

BUDGET BOOK

FISCAL YEAR

2026/2027



1021 E MIRAMAR AVE, CLAREMONT, CA 91711



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Budget Message

To the Board of Directors, Member Agencies, and Communities We Serve:

The Fiscal Year 2026/27 Adopted Budget provides the financial plan for Three Valleys Municipal Water District to fulfill its mission of supplementing and enhancing local water supplies to meet the region's needs in a reliable and cost-effective manner. The FY 2026/27 budget translates that mission into a financial plan that allocates resources to reliable water supply, critical infrastructure, financial resilience, and responsible stewardship of public funds. Together, these investments support the District's long-term ability to provide dependable wholesale water service while adapting to changing regional conditions.

As the region's wholesale water provider, the District supplements local water supplies through imported water, groundwater production, and regional water treatment. The District owns and operates critical infrastructure that delivers wholesale water to its member agencies and supports the reliability of water service provided to the residents, businesses, schools, and public institutions throughout the service area.

The FY 2026/27 budget continues the District's commitment to balancing operational excellence with long-term financial sustainability. It addresses changing regional water costs, evolving regional challenges, and future infrastructure needs while maintaining prudent financial management and preserving flexibility for future Board decisions.

What the Public Receives

Although the District generally bills member agencies rather than individual households, its work directly supports the water service received by residents, businesses, schools, and public institutions throughout the service area.

The FY 2026/27 budget supports:

- Reliable access to imported and local water supplies.
- Safe and reliable operation of regional treatment and groundwater facilities.
- Maintenance and renewal of critical regional water infrastructure.
- Emergency preparedness and coordination with regional water partners.
- Responsible financial planning that promotes reliable service and stable wholesale costs.

For a household using approximately one-half acre-foot of water annually, the increase in the District surcharge from \$32 to \$40 per acre-foot represents an estimated wholesale cost increase of about \$4 per year. The final amount appearing on a retail customer's bill is determined by the customer's local water provider and includes costs beyond the District's wholesale charges.

Budget Message

What the Budget Costs and Who Pays

The District is funded primarily through wholesale water charges, capacity-related charges, property tax revenue, standby assessments, investment earnings, and other operating revenues. Member agencies generally pay for services through water rates and fixed charges that reflect the costs allocated to them. Those agencies then determine how their own retail costs are recovered from customers.

The approximately \$93.3 million budget should not be interpreted as the cost of District administration alone. Most spending supports water purchases, regional pass-through charges, operating facilities, and capital investment.

Shifting Priorities

While the FY 2025/26 budget focused on strengthening the District's organizational and financial foundation, the FY 2026/27 budget emphasizes building upon those investments while responding to changing regional conditions.

During FY 2025/26, the District established a department-based chart of accounts, modernized financial systems and workflows, enhanced financial transparency, strengthened internal controls, and adopted a comprehensive Reserve Policy. These initiatives improved financial management, accountability, and decision-making across the organization.

Building on that foundation, the FY 2026/27 budget shifts its focus toward adapting to Metropolitan Water District's evolving cost recovery model, implementing new regional wholesale charges, maintaining progress toward Board-adopted reserve targets, investing in critical infrastructure, and continuing improvements to purchasing and financial management processes. Together, these priorities position the District to continue providing reliable, cost-effective wholesale water service while strengthening its long-term financial resilience.

Factors Influencing the FY 2026/27 Budget

The FY 2026/27 budget was developed in an environment of significant regional change. External factors influencing the District's financial plan include Metropolitan Water District's adopted budget and evolving cost recovery model, changing wholesale water costs, regional capital investment needs, inflationary pressures affecting construction and operations, and ongoing regulatory and environmental considerations. Together, these factors influence the District's operating costs, capital planning, and long-term financial strategy.

Budget Message

Community and Organizational Challenges

Changing Metropolitan Cost Recovery

For FY 2026/27, Metropolitan continued implementation of its revised business model, shifting a greater share of cost recovery from volumetric water sales to fixed charges and introducing new treatment capacity charges. Together with Metropolitan's annual updates to wholesale rates and other regional charges, these changes affect how costs are allocated among member agencies and influence the District's financial planning.

As a Metropolitan member agency, Three Valleys must adapt to these regional changes while continuing to recover costs fairly, maintain financial stability, and minimize wholesale rate impacts wherever practical. The FY 2026/27 budget incorporates Metropolitan's adopted rates and charges and positions the District to respond as Metropolitan continues refining its business model over the coming years.

Water Supply and Environmental Challenges

California's water system continues to face increasing uncertainty resulting from hydrologic variability, extreme weather, and emerging environmental threats. Periods of drought, intense precipitation, higher temperatures, and changing runoff patterns affect water supply planning throughout the state, while the recent discovery of invasive golden mussels presents a new long-term operational risk for water conveyance and treatment facilities.

Although these regional challenges cannot be resolved by the District alone, the FY 2026/27 budget supports continued operation of the Miramar Water Treatment Plant and District groundwater facilities, emergency preparedness, regional coordination, monitoring of emerging risks, and prudent operational and capital planning. These actions strengthen the District's resilience and preparedness while recognizing that environmental conditions and invasive species will require continued monitoring and adaptation over multiple budget cycles.

Infrastructure and Financial Resilience

The District must continue maintaining and reinvesting in critical regional infrastructure while preserving long-term financial stability. Aging assets, increasing construction costs, evolving regulatory requirements, and future capital replacement needs require careful planning to ensure reliable wholesale water service without creating unnecessary financial burden for member agencies.

The FY 2026/27 budget continues implementation of the District's long-term Reserve Policy while phasing certain capital projects to balance current affordability with future infrastructure needs. This measured approach strengthens the District's financial resilience, provides capacity to respond to emergencies and unforeseen events, and supports sustainable investment in the facilities required to meet the region's future water needs.

Budget Message

How the Budget Responds

The FY 2026/27 budget is designed to address the District's most significant financial, operational, and infrastructure challenges while remaining consistent with its mission of providing reliable and cost-effective wholesale water service. Some challenges, such as Metropolitan's changing cost recovery model and statewide environmental conditions, are largely outside the District's direct control. The budget therefore emphasizes financial resilience, operational preparedness, prudent investment, and transparent communication rather than attempting to eliminate risks that cannot be controlled.

Challenge	FY 2026/27 Response	Expected Result
Changing Metropolitan Cost Recovery	Incorporate Metropolitan's adopted rates, fixed charges, and revised cost recovery structure into the District's financial plan while continuing to evaluate the alignment of wholesale revenues with costs.	Accurate cost recovery, financial stability, and equitable allocation of regional costs.
Water Supply and Environmental Challenges	Maintain reliable operation of treatment and groundwater facilities, support emergency preparedness, coordinate with regional agencies, monitor emerging risks such as the golden mussel, and continue prudent operational and capital planning.	Improved operational resilience and preparedness while maintaining reliable service despite changing regional conditions.
Infrastructure and Financial Resilience	Continue implementation of the Reserve Policy, phase selected capital projects to balance current affordability with long-term infrastructure needs, and maintain sustainable funding for future capital investment.	Stronger financial resilience, continued progress toward reserve targets, and reliable long-term infrastructure investment.

Budget Message

How Progress Will Be Measured

The District will monitor progress throughout FY 2026/27 using financial, operational, and organizational performance measures. Some initiatives are expected to produce measurable results during the fiscal year, while others, including reserve growth and long-term capital planning, will be evaluated over multiple budget cycles.

Measure	Desired Outcome
Budget Performance	Actual revenues and expenditures remain substantially consistent with the adopted budget, with significant variances identified and explained.
Financial Resilience	Reserve balances continue progressing toward Board-adopted minimum and target levels while maintaining financial flexibility.
Capital Program Delivery	Capital projects progress consistent with approved schedules, budgets, and Board direction.
Operational Reliability	Continued reliable operation of imported water, treatment, groundwater, and transmission facilities with minimal service disruptions.
Regional Readiness	Continued coordination with Metropolitan and regional partners, emergency preparedness activities, and ongoing monitoring of emerging operational risks, including invasive species.
Organizational Accountability	Regular budget monitoring with department managers, timely budget amendments when necessary, and continued use of departmental budgeting and financial reporting tools.

Budget Message

Long-Term Fiscal Outlook

The FY 2026/27 budget represents one year within the District's long-term financial strategy to provide reliable wholesale water service while maintaining responsible stewardship of public resources. Although the budget addresses current operating and capital needs, many of the factors influencing the District's financial position will continue to evolve over multiple budget cycles.

Looking ahead, the District expects continued changes in Metropolitan Water District's business model and wholesale cost recovery structure, along with ongoing uncertainty associated with construction cost inflation, regulatory requirements, hydrologic conditions, and other regional factors that influence the cost of providing water service. These conditions require continuous evaluation of financial assumptions and long-term funding strategies.

The budget continues implementation of the District's Reserve Policy while funding critical operating and capital investments. Although certain capital projects have been phased to balance current financial priorities, the District remains committed to maintaining and reinvesting in the infrastructure necessary to provide reliable regional water service. Progress toward Board-adopted reserve targets is expected to continue over multiple years as financial conditions allow.

The District will continue updating its long-term financial forecasts, capital improvement planning, and funding strategies as new information becomes available. This disciplined approach provides the flexibility to respond to changing conditions while maintaining financial resilience, supporting reliable wholesale water service, and responsibly investing in the infrastructure and financial capacity needed to serve the region for future generations.

Respectfully submitted,



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



Executive Leadership



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



Chief Administrative Officer
Kirk Howie



Chief Finance Officer
Erika Gomez, CPA



Chief Water Resources Officer
Sylvie Lee, P.E.



Chief Operations Officer
Stephen Lang



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Three Valleys Municipal Water District
California**

For the Fiscal Year Beginning

July 01, 2025

Christopher P. Morill

Executive Director

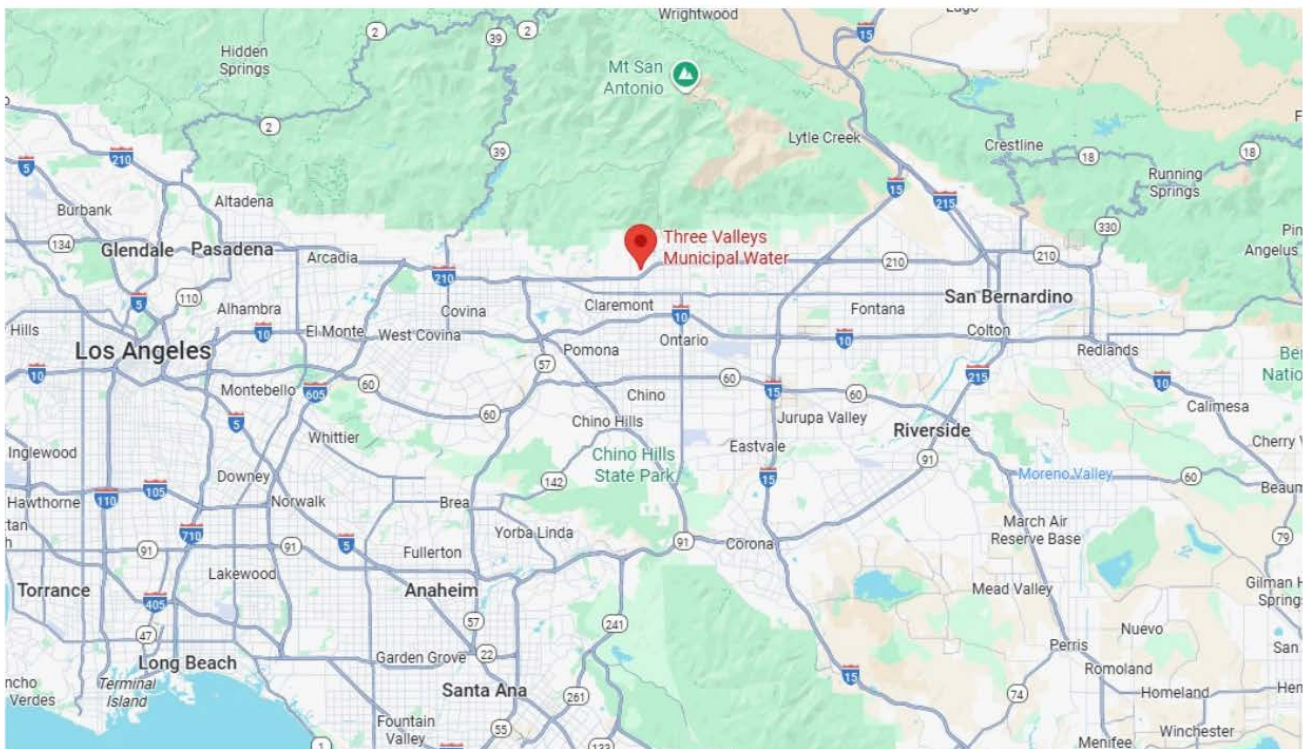


District Profile

City of Claremont

Agency Profile

Nestled at the base of the San Gabriel Mountains, the City of Claremont and Three Valleys Municipal Water District (TVMWD) 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.



City of Claremont

Claremont is located in eastern Los Angeles County at the base of the San Gabriel Mountains. The City covers approximately 13.34 square miles and operates under a Council-Manager form of government. Claremont was founded in April 1887 and incorporated on October 3, 1907. The City's location, institutional presence, and established residential neighborhoods contribute to its role as a significant community within TVMWD's service area.

Claremont's demographic and economic profile reflects a mature, highly educated community with strong household income levels and established residential development. These characteristics influence long-term water demand, infrastructure planning, conservation programming, and public engagement needs. As part of TVMWD's broader regional service area, Claremont's community profile supports the District's continued focus on reliable water supply, fiscal responsibility, capital planning, and transparent communication with stakeholders.

Indicator	Claremont Statistic
Population	35,838
Median Household Income	\$125,647
Households	11,950
Bachelor's Degree or Higher	59.9%
High School Graduate or Higher	94.30%
Persons age 65+	19.70%

Sources:

U.S. Census Bureau, QuickFacts: Claremont city, California, accessed 2026.

City of Claremont, Facts and Figures, accessed 2026.

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 of Southern California (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 gravity, 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.



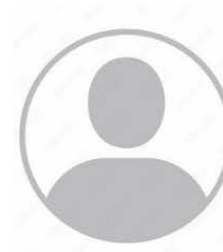
Board of Directors



Carlos Goyita
Division 1



David De Jesus
Division 2



Vacant
Division 3



Bob Kuhn
Division 4



Jody Roberto
Division 5

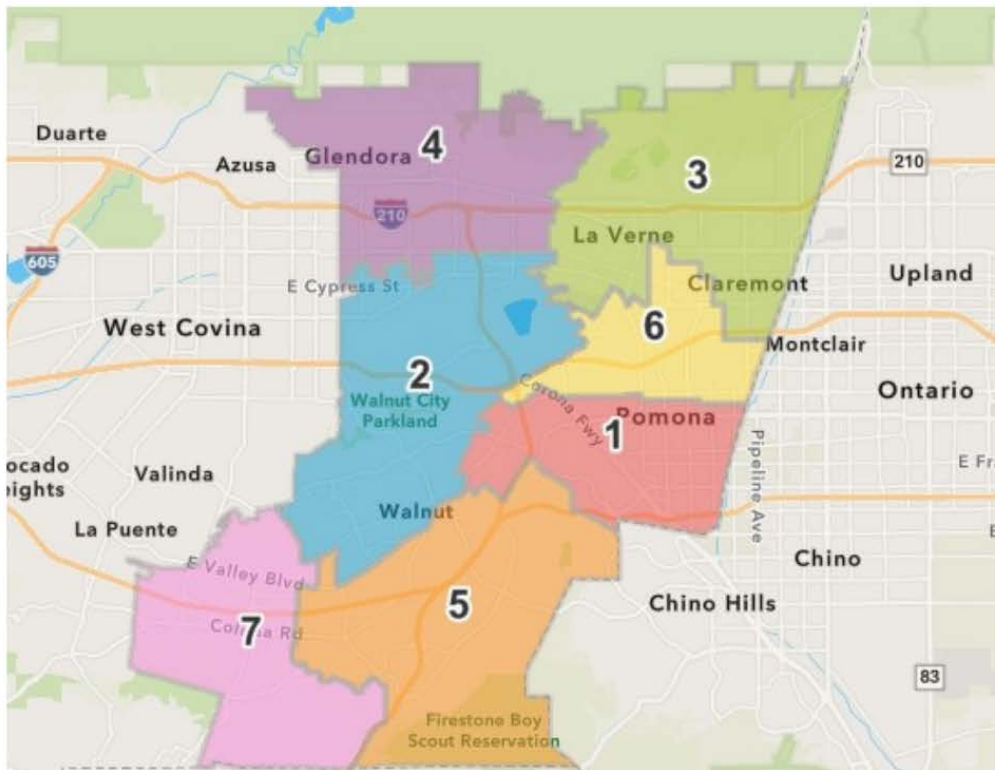


Jorge Marquez
Division 6



Mike Ti
Division 7

Service Area



District Profile



Established in
1950



District Service Area:
133 Square Miles



Wholesale water
service to 13 member
agencies

Our Facilities



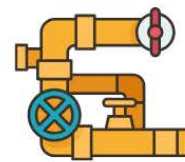
4 Active
Groundwater Wells



5 Hydroelectric Power
Generators



Treatment Plant
26 TAFY
thousand acre-feet per year



10 Miles of Pipeline

Our Customers



CORE VALUES

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 an adequate, reliable and high-quality water supply



Provide water supply 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 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

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 and 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 services 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.

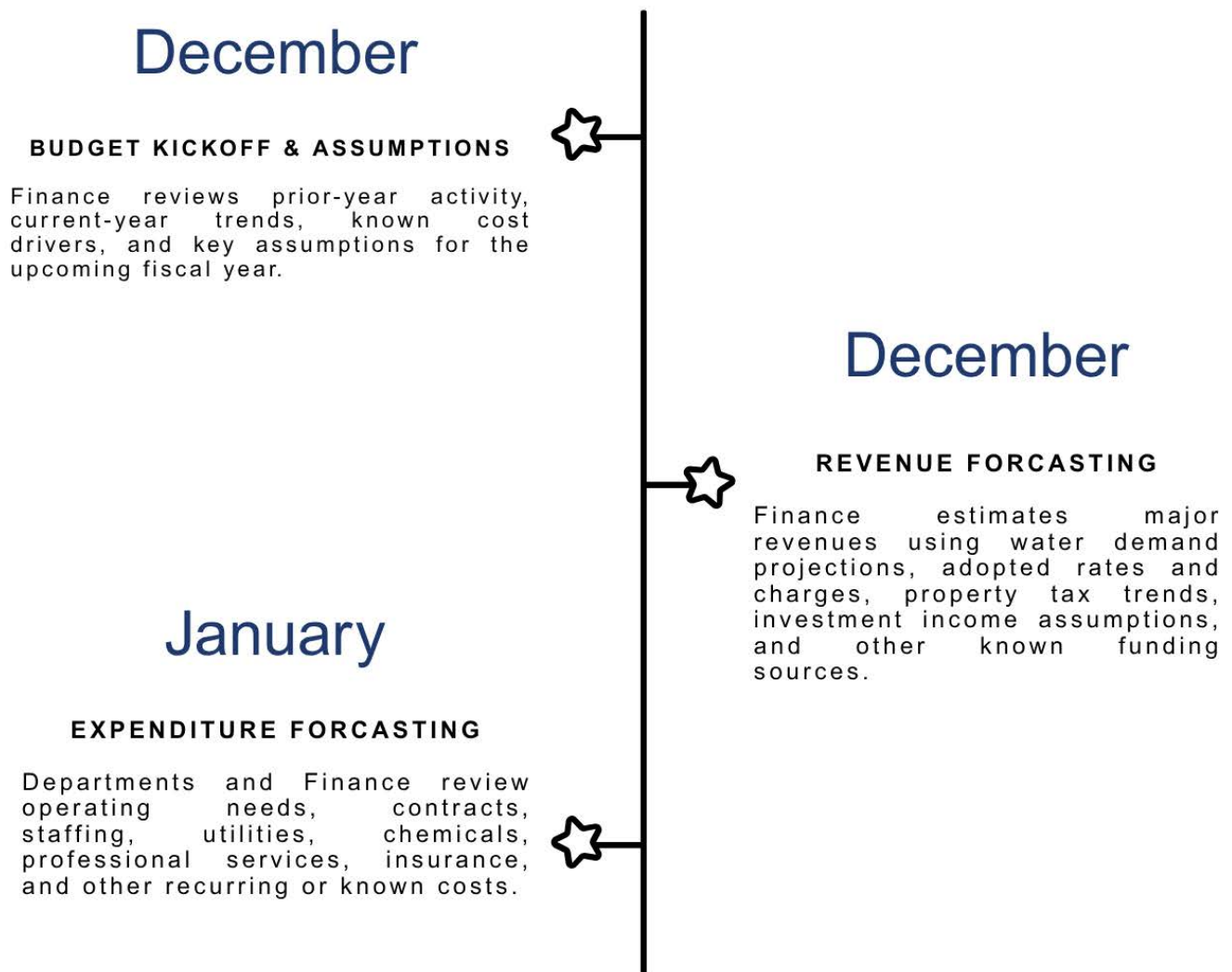
Strategic Plan

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.

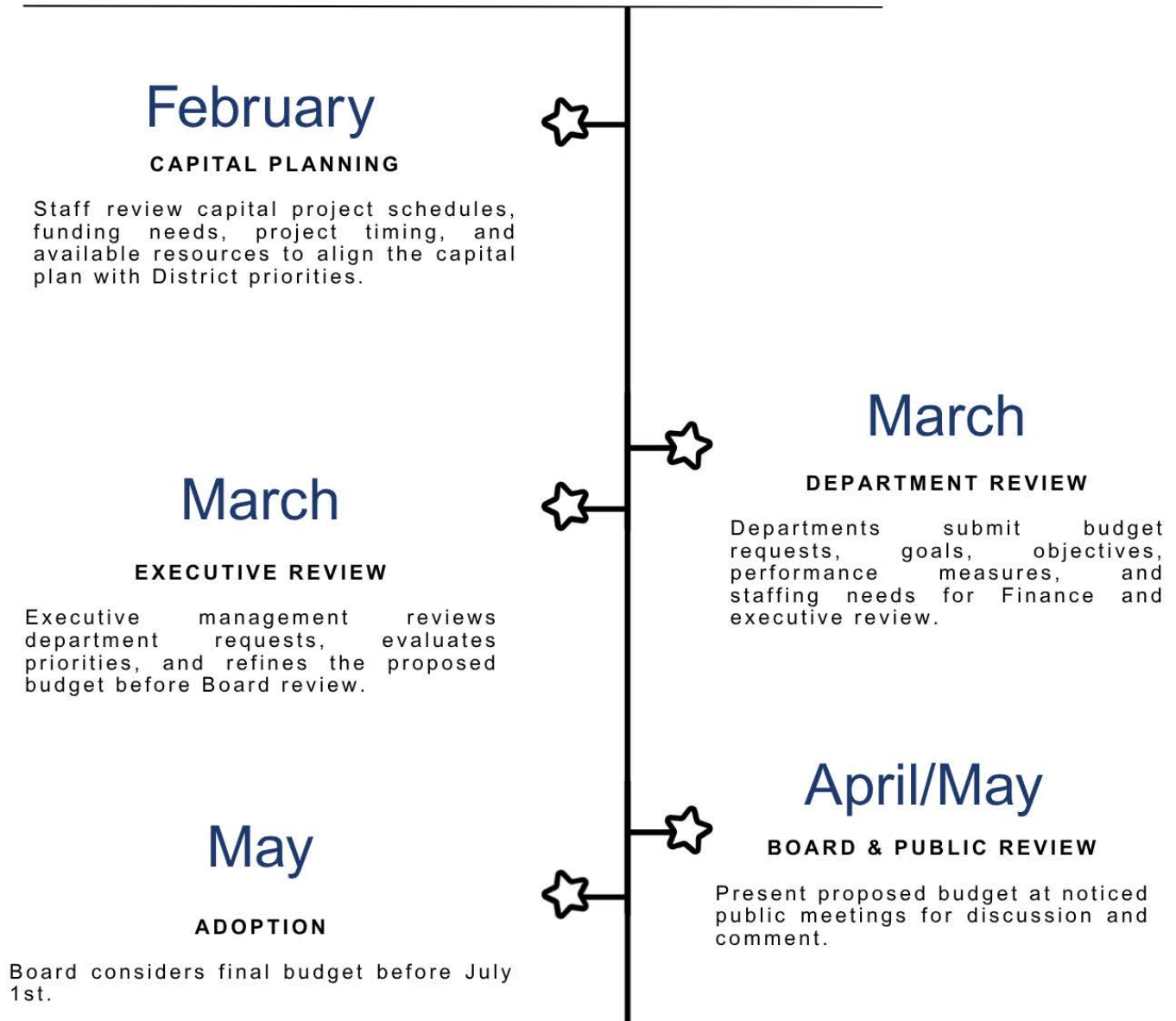
Budget Process

The District's annual budget process is designed to align available resources with Board priorities, operational needs, capital planning, and the District's Strategic Plan. The process includes internal department review, executive management review, Finance and/or Board discussion, public meeting opportunities, and final Board adoption prior to the start of the fiscal year.

Because the District's budget is reviewed during noticed public meetings, the public has the opportunity to attend, provide comments, and follow the development of the budget before final adoption. Public input received during the budget process may be considered by staff and the Board as budget priorities, service levels, capital needs, and policy decisions are evaluated.



Budget Process



The budget process combines financial forecasting, department planning, capital needs, and Board priorities to develop a balanced spending plan for the fiscal year. Revenue and expenditure estimates are refined throughout the process as updated information becomes available.

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 provides operational flexibility to address routine or unforeseen needs while maintaining overall budgetary integrity.

For capital projects, the General Manager may approve budget transfers of up to \$220,000, providing flexibility to address project-related funding needs within the authority established by the District.

Transfers or budget amendments that exceed the applicable General Manager authority, or 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 significant financial decisions remain transparent, publicly accountable, and consistent with the District's adopted financial policies.

Financial Policies

Three Valleys Municipal Water District's 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 2026/27 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	Reserve funding equal to 10% of water sales revenue shortfalls measured over a two-year period.	Reserve funding equal to 10% of water sales revenue shortfalls measured over a three-year period.	N/A	The Board may authorize use of the reserve to offset a proposed rate increase. Transfers to the reserve require Board approval and are funded from District revenues or available 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. 26-06-1028 was adopted on June 17, 2026, following the annual review of the District's Investment Policy. The recommended updates align the policy with recent changes to the California Government Code and current best practices for public agency investments. Key revisions include updates to commercial paper and medium-term note issuer concentration limits, extension of the maximum maturity for commercial paper from 270 days to 397 days, continued authorization for commercial paper investments up to 40% of the total portfolio through 2031, continued authorization for certain U.S. Treasury securities with zero- or negative-interest-rate accruals through 2031, and removal of an outdated commercial paper restriction that is no longer required under the Government Code.

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

Procurement

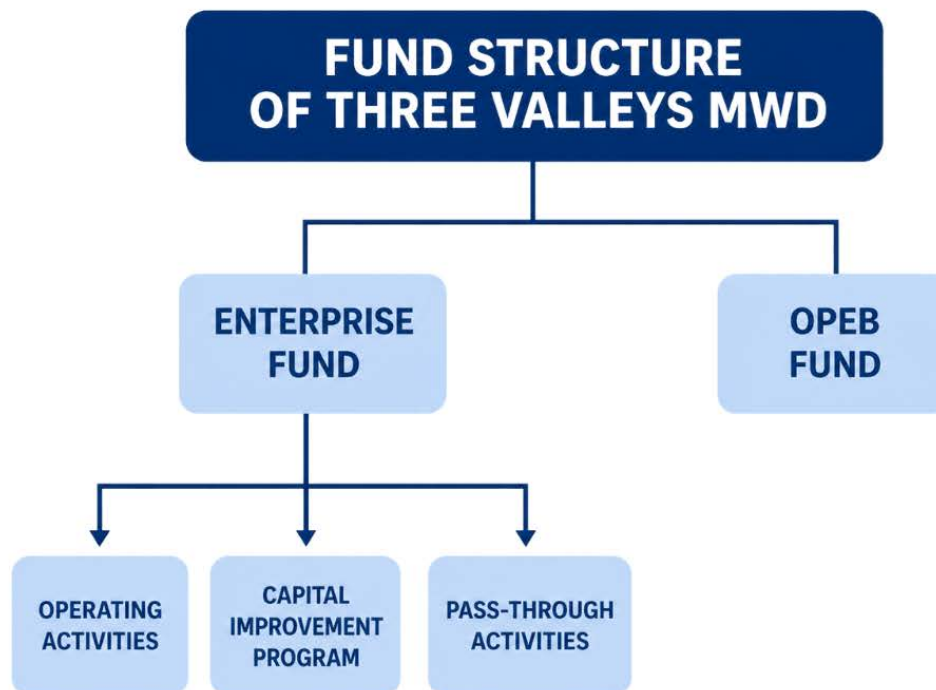
Three Valleys MWD has opted into the California Uniform Public Construction Cost Accounting Act (CUPCCAA), established under Public Contract Code Sections 22000–22045. The Act provides a standardized framework for public construction contracting that enhances efficiency, promotes fairness, and ensures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



Three Valleys Municipal Water District operates using two distinct fund components: the Enterprise Fund and the Other Post-Employment Benefits (OPEB) Fund. The Enterprise Fund accounts for the District's core water-related financial activities and is organized into three primary areas: Operating Activities, the Capital Improvement Program, and Pass-Through Activities. The OPEB Fund is maintained separately to account for resources associated with the District's post-employment benefit obligations.

Within the Enterprise Fund, operating activities support the District's day-to-day services and maintenance needs, the Capital Improvement Program supports the planning and construction of long-term infrastructure investments, and pass-through programs account for revenues and expenditures collected or paid on behalf of member agencies.

Separating the OPEB Fund from the Enterprise Fund improves transparency by clearly distinguishing resources reserved for post-employment benefits from those used to support water operations and capital activities. This fund structure strengthens financial reporting, supports effective oversight, and maintains compliance with Generally Accepted Accounting Principles (GAAP) and applicable Governmental Accounting Standards Board (GASB) requirements.

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.
Pass-Through Activities	Accounts for revenues collected from member agencies and corresponding expenditures paid by the District for costs that are passed through to member agencies.	MWD readiness-to-serve and capacity-related charges, treatment and system capacity charges, and other regional or agency-specific costs passed through to member agencies.

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.



Net Position

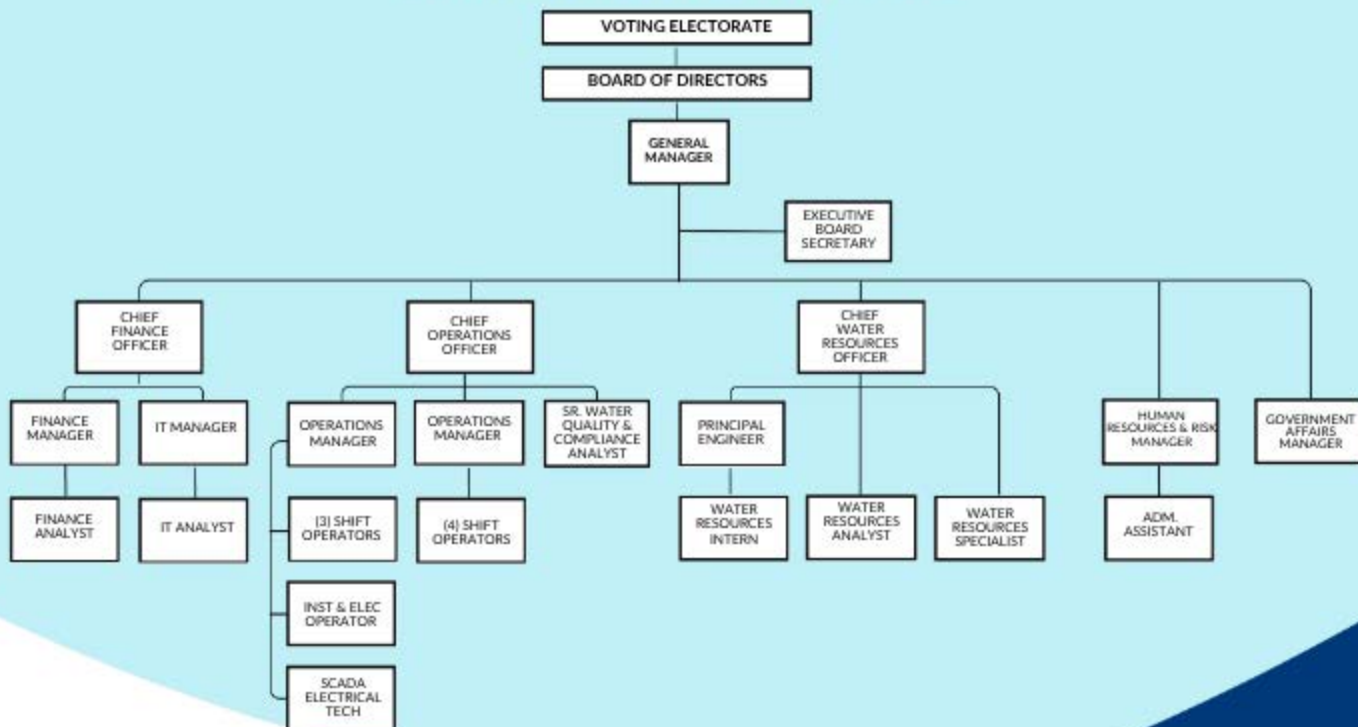
Three Valleys Municipal Water District accounts for its activities through an Enterprise Fund and an OPEB Fund. The Enterprise Fund includes Operations, the Capital Improvement Program, and Pass-Through Activities. The OPEB Fund accounts for amounts associated with other post-employment benefits.

Net position represents the difference between the District's assets and deferred outflows of resources and its liabilities and deferred inflows of resources. Net position includes amounts invested in capital assets, restricted for specific purposes, and available for general operating and capital needs. Accordingly, total net position should not be interpreted as cash or reserves available for immediate expenditure

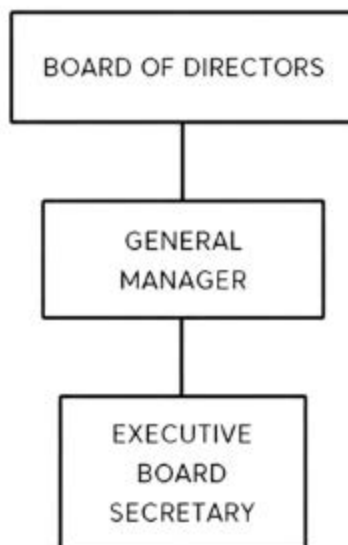
Description	FY 2024/25 Actual	FY 2025/26 Projected	FY 2026/27 Budget
Beginning Net Position	\$44,591,514	\$45,478,139	\$47,968,971
Revenues	\$80,321,616	\$94,775,520	\$95,021,969
Expenditures	(\$79,434,991)	(\$92,284,688)	(\$93,311,783)
Estimated Change in Net Position	\$886,625	\$2,490,832	\$1,710,186
Ending Net Position	\$45,478,139	\$47,968,971	\$49,679,157

Note: FY 2024/25 actual amounts are based on the District's audited financial statements. FY 2025/26 and FY 2026/27 amounts are projected on the District's budgetary basis and may differ from future audited results due to depreciation, pension and OPEB adjustments, capital asset activity, and other year-end accounting entries. The OPEB Fund is not considered a significant fund for purposes of this presentation. Its activity is included in the District-wide amounts shown below.

ORGANIZATION STRUCTURE



Department Structure: Office of the General Manager



The General Manager's Department provides executive leadership and administrative oversight for the District. The department is responsible for implementing Board direction, supporting District-wide policy development, coordinating organizational priorities, improving administrative systems, and ensuring that District operations align with the Strategic Plan.

The department also supports governance, records management, public transparency, policy administration, and cross-department coordination. Through these responsibilities, the General Manager's Department helps strengthen accountability, operational efficiency, data quality, and organizational effectiveness.

FY 2025-26 Accomplishments

Strategic Plan Objective	Department Goal	FY 2025/26 Accomplishments
2.2 Accountability	Establish a comprehensive matrix of all current agency policies and manuals by fiscal year-end 2026. Identify and update a minimum of three administrative policies annually to ensure clarity, relevance, and alignment with current practices.	Established a matrix of District policies and manuals. Identified and updated a minimum of three administrative policies during the fiscal year.
2.2 Accountability	Establish a search mechanism for file retrieval and provide staff training on search functions.	Scanned 92 boxes of historical and permanent records. Began making files accessible to staff to improve file retrieval, institutional knowledge, and administrative efficiency.

During FY 2025/26, the Office of the General Manager advanced key administrative initiatives that support accountability, transparency, and organizational efficiency. Major accomplishments included improving the District's policy tracking framework and beginning the transition of historical and permanent records electronically. These efforts strengthen institutional knowledge, improve file retrieval, and support more consistent administrative practices across the District.



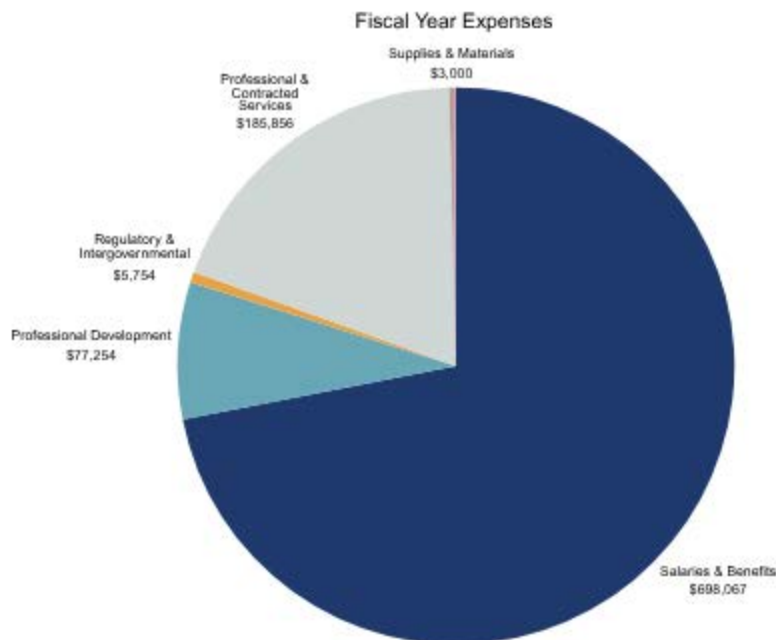
FY 2026-27 Goals

Department Goal	Strategic Plan Objective	FY 2026/27 Objective
Improve operational efficiency through consistent review and maintenance of District policies and procedures.	1.4 Operational Efficiency	Maintain a matrix of policies and procedures.
Improve public access to District information and records.	3.5 Data Quality	Establish a search mechanism for file retrieval and provide staff training on search functions.
Strengthen records management and file retrieval capabilities.	3.5 Data Quality	Improve records management and file retrieval capabilities.

The primary services and responsibilities of the General Manager's Department include:

- Implementing policy direction established by the Board of Directors.
- Providing executive leadership and District-wide coordination.
- Maintaining and updating administrative policies and procedures.
- Supporting records management, document retention, and file retrieval processes.
- Improving public access to District information and records.
- Coordinating compliance with public records, accessibility, and transparency requirements.
- Supporting staff training related to administrative systems and records access.

FY 2026/27 Department Budget Highlights



The largest portion of the Office of the General Manager's FY 2026/27 budget is allocated to Salaries and Benefits, totaling \$698,067. These costs support employee compensation and benefits associated with the department's executive leadership, administrative, policy, records management, compliance, and governance functions.

Professional and Contracted Services total \$185,856 and include legal services, other professional services, document scanning and records imaging, facility and meeting space rental, and transportation services. These expenditures provide specialized expertise and operational support for the department.

Professional Development totals \$77,254 and includes membership dues and fees, workshops, seminars, travel, and certifications that support professional growth, industry participation, and leadership development. The budget also includes Regulatory and Intergovernmental expenses of \$5,754, Supplies and Materials of \$3,000, and Repairs and Maintenance of \$866 for software subscriptions and other routine administrative needs.

Department Personnel

Position	FY 2025/26	FY 2026/27
General Manager	1	1
Executive Board Secretary	1	1
Total FTE	2	2

For FY 2026/27, the General Manager's Department is presented as a separate department to reflect its executive leadership, Board support, policy administration, records management, and District-wide coordination responsibilities. This structure provides a clear connection between Board direction, organizational priorities, and the administrative functions that support District operations.

The General Manager's Department is staffed by the General Manager and Executive Board Secretary. The General Manager reports to the Board of Directors and is responsible for implementing Board direction, overseeing District programs and operations, and advancing the District's strategic priorities. The Executive Board Secretary provides administrative, governance, records, and coordination support to assist with Board-related activities, public records, policy administration, and executive office functions.

Department Structure: Human Resources



The Human Resources Department is responsible for supporting the District's workforce through recruitment, employee relations, benefits administration, classification and compensation support, training coordination, policy administration, workplace safety support, and compliance with applicable employment laws and regulations. The department helps ensure that the District attracts, develops, and retains qualified staff while maintaining a professional, compliant, and supportive work environment.

For FY 2026/27, the Human Resources function is presented under the General Manager and includes the Human Resources Manager and Administrative Assistant. This structure supports centralized oversight of Human Resources administration, employee support services, organizational policies, and workforce-related programs.

Through this structure, the Human Resources Department supports the District's Strategic Plan objectives related to workforce excellence, organizational culture, operational integrity, and administrative efficiency. The department plays a key role in maintaining effective Human Resources practices, supporting employee development, strengthening workplace compliance, and helping the organization prepare for current and future staffing needs.

FY 2025-26 Accomplishments

Strategic Plan Objective	Department Goal	FY 2025/26 Accomplishments
3.2 Workforce Excellence	Identify skill sets needed to meet future talent demands and develop a succession plan for the Instrumentation & Electrical Operator position, including cybersecurity and SCADA competencies.	Completed workforce planning efforts for the Instrumentation & Electrical Operator position by identifying key technical competencies needed to support SCADA, cybersecurity, electrical, and operational technology functions. As a result of this review, the District created a new SCADA Electrical Technician position to strengthen succession planning, support technical continuity, and prepare for future staffing and infrastructure needs.
3.2 Workforce Excellence	Complete a comprehensive review of the District's Other Post-Employment Benefits (OPEB) program in coordination with Finance and the external actuarial firm.	Collaborated with Finance and the District's actuarial consultant to review the OPEB program and evaluate sustainable retiree medical benefit options. Finance and Human Resources presented alternatives to the Board for consideration, including options to increase contributions toward the District's fully funded OPEB position and support long-term benefit sustainability.
3.4 Operational Integrity	Achieve and maintain a workplace safety record of low lost-time injuries through safety training, hazard assessments, and required safety protocols.	Supported District-wide safety efforts through monthly safety trainings, quarterly hazard assessments, and staff participation in required safety protocols. The District also created a Safety Committee and implemented an incident reporting mechanism to improve safety communication, strengthen hazard identification, and support timely follow-up on workplace safety concerns.

During FY 2025/26, the Human Resources Department supported workforce planning, employee benefits review, and workplace safety initiatives. These accomplishments strengthened succession planning, supported long-term benefit sustainability, and reinforced the District's commitment to employee safety and operational integrity.

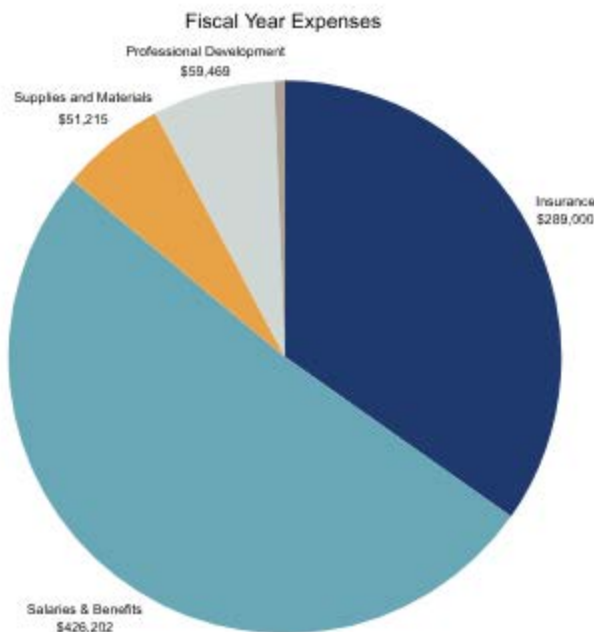
FY 2026-27 Goals

Department Goal	Strategic Plan Objective	FY 2026/27 Objective
Strengthen recruitment and retention through competitive compensation, benefits, and workplace culture.	3.1 Diversity	Support workforce recruitment and retention by maintaining competitive compensation, benefits, and a positive workplace culture.
Support succession planning and workforce development.	3.2 Workforce Excellence	Develop, implement, and maintain structured succession and workforce development plans aligned with operational continuity and future organizational needs.
Improve asset, risk, and workforce-related data coordination.	3.5 Data Quality	Conduct annual integrated asset and risk management reviews to support planning, insurance, reserves, and operational decision-making.

Primary services and responsibilities include:

- Recruitment, onboarding, and support for employee retention.
- Administration of employee benefits, compensation, and classification programs.
- Coordination of workplace safety initiatives, trainings, and incident reporting.
- Support for succession planning, workforce development, and employee training.
- Maintenance of personnel policies, procedures, and compliance-related records.
- Coordination with departments to identify staffing needs, skill gaps, and development opportunities.
- Support for organizational culture, employee engagement, and workplace practices.

FY 2026/27 Department Budget Highlights



The FY 2026/27 Human Resources Department budget totals \$831,036 and supports employee benefits administration, recruitment, workplace safety, risk management, staff development, employee recognition, and day-to-day human resources operations.

The largest expenditure category is Salaries and Benefits totaling \$426,202, which funds employee compensation, retirement contributions, health benefits, and other Human Resources costs that support District operations. Insurance totals \$289,000 and includes liability, property and vehicle, workers' compensation, and cyber liability coverage through JPIA, protecting District assets, managing organizational risk, and promoting employee safety. The budget also includes Professional Development totaling \$59,469 for employee certifications, memberships, conferences, seminars, travel, and continuing education, while Supplies and Materials totaling \$51,215 support office operations, employee recognition, and postage. Professional and Contracted Services of \$5,150 provide specialized consulting and professional support.

Overall, the Human Resources budget supports the recruitment, development, and retention of a qualified workforce while ensuring efficient Human Resources administration and organizational support aligned with the District's strategic objectives.

Department Personnel

Position	FY 2025/26	FY 2026/27
Human Resources Manager	1	1
Administrative Assistant	0	1
Total FTE	1	2

For FY 2026/27, the Human Resources Department is budgeted at 2.0 full-time equivalent (FTE) positions, an increase of 1.0 FTE from FY 2025/26. The department includes the Human Resources Manager and a Administrative Assistant position.

The addition of the Administrative Assistant position provides centralized administrative support across the District, including front desk and customer service, Board support, office coordination, and assistance to multiple departments. The position helps ensure daily operations remain organized, responsive, and professional while providing additional capacity to support District-wide administrative needs and enhance overall operational efficiency.

Overall, the FY 2026/27 staffing plan reflects the District's continued investment in human resources capacity and administrative support to meet current and future workforce needs.

Department Structure: Government Affairs

Government
Affairs
Manager

The Government Affairs Department provides executive leadership: governance support, legislative advocacy, regional coordination, public engagement, and strategic direction for the District. The department supports the Board of Directors, coordinates with member agencies and regional partners, and helps ensure that District priorities are aligned with long-term water reliability, fiscal responsibility, stakeholder communication, and organizational effectiveness.

Government Affairs Manager plays a key role in representing the District's interests at the local, regional, state, and federal levels. Through legislative engagement, public education, water awareness activities, and participation in regional planning efforts, the department supports the District's mission and advocates for the needs of its service area.

FY 2025-26 Accomplishments

Strategic Plan Objective	Department Goal	FY 2025/26 Accomplishments
1.5 Advocacy	Advocate for involvement and awareness of water resources management through effective use of regional program funding, member agency coordination, MACC meetings, and water awareness tours/briefings.	Allocated MWD/MAAP program funding in support of strategic objectives; held monthly member agency manager meetings and/or provided timely informational updates to promote transparency and coordination; conducted tri-annual MACC meetings; and supported community water awareness through water tours and briefings, with a goal of providing 5–10 per year.
2.4 Legislation	Prepare and submit letters to legislators, coordinate with coalition partners, support bill progress, work with authors or sponsors on amendments, and provide testimony as required.	Supported legislative advocacy efforts related to AB 259/Brown Act and SB 72/California Water Plan; attended committee hearings remotely; and provided regular updates to the Board and support coalitions.
2.4 Legislation	Conduct TVMWD "Water 101" tours and briefings for local legislators and staff, meet with each legislator at least once annually, and participate in legislative and association events.	Participated in annual Lobby Day in Sacramento; conducted tours and district briefings; and attended or networked at special events throughout the year to maintain relationships with legislative offices and regional partners.
2.5 Operational Strategies	Support emergency preparedness through annual Great California ShakeOut participation, emergency response training, and quarterly PWAG participation.	Completed one live "surprise" emergency response training; continued participation in PWAG programs; and planned for and participated in the Great California ShakeOut Drill.



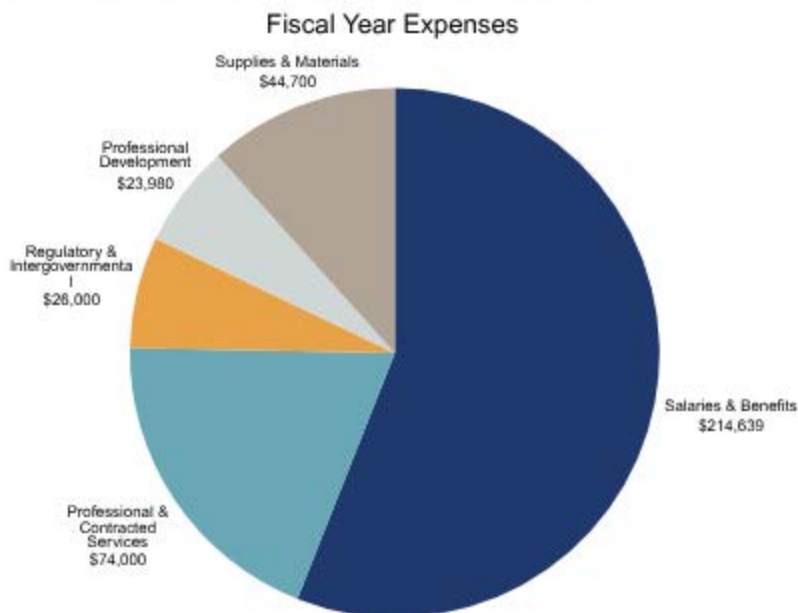
FY 2026-27 Goals

Department Goal	Strategic Plan Objective	FY 2026/27 Objective
Strengthen public understanding of District services.	2.3 Public Engagement	Conduct public education tours and legislative briefings annually.
Advocate for District interests.	2.4 Legislation	Participate in state and federal legislative advocacy efforts.
Maintain relationships with legislative offices.	2.4 Legislation	Maintain relationships with legislative offices.

Key FY 2026/27 priorities supported by this budget include:

- Conducting public education tours and legislative briefings.
- Participating in state and federal legislative advocacy efforts.
- Monitoring legislation and submitting advocacy letters as needed.
- Maintaining relationships with legislative offices.
- Participating in legislative symposiums, conferences, and regional engagement opportunities.
- Continuing active engagement with member agencies and partner organizations.

FY 2026/27 Department Budget Highlights



The FY 2026/27 Government Affairs Department budget totals \$383,219 and supports legislative advocacy, public engagement, regional coordination, intergovernmental relations, and District communications.

The largest expenditure category is Salaries and Benefits totaling \$214,639, which funds employee compensation, retirement contributions, health benefits, and other personnel costs that support the District's government affairs and public outreach functions. Professional and Contracted Services total \$74,000 and provide specialized consulting, communication services, stakeholder engagement, and strategic outreach initiatives. Supplies and Materials totaling \$44,700 support public outreach activities, including promotional materials, educational resources, and community engagement efforts. The budget also includes Regulatory and Intergovernmental expenses totaling \$26,000 for LAFCO fees and other regional coordination activities, along with Professional Development totaling \$23,980 for memberships, conferences, workshops, travel, and training to support legislative advocacy and professional engagement.

Overall, the Government Affairs budget supports effective communication, legislative representation, regional collaboration, and community engagement while advancing the District's strategic priorities and strengthening relationships with customers, partner agencies, and elected officials.

Department Personnel

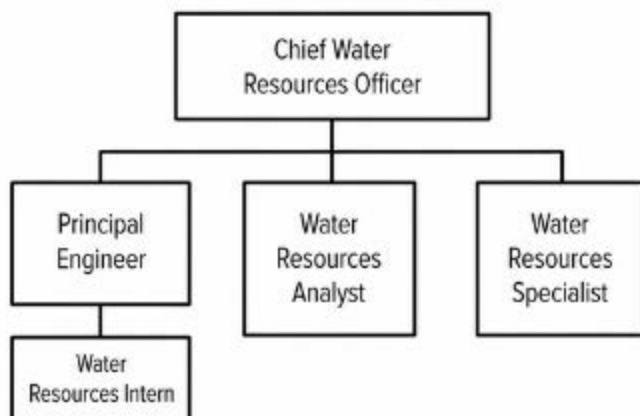
Position	FY 2025/26	FY 2026/27
Chief Administrative Officer	1	0
Admin & Communications Assistant	1	0
IT Manager	1	0
IT Analyst	1	0
Government Affairs Manager	N/A	1
Total FTE	4	1

*FY 2026/27 reflects the reorganization of the former Administration Department into separate functional areas. Legislative advocacy, public engagement, and stakeholder coordination are now presented under Legislative / Government Affairs. Other positions formerly shown under Administration are presented within their respective functional departments.

For FY 2026/27, the District has updated the former Administration Department structure to better align staffing with current program responsibilities and strategic priorities. Functions previously included under Administration have been reorganized, with legislative advocacy, public engagement, stakeholder coordination, and regional partnership activities now presented under the Government Affairs department.

The Government Affairs department is staffed by the Government Affairs Manager and reports through the General Manager. This structure provides focused support for the District's legislative priorities, public outreach efforts, regional coordination, and strategic engagement with local, state, and federal partners.

Department Structure: Engineering & Water Resources



The Engineering & Water Resources Department is responsible for long-term water resource planning, infrastructure planning support, water use efficiency, conservation program coordination, regional water supply initiatives, grant funding opportunities, and the design, construction, and implementation of capital projects. The department helps ensure the District is positioned to meet future water demands, maintain reliable infrastructure, and advance regional partnerships that support long-term water supply reliability.

The department is led by the Chief Water Resources Officer, who reports to the General Manager and oversees planning, engineering, water resources, and conservation-related activities. The department includes the Principal Engineer, Water Resources Analyst, Water Resources Specialist, and Water Resources Intern. Together, these positions support capital improvement planning, property acquisition efforts, GIS implementation, regional water use efficiency programs, grant funding research, and coordination with member agencies and regional partners. Through planning, analysis, project coordination, and regional engagement, the department supports the District's ability to make informed decisions, pursue cost-effective projects, and maintain reliable service for its member agencies and service area.

FY 2025-26 Accomplishments

Strategic Plan Objective	Department Goal	FY 2025/26 Accomplishments
1.3 Infrastructure Reliability	Actively pursue land acquisition opportunities for future infrastructure reliability needs.	Progress was made toward the acquisition of the Padua property for future infrastructure needs, supporting the District's long-term infrastructure reliability and future project planning efforts.
1.3 Infrastructure Reliability	Participate in regional efforts to advocate for infrastructure projects that provide benefits to the Three Valleys service area.	Actively participated in the development of Metropolitan Water District's Climate Adaptation Plan and business model; participated in the Los Angeles Integrated Regional Water Management planning process; and continued work toward completion of the multijurisdictional Hazard Mitigation Plan by fiscal year-end 2026.
1.3 Infrastructure Reliability	Encumber a minimum of 85% of the Capital Investment Program each fiscal year.	Continued delivery and budget monitoring of capital improvement projects, with progress measured by the percentage of the annual capital investment program encumbered during the fiscal year.
1.3 Infrastructure Reliability	Implement GIS with infrastructure locations and workflows to evaluate and maintain the system by fiscal year-end 2026.	Advanced GIS implementation efforts, including development of the framework for building the system from the ground up.
1.4 Operational Efficiency	Modernize office spaces, replace aging facilities, streamline purchase order procedures, and create a matrix of operational policies and procedures.	Completed several office and facility modernization improvements, including office space updates, installation of a new roof, and replacement of parking lot covers. Ongoing modernization efforts continue to support improved administrative functionality, facility reliability, and operational efficiency.
2.5 Operational Strategies	Improve treatment and operational workflows through SCADA upgrades, KPI development, system review, and maintenance book digitization.	Supported operational efficiency efforts, including review of call-out response time, development of a Backwash and Filter Efficiency KPI framework, evaluation of solids, chemical, and hydro operations, and workflow improvements related to maintenance book digitization.

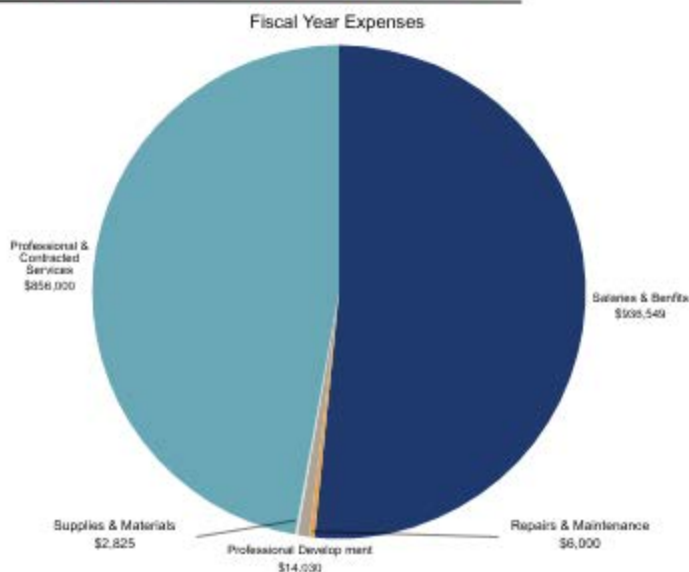
FY 2026-27 Goals

Department Goal	Strategic Plan Objective	FY 2026/27 Objective
Support future infrastructure needs.	1.3 Infrastructure Reliability	Pursue strategic land acquisition opportunities for future infrastructure needs.
Advance capital improvement project delivery.	1.3 Infrastructure Reliability	Deliver capital improvement projects in accordance with annual budgets.
Participate in regional infrastructure planning and resiliency efforts.	1.3 Infrastructure Reliability	Participate in regional infrastructure planning and advocacy efforts.
Promote regional water use efficiency.	1.4 Operational Efficiency	Promote regional water use efficiency programs and partnerships.
Modernize District facilities.	1.4 Operational Efficiency	Replace and modernize aging administrative facilities.
Pursue outside funding for eligible projects.	2.5 Operational Strategies	Pursue external funding opportunities for eligible capital projects.

Key FY 2026/27 priorities supported by this budget include:

- Advancing infrastructure planning, capital project delivery, and strategic property acquisition.
- Participating in regional resiliency, climate adaptation, and hazard mitigation planning efforts.
- Promoting regional water use efficiency programs, rebates, and conservation partnerships.
- Modernizing District facilities to support long-term operational needs.
- Pursuing grant and external funding opportunities for eligible capital projects.

FY 2026/27 Department Budget Highlights



The FY 2026/27 Engineering & Water Resources Department budget totals \$1,815,404 and supports long-term water resource planning, infrastructure coordination, grant activities, and related technical studies.

The largest category is Salaries and Benefits at \$938,549, reflecting the personnel costs required to manage the District's planning, engineering, regulatory, and conservation-related responsibilities. Professional and Contracted Services total \$856,000 and include planning and resources studies, grant consulting services, and other specialized professional support.

The remaining budget includes Professional Development of \$14,030, Repairs and Maintenance of \$6,000, and Supplies and Materials of \$2,825. These costs support memberships, training, certifications, software subscriptions, office supplies, postage, and other tools needed to carry out the department's work.

Overall, the FY 2026/27 Engineering & Water Resources Department budget is focused on supporting the District's long-term planning, technical analysis, infrastructure coordination, and grant-related activities. The budget provides resources for staff, specialized studies, consulting support, training, software, and routine administrative needs. Together, these expenditures help the department advance regional water resource initiatives, maintain regulatory and technical capacity, and support informed planning for future District projects and operations.

Department Personnel

Position	FY 2025/26	FY 2026/27
Chief Water Resources Officer	1	1
Principal Engineer	1	1
Water Resources Analyst	1	1
Water Resources Specialist	0	1
Water Resources Intern*	1	1
Total FTE	3	4

*The Water Resources Intern position is included in the department personnel listing for organizational purposes but is not counted as a full-time equivalent (FTE) position.

For FY 2026/27, the Engineering & Water Resources Department increases from 3.0 FTE to 4.0 FTE with the addition of a Water Resources Specialist position. This new role strengthens the department's capacity to support water resources planning, conservation programming, regional coordination, technical analysis, and implementation of department priorities.

The added position supports the District's growing workload related to long-term water supply reliability, water use efficiency, infrastructure planning, grant opportunities, and regional partnership efforts. This staffing change helps align departmental resources with the District's Strategic Plan objectives and the increased responsibilities of the Engineering & Water Resources function.

Department Structure: Finance



The Finance Department is responsible for the District's financial administration, budgeting, accounting, payroll, purchasing support, financial reporting, and information technology functions. The department supports fiscal accountability, internal controls, technology systems, cybersecurity, and financial transparency across the organization.

For FY 2026/27, the department structure includes the Chief Finance Officer, Finance Manager, Finance Analyst, IT Manager, and IT Analyst. The Information Technology function is now presented within the Finance Department as part of a Board-approved organizational structure, effective September 2026. This alignment supports improved coordination between financial systems, technology infrastructure, cybersecurity, data management, and administrative operations.

Through this structure, the Finance Department provides both financial and technology support services that help maintain District operations, improve business processes, protect District data, and support informed decision-making.

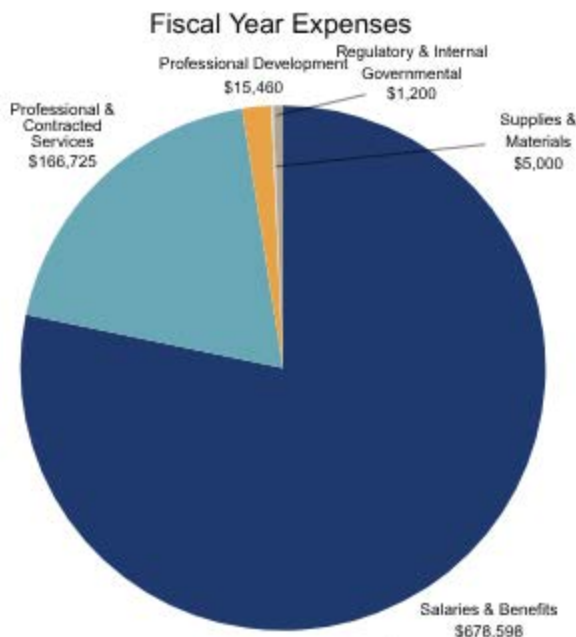
FY 2025-26 Accomplishments

Strategic Plan Objective	Department Goal	FY 2025/26 Accomplishments
2.1 Financial Stability	Maintain financial health by achieving reserve targets and reviewing financial policies.	Continued progress toward the District's minimum reserve and target reserve goals. Reviewed financial policies to support alignment with best practices, operational needs, and long-term financial stability.
2.2 Accountability	Analyze and update the Cost of Service/Rate Model to meet statutory and legal requirements.	Adapted the District's rate model in response to Metropolitan Water District's updated rate structure. This included evaluating the impact of the new structure on District revenues, reserve levels, fixed and variable cost recovery, capital funding, and cost allocation considerations to support continued compliance and long-term financial stability.
2.2 Accountability	Implement the transition to the new financial system, Caselle, and modernize financial reporting.	Implemented the transition to Caselle and continued development of customized financial reports to improve efficiency, transparency, and budget monitoring. Efforts included staff training, monthly budget variance reporting, and quarterly performance reporting.
3.3 Emerging Technology	Optimize the Caselle financial management system through dashboards, reporting tools, and user training.	Continued optimization of Caselle by developing reporting tools and supporting user training for customized dashboards and department-level reporting needs, including CIP expenses, contractual costs, and other budget monitoring tools.

FY 2026-27 Goals

Department Goal	Strategic Plan Objective	FY 2026/27 Objective
Improve operational efficiency through financial systems and workflow modernization.	1.4 Operational Efficiency	Modernize financial workflows and evaluate tools that improve purchasing, credit card, lease, and subscription management processes.
Strengthen long-term financial sustainability through proactive policy management.	2.1 Financial Stability	Maintain sound financial practices through reserve monitoring, audit recommendation implementation, and policy updates.
Maintain equitable and sustainable rates through proactive financial planning.	2.2 Accountability	Review and refine the District's rate model, cost allocation methodologies, and financial planning framework.
Integrate emerging technology to improve business efficiency.	3.3 Emerging Technology	Evaluate and deploy technology solutions that improve staff productivity, reporting, and business processes.
Maintain cybersecurity and technology best practices.	3.3 Emerging Technology	Strengthen the District's cybersecurity posture, technology infrastructure, and IT/OT systems.
Support infrastructure reliability through asset management planning.	1.3 Infrastructure Reliability	Develop foundational tools that support asset management and GIS-based planning.

FY 2026/27 Department Budget Highlights

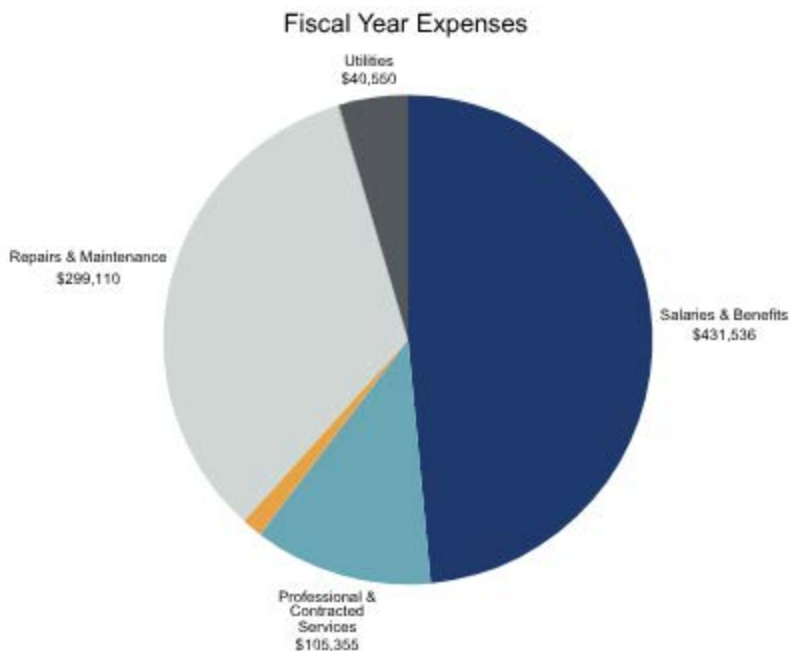


The FY 2026/27 Finance Department budget totals \$866,983 and supports the District's accounting, budgeting, financial reporting, investment oversight, audit, and banking activities. The largest category is Salaries and Benefits at \$678,598, reflecting the personnel costs required to maintain day-to-day financial operations and internal controls. Professional and Contracted Services total \$166,725 and include audit services, investment safekeeping, and other specialized professional support that promotes accountability, compliance, and effective financial administration.

The remaining budget includes Professional Development of \$15,460, Supplies and Materials of \$5,000, and Regulatory and Intergovernmental expenses of \$1,200. These costs support memberships, workshops, travel, certifications, office supplies, and routine banking fees.

Overall, the Finance Department budget is focused on maintaining sound financial management, accurate reporting, regulatory compliance, and the professional resources needed to safeguard the District's fiscal operations.

FY 2026/27 Department Budget Highlights



Although Information Technology is organizationally aligned under the Chief Finance Officer, it is budgeted separately to provide transparency over technology-related costs. The FY 2026/27 Information Technology budget totals \$889,506 and supports the District's technology infrastructure, cybersecurity, software systems, equipment, telecommunications, and technical services.

The largest category is Salaries and Benefits at \$431,536, reflecting the personnel costs required to manage and support the District's technology operations. Repairs and Maintenance total \$299,110 and include software subscriptions, computer equipment, and copy-machine leasing needed to maintain system reliability and replace or upgrade technology assets. Professional and Contracted Services total \$105,355 and include GIS services, website hosting, cybersecurity services, and other specialized assistance. The remaining budget includes Utilities of \$40,550 for telecommunications, Professional Development of \$11,955, and Supplies and Materials of \$1,000.

Overall, the Information Technology budget is focused on maintaining secure and reliable systems, supporting employees and District operations, strengthening cybersecurity, and ensuring the technology infrastructure remains current and effective.

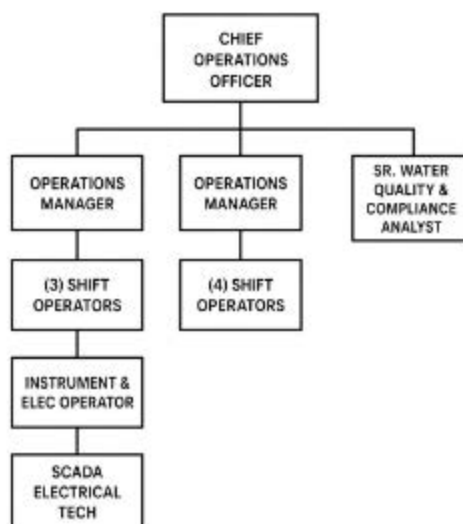
Department Personnel

Position	FY 2025/26	FY 2026/27
Chief Finance Officer	1	1
Finance Manager	1	1
Information Technology Manager	0	1
Information Technology Analyst	0	1
Finance Analyst	1	1
Total FTE	5	5

For FY 2026/27, the Finance Department is budgeted at 5.0 full-time equivalent (FTE) positions. The department includes the Chief Finance Officer, Finance Manager, Finance Analyst, Information Technology Manager, and Information Technology Analyst.

As part of the District's updated organizational structure, the Information Technology function is now presented within the Finance Department. This alignment reflects the close connection between financial systems, cybersecurity, data management, reporting, and business process improvements. Although the department structure has been updated, total staffing remains unchanged at 5.0 FTE from FY 2025/26 to FY 2026/27.

Department Structure: Operations



The Operations Department is responsible for the District's daily water system operations, treatment plant operations, water quality compliance, SCADA and electrical systems, facility reliability, and operational response activities. The department supports the District's ability to deliver water dependably, maintain regulatory compliance, respond to system needs, and operate facilities safely and efficiently.

For FY 2026/27, the department structure includes the Chief Operations Officer, Operations Managers, Shift Operators, Instrument and Electrical Operator, SCADA Electrical Technician, and Senior Water Quality and Compliance Analyst. This structure supports both field operations and technical compliance functions, allowing the department to maintain reliable operations, monitor water quality, support treatment processes, and respond to operational issues as they arise.

Through this structure, the Operations Department provides the staffing and technical expertise needed to operate District facilities, maintain system reliability, support regulatory compliance, and advance operational efficiency. The department's work directly supports the District's Strategic Plan objectives related to reliable water supply, infrastructure reliability, operational efficiency, water quality, and operational integrity.

FY 2025-26 Accomplishments

Strategic Plan Objective	Department Goal	FY 2025/26 Accomplishments
1.1 Water Quality	Maintain compliance with regulatory and operational water quality standards through improved data accuracy, timely reporting, internal review, and monitoring protocols.	Maintained focus on regulatory compliance through routine sampling, monitoring, reporting, and internal review of water quality data. The department continued to track sample collection requirements, report submission deadlines, DDW compliance standards, and annual laboratory certification requirements to support reliable and compliant water service.
1.1 Water Quality	Monitor future regulations, legislative changes, contaminants, and treatment concerns that could affect water quality.	Continued monitoring emerging water quality issues, potential contaminants, treatment concerns, and regulatory or legislative changes that may affect District operations. These efforts support proactive planning and help the District prepare for future compliance or treatment requirements.
2.5 Operational Strategies	Improve treatment and operational efficiency through SCADA improvements, KPI development, system review, and workflow modernization.	Supported operational efficiency efforts through continued review of call-out response time, Backwash and Filter Efficiency KPI development, solids, chemical, and hydro operations, and workflow improvements related to maintenance book digitization. These efforts help improve treatment reliability, reduce unnecessary call-outs, and support more consistent operational tracking.
3.4 Operational Integrity	Maintain a workplace safety record focused on preventing lost-time injuries through training, hazard assessments, and required safety protocols.	Continued workplace safety efforts through monthly safety training, quarterly hazard assessment practices, and staff participation in required safety protocols. These activities support the District's commitment to safe operations, risk reduction, and operational integrity.

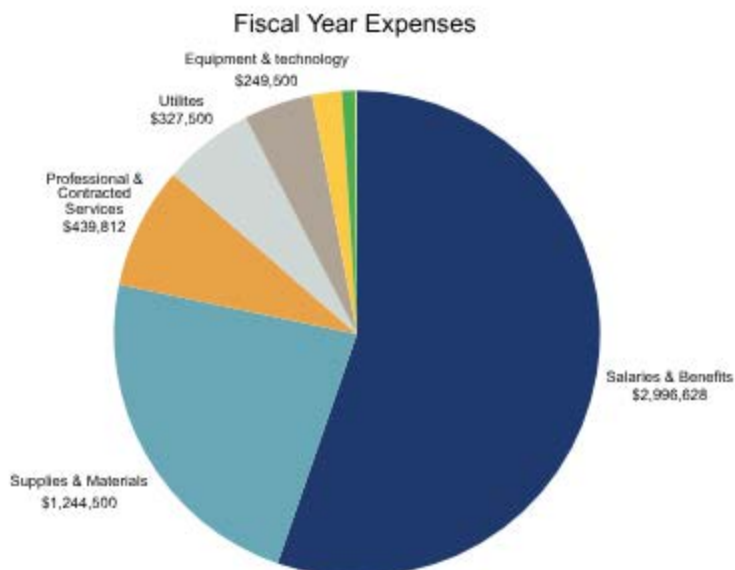
FY 2026-27 Goals

Department Goal	Strategic Plan Objective	FY 2026/27 Objective
Support reliable and compliant water service.	1.1 Water Quality	Monitor emerging water quality regulations and treatment requirements.
Maintain emergency response capabilities to support continuous water service.	2.5 Operational Strategies	Maintain and execute emergency response capabilities to ensure continuous water service during planned, unplanned, and catastrophic events.
Improve operational resiliency through safety and security assessments.	3.4 Operational Integrity	Conduct annual safety and security assessments to identify deficiencies and improve operational resiliency.
Maintain backup systems and resiliency measures for critical infrastructure.	3.4 Operational Integrity	Maintain and test backup systems that support operational continuity and recovery for critical infrastructure.

Key FY 2026/27 priorities supported by this budget include:

- Monitoring emerging water quality regulations and treatment requirements.
- Maintaining emergency response capabilities and participating in regional preparedness efforts.
- Advancing the Golden Mussel control plan and related operational response measures.
- Strengthening physical security, access controls, and facility safety practices.
- Maintaining and testing off-site SCADA backups and other critical infrastructure resiliency measures.
- Continuing cybersecurity planning, SCADA modernization, and network security improvements.

FY 2026/27 Department Budget Highlights



The FY 2026/27 Operations Department budget totals \$5,419,040 and supports the District's water treatment, facility operations, system maintenance, regulatory compliance, equipment, utilities, and emergency response needs.

The largest category is Salaries and Benefits at \$2,998,628, reflecting the personnel costs required to operate and maintain the District's treatment and distribution facilities. Supplies and Materials total \$1,244,500 and primarily include treatment chemicals, plant and operations supplies, vehicle fuel, and other materials necessary for reliable water production and regulatory compliance.

Professional and Contracted Services total \$439,812 and support specialized operational activities such as sludge removal, laboratory testing, SCADA maintenance, janitorial services, landscaping, and vehicle maintenance. Utilities total \$327,500, primarily for electricity, refuse services, and pumpback operations. Equipment and Technology total \$249,500 and provide funding for laboratory, water-quality, treatment, and maintenance equipment.

FY 2026/27 Department Budget Highlights cont.

The budget also includes Repairs and Maintenance of \$100,700 for the upkeep of treatment facilities, reservoirs, wells, hydroelectric systems, pipelines, and other operational assets. Regulatory and Intergovernmental expenses total \$49,100 and cover permits, accreditation fees, testing requirements, and other compliance-related costs. Professional Development totals \$5,000 to support certifications and technical training for operations staff.

Overall, the Operations Department budget is focused on maintaining safe and reliable water service, supporting treatment processes, meeting regulatory requirements, and preserving the equipment and infrastructure needed for continuous District operations.

Department Personnel

Position	FY 2025/26	FY 2026/27
Chief Operations Officer	1	1
Operations Manager	2	2
Sr. Water Quality Compliance Analyst	1	1
Shift Operators	7	7
Instrument Electrical Operator	1	1
SCADA Electrical Tech	0	1
Total FTE	12	13

This staffing structure supports the District's daily water treatment operations, water quality compliance, system monitoring, facility operations, emergency response, and maintenance of critical infrastructure. Operations staff provide the technical and field expertise needed to operate District facilities safely, maintain regulatory compliance, respond to system needs, and support reliable water delivery to member agencies.

The FY 2026/27 staffing plan includes the addition of a SCADA Electrical Technician position. This new position strengthens the department's technical capacity to support SCADA systems, electrical controls, instrumentation, system monitoring, and operational technology needs across District facilities.

For FY 2026/27, the Operations Department is budgeted at 13.0 full-time equivalent (FTE) positions, an increase of 1.0 FTE from FY 2025/26. The department includes the Chief Operations Officer, two Operations Managers, Senior Water Quality Compliance Analyst, Shift Operators, Instrument Electrical Operator, and SCADA Electrical Technician.

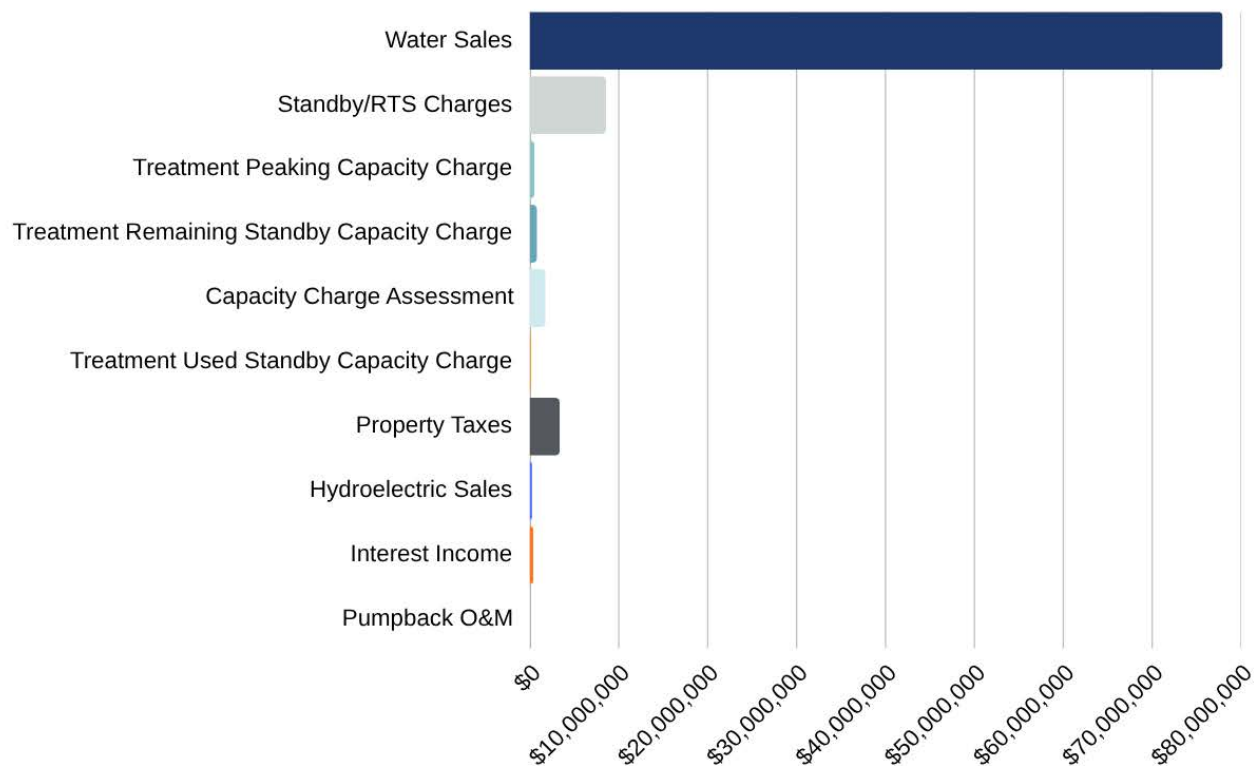
A scenic landscape of the Colorado River. In the foreground, the calm blue water of the river flows. A long, low concrete dam stretches across the middle ground. Behind the dam, steep, rugged mountains rise, their slopes illuminated by warm, golden light, likely from the setting or rising sun. The sky above is a mix of light blue and soft white clouds.

Revenues

Colorado River

Major Sources of Revenue

Three Valleys total revenues and other funding sources for FY 2026/2027 are projected to be \$95.0 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

TVMWD recovers its annual MWD Readiness-to-Serve obligation through a combination of Water Standby Charge Assessment revenue and a surcharge allocated among member agencies. For FY 2026/27, standby charge revenue is projected at \$5.66 million, with the remaining \$2.90 million recovered through the member agency surcharge. Additional detail regarding the RTS charge and its calculation is provided in the Expenditures section.

Major Sources of Revenue

3. Property Taxes

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

4. Capacity Charge Assessments

TVMWD's annual MWD Capacity Charge is passed through to its member agencies based on their respective contributions to the applicable three-year peak-demand calculation. For calendar year 2027, the total Capacity Charge is approximately \$1.93 million, reflecting MWD's increased rate of \$17,500 per cfs. Additional information regarding the calculation and allocation of the Capacity Charge is provided in the Expenditures section.

5. Fixed Treatment Charge Recovery

TVMWD recovers MWD's fixed treatment capacity charges from its member agencies using the District's approved allocation and billing methodology. These revenues offset the corresponding MWD treatment charges shown in the Expenditures section. Additional information regarding the purpose and calculation of the charges is provided in the Expenditures section.

- **A. Treatment Peaking Capacity Charge**

- Recovers the cost of treatment capacity maintained to support historical treated-water use during non-peak conditions.

- **B. Treatment Remaining Standby Capacity Charge**

- Recovers the cost of treatment capacity that must remain available for emergencies, outages, demand variability, and other standby needs.

- **C. Treatment Used Standby Capacity Charge**

- Recovers the cost of treatment capacity required to meet short-duration peak treated-water demands.

6. Fixed Charge Assessment & Hydroelectric Sales

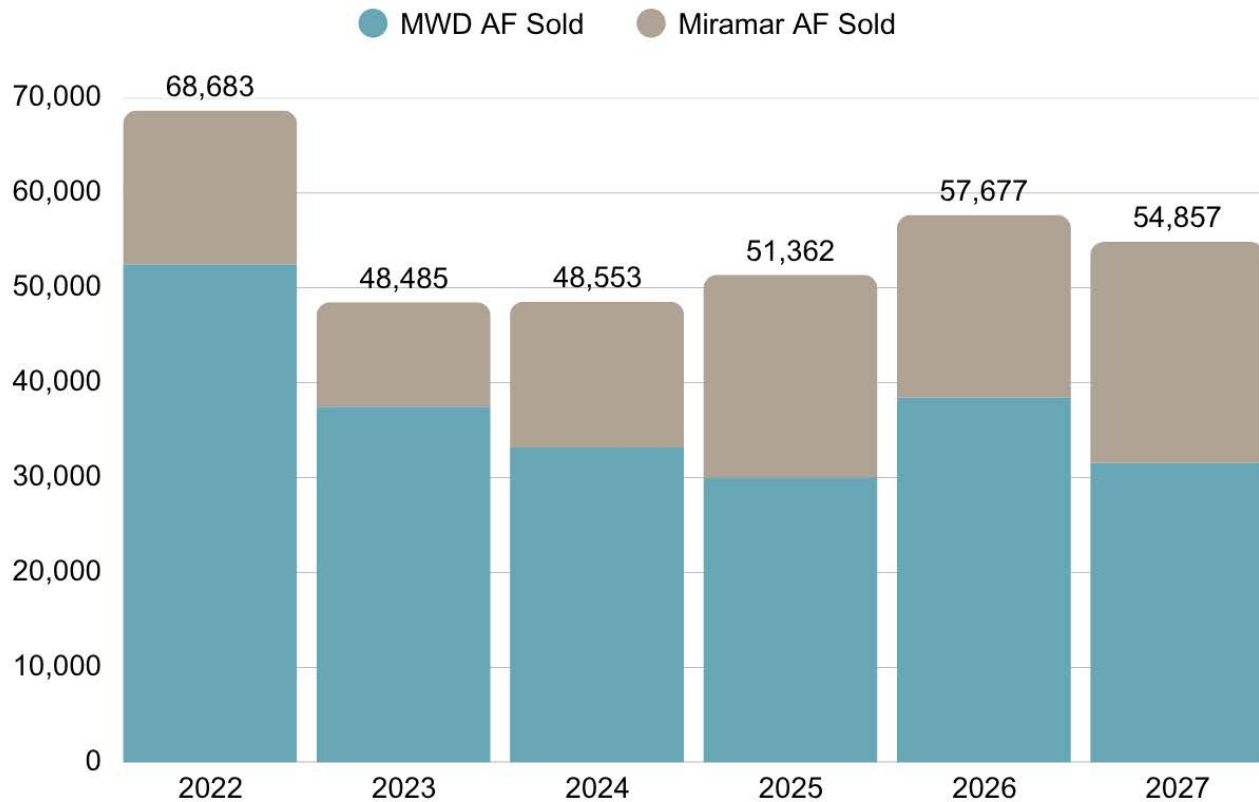
The fixed charge assessment contributes to cost recovery for operations and maintenance, while small hydroelectric sales revenue reflects the District's sustainability and energy recovery efforts.

7. 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 2024/25 Budget (A)	FY 2025/26 Budget (B)	FY 2026/27 Budget (C)	Change % (B & C)
Water Sales	\$67,409,065	\$79,008,339	\$77,924,471	-1.4%
Standby Charge	\$6,186,637	\$6,865,400	\$8,563,905	24.7%
*Treatment Used Standby Capacity Charge	-	-	\$169,884	New
*Treatment Remaining Standby Capacity Charge	-	-	\$815,440	New
Capacity Charge	\$1,673,430	\$1,699,350	\$1,766,400	3.9%
*Treatment Peaking Capacity Charge	-	-	\$525,720	New
Property Taxes	\$3,100,478	\$3,304,974	\$3,356,483	1.6%
Fixed Charge Assesment	\$987,458	\$1,186,421	\$1,264,667	6.6%
Hydroelectric Sales	\$240,000	\$250,000	\$250,000	0%
Interest Income	\$215,000	\$215,000	\$375,000	74.4%
Pumpback O&M	\$10,000	\$10,000	\$10,000	0%
Grants/Other Revenues	\$5,844	-	-	-
Total	\$79,827,912	\$92,539,483	\$95,021,969	2.7%

Water Sales



Over the past several years, TVMWD's total water deliveries have fluctuated in response to regional demand, hydrologic conditions, conservation efforts, and member agency purchasing patterns. Total deliveries were approximately 51,362 acre-feet in 2025 and increased to 57,677 acre-feet in 2026. For 2027, total water sales are projected at 54,857 acre-feet, representing a decrease of approximately 4.9% from the prior year while remaining above 2023 through 2025 levels.

The Miramar Water Treatment Plant remains an important component of the District's water supply and financial strategy. By purchasing untreated imported water from MWD and treating it locally, TVMWD can make efficient use of existing treatment capacity while helping manage wholesale water costs. Water treated through Miramar also supports operational flexibility and provides an alternative to relying exclusively on MWD-treated supplies.

MWD-treated water sales include a \$40 per acre-foot administrative surcharge for 2027, which helps offset the District's administrative and water delivery costs. By contrast, water treated locally through Miramar contributes positively to operating revenues and helps support regional water supply cost management.

TVMWD's supply portfolio balances treated and untreated imported water to support reliability, affordability, and operational efficiency. The projected 2027 mix reflects anticipated member agency demand and planned use of the Miramar Water Treatment Plant. The District will continue monitoring demand, treatment capacity, regional water conditions, and wholesale rate changes to maintain a sustainable balance between cost management and reliable service.

Expenditures



Expenditures

Three Valleys Municipal Water District carefully manages its operating and capital expenditures to ensure 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 expenditures represent the ongoing costs of providing water service and maintaining District operations, including imported water purchases, treatment, system maintenance, power, personnel, administrative support, and contractual and fixed obligations. Capital expenditures represent long-term investments in infrastructure, equipment, and technology that support system reliability, regulatory compliance, and future service needs.

The table below highlights the District's major expenditure categories for the fiscal year. These categories represent the largest components of the budget. Additional operating, administrative, contractual, and fixed expenditures are included in the detailed expenditure schedule on the following page.

Each year, the District balances the resources needed to maintain essential operations with funding for projects identified in its Capital Improvement Program. This approach emphasizes operational excellence, proactive asset management, and prudent financial planning, ensuring that current service demands are met without compromising the District's long-term infrastructure or financial stability.

Category	Amount	Comment
Water Purchases	\$64.5 million	Primary expense—reflects imported water purchased through the Metropolitan Water District (MWD).
MWD System Charges (RTS & Capacity)	\$11.8 million	Pass-through costs tied to MWD's Readiness-to-Serve and Capacity charges.
Salaries & Benefits	\$7.7 million	Supports District operations, administration, and water quality programs.
Capital Improvement Projects	\$4.1 million	Major reinvestment in core infrastructure and reliability projects.
Operating Expenses	5.1 million	Includes professional and contracted services, utilities, insurance, repairs and maintenance, supplies and materials, equipment and technology, regulatory and intergovernmental costs, board elections, and professional development necessary to support District operations and administrative functions.

Expense Type	FY 2024/25 Budget (A)	FY 2025/26 Budget (B)	FY 2026/27 Budget (C)	Change % (B & C)
Water Purchases	\$58,021,969	\$67,352,395	\$64,526,256	-4.2%
MWD RTS Charge	\$6,186,637	\$6,865,400	\$8,563,905	24.7%
Treatment Used Standby Capacity Charge	N/a	N/a	\$169,884	New
Treatment Remaining Standby Capacity Charge	N/a	N/a	\$815,440	New
MWD Capacity Charge	\$1,673,430	\$1,699,350	\$1,766,400	3.9%
Treatment Peaking Capacity Charge	N/a	N/a	\$525,720	New
Salaries & Benefits	\$6,217,506	\$6,907,835	\$7,716,314	11.7%
Professional & Contracted Services	\$1,730,977	\$1,454,000	\$1,832,898	26.1%
Utilities	\$428,200	\$287,400	\$368,050	28.1%
Insurance	\$198,403	\$225,629	\$289,000	28.1%
Repairs & Maintenance	\$306,260	\$352,000	\$412,976	17.3%
Supplies & Materials	\$1,070,500	\$1,400,300	\$1,352,240	-3.4%
Equipment & Technology	\$262,069	\$209,000	\$249,500	19.4%
Regulatory & Intergovernmental	\$111,805	\$123,000	\$82,054	-33.3%
Board Elections	\$0	\$90,000	\$284,000	215.6%
Professional Development	\$188,804	\$209,825	\$207,148	-1.3%
Contributions & Sponsorships	\$0	\$35,000	\$35,000	0.0%
Capital Repair & Replacement	\$1,514,928	\$2,900,000	\$1,635,000	-43.6%
Capital Investment Program	\$2,541,697	\$530,000	\$2,480,000	367.9%
Reserve Replenishment	\$390,000	\$300,000		Not Budgeted
Total	\$80,843,185	\$90,941,133	\$93,311,783	3%

Note:** Beginning in FY 2026/27, the District revised its expenditure reporting structure to provide greater detail and align expenses with the current budget roll-up. FY 2024/25 amounts are presented only where categories are directly comparable. Certain expenses were previously combined within broader classifications and therefore are shown as not applicable.

Expenditures

Three Valleys Municipal Water District's largest expenditures continue to reflect its role as a wholesale water agency, with most costs associated with imported water purchases, Metropolitan Water District charges, treatment, system operations, personnel, and capital investment. Total expenditures are projected to increase by 2.6% in FY 2026/27, primarily due to higher fixed charges, contractual obligations, and the timing of planned operating and capital projects.

Highlights

- MWD Readiness-to-Serve charges increase by approximately \$1.7 million, or 24.7%. The FY 2026/27 budget also separately identifies new treatment standby and peaking capacity charges, providing greater visibility into fixed Metropolitan Water District costs.
- Salaries and benefits increase by approximately \$808,000, or 11.7%, reflecting current staffing levels, compensation adjustments, and benefit costs.
- Professional and contracted services increase by approximately \$379,000, or 26.1%, based on planned consulting, technical, and professional service needs.
- Capital spending shifts between programs based on project timing. Capital Repair and Replacement decreases by 43.6%, while the Capital Investment Program increases from \$530,000 to \$2.48 million as additional projects are scheduled for FY 2026/27.
- Board election costs increase from \$90,000 to \$284,000 in anticipation of election-related activity during the fiscal year.
- Several operating categories, including utilities, insurance, repairs and maintenance, and equipment and technology, increase due to contractual adjustments, inflationary pressures, and planned operational needs.



Expenditures

In FY 2026/27, 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 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.

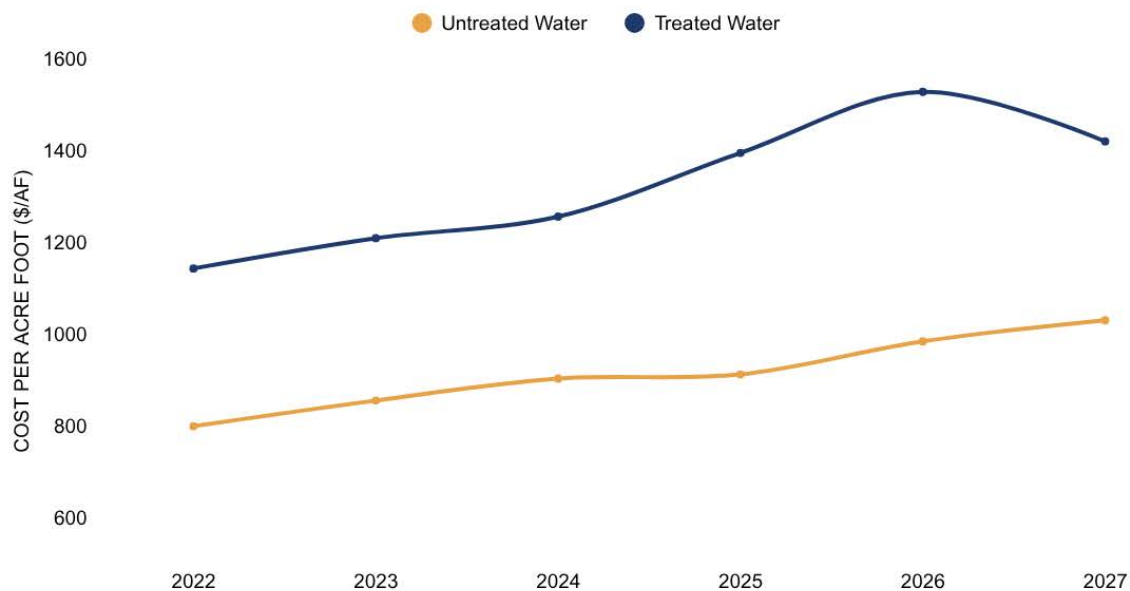
In addition to imported water, the District occasionally utilizes groundwater supplies through local pumping and recharge programs in coordination with regional partners. While groundwater accounts for a relatively small portion of total supply, it plays a strategic role in improving local reliability,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

Water Rates

In recent years, the Metropolitan Water District of Southern California has experienced higher operating and capital costs resulting from inflationary pressures, reduced water sales, increased energy costs, infrastructure investment, and evolving regulatory requirements.

MWD recovers these costs through its water rates and fixed charges to support the long-term reliability of its regional water supply, treatment, and delivery systems. Changes in MWD's rates directly affect TVMWD's wholesale water costs and may ultimately influence the rates charged to its member agencies.

Untreated water rates continue to trend upward, increasing by 4.7% in 2027. In contrast, the treated water rate decreases by 7.1%, following substantial increases in 2025 and 2026. Despite the 2027 reduction, both rates remain considerably higher than their 2022 levels, reflecting the continued cost of maintaining a reliable and resilient regional water system.



Year	% Change Untreated (YoY)	% Change Treated (YoY)
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%
2027	4.70%	-7.10%

Water Rates

While MWD's rates are influenced by regional operating costs, infrastructure needs, energy prices, water demand, and regulatory requirements, Three Valleys Municipal Water District continues to manage the effect of wholesale water costs through strategic operations and local resource development.

The District optimizes operations at the Miramar Water Treatment Plant to maximize the value of purchasing untreated imported water and treating it locally when operationally and financially beneficial. This provides TVMWD with greater flexibility in managing its water supply portfolio and helps reduce reliance on higher-cost treated water purchases.

TVMWD also invests in energy recovery and local water resources to support long-term cost management and system reliability. The District operates five hydroelectric generation facilities that recover energy during water deliveries and help offset power costs. In addition, four active groundwater wells provide a reliable local supply source, increase operational flexibility, and reduce dependence on imported water.

These efforts are supported by the District's operators, engineers, and administrative staff, who continuously evaluate opportunities to improve efficiency, reliability, and cost-effectiveness. Through proactive planning and sound resource management, TVMWD remains focused on delivering safe and reliable water service while responding to changes in regional wholesale costs and regulatory requirements.



MWD Readiness-to-Serve (RTS)

The Readiness-to-Serve (RTS) charge is a fixed component of the Metropolitan Water District's revenue structure that supports regional system capacity, redundancy, and emergency preparedness. The charge is based on a ten-year rolling average of firm water demands and is allocated among MWD's 26 member agencies, including Three Valleys Municipal Water District.

To help offset this cost, TVMWD established a Water Standby Charge Assessment in 1996 under Government Code §54984 et seq. The assessment applies to parcels where water service is available, and the resulting revenue is used toward the District's RTS obligation and related administrative costs.

For Fiscal Year 2026/27, TVMWD's total RTS charge is \$10,342,644. After anticipated MWD collections and TVMWD administrative costs, the net funding requirement is \$8,495,786. Standby charge revenue is projected at \$5,662,425, with the remaining obligation and \$68,119 in related administrative expenses funded through a \$2,901,480 member agency surcharge allocated based on equivalent dwelling units.

Component	Amount (\$)	Description
Total MWD RTS Charge	10,342,644	Total obligation billed by Metropolitan Water District.
Anticipated MWD Collections	(1,859,837)	Collected directly by MWD on behalf of TVMWD
TVMWD Administrative Costs	12,979	Local administrative and compliance expenses.
Net Requirement (TVMWD)	8,495,786	Total amount due from Three Valleys after adjustments.
RTS Standby Charge Expenses	68,119	Costs to administer the standby charge, including engineering, legal, public notice, and County fees.
Standby Charge Revenue	5,662,425	Revenues collected via local standby assessment.
Remaining Funded via surcharge	2,901,480	Recovered through member agencies surcharge.

Capacity Charges

The Capacity Charge is designed to recover the cost of maintaining peak capacity and conveyance infrastructure within Metropolitan Water District's regional system. This includes the surge capacity, redundancy, and oversized pipelines necessary to meet high-demand conditions, particularly during the May 1 through September 30 peak-use period. The charge also provides an incentive for member agencies to reduce peak-day demands and shift water use to the October 1 through April 30 period, improving utilization of existing infrastructure and helping defer future capacity expansion.

Each member agency's charge is based on its three-year trailing maximum peak-day flow. Because certified peak-flow data may be adjusted for up to three years following delivery, MWD calculates the applicable capacity basis using an 18-month lag.

For calendar year 2027, TVMWD's assigned capacity basis remains unchanged at 110.4 cubic feet per second, while MWD's rate increases from \$14,500 to \$17,500 per cfs. As a result, TVMWD's annual Capacity Charge increases from approximately \$1.60 million in 2026 to \$1.93 million in 2027, representing a 20.7% year-over-year increase.

The total charge is passed through to TVMWD's member agencies based on their respective contributions to the applicable three-year peak-demand calculation. Although TVMWD's assigned capacity remains stable, the higher unit rate results in an additional annual cost of approximately \$331,200 in 2027.



Capacity Charges CY 2026 & CY 2027

Agency	FY 2026 Annual Charge	FY 2027 Annual Charge	Change (%)
Boy Scouts / City of Industry	\$3,702	\$5,802	56.7%
Cal Poly Pomona	\$8,128	\$11,139	37.0%
Covina	\$42,445	\$60,875	43.4%
Covina Valley Water Co.	\$165,715	\$191,692	15.7%
Glendora	\$102,861	\$61,782	-39.9%
Joint Water Line	\$317,884	\$341,943	7.6%
La Verne	\$158,526	\$227,361	43.4%
Mt. San Antonio College	\$9,934	\$14,631	47.3%
Rowland Water District	\$92,114	\$132,112	43.4%
GSWC – Claremont	\$189,883	\$272,333	43.4%
GSWC – San Dimas	\$144,764	\$212,036	46.5%
Walnut Valley Water District	\$364,844	\$400,296	9.7%
Total	\$1,600,800	\$1,932,000	20.7%

The MWD Capacity Charge is projected to increase from \$1.6 million in 2026 to \$1.93 million in 2027, an increase of approximately 20.7%. This change is driven entirely by the increase in MWD's capacity rate from \$14,500 to \$17,500 per cubic foot per second, while TVMWD's applicable peak capacity remains unchanged at 110.4 cfs.

For Three Valleys, the Capacity Charge is passed through to member agencies and is not retained as District revenue. Each agency's share is allocated based on its contribution to the District's applicable peak demand, providing an equitable distribution of regional capacity costs. TVMWD's role is to administer the charge transparently, maintain accurate peak-demand records, and allocate the costs among its member agencies.

MWD Fixed Treatment Charge Structure

Beginning in calendar year 2027, the Metropolitan Water District of Southern California will implement a revised treatment cost-recovery structure that places greater emphasis on fixed charges. Under the new structure, certain costs previously recovered primarily through volumetric treated-water rates will be collected through separate charges associated with standby and peak treatment capacity.

The new fixed treatment charges include the Treatment Used Standby Capacity Charge, Treatment Remaining Standby Capacity Charge, and Treatment Peaking Capacity Charge. Together, these charges recover the cost of treatment capacity used under normal conditions, capacity maintained for emergencies and system variability, and capacity required to meet short-duration peak demands.

Because these charges are assessed independently of the amount of water purchased during a particular month, TVMWD must recover the related costs from its member agencies through corresponding fixed or allocated charges. This represents a change from a primarily usage-based recovery method and provides greater alignment between MWD's billing structure and TVMWD's member agency cost allocations.

The revised structure improves transparency by separately identifying the fixed costs of maintaining regional treatment capacity. However, it also means that a larger portion of wholesale water costs will remain payable even when water sales fluctuate. TVMWD will continue to review its billing methodology to ensure that these costs are allocated equitably, recovered consistently, and clearly communicated to member agencies.

Salaries & Benefits

Three Valleys Municipal Water District maintains a comprehensive compensation and benefits structure designed to attract and retain a highly qualified workforce while supporting the District's mission and service commitments. The District's approved salary ranges establish minimum, midpoint, and maximum pay levels for each classification based on market competitiveness, internal equity, and position responsibilities.

Salary ranges are reviewed periodically using comparative data from similar regional water agencies and may be adjusted to reflect cost-of-living changes, evolving job requirements, and labor market conditions. The ranges also provide opportunities for merit-based advancement and professional growth while maintaining fiscal accountability.

For budget presentation purposes, the Salaries & Benefits category includes employee salaries, payroll-related costs, employee benefits, and compensation provided to members of the Board of Directors. In prior years, certain components of compensation were presented separately; beginning with the current budget, these costs are consolidated to provide a more complete view of the District's total personnel-related expenditures.

Employee benefits include CalPERS retirement contributions, deferred compensation programs, medical, dental, and vision coverage, life and disability insurance, health reimbursement arrangements, and other employee support programs. Annual costs are influenced by staffing levels, negotiated or approved compensation adjustments, retirement contribution rates, medical premiums, and applicable state and federal requirements.

By maintaining equitable compensation and comprehensive benefits, the District supports workforce stability, employee development, continuity of service, and long-term operational reliability.



**THREE VALLEYS MUNICIPAL WATER DISTRICT
ANNUAL SALARY RANGE BY CLASSIFICATION**
Effective: July 1, 2026

CLASSIFICATION	JOB CODE	ANNUAL SALARY RANGE		
		Minimum	Mid	Maximum
ADMINISTRATIVE ASSISTANT	129	\$ 60,311	\$ 70,353	\$ 84,366
ADMINISTRATIVE/COMMUNICATIONS ASSISTANT*	102	\$ 76,920	\$ 89,741	\$ 107,669
CHIEF ADMINISTRATIVE OFFICER	104	\$ 235,751	\$ 275,043	\$ 330,052
CHIEF FINANCE OFFICER	105	\$ 229,578	\$ 267,842	\$ 321,410
CHIEF OPERATIONS OFFICER	106	\$ 206,538	\$ 239,911	\$ 287,893
CHIEF WATER RESOURCES OFFICER	107	\$ 212,965	\$ 248,447	\$ 298,136
EXECUTIVE BOARD SECRETARY	111	\$ 112,030	\$ 130,702	\$ 156,842
FINANCE ANALYST	101	\$ 77,633	\$ 90,572	\$ 108,686
FINANCE MANAGER	110	\$ 128,426	\$ 149,830	\$ 179,796
GOVERNMENT AFFAIRS MANAGER	128	\$ 152,606	\$ 182,240	\$ 218,688
HUMAN RESOURCES/RISK MANAGER	113	\$ 152,925	\$ 178,412	\$ 214,095
INFORMATION TECHNOLOGY ANALYST	127	\$ 98,801	\$ 98,934	\$ 118,271
INFORMATION TECHNOLOGY MANAGER	114	\$ 159,423	\$ 185,960	\$ 223,192
INSTRUMENTATION/ELECTRICAL SYSTEM OPERATOR	115	\$ 112,011	\$ 130,860	\$ 156,816
OPERATIONS MANAGER - DISTRIBUTION & FACILITIES MAINTENANCE	116	\$ 144,389	\$ 168,454	\$ 202,145
OPERATIONS MANAGER - TREATMENT & LABORATORY	117	\$ 161,178	\$ 188,041	\$ 225,560
PLANT ASSISTANT	119	\$ 61,897	\$ 72,213	\$ 86,690
PRINCIPAL ENGINEER	109	\$ 148,079	\$ 172,759	\$ 207,311
SCADA ELECTRICAL TECHNICIAN	130	\$ 100,312	\$ 117,031	\$ 140,437
SHIFT OPERATOR II	120	\$ 76,181	\$ 88,878	\$ 106,653
SHIFT OPERATOR III	121	\$ 93,761	\$ 109,388	\$ 131,266
SHIFT OPERATOR IV	122	\$ 105,637	\$ 123,243	\$ 147,891
SHIFT OPERATOR V	123	\$ 108,692	\$ 126,807	\$ 152,169
SR. WATER QUALITY & COMPLIANCE ANALYST	108	\$ 116,226	\$ 135,957	\$ 162,717
WATER RESOURCES ANALYST I	124	\$ 89,169	\$ 104,031	\$ 124,837
WATER RESOURCES ANALYST II	125	\$ 105,905	\$ 123,661	\$ 148,303
WATER RESOURCES ANALYST III	126	\$ 124,849	\$ 145,657	\$ 174,788
WATER RESOURCES SPECIALIST	131	\$ 95,376	\$ 111,520	\$ 119,378
HOURLY				
WATER RESOURCES INTERN (PT)	127	\$ 20.00	\$ 22.50	\$ 25.00
SALARY				
GENERAL MANAGER	112	\$ 356,000		

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 competitive compensation may (not necessarily) impact individual salaries. The opportunity for individual raises is at the authorization of 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 evaluation has not merited an increase that kept up with index adjustments to the salary range.

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 paid 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.

**Position authorized through October 2026; scheduled for elimination thereafter.*

Benefits Summary

Benefit Category	Description
CalPERS Retirement	Participation in CalPERS: 2%@62 (PEPRA) and 2%@55 (Classic). Employer contributions 12.56% for Classic members and 7.93% for PEPRA members. 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

An aerial photograph of a large, single-story building with a light-colored brick or block exterior and a brown roof. The roof is in the process of being renovated, with sections of shingles removed, exposing the wooden rafters. Construction materials, including bundles of lumber and debris, are scattered across the roof surface. The building has several large, roll-up garage doors. In the foreground, there is a paved area with orange traffic cones and yellow bollards. To the right, a green electrical transformer is visible. The background features a large, open lot with various containers, trailers, and trees, with a range of mountains under a clear blue sky in the distance.

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	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Chemical System Efficiency	\$120,000	-	-	-	-
Filters Efficiency	\$75,000	-	-	-	-
Risk Assessment	\$200,000	-	-	-	-
Asset Management Master Plan	\$250,000	-	-	-	-
LAFCO Boundary*	\$50,000	-	-	-	-
Misc Studies	\$50,000	\$300,000	\$300,000	\$300,000	\$300,000
Urban Water Management Plan*	-	-	-	-	\$500,000
Total	\$745,000	\$300,000	\$300,000	\$300,000	\$800,000

Capital Improvement Forecast

Three Valleys Municipal Water District's Capital Improvement Program is divided into two primary categories: Capital Repair and Replacement and the Capital Investment Program. Together, these categories include planned facility upgrades, infrastructure rehabilitation, equipment replacement, and system enhancements that support the continued reliability and efficiency of the District's water system.

Over the five-year period from FY 2027 through FY 2031, the District anticipates investing approximately \$17.6 million in capital improvements. Annual expenditures are projected to range from \$2.9 million to \$4.1 million, with project funding phased according to asset condition, operational priorities, project readiness, and available financial resources.

Construction costs remain elevated compared with pre-pandemic levels due to inflation, supply-chain constraints, labor costs, and higher prices for materials such as steel, concrete, and electrical components. Although the rate of cost escalation may moderate, prices are not expected to return to earlier levels. These conditions, combined with the District's ongoing need to rehabilitate and replace aging assets, continue to influence long-term capital cost projections.

TVMWD monitors construction trends and project schedules closely and may adjust the timing of individual projects as conditions change. This phased approach supports responsible fiscal management while ensuring that critical infrastructure investments are completed in a manner that protects system reliability, operational efficiency, and long-term service needs.

	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FY 2031
Capital Repair & Replacement	\$1,635,000	\$2,100,000	\$2,100,000	\$2,550,000	\$100,000
Capital Investment Program	\$2,480,000	\$1,470,000	\$800,000	\$800,000	\$3,550,000
Total	\$ 4,115,000	\$ 3,570,000	\$2,900,000	\$3,350,000	\$3,650,000

Capital Rehab & Replacement

Projects	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Miramar Admin Building Improvements	Rollover	\$2,000,000	\$2,000,000	\$2,000,000	
Miramar Fencing Upgrades	\$25,000			\$400,000	
IT/AV Upgrades	\$20,000				
EOC Improvements				\$50,000	
Miramar Treatment Plant R&R	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Filter Drain Valves	\$150,000				
Manways Fulton to 5th & C	\$200,000				
Analyzer Enclosure	\$50,000				
Wheeler Meter Cabinet Replacement	\$100,000				
Filter Water Process Pipeline	\$200,000				
Miramar System Inspection	\$400,000				
Chlorine Scrubber Cleaning	\$90,000				
Golden State Water Co Well 3	\$300,000				
Padua Property	Rollover				
Total	\$1,635,000	\$2,100,000	\$2,100,000	\$2,550,000	\$100,000

Capital Improvement

Projects	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Acid Feed System	\$1,000,000				
Vehicle	\$60,000	\$70,000			
Security Systems	\$150,000				\$750,000
Miramar Pumpback	\$500,000	\$1,000,000	\$500,000		
Soft Water System	\$125,000				
Cybersecurity Improvements	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Work Order System	\$100,000				
PM-21 Bypass Magmeter	Rollover				
SCADA Upgrades	\$300,000	\$300,000	\$200,000		
Traveling Bridge	\$70,000			\$300,000	\$700,000
Solids Handling Improvements	\$75,000				\$1,500,000
San Antonio Spreading Grounds Improvement				\$400,000	\$500,000
Total	\$2,480,000	\$1,470,000	\$800,000	\$800,000	\$3,550,000

Glossary

Acre-Foot (AF): A unit used to measure large volumes of water. One acre-foot equals approximately 325,851 gallons, or the amount of water required to cover one acre of land to a depth of one foot.

Acre-Feet per Year (AFY): A measurement of the quantity of water delivered, treated, produced, or used during one year.

Actual: Financial results representing revenues received and expenditures incurred during a completed accounting period.

Administrative Surcharge: A charge added by the District to certain water deliveries to recover administrative and operational costs associated with managing and delivering the water supply.

Annual Comprehensive Financial Report (ACFR): The District's annual audited financial report. It presents financial statements, disclosures, management analysis, and statistical information in accordance with generally accepted accounting principles.

Appropriation: Authorization granted by the Board of Directors to spend funds for an approved purpose within the adopted budget.

Asset: A resource owned or controlled by the District that is expected to provide future economic or operational benefit.

Audit: An independent examination of the District's financial statements, accounting records, internal controls, and compliance with applicable requirements.

Balanced Budget: A financial plan in which projected funding sources are sufficient to cover projected expenditures and other planned uses of resources.

Basis of Budgeting: The accounting and financial measurement approach used to prepare and present the budget. TVMWD's budget focuses on current financial resources and cash-flow needs, while certain financial statement amounts are reported differently under generally accepted accounting principles.

Board of Directors: The District's elected governing body responsible for establishing policy, adopting the annual budget, approving major contracts and capital projects, and providing overall governance and oversight.

Budget: A financial and operational plan that identifies anticipated revenues, expenditures, capital investments, and other funding requirements for a specific fiscal year.

Budget Adjustment: An authorized revision to the adopted budget that transfers or adds spending authority based on changing operational needs, available resources, or Board direction.

Budgetary Control: The process of monitoring revenues and expenditures to ensure that financial activity remains within the amounts and purposes authorized in the adopted budget.

California Public Employees' Retirement System (CalPERS): The statewide public pension system through which eligible District employees receive retirement benefits. The District and participating employees make contributions based on applicable plans and contribution rates.

California Uniform Public Construction Cost Accounting Act (CUPCCAA): A state-authorized process that establishes uniform procedures and monetary thresholds for the performance and contracting of public construction projects.

Calendar Year (CY): A 12-month period beginning January 1 and ending December 31. MWD water rates and certain fixed charges are commonly established on a calendar-year basis.

Capacity Charge: A fixed MWD charge designed to recover costs associated with regional conveyance capacity needed to meet peak water demands. The charge is based on an agency's applicable peak-day flow and the adopted rate per cubic foot per second.

Capital Asset: Land, infrastructure, buildings, equipment, pipelines, treatment facilities, and other long-lived resources used in District operations.

Capital Budget: The portion of the budget that provides funding for the acquisition, construction, rehabilitation, or replacement of long-term assets and infrastructure.

Glossary

- Capital Improvement Plan:** A five-year planning document that identifies anticipated infrastructure projects, project timing, estimated costs, and potential funding sources.
- Capital Improvement Program (CIP):** The group of major projects undertaken to construct, expand, modernize, or improve District facilities and infrastructure.
- Capital Investment Program:** A category of capital spending generally associated with new facilities, major system enhancements, expansion, modernization, and investments that add or substantially improve District capabilities.
- Capital Outlay:** Expenditures for the acquisition or improvement of land, infrastructure, facilities, equipment, vehicles, or other long-term assets.
- Capital Repair and Replacement:** Capital expenditures intended to rehabilitate, renew, or replace existing District facilities, infrastructure, systems, and equipment.
- Cash Flow:** The movement of cash into and out of the District. Cash-flow planning helps ensure that sufficient funds are available to meet operating, capital, and other financial obligations.
- Consumer Price Index (CPI):** A measure of changes in the cost of consumer goods and services over time. The District may use an applicable CPI when evaluating salary-range adjustments and other inflation-sensitive costs.
- Contracted Services:** Services obtained from an outside organization or vendor under a contract or agreement.
- Cost of Water:** The cost incurred to purchase untreated or treated imported water and any associated MWD charges or surcharges.
- Cubic Feet per Second (cfs):** A rate of water flow equal to one cubic foot of water passing a specified point each second. MWD uses cfs in calculating certain capacity-related charges.
- Debt:** A financial obligation incurred when funds are borrowed and repaid over time, generally with interest.
- Debt Management Policy:** A Board-adopted policy that establishes the purposes, standards, responsibilities, and limitations governing the issuance and administration of District debt.
- Debt Service:** Principal and interest payments required to repay borrowed funds.
- Department Budget:** The portion of the annual budget assigned to a District department to support its personnel, services, supplies, programs, and operational responsibilities.
- Depreciation:** The systematic allocation of the cost of a capital asset over its estimated useful life. Depreciation is reported in the District's financial statements but is generally not included as a cash expenditure in the budget.
- Designated Reserve:** Funds set aside for a particular purpose in accordance with Board policy or District financial planning objectives.
- District:** Three Valleys Municipal Water District, also referred to as TVMWD or Three Valleys.
- Emergency Reserve:** Funds maintained to respond to natural disasters, major equipment or infrastructure failures, regulatory mandates, unexpected revenue losses, and other emergencies.
- Encumbrance:** A commitment of budgeted funds for an approved purchase order, contract, or other obligation that has not yet been paid.
- Enterprise Fund:** A fund used to account for services operated in a business-like manner and financed primarily through service charges and other operating revenues. TVMWD accounts for its financial activities within a single enterprise fund.
- Equivalent Dwelling Unit (EDU):** A standardized unit used to allocate certain costs among member agencies based on the relative number or equivalent value of service connections within their service areas.
- Expenditure:** The use of financial resources to acquire goods, services, labor, infrastructure, or other items necessary to conduct District operations.
- Fiscal Responsibility:** The practice of managing public resources prudently, transparently, and sustainably while maintaining service levels and long-term financial stability.
- Fiscal Year (FY or FYE):** The District's 12-month financial reporting and budget period beginning July 1 and ending June 30. FYE means fiscal year ending.
- Fixed Charge:** A charge that does not vary directly with the volume of water purchased and is generally established to recover fixed infrastructure, capacity, readiness, or administrative costs.
- Forecast:** An estimate of future financial or operating activity based on historical results, current information, assumptions, and anticipated conditions.

Glossary

Fund: A separate fiscal and accounting entity used to record financial resources and activities for defined purposes.

Fund Balance: A general governmental accounting term representing accumulated financial resources. Because TVMWD operates as an enterprise fund, the District generally reports its accumulated financial position as net position rather than governmental fund balance.

Generally Accepted Accounting Principles (GAAP): Uniform accounting and financial reporting standards used in preparing the District's audited financial statements.

Governmental Accounting Standards Board (GASB): The independent organization that establishes accounting and financial reporting standards for state and local governmental entities in the United States.

Grant: Financial assistance received from a federal, state, regional, or other organization for an approved program, project, or public purpose.

Groundwater: Water located beneath the earth's surface in aquifers. TVMWD operates groundwater wells to enhance local supply reliability and reduce dependence on imported water.

Hydroelectric Generation: The production of electricity by using flowing or pressurized water to operate turbines. TVMWD's hydroelectric facilities recover energy during water deliveries and help offset operational power costs.

Imported Water: Water conveyed into the District's service area from sources outside the local region, primarily through MWD's regional water supply system.

Infrastructure: Long-lived physical assets required to provide water service, including treatment facilities, pipelines, pump stations, wells, electrical systems, control systems, and related equipment.

Interest Income: Revenue earned by investing available District funds in accordance with the District's Investment Policy and applicable state law.

Investment Policy: A Board-adopted policy establishing the objectives, authorized investment types, diversification standards, maturity limits, oversight responsibilities, and reporting requirements for District funds.

Liquidity: The availability of cash or assets that can be readily converted to cash to meet operating and financial obligations.

Local Water Supply: Water produced or developed within the District's region, including groundwater and other locally managed resources.

Major Capital Reserve: Funds set aside for significant planned capital projects and related contingencies.

Member Agency: A retail water agency, city, institution, or water company that receives wholesale water service or other regional water services from TVMWD.

Metropolitan Water District of Southern California (MWD or Metropolitan): The regional wholesale water agency that imports, treats, stores, and delivers water to its 26 member agencies, including TVMWD.

Miramar Water Treatment Plant: TVMWD's water treatment facility, which treats imported untreated water for delivery to the District's member agencies.

Net Position: The difference between an enterprise fund's total assets and deferred outflows and its total liabilities and deferred inflows. Net position reflects the District's cumulative financial position over time.

Non-Operating Revenue: Revenue generated from activities outside the District's primary water-service operations, such as property taxes, investment income, hydroelectric revenue, grants, and certain other revenues.

Operating Budget: The portion of the annual budget that provides funding for the District's day-to-day services and activities, including water purchases, staffing, utilities, maintenance, supplies, insurance, and professional services.

Operating Expenses: Costs incurred in providing ongoing District services and maintaining routine operations.

Operating Reserve or Working Capital Reserve: Funds maintained to support cash-flow stability, timing differences between revenues and expenditures, unforeseen operating needs, and other short-term financial requirements.

Other Post-Employment Benefits (OPEB): Benefits provided to eligible employees after retirement other than pension benefits, such as retiree medical benefits.

Pass-Through Charge: A cost assessed to TVMWD by another agency and subsequently allocated or billed to TVMWD's member agencies.

Pay-As-You-Go Financing: The use of current revenues or accumulated reserves to fund capital projects without issuing debt.

Peak-Day Demand: The highest quantity or flow of water delivered during a single day within an applicable measurement period.

Glossary

Professional and Contracted Services: Specialized services provided by outside firms or individuals, including legal, engineering, consulting, technology, financial, planning, and other professional support.

Projected: An estimate of expected financial results through the end of the current fiscal year based on actual activity to date and anticipated activity for the remainder of the year.

Property Tax Revenue: TVMWD's allocated share of property tax collections within its service area.

Proposed Budget: The spending and financial plan presented for review before final adoption by the Board of Directors.

Public Works: Construction, alteration, demolition, installation, repair, or improvement work performed under contract and subject to applicable public contracting, prevailing-wage, and contractor-registration requirements.

Purchase Order (PO): An authorized document issued to a vendor that establishes the goods or services to be provided, the approved amount, and the terms of the purchase.

Readiness-to-Serve Charge (RTS): A fixed MWD charge that supports regional conveyance system capacity, reliability, redundancy, and emergency preparedness. TVMWD funds its RTS obligation through MWD collections, standby charge revenue, and member agency charges.

Reserve: Financial resources set aside to support emergencies, cash-flow requirements, revenue stabilization, employee benefit obligations, and planned capital investments.

Reserve Policy: A Board-adopted policy that establishes the purpose, minimum, target, and maximum levels for the District's reserve categories and provides guidance for their use and replenishment.

Reserve Replenishment: The planned restoration or addition of funds to one or more reserve categories.

Revenue: Financial resources received by the District, including water sales, fixed charges, property taxes, investment earnings, hydroelectric revenue, grants, and other income.

Revenue Stabilization Reserve: Funds maintained to offset temporary water-sales shortfalls and reduce the need for abrupt rate adjustments.

SCADA - Supervisory Control and Data Acquisition: Electronic systems used to remotely monitor and control water treatment, pumping, conveyance, and other operational equipment.

Salaries and Benefits: Personnel-related expenditures that include employee wages, payroll-related costs, retirement contributions, insurance benefits, and, for budget presentation purposes, compensation provided to the Board of Directors.

Service Area: The geographic region within which TVMWD provides wholesale water service and other regional water-resource services.

Standby Charge Assessment: A parcel-based assessment established by TVMWD to help fund the District's MWD Readiness-to-Serve obligation and costs associated with administering the assessment.

Strategic Plan: The District's long-term framework for aligning programs, resources, goals, and performance measures with its mission, vision, and strategic priorities.

Supplies and Materials: Consumable items, chemicals, parts, tools, office supplies, and other materials used in District operations.

Surcharge: An additional amount charged to recover a specific cost that is not fully recovered through the underlying rate or assessment.

Treatment Peaking Capacity Charge: An MWD fixed charge intended to recover costs associated with treatment capacity maintained to serve short-duration peak treated-water demands.

Treatment Remaining Standby Capacity Charge: An MWD fixed charge intended to recover costs associated with treatment capacity maintained for emergencies, system variability, outages, and other standby requirements.

Treatment Surcharge: A volumetric MWD charge associated with the cost of treating imported water.

Treatment Used Standby Capacity Charge: An MWD fixed charge associated with treatment capacity supporting member agency treated-water use.

Treated Water: Water that has undergone treatment to meet applicable drinking-water standards before delivery.

Untreated Water: Imported water delivered before final drinking-water treatment. TVMWD may purchase untreated water from MWD and treat it locally at the Miramar Water Treatment Plant.

Variance: The difference between a budgeted or projected amount and the actual amount.

Water Purchase: The acquisition of untreated or treated imported water for delivery to TVMWD's member agencies.

Water Rate: The price charged per unit of water. MWD establishes separate rates for untreated and treated water, which affect TVMWD's wholesale water costs.

Water Sales: Revenue received from the sale and delivery of water to TVMWD's member agencies.

Water Standby Charge: See Standby Charge Assessment.

Wholesale Water Agency: A water agency that supplies water to retail agencies or other organizations rather than primarily serving individual residential and commercial customers directly.