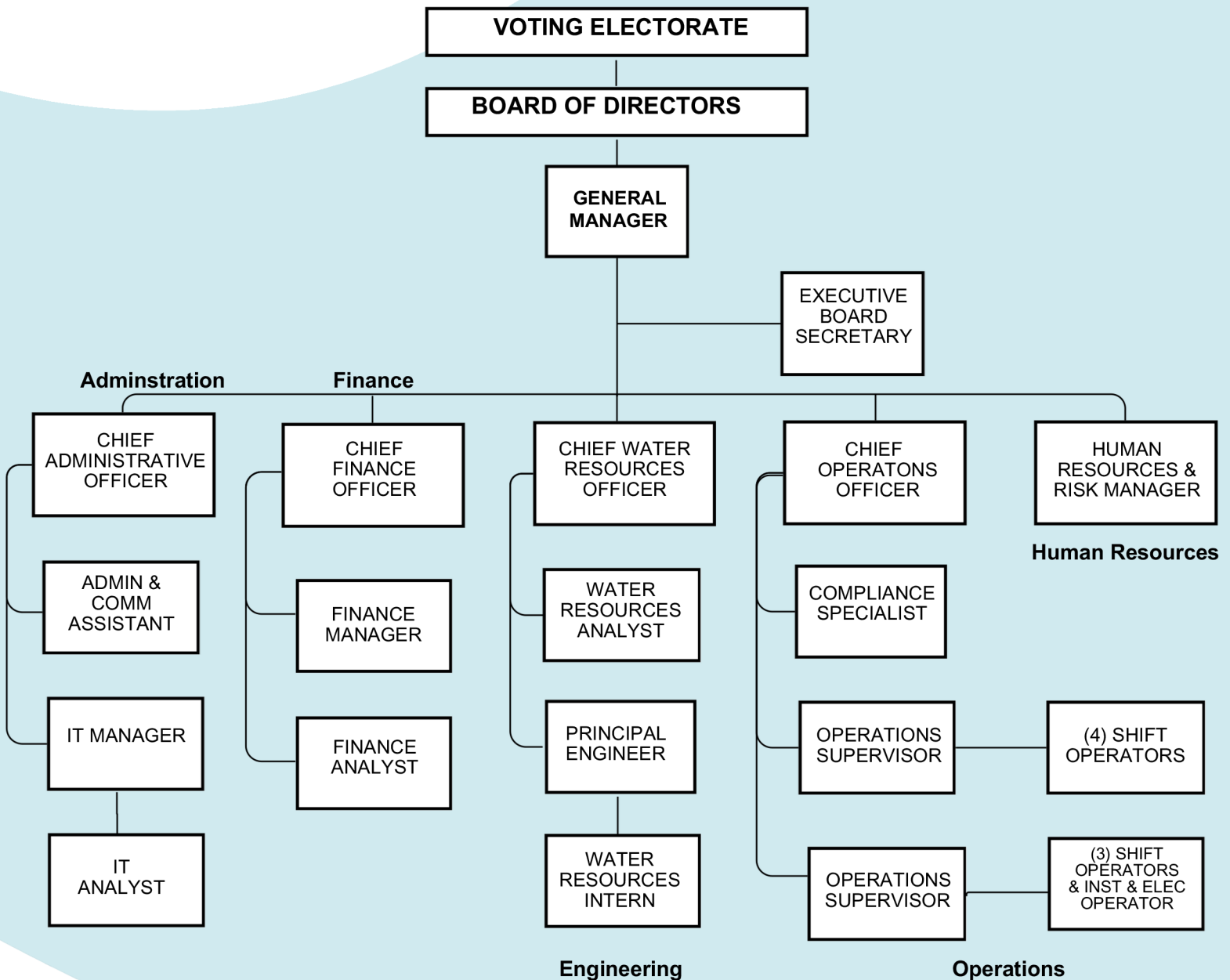


10 Miles of Pipeline

Our Customers



ORGANIZATION STRUCTURE



Departments

General Manager & Executive Board Secretary

The General Manager serves as the Chief Executive Officer of the District, overseeing all operations, programs, and personnel. The Executive Board Secretary provides administrative and legislative support to the Board, ensuring compliance with the Brown Act, public records laws, and governance standards. Together, this office ensures that the District's strategic goals are implemented efficiently and transparently.

Major Priorities: Organizational leadership, interagency coordination, regulatory compliance, and implementation of Board policy.

Administration Department

The Administration Department provides core internal services that support the day-to-day operations and communication of the District. The Chief Administrative Officer oversees key functions including records management, public communications, IT systems administration, cybersecurity, and facility management. In addition, the Chief Administrative Officer plays a critical role in managing and coordinating legislative initiatives and conservation projects, ensuring alignment with District goals, regulatory compliance, and community engagement efforts.

Major Priorities: Public information, technology reliability, cybersecurity, digital transformation, and administrative efficiency.

Engineering Department

The Engineering Department is responsible for planning, designing, and managing capital improvement projects that sustain and expand the District's infrastructure. This department is led by the Chief Water Resource Officer; This team develops technical studies, oversees capital repair and replacement projects, supports grant applications, and ensures regulatory compliance with state and federal water quality standards.

Major Priorities: Capital project delivery, asset management, water resource planning, and regulatory compliance.

Departments

Finance Department

The Finance Department, led by the Chief Finance Officer, ensures sound fiscal management and transparency in all financial matters. The team includes the Finance Manager and Finance Analyst, who manage budgeting, accounting, auditing, procurement, investments, and financial reporting. The department also supports debt management, long-term financial forecasting, and reserve policy compliance.

Major Priorities: Financial integrity, budgeting and forecasting, investment oversight, and compliance with Governmental Accounting Standards Board (GASB).

Operations Department

The Operations Department, led by the Chief Operations Officer, oversees the operation and maintenance of the District's water distribution and treatment facilities, including the Miramar Water Treatment Plant and associated pipelines, pump stations, and hydroelectric facilities. Staff includes the Compliance Specialist, Operations Supervisors, and certified Shift Operators. This department ensures the safe, reliable, and efficient delivery of treated water to member agencies while maintaining compliance with state and federal drinking water standards.

Major Priorities: Water quality, system reliability, preventative maintenance, and operational safety.

Human Resources Department

The Human Resources Department manages employee relations, recruitment, benefits administration, and workforce development. Led by the Human Resources/Risk Manager, the department fosters a high-performing organizational culture and ensures compliance with employment laws, labor standards, and safety regulations.

Major Priorities: Talent management, labor compliance, training and development, employee engagement, and risk management.

GOALS & PRIORITIES

Three Valleys is committed to enhancing local water supplies in a reliable and cost-effective manner. We aim to maximize operational efficiency while addressing the ongoing challenges affecting our region. Our capital budget focuses on strategic initiatives that will upgrade our infrastructure, improve water conservation, implement advanced technologies, and tackle longstanding water supply and infrastructure issues. These investments will enhance our ability to serve our customers while ensuring the sustainability and reliability of our operations.



Provide a reliable, high-quality water supply to meet regional demands



Provide water supplies in the most cost-effective manner



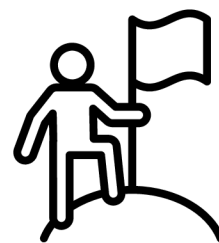
Be financially responsible and maintain public trust



Continuously implement necessary organizational enhancements

Mission Statement

Supplement and enhance local water supplies to meet our region's needs in a reliable and cost effective manner.



Vision Statement

TVMWD strives to be a regional leader through advocacy engagement and innovation to serve the generations, now and into the future.



Strategic Plan

The Strategic Plan serves as Three Valleys Municipal Water District's (TVMWD) roadmap for aligning its initiatives, resources, and priorities in pursuit of its long-term vision. It provides clear direction for decision-making, operational focus, and investment planning to ensure that the District continues to deliver reliable, high-quality water and exemplary service to its member agencies and the communities it serves

In 2023, TVMWD conducted a comprehensive SWOT Analysis—evaluating internal strengths and weaknesses as well as external opportunities and threats—to inform the development of the Strategic Plan.

Through this assessment, several key challenges were identified:

- Ensuring resilient and reliable water supplies in the face of a changing climate;
- Addressing evolving hydrologic conditions that affect local and imported water sources; and
- Adapting to increasingly complex regulatory and policy frameworks at the state and regional levels.

Strategic Plan

Recognizing the interconnected nature of these challenges, the District adopted a holistic approach to strategic planning—one that encompasses the entire organization. This approach emphasizes strengthening internal culture, enhancing collaboration with member agencies and regional partners, and advancing long-term resource development to meet future water supply and infrastructure needs.

The Strategic Priorities were established as:

1. Reliable Water Supply
2. Fiscal Responsibility
3. Organizational Culture

View the District's Strategic Plan here: [Strategic Plan](#)

Objective	Sub Objective	Objective Detail
Reliable Water Supply	Water Quality	Maintain 100% compliance with water quality standards.
	Diverse Portfolio	Maintain diverse sources of water supplies and storage to meet projected demands.
	Infrastructure Reliability	Maintain water infrastructure to strive for 100% reliability during regular, unplanned catastrophic events.
	Operational Efficiency	Operate all District facilities with expertise and creativity, delivering water dependably and maximizing operational flexibility to meet the needs of our retail partners.
	Advocacy	Engage and advocate for the region through focused involvement and awareness of all aspects of water resources management.

Strategic Plan

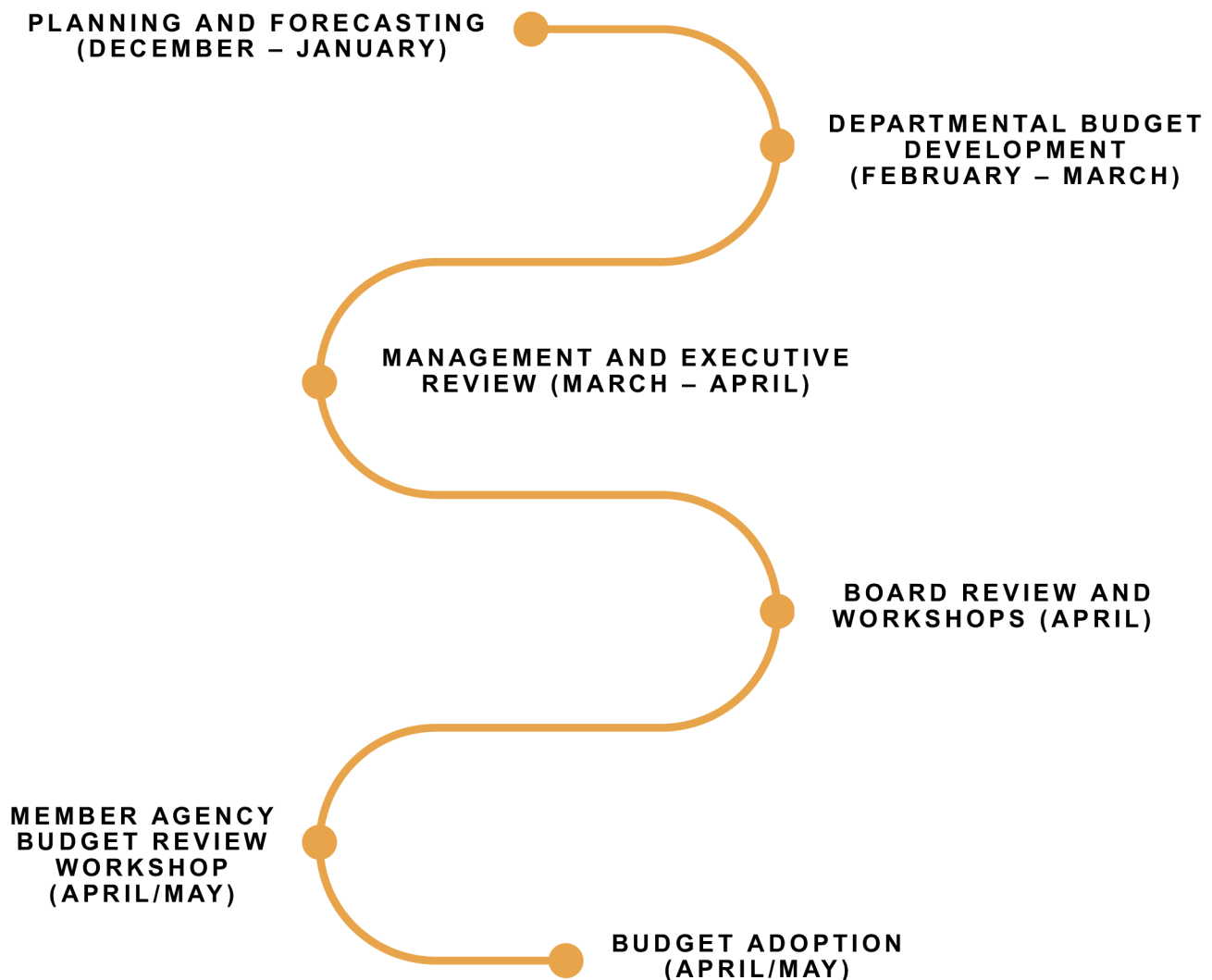
Objective	Sub Objective	Objective Detail
Fiscal Responsibility	Financial Stability	Develop and update policies to maintain Three Valleys; financial health.
	Accountability	Implement the policies and programs, monitor and evaluate their progress and make adjustments to deliver the intended results.
	Public Engagement	Maintain stakeholder relationships to effectively communicate the value of the service provided.
	Legislation	Be informed of the legislative process to identify proposed legislation that may affect Three Valleys' operations and advocate for the benefit of its service area.
	Operational Strategies	Implement cost effective operation and maintenance strategies for all aspects of the business.

Strategic Plan

Objective	Sub Objective	Objective Detail
Organizational Culture	Diversity	Foster a culture that organically promotes respectful staff that embody excellence in character valuing individuality and equity. Continuously improve business practices to attract and retain the best fit and talent.
	Workforce Excellence	Identify and develop the skillsets required to meet the demands of today and tomorrow. Prepare for transition to the next generation of water professionals.
	Emerging Technology	Identify, progress, and promote emerging technologies and business practices with the potential to transform organizational capabilities.
	Operational Integrity	Improve security, safety, resiliency, and controls of operations and services.
	Data Quality	Improve the quality, completeness, and availability of data that is practical providing insights for the public and policy decisions.

Budget Process

The budget serves as Three Valleys Municipal Water District's primary performance and accountability tool, ensuring that the use of public funds is transparent, efficient, and aligned with the District's mission to provide reliable, high-quality water to its member agencies and the communities they serve. It reflects the District's ongoing commitment to fiscal responsibility and sound stewardship of taxpayer dollars, service rates, and fees.



Budget Timeline

December	The Finance Department reviews and updates guidelines on strategic planning, new initiatives, and agency goals to ensure alignment with the agency's mission, vision, and values.
January	The Executive Team evaluates staffing levels and decides if a new/change in positions will be included in the proposed budget. Each agency provided an estimate regarding their 2025-2029 demands. TVMWD projected sales are based on TVMWD member agency input.
February	The engineering team collaborates with the budget staff to review and understand the capital budget projects and associated funding. Executive team reviews the budgets of their respective departments. The finance team prepares budget reports and presentations.
March	Board Workshop Water Sales Forecast Budget and Rates (1st Draft) Member Agency Meeting
April	Meeting with Department Heads Budget and Rates (2nd Draft) Board Workshop Adoption of FY 25/26 Budget and CY 2026 Rates
May	Board Meeting Adoption of FY 25/26 Budget and CY 2026 Rates

Basis of Budgeting

While the budget is prepared using financial data consistent with GAAP principles, certain modifications are made to reflect the District's focus on current financial resources and cash flow management. The goal of the budget is to ensure that the District can meet its operating, capital, and debt service needs while maintaining adequate reserves and long-term financial stability.

Because the budget serves as a planning and policy document, some financial treatments differ from GAAP to provide clearer insight into cash-based resource allocations. These adjustments are common among public water agencies and help align budgeting with operational realities.

Key differences between GAAP accounting and budgetary presentation include:

Item	Budget Treatment	GAAP Treatment
Capital Outlay	Recorded as a current-year expenditure when funds are appropriated for new assets or major improvements.	Capitalized as a long-term asset and depreciated over time.
CalPERS and OPEB Contributions	Treated as employment expenses in the year the contribution is made.	Recorded as reductions to liabilities or expense accruals based on actuarial valuations.
Depreciation and Amortization	Not budgeted, since these are non-cash accounting entries.	Recorded annually to allocate the cost of assets over their useful life.
Debt Service – Principal and Interest	Both principal and interest payments are shown as current expenditures to reflect actual cash outflows.	Interest is expensed as incurred; principal reduces the outstanding liability on the balance sheet.

Budgetary Control

Budgetary control is maintained under the supervision of the Chief Finance Officer (CFO), who is responsible for ensuring that actual revenues and expenditures remain within authorized limits throughout the fiscal year.

- The CFO oversees the implementation, monitoring, and reporting of all budget activities.
- Monthly financial reports are prepared and presented to the Board of Directors to provide a clear view of the District's financial position, revenue collections, and expenditure trends.
- Variances between budgeted and actual performance are reviewed, and adjustments are made as necessary to ensure alignment with fiscal policies and operational needs.

This continuous oversight process ensures that the District remains financially accountable, transparent, and responsive to both internal and external stakeholders.

Budgetary Authority & Adjustments

The District's General Manager has limited authority to approve intra-category budget transfers—that is, reallocations of funds between line items within the same budget category—up to a maximum of \$75,000 per transaction. This authority enables operational flexibility to address routine or unforeseen needs without disrupting overall budgetary integrity.

Transfers or budget amendments exceeding \$75,000, or those that affect overall budget totals or major program areas, must be formally reviewed and approved by the Board of Directors during a public meeting. This process ensures that all significant financial decisions remain transparent, publicly accountable, and consistent with the District's adopted financial policies.

Financial Policies

Three Valleys Municipal Water District's (TVMWD) financial policies establish the framework for responsible fiscal management, transparency, and accountability in the delivery of wholesale water services to its member agencies. These policies guide the District's budgeting, investment, debt management, reserve funding, and rate-setting practices, ensuring that all financial decisions align with the Board of Directors' strategic priorities and the District's long-term mission of providing a reliable and high-quality water supply.

The budget development process for FY 2025/26 is conducted in accordance with these adopted policies and governing ordinances, which uphold the District's commitment to fiscal integrity and compliance with state laws, industry standards, and best practices in public agency finance. Together, these policies reinforce the District's dedication to sound financial stewardship and efficient use of public resources.

Debt Management Policy

Three Valleys Municipal Water District (TVMWD) recognizes that the prudent use of debt can be a valuable financial tool in funding major capital projects, ensuring intergenerational equity, and maintaining system reliability without placing undue burden on current ratepayers. The District's Debt Management Policy provides the framework for issuing, managing, and monitoring debt obligations in a manner that promotes transparency, fiscal integrity, and long-term financial stability.

Although the District currently has **no outstanding debt obligations** since 2012, maintaining an established Debt Management Policy ensures that the District is prepared to responsibly access external financing when future capital needs arise. This proactive approach reflects the Board of Directors' commitment to sound financial planning and readiness for strategic investment in infrastructure.

RESOLUTION NO. 25-02-997 formally adopting the District's debt management policy, was approved on February 19, 2025 after a comprehensive review was conducted by a municipal advisor. The suggested changes to reflect legal standards and best management practices; the changes were adopted.

Debt Management Policy Key Elements

Policy Element	Summary of Guiding Principles
Current Position	TVMWD currently has no outstanding debt obligations. Capital improvements are funded primarily through pay-as-you-go financing, reserves, and rate revenue.
Purpose of Debt	Debt may be used to fund major capital projects when it promotes intergenerational equity (future users helping pay for long-lived assets) and preserves cash flow for operations.
Types of Debt	Permitted instruments include revenue bonds, certificates of participation (COPs), SRF loans, federal or state programs, and leases. Debt may be issued directly by TVMWD or through its Financing Corporation.
Roles and Responsibilities	Board of Directors: Approves the Capital Program and authorizes all debt transactions. General Manager (GM): Determines project timing and updates the policy. Chief Financial Officer (CFO): Oversees debt analysis, issuance, and monitoring.
Capital Program Integration	Debt planning is linked to the Five-Year Capital Improvement Program (CIP) and the Strategic Plan to ensure alignment with infrastructure and reliability goals.
Debt Structure & Reserves	Debt will be structured to maintain level debt service, minimize interest costs, and comply with bond reserve requirements when applicable.
Credit Rating Objectives	The District seeks to maintain the highest possible credit rating by adhering to strong fiscal management, transparency, and long-term financial planning.
Monitoring and Reporting	The CFO will provide annual updates to the Board, summarizing the status of debt, refunding opportunities, and policy compliance.
Legal Compliance	Policy complies with SB 1029 (Debt Policy Adoption & Transparency Reporting) and SB 450 (Good Faith Disclosure Requirements). Annual debt transparency reports will be filed as required.

Financial Policies

Reserve Policy

Three Valleys Municipal Water District (TVMWD) maintains a Reserve Policy designed to ensure long-term financial stability, operational resilience, and the ability to meet service commitments under varying economic and hydrologic conditions.

Because TVMWD functions as a wholesale water agency, its revenues can fluctuate due to changes in imported water demand, rate adjustments by the Metropolitan Water District (MWD), or unexpected operational events. Maintaining adequate reserves enables the District to stabilize rates, protect cash flow, and respond effectively to emergencies without compromising service reliability or financial integrity.

Governance & Oversight:

- Board of Directors: establishes/adjusts reserve categories and targets; reviews with the Operating & CIP Budget; authorizes major uses.
- General Manager (GM): recommends use during emergencies per purchasing authority; brings policy updates to the Board.
- Chief Finance Officer (CFO): monitors levels, reports annually in the budget; develops restoration plans when below minimums.

Funding sources for the District primarily come from District revenues and surplus funds remaining after operating needs and any debt service obligations are met. Additionally, investment earnings may be allocated to unrestricted reserves at the direction of the Board.

Restricted Reserves

Employee Benefits (OPEB & Pensions)

- Goal: Achieve ~90% funding combined (Trust + CalPERS).
- Reserve maintains up to 10% of the net liability to avoid overfunding the trust.

RESOLUTION NO. 25-02-998 was adopted on February 19, 2025, following a comprehensive review by staff and the District's financial consultant, Fieldman, Rolapp & Associates. This updated Reserve Fund Policy reflects current legal standards, best financial management practices, and establishes clear funding categories and target levels to ensure the prudent and stable management of District reserves.

Reserve Categories & Targets (at-a-glance)

Reserve	Purpose (typical uses)	Minimum	Target	Maximum	Replenishment / Authorization
Operating (Working Capital)	Cash flow stability; timing gaps; elections; opportunistic water purchases to enhance reliability	15% of annual operating expenses (excl. imported water & pass-throughs, depreciation, amortization, debt service) + \$2M	25% (same exclusions) + \$2M	50% (same exclusions) + \$2M	If < 10%, restore to 25% within 2 years; funded by District revenues.
Emergency	Natural disasters; major failures; regulatory mandates; revenue shocks	4.5% of net capital assets (net of depreciation)	6% of net capital assets	8% of net capital assets (cap \$10M)	If < 2%, restore within 3 years via water rates; GM recommends, Board approves (GM may act per purchasing policy until Board meets).
Capital Improvement & Replacement (Pay-go)	Non-debt funded R&R and board-approved pay-go capital	Greater of \$3.5M or next FY R&R pay-go	3 years of R&R pay-go	N/A	May be fully used for approved projects; use authorized upon Board approval of CIP budget; funded by District revenues.
Major Capital	Planned major capital projects and contingencies (may include debt proceeds tracking)	Next FY major capital	3 years of major capital	N/A	Use authorized upon Board approval of projects; funded by District revenues (and any applicable debt proceeds per bond docs).
Revenue Stabilization	Offset temporary water-sales shortfalls, stabilize rates	10% of water-sales shortages over 2 years	10% of shortages over 3 years	N/A	Board may approve using all funds to offset a proposed rate increase; transfers to revenue fund upon approval; funded by revenues/surplus.

Financial Policies

Investment Policy

Three Valleys Municipal Water District (TVMWD) maintains an Investment Policy that governs the management of public funds entrusted to the District. The policy is a cornerstone of TVMWD's financial stewardship framework, designed to ensure that all investments are made with the highest regard for safety, liquidity, and yield.

The Investment Policy establishes the principles, objectives, and guidelines that direct how District funds are invested in accordance with the California Government Code (Sections 53600 et seq.). It defines permissible investment instruments, credit quality standards, diversification parameters, and maximum maturity limits, while assigning clear authority and oversight responsibilities for all investment activities.

In compliance with Government Code Section 53646 and Board policy, the District conducts an annual review of its Investment Policy to ensure continued adherence to state law, evolving regulations, and industry best practices. Each year, TVMWD's independent investment advisor, Chandler Asset Management, performs a comprehensive policy review and recommends any updates necessary to maintain compliance and improve clarity. These recommendations are presented to the Board of Directors for review and adoption by resolution.

RESOLUTION NO. 25-06-1009 was adopted on June 18, 2025, following the annual review of the District's Investment Policy conducted by Chandler Asset Management. The recommended updates align the policy with current provisions of the California Government Code and industry best practices for the investment of public funds. Key revisions include clarifications to authorized institutions, investment definitions, and maturity terms, as well as streamlining and consolidation of sections to enhance clarity and ensure continued fiscal responsibility and compliance.

Oversight and Reporting

The General Manager and Chief Finance Officer provide monthly investment reports to the Board of Directors summarizing portfolio holdings, market values, and compliance with the adopted policy. This ensures ongoing transparency and accountability in the management of public funds.

Investment Policy Key Elements

Element	Summary
Scope	Applies to all financial assets of TVMWD except for bond proceeds and trust funds for pension and OPEB liabilities. All funds are accounted for in the annual audit.
Prudence	Investments are managed under the “Prudent Investor Standard” (Gov. Code §53600.3), requiring care, skill, and diligence that a prudent person would use in managing similar funds.
Objectives	1. Safety – Preservation of principal. 2. Liquidity – Availability to meet operating needs. 3. Return on Investments – Attaining a market rate of return consistent with safety and liquidity.
Delegation of Authority	The Board delegates investment authority to the General Manager, who implements procedures for safekeeping, collateralization, and reporting. All transactions must comply with policy and law.
Ethics and Conflicts of Interest	Officers and employees must avoid conflicts between personal financial interests and District investment decisions; disclosures are required to ensure impartiality.
Authorized Financial Institutions and Dealers	Only institutions licensed under the California Corporations Code or members of federally regulated exchanges may transact with the District. Annual certification and financial review are required.
Authorized and Suitable Investments	Investments are restricted to those permitted by the California Government Code §53601. The District further limits investment types and credit quality to ensure high liquidity and minimal risk.
Diversification and Risk Management	The portfolio must remain diversified by issuer, maturity, and security type to reduce concentration risk. The policy limits exposure to any single issuer (generally not exceeding 5%).

Financial Policies

Purchasing Policy

Three Valleys Municipal Water District (TVMWD) maintains a Board-adopted Purchasing Policy to ensure that public funds are spent fairly, transparently, and cost-effectively. The policy sets clear rules for how the District acquires goods, equipment, and services, promotes open and competitive practices, and defines approval authority so that procurement activity aligns with TVMWD's mission, budget, and ethical standards.

Policy Objectives

- Best value & competition: Seek quality goods and services at the lowest overall cost through competitive offers whenever practical.
- Integrity & accountability: Uphold conflict-of-interest safeguards, documentation standards, and audit-ready records.
- Operational efficiency: Delegate purchasing authority appropriately while maintaining strong internal controls.
- Compliance: Conduct procurement consistent with applicable California public contracting requirements, including those governing public projects, prevailing wage, and contractor registration.

Roles, Controls, and Tools

- Authority & approvals: Department Heads, the General Manager, and the Board exercise approval authority consistent with dollar thresholds and change-order limits set in policy.
- Segregation of duties: Requisitions, purchase orders, receiving, and payment approvals are documented and routed to ensure control and accountability.
- Electronic solicitation: The District may use an online platform (e.g., PlanetBids) to broaden vendor participation and maintain a clear audit trail.
- Grants & special funding: When purchases are grant-funded, the District applies the most stringent applicable requirements to ensure compliance and reimbursement eligibility.

Purchasing Policy Matrix

Category	Approval Authority	Documentation / Method Notes	Change-Order Authority*
General Supplies, Materials & Equipment	≤\$25k: DeptHead/GM \$25k–\$75k: GM > \$75k: Board	No split purchases; use PlanetBids when helpful; award on best value	Informal/Formal: GM up to \$75k total value; above per Board
Proprietary Equipment & Goods	≤\$25k: DeptHead/GM \$25k–\$75k: GM > \$75k: Board	Selection is qualifications/fit-based (not price-only); document product evaluation & justification	GM up to \$75k total; >\$75k to Board; for formal awards, GM < 20% aggregate
General Trade Services	≤\$25k: DeptHead/GM \$25k–\$75k: GM > \$75k: Board	Bid on best value; use bid security if specified; public bid opening for formal	Informal/Formal: GM up to \$75k total; for formal awards, GM < 20% aggregate
Professional Services	≤\$25k: DeptHead/GM \$25k–\$75k: GM > \$75k: Board	Qualifications-based selection; interviews/demos optional; scope, schedule, staffing, references documented	GM up to \$75k total; >\$75k to Board; for formal awards, GM < 20% aggregate
Public Projects (Construction/Public Works)	≤\$25k: DeptHead/GM \$25k–\$75k: GM > \$75k: Board	Prevailing wage & DIR registration; bid security as noticed; public openings; award to lowest responsive & responsible (or as specified)	Level I: GM ≤ \$60k total • Level II: GM up to \$200k total Formal: GM < 20% aggregate; larger to Board

Procurement

Three Valleys MWD has opted into the California Uniform Public Construction Cost Accounting Act (CUPCCAA), established under Public Contract Code Sections 22000–22045. The Act provides a standardized framework for public construction contracting that enhances efficiency, promotes fairness, and ensures fiscal accountability in the use of public funds.

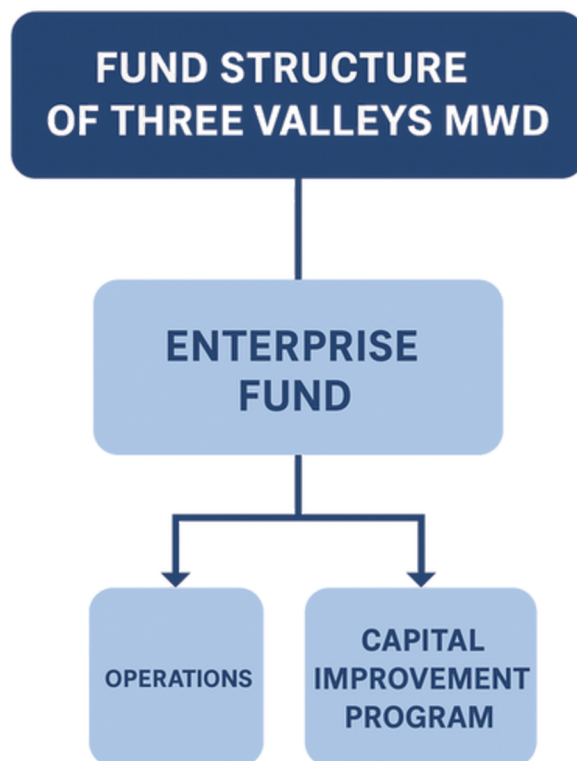
By adhering to CUPCCAA, the District is authorized to use streamlined bidding procedures for public works projects up to specified monetary thresholds, as periodically adjusted by the State Controller. These procedures allow the District to:

- Reduce administrative costs associated with small and mid-sized capital projects;
- Accelerate project delivery while maintaining transparency and competitive fairness;
- Ensure compliance with state requirements for public works bidding and contracting; and
- Maximize cost-effectiveness in the implementation of capital improvement projects.

All procurement and construction activities under CUPCCAA are conducted in accordance with District policies, Board-approved resolutions, and state public contracting laws. The District maintains a list of qualified contractors and conducts periodic updates to ensure equitable access and adherence to competitive standards.

Project Cost Range	Procurement Method	Approval / Oversight	Description
\$0 – \$75,000	Force Account or Purchase Order	Authorized by General Manager	Work may be performed by District staff, by negotiated contract, or via purchase order.
\$75,001 – \$220,000	Informal Bidding Procedures	General Manager initiates; results reported to Board of Directors	Bids solicited from contractors on the District's CUPCCAA-qualified list in accordance with Public Contract Code §22034.
Over \$220,000	Formal Bidding Process	Board of Directors approval required prior to award	Full competitive bid process required, including public notice and Board approval in open session.

Fund Structure



Three Valleys Municipal Water District (TVMWD) operates using a single enterprise fund structure. This means that all District financial activities — including operations, maintenance, capital improvements, and debt service — are accounted for within one comprehensive fund.

As a wholesale water agency, TVMWD functions in a business-type capacity, providing services to its member agencies on a cost-recovery basis rather than relying on general taxation. Therefore, maintaining a single enterprise fund ensures that all revenues and expenditures related to water service delivery are centrally managed, transparent, and directly tied to the District's core mission of providing reliable, high-quality water.

This approach simplifies financial management while maintaining compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements for proprietary (enterprise-type) funds.

Fund Structure

Within the enterprise fund, the District distinguishes between two major financial components for planning and reporting purposes:

Component	Description	Examples of Expenditures
Operating Budget	Covers the District's day-to-day costs of providing wholesale water service and administrative functions.	Water purchases from MWD, operations and maintenance of facilities, water quality and laboratory programs, staff salaries and benefits, insurance, and general administration.
Capital Improvement Program (CIP)	Accounts for expenditures related to the planning, design, construction, and rehabilitation of major facilities and infrastructure.	Pipeline replacements, treatment plant upgrades, groundwater recharge projects, and equipment replacements.

Although these two components are presented separately in the budget for clarity, they operate within the same enterprise fund. This means that revenues support both operational needs and capital investments as part of an integrated financial strategy.



Fund Balance

Three Valleys Municipal Water District operates as a single enterprise fund, meaning all revenues and expenses flow through one self-supporting fund. The net position represents the difference between total assets and total liabilities — essentially the District's equity — and reflects the cumulative results of operations over time.

Description	FY 2023/24 Actual	FY 2024/25 Projected	FY 2025/26 Budget
Beginning Net Position	\$45,284,366	\$44,591,514	\$46,154,578
Revenues	\$68,309,494	\$82,691,720	\$92,539,483
Expenditures	(\$69,002,346)	(\$81,128,656)	(\$90,941,133)
Estimated Change in Net Position	(\$692,852)	\$1,563,064	\$1,598,349
Ending Net Position	\$44,591,514	\$46,154,578	\$47,752,927

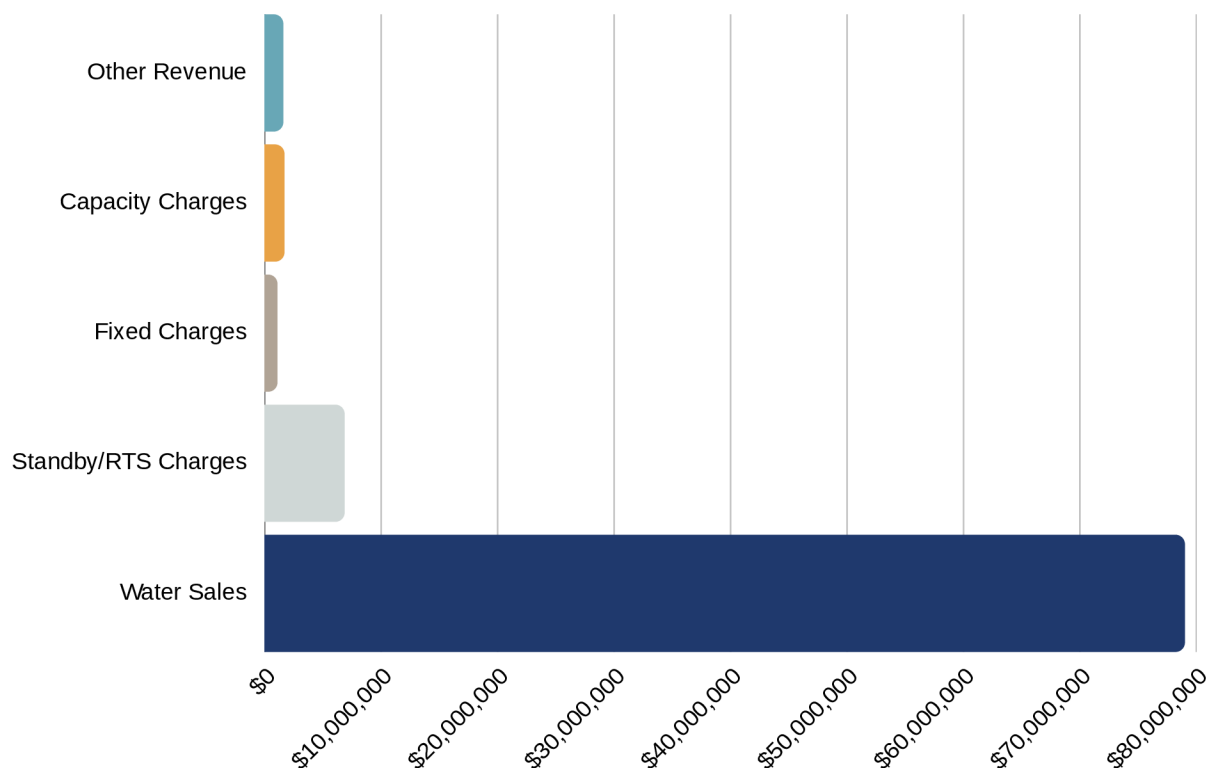


Revenues

Colorado River

Major Sources of Revenue

Three Valleys total revenues and other funding sources for FY 2025/2026 are projected to be \$92.5 million.



1. Water Sales

Water sales are by far the dominant source of District revenue. This reflects TVMWD's role as a wholesale water provider, purchasing imported water (primarily from Metropolitan Water District of Southern California) and reselling it to its member agencies.

A significant portion of water sales revenue is generated through the Miramar Water Treatment Plant, where TVMWD treats untreated imported water purchased from MWD. The margin on treated water produced at Miramar is considerably higher than the minimal wholesale margin earned on fully treated MWD water deliveries. As a result, Miramar plant operations fund a substantial portion of the District's operating budget, supporting system maintenance, regulatory compliance, and capital reinvestment.

2. Standby Charge / Readiness-to-Serve (RTS) Charges

These are fixed charges passed on by MWD to maintain system readiness and reliability, regardless of consumption; Passthrough Revenue.

- RTS and standby charges typically support fixed operational costs, such as infrastructure maintenance, treatment capacity, and system reliability investments.

Major Sources of Revenue

3. Property Taxes

TVMWD receives a share of ad-valorem property taxes under Proposition 13 allocations.

4. Capacity Charge Assessments

Pass through revenue collected on behalf of Metropolitan Water District.

5. Fixed Charge Assessment & Hydroelectric Sales

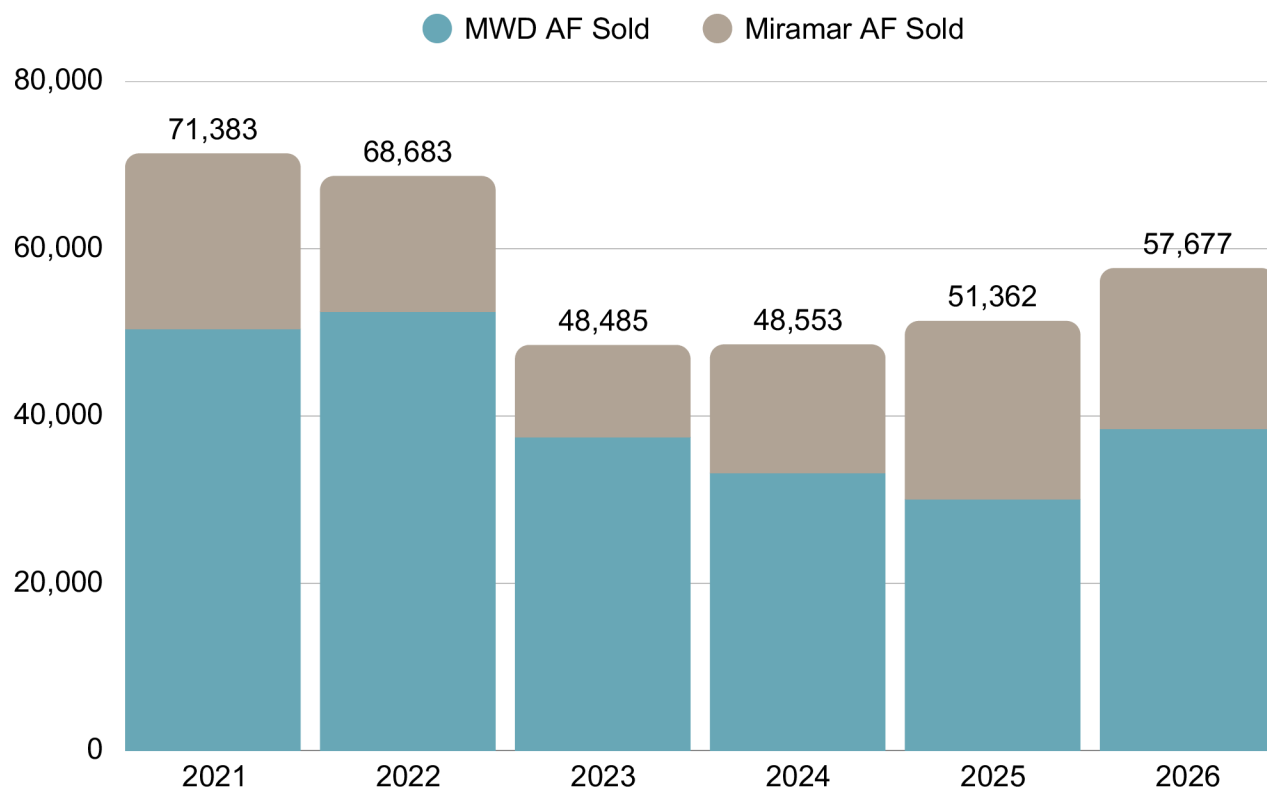
The fixed charge assessment contributes to cost recovery for operations and maintenance, while small hydroelectric sales revenue reflects the District's sustainability and energy recovery efforts.

6. Interest Income and Other Revenue

Interest income comes from investment funds, while minor reimbursements and grants provide small contributions to the total budget.

Revenue Type	FY 2023/24 Actuals	FY 2024/25 Projected (B)	FY 2025/26 Budget (C)	Change % (B & C)
Water Sales	56,243,717	69,876,241	79,008,339	17.2%
Standby Charge	5,450,327	6,177,218	6,865,400	11%
Capacity Charge	1,507,000	1,673,430	1,699,350	1.6%
Property Taxes	3,374,983	3,334,727	3,304,974	6.6%
Fixed Charges	896,361	987,458	1,186,421	20.2%
Hydroelectric Sales	155,672	176,922	250,000	4.2%
Interest Income	277,202	453,144	215,000	-50.6%
Pumpback O&M	16,319	1,523	10,000	556.8%
Grants/Other Revenues	218,182	11,059	-	-
Total	68,139,763	82,691,720	92,539,483	12%

Water Sales



Over the past few years, TVMWD’s total water deliveries have fluctuated between 48,000 and 71,000 acre-feet per year, reflecting variations in regional demand, hydrologic conditions, and conservation measures. In FY 2024/25, total water sales were approximately 51,362 acre-feet, with 30,034 acre-feet purchased as treated water from MWD and 21,328 acre-feet produced through Miramar operations. For FY 2025/26, total sales are projected to increase slightly to 57,677 acre-feet.

The Miramar Water Treatment Plant plays a vital role in the District’s financial performance. By purchasing untreated imported water from MWD and processing it locally, the District generates a favorable cost differential compared to purchasing MWD-treated water. This “treatment margin” contributes positively to operating revenues and helps offset regional water supply cost pressures. In contrast, MWD-treated water sales include a modest \$16 per acre-foot administrative surcharge, providing only limited financial return to the District.

TVMWD’s dual-source water portfolio — balancing both treated and untreated imported supplies — provides operational flexibility, enhances water reliability, and supports fiscal stability through efficient use of existing treatment capacity. Going forward, the District will continue to optimize Miramar operations, monitor regional water demand trends, and collaborate with member agencies to maintain a sustainable balance between affordability and reliability.



Expenditures

Expenditures

Three Valleys Municipal Water District (TVMWD) carefully manages both operating and capital expenditures to ensure that financial resources are used efficiently and strategically in support of the District's mission to provide reliable, high-quality water service to its member agencies. Operating expenses represent the day-to-day costs of running the District—such as water purchases, treatment, system maintenance, power, personnel, and administrative support—while capital expenses reflect long-term investments in infrastructure, equipment, and technology necessary to sustain system reliability and regulatory compliance.

Each year, TVMWD's budget allocates resources to maintain essential operations while funding capital projects identified in the District's Capital Improvement Program (CIP). The balance between these two categories reflects a disciplined approach that emphasizes operational excellence, proactive asset management, and prudent financial planning. This ensures that current service demands are met without compromising the District's long-term infrastructure and financial stability.

Category	Amount	% of Total Budget (Approx.)	Comment
Water Purchases	\$67.4 million	~75%	Primary expense—reflects imported water purchased through the Metropolitan Water District (MWD).
MWD System Charges (RTS & Capacity)	\$8.6 million	~10%	Pass-through costs tied to MWD's Readiness-to-Serve and Capacity charges.
Staff Compensation	\$6.5 million	~7%	Supports District operations, administration, and water quality programs.
Operations & Maintenance (O&M)	\$2.7 million	~4%	Routine maintenance of the treatment plant, pipelines, and facilities.
Capital Repair & Replacement	\$2.9 million	~4%	Major reinvestment in core infrastructure and reliability projects.

Expenditures

Expense Type	FY 2023/24 Actuals	FY 2024/25 Projected (B)	FY 2025/26 Budget (C)	Change % (B & C)
Water Purchases	\$49,740,109	\$60,299,632	\$67,352,395	12%
MWD RTS Charge	\$5,467,131	\$6,177,218	\$6,865,400	11%
Staff Compensation	\$6,506,966	\$6,580,498	\$6,519,702	-1%
MWD Capacity Charge	\$1,507,470	\$1,673,430	\$1,699,350	2%
Operations and Maintenance	\$2,278,385	\$2,608,867	\$2,733,700	5%
Capital Repair & Replacement	\$1,046,757	\$419,249	\$2,900,000	592%
Capital Investment Program	\$2,487,011	\$1,537,765	\$530,000	-65%
Professional Services	\$738,115	\$753,391	\$838,500	11%
Directors Compensation	\$270,356	\$219,589	\$462,262	111%
Communication & Conservation Programs	\$166,764	\$139,466	\$199,000	43%
Planning & Resources	\$446,876	\$195,364	\$300,000	54%
Membership Dues & Fees	\$99,178	\$82,320	\$100,825	22%
Hydroelectric Facilities	\$34,740	\$48,223	\$40,000	-17%
Pumpback O&M	\$16,319	\$3,644	\$10,000	174%
Board Elections	-	-	-	-
Reserve Replenishment	-	\$390,000	\$390,000	0%
Total	\$70,806,177	\$81,128,656	\$90,941,133	

Expenditures

Three Valleys Municipal Water District's (TVMWD) largest expenses continue to reflect its role as a wholesale water agency, where most costs are tied to the purchase, treatment, and delivery of imported water to its member agencies.

Highlights

- Operating costs show moderate growth overall, with water purchases (+12%) and Metropolitan Water District charges (+11%) accounting for most of the increase.
- Staff costs decreased slightly (–1%) as a result of workforce adjustments and efficient staffing levels.
- Capital expenditures fluctuate due to project timing — with Capital Repair & Replacement increasing significantly (+592%) for infrastructure rehabilitation, while Capital Investment Program spending declines (–65%) as several large projects near completion.
- Board and professional services show increases due to inflationary adjustments and anticipated consulting activities.
- Reserve replenishment remains constant, maintaining healthy reserves per policy.



Expenditures

In FY 2025/26, Three Valleys MWD's expenditures continue to be dominated by water supply and system reliability costs, with nearly three-quarters of the total budget dedicated to purchasing imported water from MWD. The remaining funds support local operations, staffing, maintenance, and reinvestment in critical capital assets.

Water Portfolio:

Metropolitan Water District (MWD) supplies the District with fully treated water from MWD's regional system. This imported water originates primarily from the Colorado River Aqueduct and the State Water Project, both of which are operated and maintained by MWD. Treated water deliveries are made directly to the District's service connections and distributed to member agencies ready for use.

- **Rate Determination:** The MWD Board of Directors establishes wholesale treated water rates annually through its rate-setting process. These rates incorporate the cost of imported supply, conveyance, treatment, energy, and MWD's long-term capital investments.

The District also has an in-house treatment center that is well equipped to treat Untreated Water from Metropolitan Water District.

- **Treatment Process:** The Miramar Plant applies chemical treatment and filtration to meet or exceed all state and federal drinking water standards. Treatment costs include chemicals, laboratory testing, maintenance, power, and operational staffing.

This locally treated water provides a cost-effective and flexible supply option, particularly when MWD's treated water rates increase or when system demand allows for greater local processing.

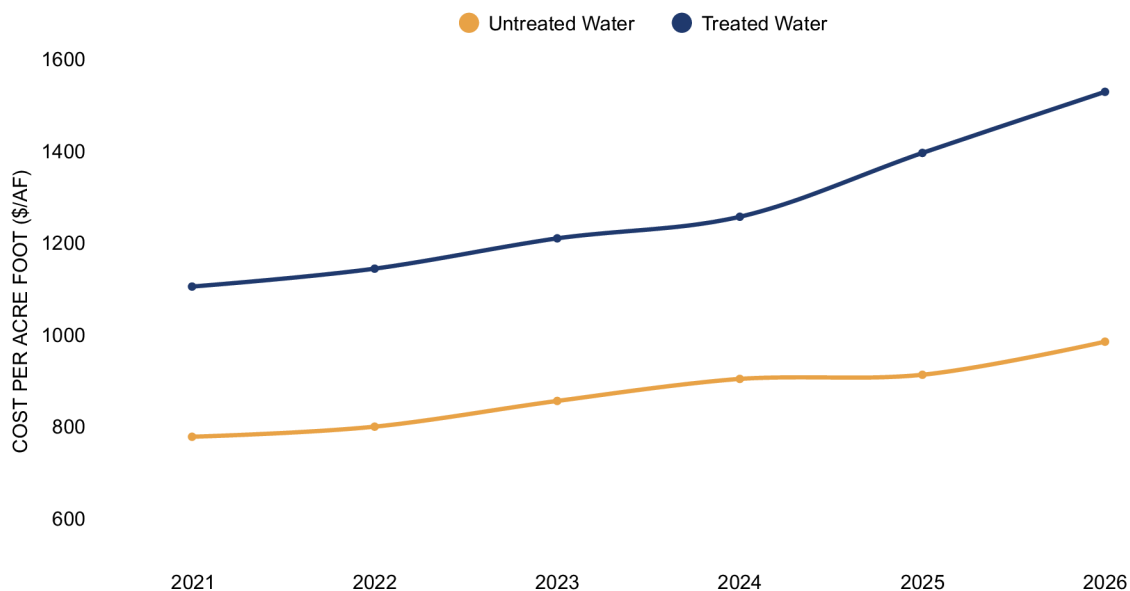
In addition to imported water, the District occasionally utilizes groundwater supplies through local pumping and recharge programs in coordination with regional partners. While groundwater accounts for a relatively small portion of total supply, it plays a strategic role in improving local reliability, supporting drought resiliency, and managing imported water costs.

Water Rates

In recent years, MWD has experienced rising operational and capital costs driven by a combination of inflationary pressures, declining sales volumes, increased energy costs, and evolving regulatory requirements.

As a result, MWD must recover its expenses through rate adjustments that ensure the long-term sustainability of its regional water supply, treatment, and delivery systems. These rate changes ultimately affect TVMWD's wholesale water costs and, consequently, the rates passed on to its member agencies.

The chart below illustrates MWD's untreated and treated water rates over the past five years (by calendar year), highlighting the steady upward trend in costs as the region continues to invest in infrastructure reliability, water quality, and resiliency for future demands.



Year	% Change Untreated (YoY)	% Change Treated (YoY)
2021	—	—
2022	2.80%	3.50%
2023	7.00%	5.80%
2024	5.60%	3.90%
2025	1.00%	11.10%
2026	7.90%	9.50%

Water Rates

While MWD's rate increases are largely driven by regional cost pressures, Three Valleys Municipal Water District continuously works to mitigate the impact of these rising costs through strategic operations and local resource management. The District actively optimizes operations at its Miramar Water Treatment Plant to maximize the benefit of purchasing untreated water, narrowing the cost delta between treated and untreated supplies through efficient local treatment.

TVMWD also invests in energy recovery and local resource development to reduce long-term costs and enhance system reliability. The District operates five hydroelectric power generation facilities, which recover energy during water deliveries and offset operational power expenses. In addition, TVMWD maintains four active groundwater wells, providing flexibility and local supply reliability that help stabilize costs and reduce dependency on imported treated water.

These initiatives are supported by a highly skilled and dedicated team of operators, engineers, and administrative staff who continuously identify opportunities for efficiency, innovation, and improvement. Their commitment to operational excellence ensures that TVMWD delivers safe, reliable, and cost-effective water service—even in the face of increasing regional wholesale costs and evolving regulatory demands.



MWD Readiness-to-Serve (RTS)

The Readiness-to-Serve (RTS) charge is a fixed component of the Metropolitan Water District's (MWD) revenue structure, designed to ensure that the regional water system maintains sufficient standby capacity, redundancy, and emergency reserve capabilities. This charge supports the infrastructure and operational readiness necessary to deliver water reliably, even during emergency outages, droughts, or system interruptions.

MWD's RTS charge is based on a ten-year rolling average of firm demands, which include Tier 1 and Tier 2 sales, transfers, exchanges, cyclic storage programs, and other deliveries that rely on system capacity. These costs are billed monthly to MWD's 26 member agencies, including Three Valleys Municipal Water District (TVMWD).

To offset the cost of MWD's RTS charge, TVMWD established a Water Standby Charge Assessment in 1996 under the authority of the Uniform Standby Charges Procedures Act (Government Code §54984 et seq.). The standby assessment applies to all parcels within the District's service boundaries to which water service is made available, whether used or not. Revenues from this assessment are applied directly toward the District's RTS obligation and administrative costs.

For Fiscal Year 2025/2026, the Metropolitan Water District's RTS charge to Three Valleys is \$8,625,218. After accounting for anticipated MWD collections of \$1,836,021 and administrative costs of \$76,201, TVMWD's net obligation is \$6,865,400. However, under the maximum assessment rate currently permitted, the District's standby charge will generate \$5,676,557. The remaining balance will be funded through pro-rated member agency equivalent dwelling units (EDU) located in each member agency's service area.

Component	Amount (\$)	Description
Total MWD RTS Charge	8,625,218	Total obligation billed by Metropolitan Water District.
Anticipated MWD Collections	(1,836,021)	Collected directly by MWD on behalf of TVMWD
TVMWD Administrative Costs	76,201	Local administrative and compliance expenses.
Net Requirement (TVMWD)	6,865,400	Total amount due from Three Valleys after adjustments.
Standby Charge Revenue	(5,676,557)	Revenues collected via local standby assessment.
Remaining Funded via surcharge	1,188,843	Recovered through member agencies surcharge.

Capacity Charges

The Capacity Charge is intended to recover the cost of peak capacity and conveyance infrastructure within the MWD system — that is, the surge capacity, redundancy, and oversized conveyance pipelines needed to meet high-demand days (especially in summer). The Capacity Charge provides a price signal to encourage member agencies to reduce peak day demands on the system and to shift demands that occur during the May 1 through September 30 period into the October 1 through April 30 period. This results in more efficient utilization of Metropolitan's existing infrastructure and defers capacity expansion costs.

Each member agency will pay the Capacity Charge based on a three-year trailing maximum peak day flow. Due to accepted certifications and error corrections, peak day flows may change for up to three years after the month of delivery. Therefore, the Three-Year Trailing Max Peak Day is calculated with an 18-month lag.

For calendar year 2025, MWD assigned TVMWD a capacity basis of 138.3 cubic feet per second (cfs) at a rate of \$13,000 per cfs, resulting in a total annual charge of approximately \$1.80 million. This total is then distributed among TVMWD's member agencies based on their respective non-coincident peak flows recorded during 2021, 2022, and 2023.

Effective January 2026, the assigned capacity basis will decrease to 110.4 cfs, reflecting updated peak flow calculations over the 2022–2024 period. However, the unit rate will increase to \$14,500 per cfs, resulting in a total annual charge of roughly \$1.60 million. The shift represents a reduction in overall capacity allocation but an increase in cost intensity due to regional cost escalation and capital recovery by MWD.



Capacity Charges FY 2025 & FY 2026

Agency	FY 2025 Annual Charge	FY 2026 Annual Charge	Change (%)
Boy Scouts / City of Industry	\$4,879	\$3,703	-24%
Cal Poly Pomona	\$8,782	\$8,128	-7%
Covina	\$48,790	\$42,445	-13%
Covina Valley Water Co.	\$179,058	\$165,715	-7%
Glendora	\$170,764	\$102,861	-40%
Joint Water Line	\$343,479	\$317,884	-7%
La Verne	\$168,271	\$158,526	-6%
Mt. San Antonio College	\$12,685	\$9,934	-22%
Rowland Water District	\$99,531	\$92,114	-7%
GSWC – Claremont	\$201,555	\$189,883	-6%
GSWC – San Dimas	\$165,885	\$144,764	-13%
Walnut Valley Water District	\$394,221	\$364,844	-7%
Total	\$1,797,900	\$1,600,800	-11%

Although the total dollar amount decreased from \$1.8 million to \$1.6 million, the effective cost per unit of capacity increased by 11.5%, from \$13,000 to \$14,500 per cfs. This reflects MWD's continued investment in system reliability, rising energy and construction costs, and adjustments to reflect updated peak-day usage patterns across the region.

For Three Valleys, this charge is passed directly through to member agencies and is not retained as District revenue. Each agency's share is proportional to its contribution to overall system peaks, ensuring an equitable distribution of costs. The District's role is to manage this pass-through transparently and maintain accurate peak flow reporting.

Position Summary

Position	FY 2023-24 Actual	FY 2024-25 Projected	FY 2024-25 Approved	FY 2025-26 Positions	Net Change
Finance	3	3	3	3	0
Engineering*	3	3	3	3	0
Operations	12	12	12	12	0
Administration	2	2	2	2	0
General Manager	1	1	1	1	0
Human Resources	1	1	1	1	0
Information Technology	1	2	2	2	0
Executive Assistant	1	1	1	1	0

**The following is a table showing the headcount by the department that includes the full-time. The intern positions are not reflected in the table.*

Three Valleys Municipal Water District remains fully staffed for Fiscal Year 2025/2026, reflecting a stable organizational structure designed to support efficient operations and continued delivery of high-quality service to the District's member agencies.

Staff Compensation

Three Valleys Municipal Water District maintains a comprehensive and transparent salary and benefits structure designed to attract, retain, and motivate a highly qualified workforce in support of the District's mission and service commitments. The Annual Salary Range by Classification, effective July 1, 2025, establishes the minimum, midpoint, and maximum pay levels for each approved position, based on market competitiveness, internal equity, and position responsibilities.

The District's salary ranges are reviewed periodically through comparative surveys of similar regional water agencies and adjusted as necessary to reflect cost-of-living changes, evolving job requirements, and broader labor market trends. Each range provides flexibility for merit-based advancement and professional growth while maintaining fiscal accountability and alignment with the District's long-term financial goals.

Employee compensation and benefits collectively represent one of the largest ongoing expenditures within the District's operating budget. In addition to salaries, the District provides a comprehensive suite of benefits that supports employee well-being, career development, and long-term financial security. These include participation in the CalPERS retirement system, deferred compensation plans, multiple medical, dental, and vision options, as well as District-funded programs such as life and disability insurance, health reimbursement arrangements (HRA), and tuition reimbursement.

These benefits play an integral role in sustaining a stable and motivated workforce while managing overall cost predictability. Factors influencing annual expenditures include CalPERS contribution rates, medical premium adjustments, and compliance with state and federal benefit mandates. The District continually monitors these cost drivers and explores cost-effective strategies to ensure both fiscal sustainability and continued competitiveness in employee recruitment and retention.

By investing in its employees through equitable compensation and comprehensive benefits, Three Valleys Municipal Water District upholds its commitment to operational excellence, continuity of service, and the long-term reliability of its workforce.



**THREE VALLEYS MUNICIPAL WATER DISTRICT
ANNUAL SALARY RANGE BY CLASSIFICATION
Effective: July 1, 2025**

CLASSIFICATION	JOB CODE	ANNUAL SALARY RANGE		
		Minimum	Mid	Maximum
ADMINISTRATIVE/COMMUNICATIONS ASSISTANT	102	\$ 65,193	\$ 84,751	\$ 104,309
CHIEF ADMINISTRATIVE OFFICER	104	\$ 199,809	\$ 259,751	\$ 319,694
CHIEF FINANCE OFFICER	105	\$ 198,548	\$ 258,113	\$ 317,677
CHIEF OPERATIONS OFFICER	106	\$ 169,210	\$ 219,973	\$ 270,736
CHIEF WATER RESOURCES OFFICER	107	\$ 180,487	\$ 234,634	\$ 288,780
COMPLIANCE SPECIALIST	108	\$ 98,506	\$ 128,058	\$ 157,610
EXECUTIVE BOARD SECRETARY	111	\$ 90,429	\$ 117,557	\$ 144,686
FINANCE ANALYST	101	\$ 65,797	\$ 85,536	\$ 105,275
FINANCE MANAGER	119	\$ 107,768	\$ 140,099	\$ 172,429
HUMAN RESOURCES/RISK MANAGER	113	\$ 117,828	\$ 153,176	\$ 188,524
INFORMATION TECHNOLOGY ANALYST	127	\$ 71,872	\$ 93,433	\$ 114,995
INFORMATION TECHNOLOGY MANAGER	114	\$ 135,117	\$ 175,652	\$ 216,188
INSTRUMENTATION/ELECTRICAL SYSTEM OPERATOR	115	\$ 98,010	\$ 127,413	\$ 156,816
OPERATIONS SUPERVISOR	116	\$ 113,838	\$ 147,989	\$ 182,140
OPERATIONS SUPERVISOR (T5)	117	\$ 136,605	\$ 177,587	\$ 218,568
PLANT ASSISTANT	118	\$ 52,460	\$ 68,198	\$ 83,936
PRINCIPAL ENGINEER	109	\$ 125,503	\$ 163,154	\$ 200,805
SHIFT OPERATOR II	120	\$ 64,566	\$ 83,936	\$ 103,306
SHIFT OPERATOR III	121	\$ 79,466	\$ 103,306	\$ 127,146
SHIFT OPERATOR IV	122	\$ 89,531	\$ 116,391	\$ 143,250
SHIFT OPERATOR V	123	\$ 93,022	\$ 120,929	\$ 148,835
WATER RESOURCES ANALYST I	124	\$ 68,704	\$ 89,315	\$ 109,926
WATER RESOURCES ANALYST II	125	\$ 83,567	\$ 108,638	\$ 133,708
WATER RESOURCES ANALYST III	126	\$ 98,432	\$ 127,961	\$ 157,491
		HOURLY		
WATER RESOURCES INTERN (PT)	127	\$ 17.00		\$ 22.00
		SALARY		
GENERAL MANAGER	112	\$ 365,000		

Based on Board approval, an adjustment to each salary range classification will be considered for July 1 of each year. Range adjustments are tied to changes in the Consumer Price Index - Urban Wage Earners and Clerical Workers for Los Angeles-Long Beach-Anaheim as prepared by the Bureau of Labor Statistics, from current year annual to the prior year annual. The adjustment to each salary range is intended to keep TVMWD's salary ranges at the market level and may not necessarily impact individual salaries. The opportunity for individual salary increases will continue under the merit-based system employed by TVMWD. An important note is that an employee's annual salary may be below the minimum salary range if: (1) their annual evaluation has not yet occurred in the current fiscal year or (2) their performance documented in prior annual evaluations has not merited an increase that has kept up with index adjustments to the salary ranges.

Shift Differential Pay

- Operators and plant assistants who work on Friday, Saturday or Sunday will be compensated with 10% additional pay for those hours.
- Shift differential pay is considered special compensation and will be reported to CalPERS as such.

On-Call Pay

- Standby operators who serve as the on-call standby operator each evening will be paid \$45 per day (\$90 on holidays).
- Lab operators who serve as the on-call plant operator each evening will be paid \$100 per day (\$200 on holidays).
- In addition to receiving the on-call pay noted above, the on-call operators will be paid for the additional time spent responding to situations.
 - If responding by phone/tablet/laptop only, the on-call operator will be guaranteed at least 15 minutes of additional pay. All time over 15 minutes will be rounded up to the nearest 15 minute increment.
 - If responding in person, the on-call operator will be guaranteed at least two hours of additional pay. All time over two hours (portal to portal) will be rounded up to the nearest 15 minute increment.
 - Operators will be eligible for OT and shift differential pay as applicable for time spent responding.
- On-call pay is not considered special compensation and thus will not be included as a part of final compensation in calculating CalPERS pension.

Holiday Pay

- Any employee scheduled who works on either the actual holiday or the observed holiday will be paid at one and one-half times the employee's regular rate of pay. Since the employee is working the holiday, the employee will also be paid an additional ten hours at regular pay for that holiday.

Benefits Summary

Benefit Category	Description
CalPERS Retirement	Participation in CalPERS: 2%@62 (PEPRA) and 2%@55 (Classic). Employee contributions 7–7.75%. No Social Security participation; Medicare only.
Deferred Compensation	401(a): District match up to \$500/month (\$6,000/year). 457(b): Voluntary plan, pre/post-tax up to IRS limits.
Medical Insurance	Anthem PPO, High Deductible PPO, HMO, and Kaiser HMO options. Employees pay 0–5% of premiums depending on coverage.
Retiree Health	Retiree medical reimbursement up to \$600/month, based on age and years of service.
Dental Insurance	Delta Dental PPO or DeltaCare USA HMO. 100% District-paid for employee and family.
Vision Insurance	Vision Service Plan (VSP). 100% District-paid for employee and family.
Employee Assistance Program (EAP)	Confidential counseling and family support services at no cost to employees.
Health Reimbursement Arrangement (HRA)	\$1,000 annual contribution for out-of-pocket health expenses or deposited into HSA if applicable.
Health Savings Account (HSA)	Up to \$800 annual District contribution for employees in the High Deductible PPO plan.
Voluntary Plans	Optional FSA for health/dependent care, supplemental accident, cancer, or short-term disability insurance.
Disability Insurance	Short-Term and Long-Term Disability (STD/LTD) fully paid by TVMWD; includes State Disability Insurance (SDI).
Life Insurance	2× annual salary (max \$300,000) fully paid by TVMWD; additional supplemental coverage available.
Holidays	12 paid holidays per year (non-probationary employees).
Sick Leave	96 hours per year for non-exempt/supervisory staff.
Vacation Leave	80–160 hours annually, based on years of service (non-exempt/supervisory).
Administrative Leave	Exempt employees (excluding executives) receive 50 hours per year.
Universal Leave	Executive management: 232–352 hours annually based on tenure.
Tuition Reimbursement	Up to \$5,000 annually for qualifying education or professional development programs.
Jury Duty	Paid leave up to 10 days per event, limited to one event every 24 months.
Telecommute Opportunities	Available on a case-by-case basis, in accordance with the District's Telecommute Policy.

Capital Improvement



Capital Improvement

The Capital Improvement Plan (CIP) serves as a strategic framework for maintaining, improving, and expanding the physical infrastructure that supports Three Valleys Municipal Water District's mission. The plan outlines the District's capital priorities and provides a roadmap for project implementation over a five-year period.

CIP identifies projects necessary to ensure the long-term reliability, efficiency, and resiliency of the District's water system. These projects include the rehabilitation, replacement, and expansion of existing facilities, such as the Miramar Water Treatment Plant, transmission pipelines, pump stations, and other key operational assets.

CIP projects typically involve the acquisition, construction, or improvement of major fixed assets that are long-term in nature and require significant investment. Examples include treatment process upgrades, new conveyance facilities, instrumentation and control system modernization, and energy optimization improvements.

Projects included in the plan are prioritized based on asset condition assessments, operational needs, regulatory compliance, and regional water demand forecasts. Funding sources are evaluated annually and may include District reserves, pay-as-you-go capital funding, grants, or other available financing tools.

The Capital Improvement Plan (CIP) is closely integrated with Three Valleys Municipal Water District's annual operating and capital budgets, ensuring a coordinated approach to financial planning and infrastructure investment. The CIP serves as a bridge between long-term capital planning and the annual budget process, identifying specific projects and funding requirements that support the District's strategic goals, operational reliability, and asset management priorities.

In some cases, the District may pursue grant funding opportunities or interagency partnerships to offset project costs and optimize resource utilization. The use of reserves is guided by the District's Reserve Policy, which establishes target levels to maintain liquidity, meet emergency needs, and fund planned capital investments responsibly.

Projects in Planning

The Planning & Resource Studies is managed as part of the Annual Operating Expenses, and therefore any unencumbered budget will return to the general reserves.

Engineering Reports & Studies: This category of funding is set aside annually for unplanned professional studies to be conducted during the course of the year; typical expenses in this category consist of special studies, partnership in research studies that provide value to member agencies, environmental studies to support feasibility studies, etc.

Grant Assistance: This category of funding is set aside annually for as needed professional assistance to identify funding opportunities applicable to Three Valleys and for support on applications that require substantial effort that cannot be completed by staff.

Required Studies: The Urban Water Management Plan and the Cybersecurity risk assessments are essential for the operation of Three Valleys and to meet regulatory requirements.

Treatment Studies: Evaluates current and emerging water treatment technologies, chemical use, and process optimization to enhance water quality and operational efficiency. These studies support regulatory compliance and prepare the District for future treatment challenges, including changing water quality standards.

GIS Strategic Plan: Updates and expands the District's Geographic Information System (GIS) to improve asset mapping, data management, and spatial analysis. The plan enhances coordination across departments, supports asset management, and improves field operations and emergency response capabilities.

Asset Management Plan (AMP): Develops and maintains a structured framework for assessing asset condition, lifecycle cost, and risk. The AMP enables proactive replacement and rehabilitation scheduling, ensuring efficient use of capital resources and sustained reliability of District infrastructure.

Projects in Planning

Planning and Resources	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Engineering Reports & Studies	\$175,000	\$150,000	\$150,000	\$150,000
Grant Assistance	\$75,000	\$100,000	\$100,000	\$100,000
Urban Water Management Plan	\$125,000			
Cybersecurity	\$50,000	\$50,000	\$50,000	\$50,000
Treatment Studies	\$200,000	\$75,000	\$75,000	\$75,000
GIS Strategic Plan	\$50,000			
Asset Management Plan	\$50,000	\$50,000		
Website		\$50,000		
Total	\$725,000	\$475,000	\$375,000	\$375,000

Capital Improvement Forecast

Three Valleys Municipal Water District's Capital Improvement Program (CIP) is divided into two primary categories: Capital Repair and Replacement and the Capital Investment Program. These categories encompass the District's planned projects for facility upgrades, infrastructure rehabilitation, and system enhancements that ensure the continued reliability and efficiency of water delivery. Over the next five years, the District anticipates investing approximately \$17.3 million in capital improvements.

Recent years have presented significant cost escalation challenges across the construction industry. The California Construction Cost Index (CCCI)—a key measure of construction inflation—remained relatively stable prior to the COVID-19 pandemic, averaging 3.1% between 2016 and 2020 and 1.8% between 2011 and 2015. However, following the pandemic, CCCI increases surged to 13.4% in 2021, 9.3% in 2022, and 9.4% in 2023, reflecting broad inflationary pressures, supply chain disruptions, and material shortages. Construction material costs have risen 20%–40% compared to pre-pandemic levels, particularly for steel, concrete, and electrical components.

While market conditions are expected to stabilize, prices are not anticipated to return to pre-2020 levels. Consequently, the increase in the District's five-year CIP cost projections is primarily attributed to these sustained construction market conditions and the growing need for asset rehabilitation and renewal. TVMWD continues to monitor cost trends closely and to phase project implementation to ensure responsible fiscal management while maintaining the integrity and reliability of its critical water infrastructure systems.

	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
Capital Repair & Replacement	\$2,900,000	\$2,900,00	\$1,000,000	\$1,850,000	\$2,750,000
Capital Investment Program	\$530,000	\$750,000	\$2,650,000	\$1,750,000	\$225,000
Total	\$3,430,00	\$3,650,000	\$3,650,000	\$3,600,000	\$2,975,000

Capital Rehab & Replacement

Projects	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Reservoir Cover Inspection & Repair				300,000	2,200,000
Office Lighting Efficiency Upgrades	1,600,000	1,900,000			
Miramar Treatment Plant R&R Improvements	100,000	100,000	100,000	100,000	100,000
Traveling Bridge		300,000			
Miramar Fencing Upgrades	100,000				
Parking Space Covers	150,000				
Well 2 VFD	200,000				
Manways Fulton to 5th and C	100,000	100,000	100,000	100,000	100,000
Manway Lid Replacements	50,000	50,000	50,000	50,000	50,000
Analyzer Enclosure	50,000				
Battery Power/ Solar Farm for EOC	50,000	50,000			
Wheeler Meter Cabinet Replacement	200,000				
Smart Ball Leak Detection					100,000
Res Outlet Valve Actuators		200,000			
Sludge Pond mixing upgrade		100,000		1,000,000	200,000
Filter drain valves			250,000		
Acid system feed pumps	100,000				
Soft water 4" feed line			300,000		
Hydroelectric facility improvements				200,000	
Main breaker replacement at remote site	100,000	100,000	200,000	100,000	
Driveway asphalt slurry reseal	100,000				
Total	2,900,000	2,900,000	1,000,000	1,850,000	2,750,000

Capital Improvement

Projects	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Security Systems	100,000	200,000	100,000	100,000	100,000
Vehicle	60,000		150,000		75,000
SCADA & Communication Systems	100,000	50,000	50,000	50,000	50,000
Replacement of EOC			650,000		
Miramar System Inspection	170,000		200,000	1,600,000	
Miramar Pumpback	100,000	500,000	1,500,000		
Total	530,000	750,000	2,650,000	1,750,000	225,000

Process for Identifying Funded Projects

Three Valleys Municipal Water District follows a structured, data-driven process to identify and fund capital projects. Each year, departments evaluate system needs based on asset condition assessments, operational performance, regulatory compliance, and long-term water reliability goals. Projects are then prioritized using criteria such as risk of failure, impact on service reliability, cost-effectiveness, safety, and alignment with the District's strategic priorities.

Once priorities are established, projects are reviewed collaboratively by the Engineering, Finance, and Operations divisions to ensure feasibility and proper sequencing. Funding availability is determined through the District's Enterprise Fund, which includes reserves designated for capital repair, replacement, and investment projects.

The five-year Capital Improvement Plan (CIP) is updated annually to reflect changing conditions, completed projects, and revised cost estimates. Only projects that have identified and secured funding—through pay-as-you-go revenues, reserves, grants, or external partnerships—are included in the adopted budget year. The result is a fiscally responsible, transparent process that ensures capital resources are directed toward the most critical infrastructure needs while maintaining financial stability and regulatory compliance.