

Popular Annual Financial Report



First

Annual Report
Fiscal Year Ended
June 30, 2023



2022-23
Issue 1

Three Valleys Municipal Water District |
Claremont, CA

Table of Contents

3	Letter from the General Manager	12	Sources of Revenue
4	About Us	13	Operating Expenses
5	Mission & Vision	14	Capital Improvement Plan
6	Service Area	16	Community Outreach
8	District Governance	17	Awards
9	Goals + Priorities		
10	Statement of Net Position		
11	Statement of Revenues, Expenses, and Changes in Net Position		





Letter from our General Manager

On behalf of the Board of Directors and staff of Three Valleys Municipal Water District, it is my pleasure to present to you our first Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2023.

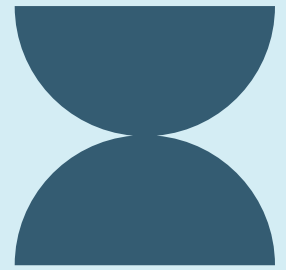
Our PAFR provides an overview of Three Valleys' financial position in a manner that is easy to understand. The Government Finance Officers Association (GFOA) encourages and assists state and local governments to utilize information from their Annual Comprehensive Financial Report (ACFR) and compile a high quality PAFR.

This PAFR represents Three Valleys' ongoing commitment to transparency in its operations and governance. The information in this report is based on the audited results presented in the District's ACFR. The District received an unmodified audit opinion that the financial statements present, fairly, in all material respects, the financial position of the District.

I hope you find this report helpful and encourage you to access the District's website at <https://www.threevalleys.com/finance-transparency> for more detailed information about our finances.



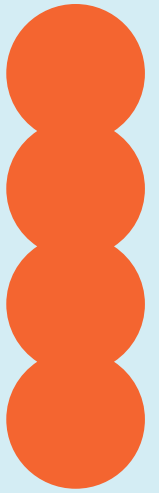
Matthew Litchfield | General Manager
Three Valleys Municipal Water District



“This PAFR represents
Three Valleys’
ongoing commitment
to transparency in its
operations and
governance.”



About Us



Three Valleys Municipal Water District is a special district 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, the Three Valleys' service area covers 133 square miles. The District's operations consist of a conventional surface water treatment plant, a state certified laboratory, four groundwater production wells, five hydroelectric generators, residual solids removal, groundwater recharge pipelines, pump stations, and transmission pipelines. Water is treated at the Miramar Treatment Plant and wholesaled to local agencies through several miles of pipeline.



Miramar Treatment Plant



Miramar Treatment Facility pictured above. Three Valleys staff pictured to the right performing annual preventative maintenance.

Mission

Three Valleys' mission is to supplement and enhance local water supplies to meet our region's needs in a reliable and cost-effective manner.

Vision

Three Valleys Municipal Water District meets its regional water supply needs through:

- Collaboration with its member agencies to understand their short-term and long-term needs.
- Development and implementation of the strategic plan to address these needs in a cost-effective manner based on current water conditions.
- Periodic update of the plan as needs or as major changes in water conditions occur.
- Adaptive management strategies that seek a combination of operational and cost efficiency.



By the numbers Service Area



District Service Area
133 Square Miles



Communities Served
20



Length of Pipeline
10 Miles



Treatment Plant
26 TAFY
thousand acre-feet per year



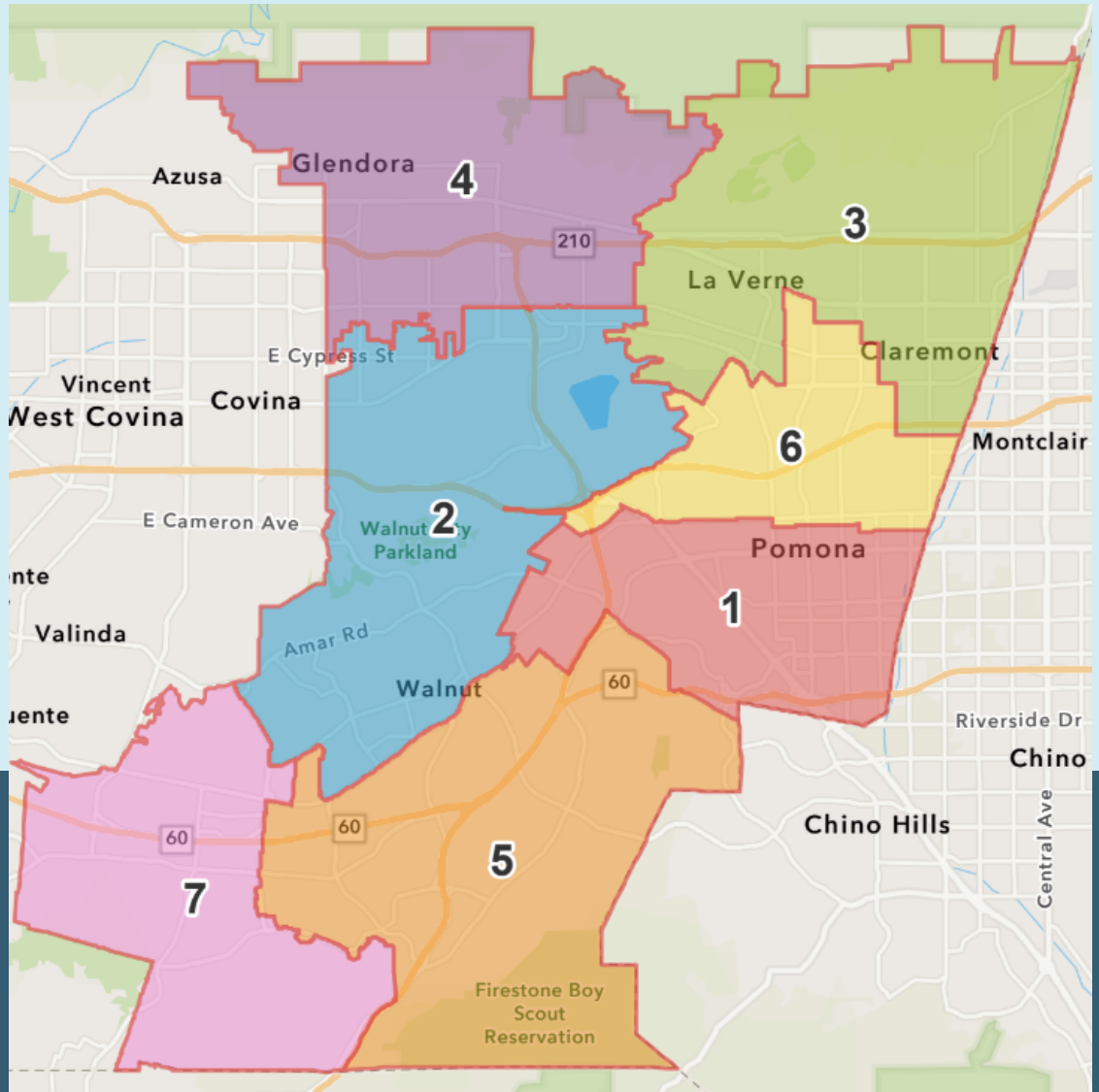
Hydroelectric Power Generation
Three (3) facilities
1 megawatt Production



Groundwater Wells
Four (4) Wells
3,000 acre-feet per year



Service Area



Metropolitan Water District of Southern California

District Governance



Board of Directors

Three Valleys is governed by an elected seven-member Board of Directors. The Board of Directors are responsible to the members of the public of their respective divisions for proper conduct of Three Valleys affairs. Directors are elected to four-year terms by the registered voters in seven geographic divisions. These divisions are apportioned by population. Terms are staggered to ensure continuity, with public elections held in at least three divisions every two years. Directors must reside within their elected division.



**JODY
ROBERTO**
*President
Division V*



**MIKE
TI**
*Vice President
Division VII*



**CARLOS
GOYTIA**
*Secretary/Treasurer
Division I*



**DAVID
DE JESUS**
Division II



**JEFF
HANLON**
Division III



**BOB
KUHN**
Division IV



**DANIELLE
SOTO**
Division VI

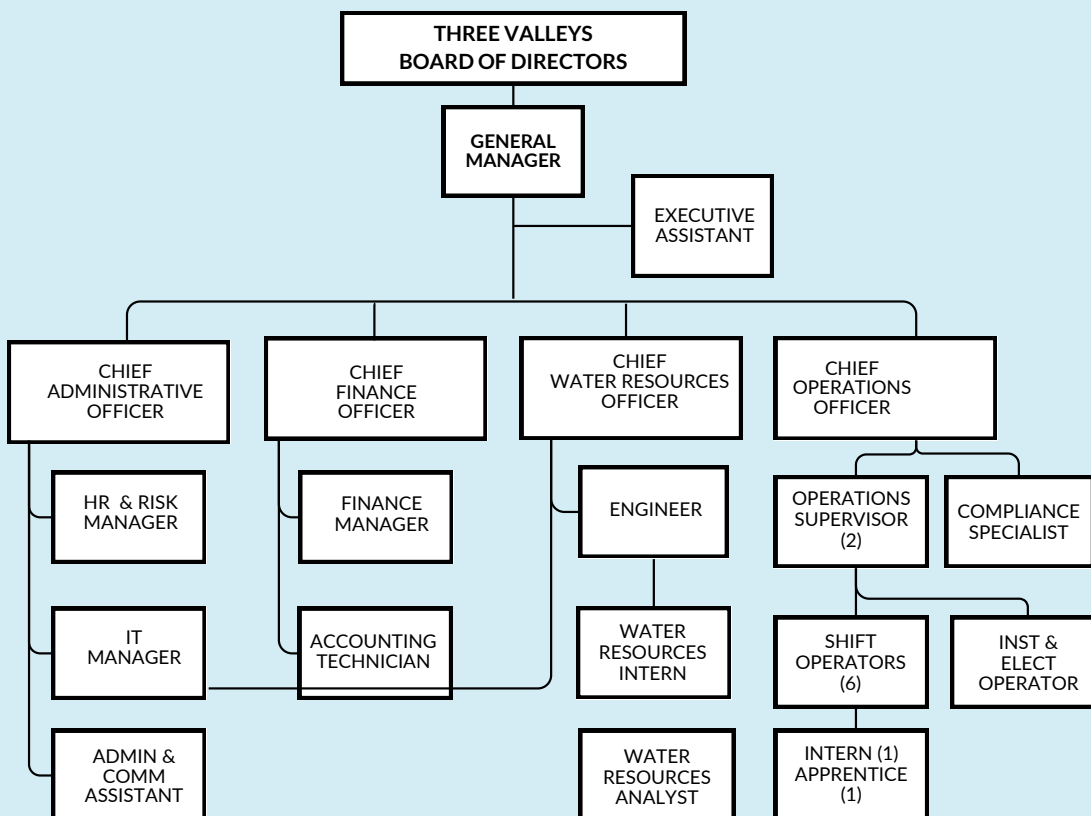
Goals + Priorities

Three Valleys' Board of Directors is mindful of the need to ensure the District's stability and continuation. District-wide goals are established by the Board of Directors in order to identify priority programs and projects that effectively meet the District's anticipated future needs:

1. Provide a reliable, high-quality water supply to meet regional demands
2. Provide water supplies in the most cost-effective manner
3. Be financially responsible and maintain public trust
4. Continuously implement necessary organizational enhancements



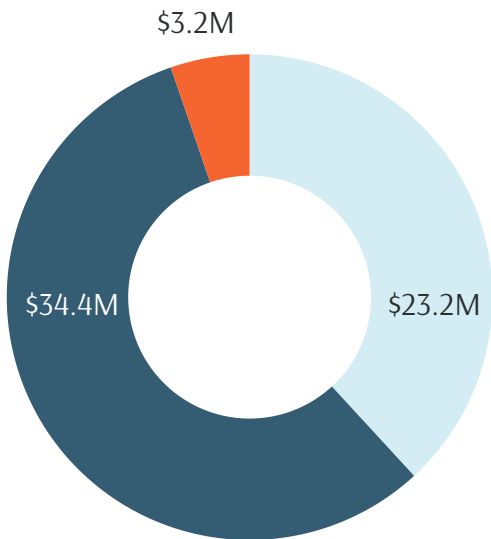
The Goals and Priorities are established through its Strategic Plan; the Plan is the basis for operational strategies and implementation of the Capital Improvement Plan



Three Valleys
Organization Chart
2022-23

Statement of Net Position

Assets & Deferred Outflow | \$60.8 Million



5.2%

Deferred Outflow of Resources - \$3.2M

Represents outflow of resources that apply to future periods, therefore, will not be recognized as an expense until that time.



38.1%

Current Assets - \$23.2M

Cash and cash equivalents, accounts and interest receivables, prepaid expenses, and other liquid assets that can be readily converted to cash.



56.7%

Capital Assets - \$34.4M

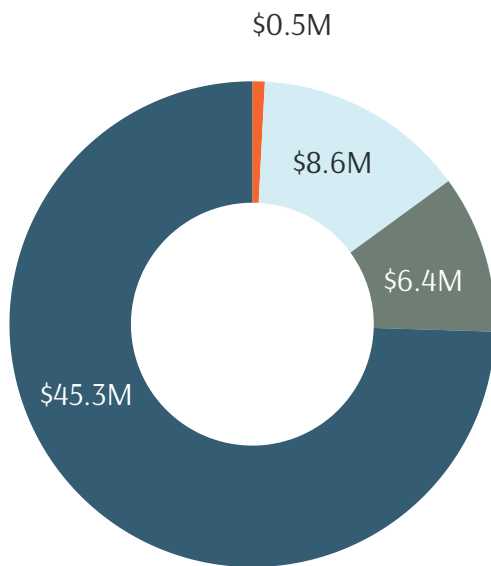
Includes land, buildings, equipment, vehicles, treatment plants, pipeline and water distribution systems.

The Statement of Net Position presents information about all of the District's **assets, liabilities, deferred outflows** (e.g. prepaid items), and deferred inflows (e.g. advance collections).

Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. For the fiscal year ended June 30, 2023, the net position decreased by \$0.97 million.

The information presented applies to the fiscal year ended June 30, 2023.

Liabilities & Equity | \$60.8 Million



0.9%

Deferred Inflow of Resources - \$0.5M

Receipt of net assets attributed to future reporting periods, such as deferred revenue and advance collections.



38.1%

Current Liabilities - \$8.6M

Present obligations and payments due including, payments to vendors, payroll, and employee benefits.



38.1%

Non-Current Liabilities - \$6.4M

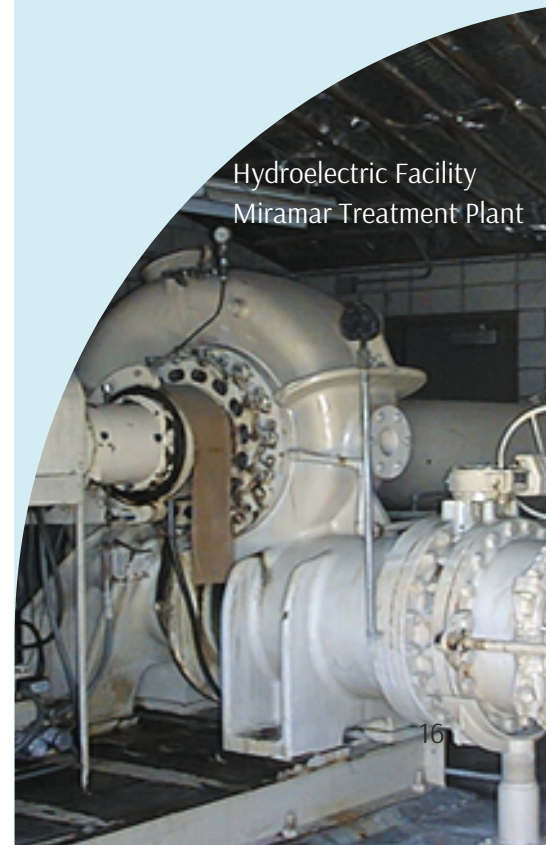
Long-term financial obligations including payments for leases, subscriptions, and employee retirement benefits.



74.5%

Equity [Net Position] - \$45.3M

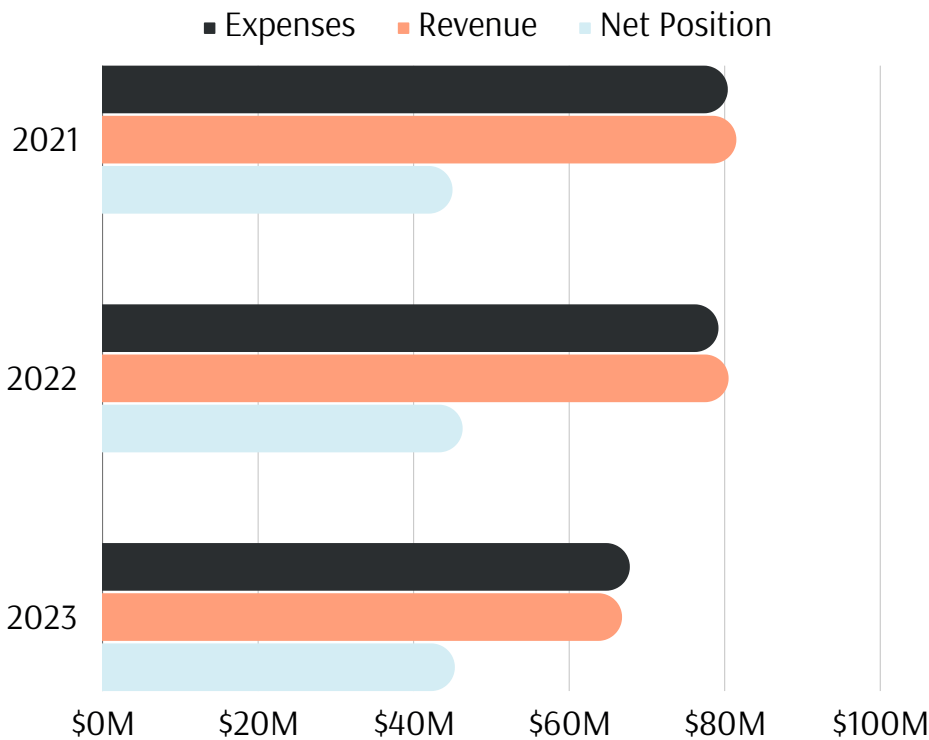
Represents the District's fiscal position after assets, liabilities, deferred outflow, and deferred inflow have been balanced.



Hydroelectric Facility
Miramar Treatment Plant

Statement of Revenues, Expenses, and Changes in Net Position

Based on Annual Comprehensive Financial Report



For fiscal year ended June 30, 2023, Three Valleys' expenses exceeded revenues by \$0.9M.

Major Changes in Fiscal Year 2023

Revenues:

Operating revenues decreased by 18%, or \$14.4M due to extreme drought conditions and regulations that forced the reduced use of State Water Project Water. Non-operating revenues increased by 26%, or \$0.7M, primarily due to an increase in property tax collections and favorable market conditions compared to FY2022.

Expenses:

Operating expenses decreased 17%, or \$11.4M, primarily due to the decrease in water purchases due to the District's member agencies conservation efforts during the third consecutive year of drought conditions.

Long Term Debt

Three Valleys does **not** currently have outstanding debt.



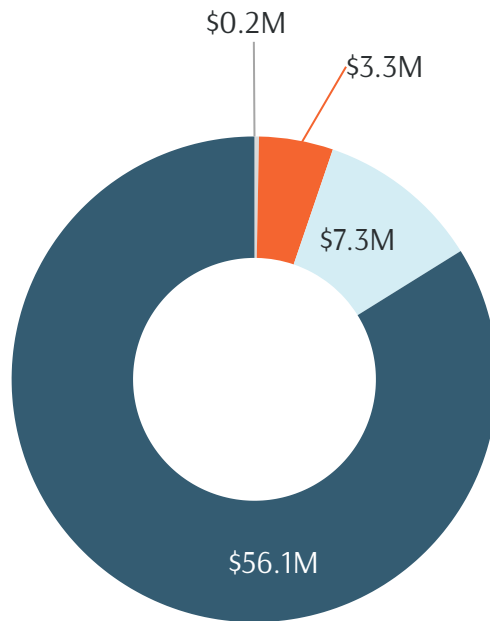


Sources of Revenue



Three Valleys uses revenue to fund daily operations and remaining revenue is invested back into capital improvement projects or other reserve designations per the District's policy to help maintain and improve the longevity and stability of the District's systems.

Rates and fees are reviewed and are adjusted as necessary to cover the costs of providing services to agencies.



Hydroelectric Sales \$0.2M

Revenue generated by the power generation at the hydroelectric facilities.



Non-Operating Revenue \$3.3M

Includes investment income and property taxes.



Water Use & Connection Charges \$7.3M

Percent of fixed charges that is recovered on a fixed charge basis for costs such as maintenance, staffing, etc.



Water Sales - \$56.1M

Volumetric revenue based on consumption of potable water.

Fiscal Year Ended June 30, 2023 Revenue Summary

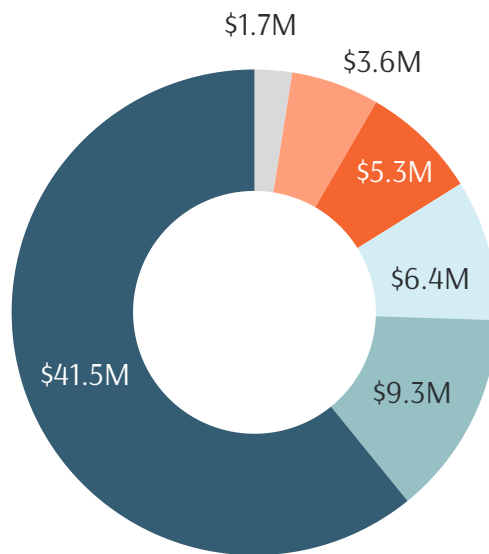
Operating Revenue: \$63.5 million | **Non-Operating Revenue:** \$3.3 million | **Total Revenue:** \$66.8 million



Operating Expenses



Operating expenses are necessary to provide reliable water to protect public health and the environment with financial integrity and superior customer service. Despite the severity of the recent drought, the District put forth significant effort to overcome the challenges of maintaining fiscal transparency and operational sustainability.



Depreciation

Expenses related to the use of capital assets over time, a non-cash expense.



Water Treatment & Transmission

Expenses related to treatment, transmission and distribution of water to member agencies.



Administrative Expenses

Expenses related to operations, such as office supplies, staff and director salaries and benefits, professional services, etc.



Water Use & Connection Capacity

Metropolitan Water District's Capacity and Readiness-To-Serve charges.



Water Purchase - Miramar

Expenses related to procuring treated water from Metropolitan



Water Purchase - Metropolitan

Expenses related to procuring treated water from Metropolitan

Fiscal Year Ended June 30, 2023 Expenses Summary
Operating Expenses: \$67.8 million

Capital Improvement Projects



As part of the annual budget process, the Engineering and Operations staff collaborate to develop list of capital improvement projects for consideration. The projects are prioritized on the needs of the District that meet operational and regional needs. The following projects are the highlights of Fiscal Year 2023.

1

Groundwater Reliability Project

Three Valleys, the City of Glendora and the Puente Basin Water Agency are collaborating to re-operate wells previously shut down due to groundwater contamination. The parties reinitiated planning efforts to develop a regional approach for funding along with identifying the needed treatment technologies. The study is expected to be completed by Fall 2023.

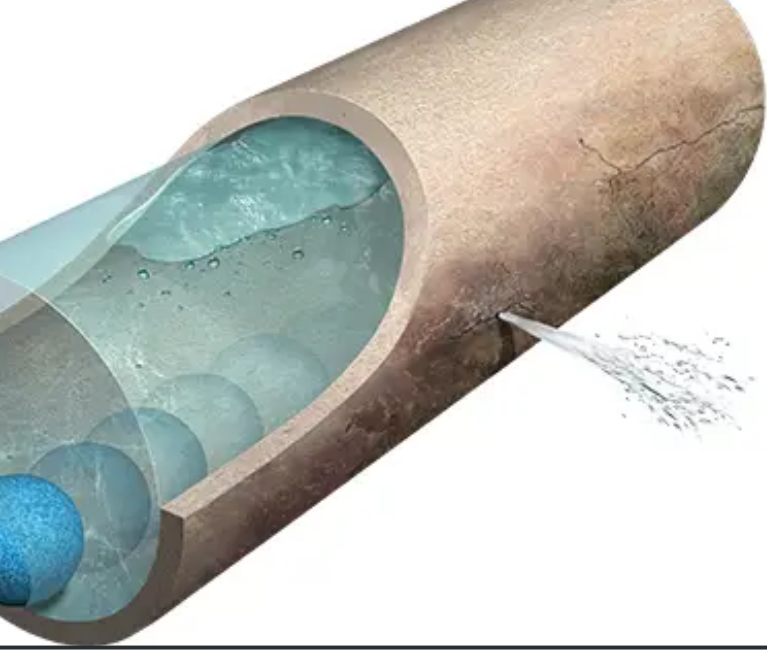


2

MiraGrand Well

The MiraGrand Well is Three Valleys' fourth groundwater production well located in the City of Claremont with a capacity of 825 acre-feet per year. The project included the construction and equipping of the well and associated pipelines. The construction and startup was completed in February 2023, with the well placed into service in July 2023.





3

Miramar Transmission Line Leak Detection

The Project was initiated to identify potential leaks within the pipeline distribution system and develop corrective measures to address the water; water loss ranges between five to ten percent, with variations depending on the quantities of flow, i.e., higher losses when the distribution system flow is lower and more noticeable. The study is expected to be completed by Xylem by Winter 2023.

4

Padua Pump Station

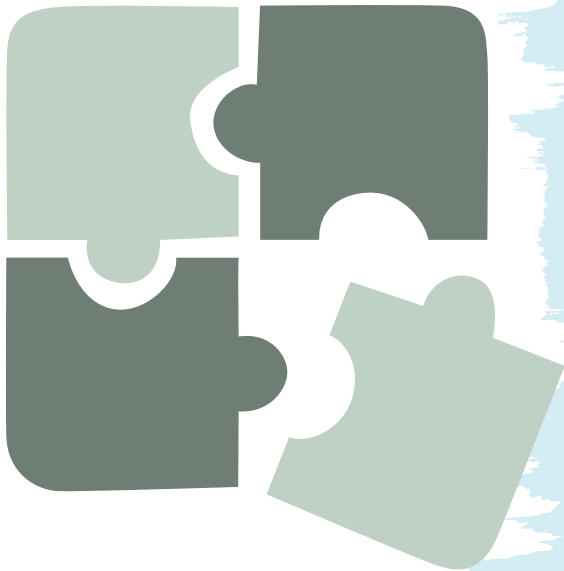
Three Valleys is in the process of acquiring property from the California Department of Transportation to construct a pump station which will provide flexibility to move water from lower pressure zones into the Miramar System, such as Pure Water Southern California, or other external opportunities. The property acquisition is anticipated to be completed by June 2024.



5

Water Resources Master Plan

Three Valleys awarded the contract for the preparation of the Water Resources Master Plan and Drought Contingency Plan to GEI Consultants, Inc. in February 2023. These two plans will identify and address water supply reliability challenges to prioritize the creation of conceptual projects which will ensure a reliable water supply in the future. Both plans are expected to be completed by March 2025.



Community Outreach

Photography by Civic Publications

Three Valleys participates in various community events throughout the year including leadership breakfasts, facility tours and talks at local community organizations and educational institutions.

The District is committed to enhancing the community's quality of life by educating surrounding agencies and future generations on the water treatment process.

Three Valleys has had the opportunity to work with the young legislators' program for Assembly Member Chris Holden for the last decade. The District conducts an annual tour and briefing for the group of future leaders, stemming from

service area across the San Gabriel Valley. High school seniors are selected from a competitive application process conducted by the Member's office, and they visit a handful of diverse industries in the Valley during the program year.

Leadership Breakfast

The District holds a tri-annual leadership breakfast in which keynote speakers are invited from several

areas relating to water and its production, ranging from Metropolitan Water District to environmental planners. The event is an opportunity for leaders from surrounding local agencies to network and learn more about Metropolitan Water District water facilities, future planning, as well as other topics pertaining to supply and what affects of water.



Adel Hagekhalil
General Manager
Metropolitan Water District
of Southern California

Water in a Changing World
and an Update on Pure
Water Southern California

Leadership Breakfast
06.29.2023



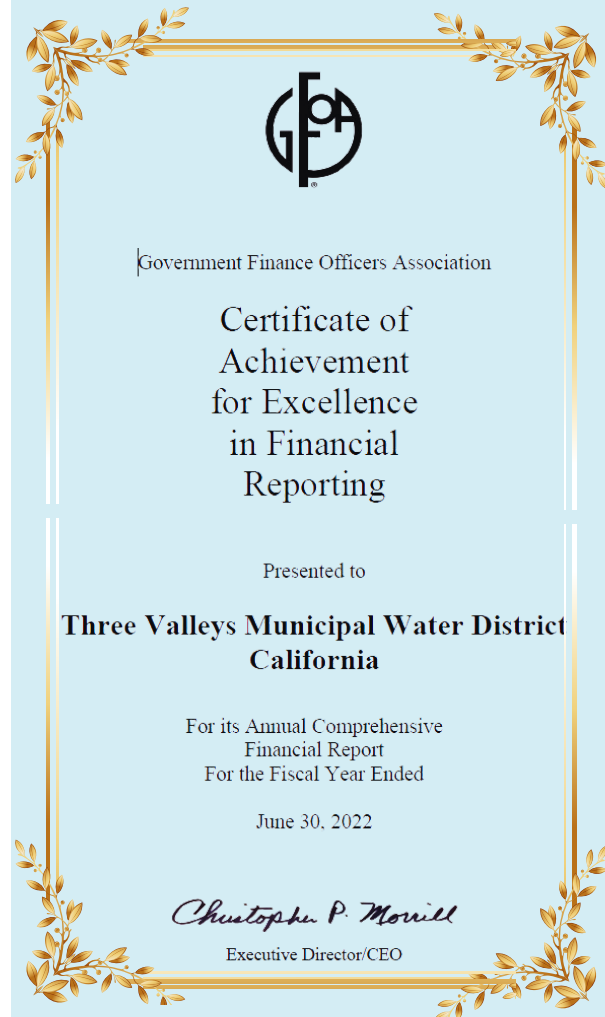
Awards



Three Valleys Wins 2022 - ACWA Most Active Agency Outreach Award

Three Valleys was honored by the Association of California Water Agencies (ACWA) as the association's top outreach agency winner for the State of California in 2022. The District, one of over 460 member agencies belonging to ACWA, had previously been honored as the top outreach winner seven times and once in the top small agency winner category. In addition, this marks the fourteenth year that the District has been recognized by ACWA as the regional outreach leader covering the San Gabriel Valley.

Outreach winners are recognized for their efforts in responding to key legislative issues and making quality contacts with congressional, state assembly and state senate members on California water legislation. One area that received significant attention in 2022 included successful Brown Act legislation pertaining to the modernization of teleconferencing meeting standards. Three Valleys supported legislation that protects turf conservation rebates from being taxed and also played a significant role in furthering the Solve the Water Crisis coalition, as well as needed water infrastructure projects locally and statewide.



Three Valleys Municipal Water District



Visit us
Online

www.threevalleys.com

