SAN DIEGO COUNTY
LOCAL AGENCY FORMATION COMMISSION



ADDENDUM TO RIVERSIDE LAFCO's COUNTYWIDE WATER AND WASTEWATER MSR

Municipal Service Review | Government Code 56430

Affected Agencies:
Eastern Municipal Water District

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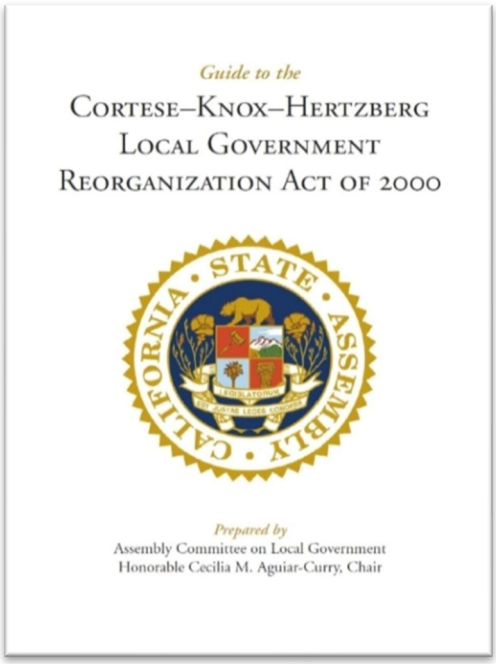
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CHAPTER ONE
INTRODUCTION

1.0 LOCAL AGENCY FORMATION COMMISSIONS

1.1 Authority and Objectives



Local Agency Formation Commissions (LAFCOs) were established in 1963 as political subdivisions of the State of California responsible for providing regional growth management services in all 58 counties. LAFCOs' authority is currently codified under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") with principal oversight provided by the Assembly Committee on Local Government.[1] LAFCOs are comprised of locally elected and appointed officials with regulatory and planning powers delegated by the Legislature to coordinate and oversee the establishment, expansion, and organization of cities, towns, and special districts as well as their municipal service areas. LAFCOs' creation were engendered by Governor Edmund "Pat" Brown Sr. (1959-1967) to more effectively address the needs of California's growing and diversifying population with an emphasis on promoting governmental efficiencies. Towards this end, LAFCOs are referred to as the Legislature's "watchdog" for local governance issues.[2]

Guiding LAFCOs' regulatory and planning powers is to fulfill specific purposes and objectives that collectively construct the Legislature's regional growth management priorities outlined under Government Code (G.C.) Section 56301. This statute reads:

> *"Among the purposes of the commission are discouraging urban sprawl, preserving open space and prime agricultural lands, efficiently providing governmental services, and encouraging the orderly formation and development of local agencies based upon local conditions. One of the objects of the commission is to make studies and furnish information to contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities."*

[1] Reference California Government Code Section 56000 et. seq.
[2] In its ruling on City of Ceres v. City of Modesto, the 5th District Court of Appeals referred to LAFCOs as the "watchdog" of the Legislature to "guard against the wasteful duplication of services." (July 1969)

LAFCO decisions are legislative in nature and therefore are not subject to an outside appeal process; only courts can overturn LAFCO decisions. LAFCOs also have broad powers with respect to conditioning regulatory and planning approvals so long as not establishing any terms that directly effects land use density or intensity, property development, or subdivision requirements.

1.2 Regulatory Responsibilities

LAFCOs have been responsible since 1963 to oversee formation, expansion, reorganization, and dissolution actions involving cities, towns, and special districts in California with limited exceptions.

LAFCOs' principal regulatory responsibility involves approving or disapproving all jurisdictional changes involving the establishment, expansion, and reorganization of cities, towns, and most special districts in California.[3] LAFCOs are also tasked with overseeing the approval process for cities, towns, and special districts to provide new or extended services beyond their jurisdictional boundaries by contracts or agreements. LAFCOs also oversee special district actions to either activate new service functions and service classes or divest existing services. LAFCOs generally exercise their regulatory authority in response to applications submitted by affected agencies, landowners, or registered voters. Recent amendments to CKH also authorize LAFCOs to initiate jurisdictional changes to form, consolidate, and/or dissolve special districts consistent with community needs.

1.3 Planning Responsibilities

LAFCOs are tasked with planning the location of future urban uses through two interrelated activities: (a) establish and update spheres of influence as gatekeepers to future jurisdictional changes and (b) prepare municipal service reviews to independently evaluate community needs.

LAFCOs inform their regulatory actions through two central planning responsibilities: (a) making sphere of influence ("sphere") determinations and (b) preparing municipal service reviews. Sphere determinations have been a core planning function of LAFCOs since 1971 and serve as the Legislature's version of "urban growth boundaries" with regard to cumulatively delineating the appropriate interface between urban and non-urban uses within each county. Municipal service reviews, in contrast, are a relatively new planning responsibility enacted as part of CKH and intended to inform – among other activities – sphere determinations. The Legislature

[3] CKH defines "special district" to mean any agency of the State formed pursuant to general law or special act for the local performance of governmental or proprietary functions within limited boundaries. All special districts in California are subject to LAFCO with the following exceptions: school districts; community college districts; assessment districts; improvement districts; community facilities districts; and air pollution control districts.

mandates, notably, all sphere changes as of 2001 be accompanied by preceding municipal service reviews to help ensure LAFCOs are effectively aligning governmental services with current and anticipated community needs. An expanded summary of the function and role of these two planning responsibilities follows.

Spheres of Influence

LAFCOs establish, amend, and update spheres for all cities and most special districts in California to designate the territory it independently believes represents the appropriate and probable future service areas and jurisdictional boundaries of the affected agencies. Importantly, all jurisdictional changes, such as annexations and detachments, must be consistent with the spheres of the affected local agencies with limited exceptions as footnoted.[4] An increasingly important role involving sphere determinations relate to their use by regional councils of governments as planning areas in allocating housing need assignments for counties and cities.

Starting January 1, 2008, LAFCOs must review and update all local agencies' spheres every five years. In making sphere determinations, LAFCOs are required to prepare written statements addressing five specific planning factors listed under G.C. Section 56425. These mandatory factors range from evaluating current and future land uses to the existence of pertinent communities of interest.

> Spheres serve as the Legislature's version of urban growth boundaries and – among other items – delineates where cities and special districts may seek future annexations or outside service approvals with LAFCOs.

The intent in preparing the written statements is to orient LAFCOs in addressing the core principles underlying the sensible development of local agencies consistent with the anticipated needs of the affected communities now and into the future. The five mandated planning factors are summarized in short-form below.

1. Present and planned land uses, including agricultural and open-space.

2. Present and probable need for public facilities and services in the area.

3. Present capacity of public facilities and adequacy of public services the agency provides or is authorized to provide.

[4] Exceptions where jurisdictional boundary changes do not require consistency with the affected agencies' spheres include annexations of State correctional facilities or annexations to cities involving city owned lands used for municipal purposes.

4. Existence of any social or economic communities of interest in the area.

5. If the city or special district provides water, wastewater, or fire protection, the need for those services in any disadvantaged unincorporated communities in the existing sphere.

Municipal Service Reviews

Municipal service reviews serve as a centerpiece to CKH's enactment in 2001 and represent comprehensive studies of the level, range, and performance of governmental services provided within defined geographic areas. LAFCOs generally prepare municipal service reviews to explicitly inform subsequent sphere determinations. LAFCOs also prepare municipal service reviews irrespective of making any specific sphere determinations to obtain and furnish information to contribute to the overall orderly development of local communities.

Municipal service reviews vary in scope and can focus on a particular agency or governmental service. LAFCOs may use the information generated from municipal service reviews to initiate other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies. Advisory guidelines on the preparation of municipal service reviews were published by the Governor's Office of Planning and Research in 2003 and remain the lone statewide document advising LAFCOs in fulfilling this mandate.

All municipal service reviews – regardless of their intended purpose – culminate with LAFCOs preparing written statements addressing specific service factors listed under G.C. Section 56430. This includes infrastructure needs or deficiencies, growth and population trends, and financial standing. The mandated service factors are summarized below in short-form with additional details footnoted.[5]

> Municipal service reviews fulfill the Legislature's interests in LAFCOs regularly assessing the adequacy and performance of local governmental services in order to inform potential future actions ranging from sphere determinations to reorganizations.

1. Growth and population projections for the affected area.

[5] Determination No. 5 was added to the municipal service review process by Senate Bill 244 effective January 1, 2012. The definition of "disadvantaged unincorporated community" is defined under G.C. Section 56330.5 to mean inhabited territory that constitutes all or a portion of an area with an annual median household income that is less than 80 percent of the *statewide* annual median household income; the latter amount currently totaling $53,735 (*emphasis*).

2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to affected spheres of influence.

3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.

4. Financial ability of agencies to provide services.

5. Status and opportunities for shared facilities.

6. Accountability for community service needs, including structure and operational efficiencies.

7. Matters relating to effective or efficient service delivery as required by policy.

1.4 LAFCO Decision-Making

LAFCOs are generally governed by an 11-member board, comprising three county supervisors, three city councilmembers, three independent special district members, and two representatives of the general public. Some larger LAFCOs – including San Diego – also have additional board seats dedicated to specific cities as a result of special legislation. All members serve four-year terms and are divided between "regulars" and "alternates." All members are statutorily directed to exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole.

> State law directs all LAFCO members to independently discharge their responsibilities for the good of the region and irrespective of the interests of their appointing authorities.

LAFCO members are subject to standard disclosure requirements and must file annual statements of economic interests. LAFCOs have sole authority in administering its legislative responsibilities and decisions are not subject to an outside appeal process. All LAFCOs are independent of local government with the majority employing their own staff; an increasingly smaller portion of LAFCOs, however, choose to contract with their local county government for staff support services. All LAFCOs, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the membership. All LAFCOs must also appoint their own legal counsel.

1.5 Prescriptive Funding

CKH prescribes local agencies fully fund LAFCOs' annual operating costs. Counties are generally responsible for funding one-third of LAFCO's annual operating costs with remainder one-third portions allocated to the cities and independent special districts. The allocations to cities/towns and special districts are calculated based on standard formula using general tax revenues unless an alternative method has been approved by most of the local agencies. The funding proportions will also differ should the LAFCO have additional representation as a result of special legislation. LAFCOs are also authorized to collect proposal fees to offset local agency contributions.

2.0 SAN DIEGO LAFCO

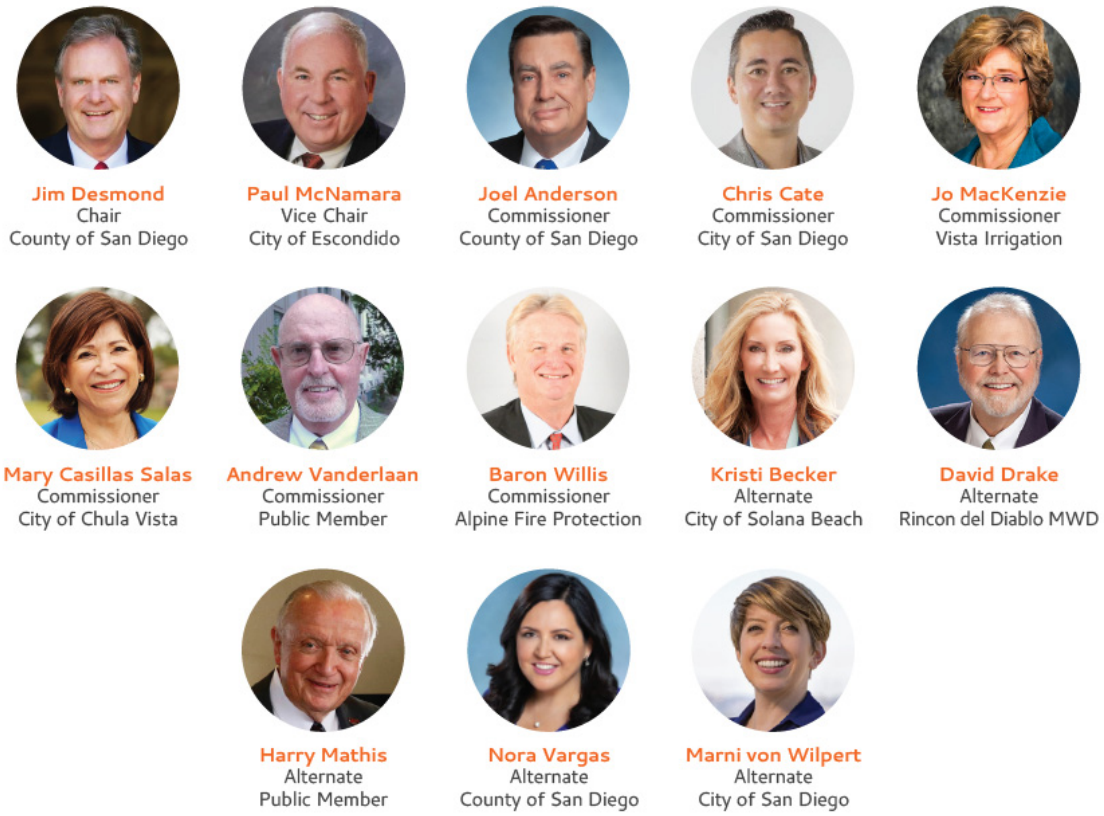
2.1 Adopted Policies and Procedures

The majority of San Diego LAFCO's ("Commission") existing policies and procedures were initially established in the 1970s and subsequently updated in the 2000s in step with the enactment of CKH. These policies and procedures collectively guide the Commission in implementing LAFCO law in a manner consistent with regional growth management priorities as determined by the membership with discretion to address local conditions. The Commission has also established pertinent policies and procedures specific to preparing sphere updates and municipal service reviews. This includes direction to the Executive Officer to regularly prepare municipal service reviews in appropriate scope and level to inform the Commission in updating spheres in regular five-year intervals (L-109).

2.2 Commission Information

San Diego LAFCO is governed by a 13-member "Commission" comprised of county, city, special district, and public members. The Commission is further distinguished between eight regular or voting members and five alternates. All Commissioners are appointed elected officials, with the exception of the two public members. The Commission holds regular meetings on the first Monday of each month at the County of San Diego Administration Center located at 1600 Pacific Highway in San Diego, California. Meetings start at 10:00 A.M in Room 301 and live streamed at www.sdlafco.org. Past meetings are also available for watching online.

The Commission roster as of December 2022 follows.



2.3 Administration Information

San Diego LAFCO's administrative office is located in the Bankers Hill (West Park) section of San Diego at 2550 Fifth Avenue, Suite 725 (Manchester Financial Centre). Metered street parking is readily available. While LAFCO is open to the public Monday through Friday during normal business hours (8:00 A.M. to 5:00 P.M), appointments to discuss proposals, studies, or other matters are encouraged to ensure staff availability and can be scheduled by calling 619.321.3380. Communication by e-mail is also welcome and should be directed to lafco@sdcounty.ca.gov. Additional information regarding San Diego LAFCO's programs and activities is also available online by visiting www.sdlafco.org. LAFCO is also available on most social media platforms.

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CHAPTER TWO
EXECUTIVE SUMMARY

1.0 ADDENDUM OVERVIEW

This addendum has been prepared as part of the administrative reviews of two related reorganization proposals filed by Fallbrook Public Utility District (PUD) and Rainbow Municipal Water District (MWD) in March 2020. These proposals' request LAFCO approval to transfer wholesale water service responsibilities within the applicants' combined 124 square mile jurisdictional boundaries from the San Diego County Water Authority to Eastern MWD in Riverside County. The requested transfer necessitates multiple jurisdictional changes and related approvals by LAFCO and headlined by concurrently (a) detaching the affected territory from the County Water Authority and (b) annexing into Eastern MWD with the latter – markedly – requiring a conforming sphere of influence action.

> This addendum supplements an earlier municipal service review prepared by Riverside LAFCO to inform a potential sphere of influence action for Eastern MWD associated with two related proposals filed by Fallbrook PUD and Rainbow MWD to annex their jurisdictional boundaries into Eastern.

The preparation of this addendum by San Diego LAFCO follows the terms of a memorandum of understanding (MOU) with Riverside LAFCO to guide the administrative reviews of the Fallbrook PUD and Rainbow MWD proposals. The MOU designates San Diego LAFCO as lead in performing all related analyses as well as taking up all associated approvals. The former includes delegating discretion to San Diego LAFCO in preparing a municipal service review document on Eastern MWD to inform a conforming sphere of influence action to accommodate any annexation approvals. The addendum follows this delegation and does so to provide bridge analysis to an earlier municipal service review report covering Eastern MWD that was completed by Riverside LAFCO in 2019.

The bridge analysis in this addendum expands and/or updates information in the earlier municipal service review report prepared by Riverside LAFCO with respect to Eastern MWD's demographics, potable water function, and financial standing. (The analysis on demographics includes discussion on environmental justice as required under San Diego LAFCO policy.) The additional analysis is presented to mirror LAFCO's own form and practice and includes its own set of determinations in addressing the factors required of the Commission as part of the municipal

service review statute. LAFCO will use the addendum in directly informing the potential sphere of influence actions associated with Eastern MWD annexing the Fallbrook PUD and Rainbow MWD jurisdictional boundaries as well as any related actions thereafter over the next 60-month period.

Key Premises, Assumptions, and Benchmarks

As referenced above, the addendum's principal purpose is to inform a potential sphere of influence action involving Eastern MWD and the annexation therein of the Fallbrook PUD and Rainbow MWD jurisdictional boundaries. Should the Commission proceed with a sphere of influence action, the addendum's secondary purpose will emerge as an ongoing monitoring program on Eastern MWD relative to San Diego LAFCO's growth management responsibilities. The ongoing monitoring would include LAFCO revisiting key assumptions and benchmarks in this addendum in the next municipal service review in approximately five years consistent with the timetable set by the Legislature and memorialized under adopted policy. This will allow the Commission – among other tasks – to assess the accuracy of earlier projections and make appropriate changes in approach as needed as part of any future reports.

Key premises, assumptions, and benchmarks specific to the preparation of this addendum follows.

Defining Scope and Scale

The addendum serves to bridge the analysis gap between the municipal service review report prepared by Riverside LAFCO and San Diego LAFCO's own form and practice. This includes defining the scope of the addendum to focus on expanding and/or updating information on three pertinent topics involving demographics, potable service function, and financial standing. The scale of the addendum and its analysis is oriented to reflect LAFCO's established approach in addressing these topics as further described.

> This addendum expands and updates information presented in the municipal service review report prepared by Riverside LAFCO with respect to three specific topics: (a) demographics – including environmental justice items; (b) core potable water functions; and (c) financial standing.

Data Collection Range

The addendum period for collecting data to inform LAFCO's analysis and related projections on the designated topics – demographics, core potable water functions, and financial standing – covers fiscal years' 2017 to 2021 with limited exceptions. The addendum period expands on the 2014-2018 period reflected in the municipal service review report prepared by Riverside LAFCO and provides data trends that appear most relevant in making near-term determinations under statute; i.e., data from the last five years is most pertinent in projecting trends over the next five years.

Calculating Population Estimates and Projections

Recent and current residential population estimates in the addendum draw on data generated by Esri and their own mapping analyses of census tracts that overlay Eastern MWD. This approach is consistent with recent practice in preparing municipal service reviews given the ability of Esri's mapping software to readily synchronize with special district boundaries. Projections over the succeeding five-year period are made by LAFCO and apply the estimated growth trend over the last 60 months, i.e., population growth over the last five years is generally expected to hold over the next five years.

Macro-Level Focus on Service Functions

The addendum focuses on central service outputs with respect to quantifying availability, demand, and adequacy of Eastern MWD's potable water function. A prominent example involves focusing on annual system-wide demands generated during the five-year addendum period as opposed to specific service areas or zones within Eastern MWD. This approach informs macro-level determinations, and when applicable, the addendum notes the need for more micro-level analysis as part of separate addendums or future municipal service reviews.

Benchmarking Infrastructure Needs and Deficiencies

Similar to the preceding factor, the addendum and its analysis focuses on average system demands generated within Eastern MWD during the 60-month study period in benchmarking infrastructure needs or deficiencies involving its potable water function. This broader focus on averages provides a more reasonable account of system demands and helps to control against one-

year outliers in analyzing overall relationships with capacities.

Benchmarking Fiscal Standing

Several diagnostic tools are used to assess and make related determinations in the addendum regarding Eastern MWD's financial standing based on a review of available audited information. This includes an emphasis on analyzing cash ratio, debt-to-net assets, and total margin. These diagnostics provide LAFCO with reasonable benchmarks to evaluate liquidity, capital, and margin with an emphasis on overall trends.

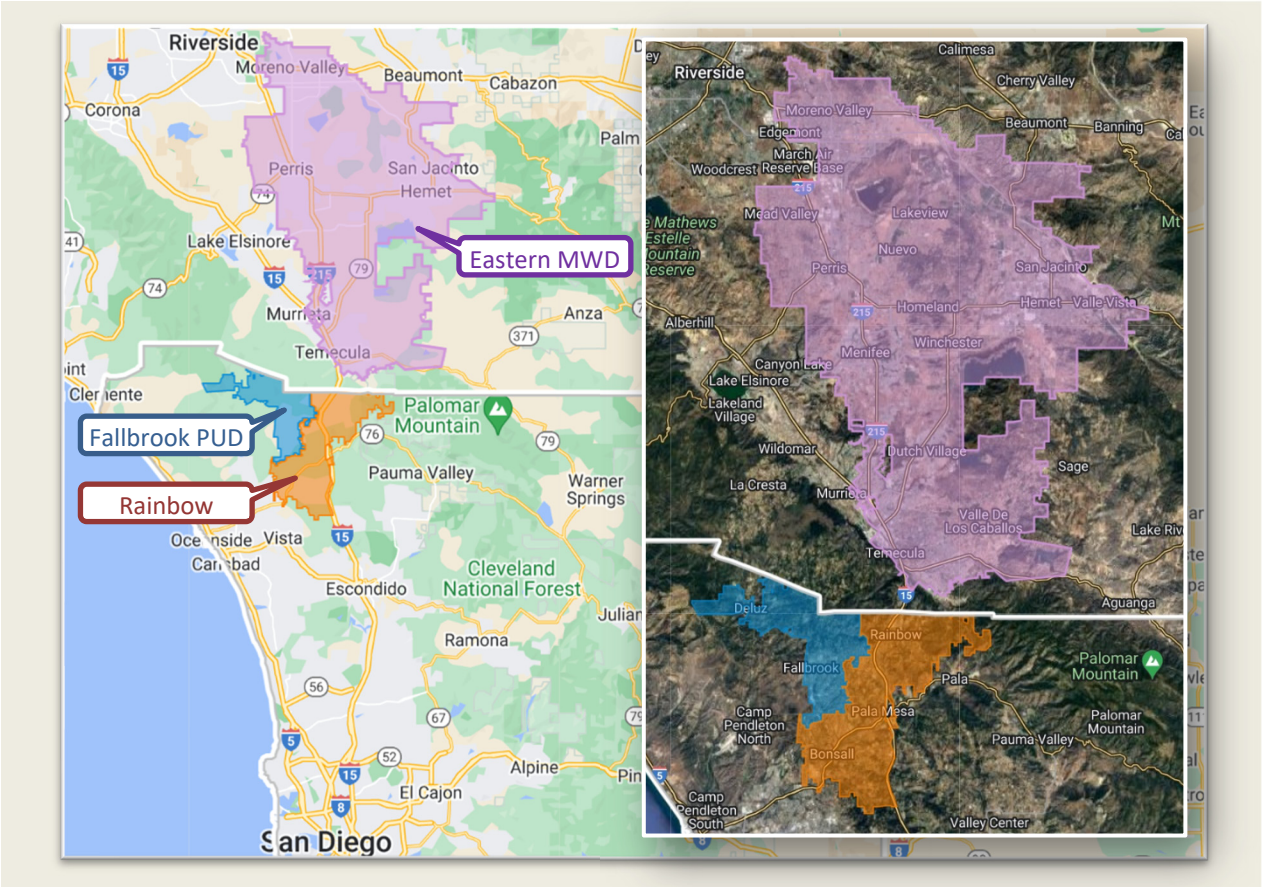
2.0 ADDENDUM ORGANIZATION

This chapter serves as the Executive Summary and outlines the key conclusions, recommendations, and determinations relative to San Diego LAFCO's growth management duties and interests as it relates to Eastern MWD. This includes drawing on earlier information provided in the municipal service review report prepared by Riverside LAFCO coupled with the supplemental analysis provided in this addendum. The Executive Summary is proceeded by an abbreviated agency profile (Chapter Three) that houses the addendum's analysis on Eastern MWD's demographics, potable water function, and financial standing.

3.0 GEOGRAPHIC AREA

The geographic area designated for this addendum to the earlier municipal service review report prepared by Riverside LAFCO is approximately 682 square miles in size. The geographic area has been purposefully designated by the Executive Officer to include all of Eastern MWD's jurisdictional boundary, plus all of the jurisdictional boundaries of Fallbrook PUD and Rainbow MWD. This geographic area has a total estimated resident population of 924,542.

A vicinity map of the geographic area follows.



4.0 ADDENDUM SUMMARY

4.1 General Themes and Conclusions

Eastern MWD has been in considerable growth mode since its formation in 1950 and by the start of the 21st century emerged as one of the largest potable water providers (retail and wholesale) in all of Southern California. This emergence ties to Eastern MWD's direct accessibility to the Colorado River Aqueduct, paired with the local housing boom in southwest Riverside County that began in the 1980s. Eastern MWD's ability to accommodate additional water demands generated by the conversion of relatively cheap former ranching lands into large tract subdivisions contributed to its jurisdictional boundary becoming one of the fastest growing areas in California and marked by five incorporations between 1984 and 2008. Growth continues into the new century with Eastern MWD's estimated population increasing by nearly two-thirds since 2000 from 531,056 to 868,426; an equivalent of adding 44 new residents each day over 21 years.

Ongoing capital investments by Eastern MWD marks its ability to accommodate the continued growth in its jurisdictional boundary and headlined by the diversification of potable supplies to now include local groundwater – distilled and desalination. (Eastern MWD also has established a leading recycled water program to redirect a sizable portion of former potable uses.) During the addendum period, Eastern MWD has dedicated $245.7 million on capital projects with 97% directly funded from developer fees and grants.[6] The scope of these capital investments and their non-operating sources underlies the one-fifth increase in Eastern MWD's net position during the addendum period to $1.828 billion and translates to a per capita value change of 13.7% from $1,852 to $2,105.

A review of Eastern MWD relative to San Diego LAFCO's two-fold task to inform a potential sphere of influence action and as an ongoing monitoring tool produces eight central themes or conclusions. These conclusions tie to topics analyzed in this addendum and focus therein on Eastern MWD's potable water system and the present relationship between capacities, demands, and performance.

- **No. 1 | Unique LAFCO Introduction**
  This addendum serves as a unique introduction to Eastern MWD with its municipal activities being otherwise substantively unknown to the Commission. The uniqueness is further reflected in the tailored purpose of the addendum to inform a possible sphere of influence action to accommodate an expansion of Eastern MWD into San Diego County at the request of Fallbrook PUD and Rainbow MWD. This latter feature creates two distinct possibilities for this addendum to either serve as a one-and-done document or as an ongoing performance measurement.

- **No. 2 | Timely Assist from Riverside LAFCO**
  The preparation of a full municipal service review on Eastern MWD has been avoided in favor of this addendum given the Commission's ability to draw on good and timely information provided in Riverside LAFCO's comprehensive report completed in May 2019. This tiering approach allows the Commission to focus on providing gap analysis on Eastern MWD's potable water function and financial standing through 2021. Notable conclusions made by Riverside LAFCO within its earlier document and

[6] This total amount covers all three core service functions – potable water, recycled water, and wastewater. Another $534.5 million in new capital projects are planned over the next five-year period

incorporated herein with regards to the mandatory factors follow.

- With respect to growth, Riverside LAFCO expects Eastern MWD's overall population (wholesale and retail), within its jurisdiction, to increase by an additional one-half between 856,500 in 2020 to 1,274,600 in 2040. This projection produces an average annual growth rate of 2.4%.

- With respect to disadvantaged unincorporated communities (DUCs), Riverside LAFCO identifies 15 qualifying areas within Eastern MWD. These 15 DUCs are in the Hemet and Perris areas and LAFCO attests they have access to water and sewer service. An additional DUC outside Eastern MWD, but adjacent to its sphere of influence, has also been identified. This subject DUC is located in the Pechanga area and LAFCO confirms it is without access to water and sewer service.

- With respect to present and planned capacities, Riverside LAFCO – drawing from Eastern MWD's Urban Water Management Plan (2015) – concludes Eastern has sufficient supplies and related contingencies to meet potable demands (wholesale and retail) through 2040.

- With respect to finances, Riverside LAFCO states Eastern MWD has been experiencing modest surplus total revenues over expenses, as well as occasional increased spending over the last several years. LAFCO attributes this primarily to planned capital expenditure debt service and cash flows. LAFCO adds appropriate rate increases, which have been implemented for water and sewer over the prior years, utilizing a cost-of-service analysis to have services funded by fees and charges.

- With respect to shared facilities and/or services, Riverside LAFCO notes Eastern MWD maintains several cooperative arrangements with other agencies for the mutual benefit of all constituents. This includes – but not limited to – partnering with MET as well as Western MWD, Elsinore Valley WD, and Rancho California WD with supply and intertie connections to share water in emergency situations.

- With respect to government structure and accountability, Riverside LAFCO confirms Eastern MWD meets regularly on the first and third Wednesdays of each month at 9:00 a.m. at the District office located at

2270 Trumble Road, Perris, California 92570. LAFCO also confirms Eastern MWD provides public information on its website, including historical information of the District, current projects, water and sewer information, annual budgets, and audits.

- **No. 3 | Expansive + Expanding Footprint**
  Eastern MWD has become one of the largest potable water service providers in Southern California, and at the end of the addendum period, serves more than one-third of Riverside County's population. This expansion follows an average increase of 44 persons each day in Eastern MWD since 2000. The expansion is further reflected during the addendum period with the physical footprint of Eastern MWD's potable system increasing by 154 miles – or 6.5% – as well as the number of active connections rising by 10,795 – or 8.9% – over the 60-month period.

- **No. 4 | Positive Water Demand-to-Capacity Relationship**
  As the principal municipal water service provider for southwest Riverside County, Eastern MWD maintains adequate infrastructure capacities and related administrative controls to meet current and anticipated demands (retail and wholesale) in the timeframe of this addendum. This statement is reflected in the average annual and daily system demands equaling less than one-third of available supplies and associated infrastructure capacities under normal conditions during the 60-month period. This demand-to-capacity ratio increases to slightly more than one-half under average peak-day demands and is considered sufficient.

- **No. 5 | Impactful Impact Fees**
  Eastern MWD continues to benefit from development within its jurisdictional boundary based on the sizeable collection of impact fees during the addendum period. The annual average collected has been $31.4 million – which equals 12.6% of average annual operating revenues – and underlies a one-fifth increase in Eastern MWD's net position over the 60-month period. The collection of impact fees and associated capital investments is also reflected in Eastern MWD finishing the period with a markedly high (good) capital replacement rate of 14.4 years.

- **No. 6 | Finances Trending Upward**
  Standard measurements used to assess Eastern MWD's financial health with respect to liquidity, capital, margin, and asset management efficiencies shows the District trending positively overall during the addendum period. This overall summation is reflected in Eastern MWD's improving its operating and total margin ratios during the 60-month period with the latter category, which the Commission uses as a primary benchmark in assessing solvency, increasing more than four-fold.

- **No. 7 | Good Financial Standing with a Qualification**
  Eastern MWD finished the addendum period in overall good financial standing and marked by having an unrestricted fund balance, less pension and related employee obligations, equal to almost 20 months of operating expenses. This strong liquidity is similarly reflected with a days' cash ratio – or burn rate – at 632 at the end of the period. Eastern MWD's otherwise good financial standing is qualified given the differences in operating and total margins during the period and the related dependency of the District on property taxes and other non-operating revenues to subsidize its enterprise functions. This difference merits attention going forward given the reasonable assumption development and its associated revenues – i.e., property taxes, impact fees, etc. – will eventually slow and necessitate improved cost-recovery through rates and other direct charges.

- **No. 8 | Proceeding with a Sphere of Influence Action**
  No significant deficiencies and/or otherwise material concerns have been identified in this addendum with respect to Eastern MWD's ability to plan, deliver, and finance potable water services. Accordingly, it would be appropriate to proceed with adopting a sphere of influence for Eastern MWD to include the Fallbrook PUD and Rainbow MWD jurisdictional boundaries should the Commission separately determine the associated reorganization proposals are sufficiently justified.

4.2 Recommendations

The following recommendations call for specific action either from San Diego LAFCO, Eastern MWD, or other local agencies based on information generated as part of this addendum and outlined below in order of their placement in Section 5.0 (Written Determinations). Recommendations for Commission action

involving additional studies are dependent on a subsequent directive from the membership and through the annually adopted work plan.

1. Given the scope of this addendum, it is appropriate for the Commission to limit its recommendations to addressing the core question necessitating this analysis. Accordingly, and given no significant deficiencies or otherwise, material concerns have been identified in the addendum; it would be appropriate for the Commission to proceed with the following actions.

   a) Adopt a sphere of influence for Eastern MWD to include the Fallbrook PUD and Rainbow MWD boundaries *should* the Commission separately determine the associated reorganizations are sufficiently merited under both statute and local policy (emphasis added).

   b) Should a sphere of influence for Eastern MWD be established to include the Fallbrook PUD and Rainbow MWD boundaries, the Commission should concurrently limit the authorized powers within the subject lands to only potable water function and wholesale class.

5.0 WRITTEN DETERMINATIONS

San Diego LAFCO is directed to prepare written determinations to address the multiple governance factors enumerated under G.C. Section 56430 as part of the municipal service review process. These determinations serve as independent statements based on information collected, analyzed, and presented in this addendum. The underlying intent of the determinations are to provide a succinct detailing of all pertinent issues relating to the funding, administration, and delivery of public services provided by Eastern MWD specific to the addendum's focus and the Commission's growth management role and responsibilities.

> These determinations address factors required in statute and local policy (environmental justice) as part of the municipal service review process. The statements represent reasonable facts or deductions as legislatively determined by San Diego LAFCO.

5.1 Growth Projections & Related Demographics

1. It is estimated there are 868,426 fulltime residents in Eastern MWD at the end of the addendum period. It is projected the fulltime population will increase consistent with recent growth trends and add another 61,119 residents and reach 929,545 by 2026.

2. Eastern MWD's jurisdictional boundary has experienced an average annual increase of 2,358 new units during the addendum period. This results in adding one new home for every 3.1 new residents.

3. The number of counted unsheltered homeless in Eastern MWD has been increasing and at the end of the abbreviated addendum period (2020) totals 437 and represents 0.5% of the overall MWD population. The end of period amount represents a 15% net increase over the prior 48 months.

5.2 Location and Characteristics of Any Disadvantaged Unincorporated Communities & Relevant Information on Water, Wastewater, and Fire Protection

1. Given the scope of this addendum, it is appropriate for the Commission to defer to earlier analysis performed by Riverside LAFCO with regards to addressing any disadvantaged unincorporated communities or DUCs within and/or adjacent to Eastern MWD.

2. Riverside LAFCO has identified 15 distinct areas qualifying as disadvantaged unincorporated communities or DUCs within Eastern MWD's jurisdictional boundary. These 15 DUCs are in the Hemet and Perris areas and Riverside LAFCO has confirmed all have access to water and sewer service.

3. An additional DUC outside Eastern MWD but adjacent to its current sphere of influence has also been identified by Riverside LAFCO. This subject DUC is located in the Pechanga area and Riverside LAFCO confirms it is without access to water and sewer service.

5.3 Capacity of Public Facilities and Infrastructure Needs and Deficiencies

1. The scope of this addendum is limited to only analyzing Eastern MWD's potable water function and related classes. With this scope in mind, the following determinations apply.

   a) Eastern MWD's wholesale class involves delivering treated supplies to seven local retailers with the largest being Rancho California Water District. The total estimated wholesale service population at the end of the addendum period is 263,896.

   b) Eastern MWD's retail class involves directly delivering treated supplies via 558 miles of distribution lines to an estimated service population of 624,372 at the end of the addendum period.

   c) Eastern MWD's potable water sources currently involve imported MET supplies and local groundwater, with the latter divided between distilled and desalinated. During the addendum period, imported MET supplies (treated and untreated) represents 78% of all deliveries.

   d) It is estimated the total maximum daily potable supply capacity available to Eastern MWD at the end of the addendum period is 849.3 acre-feet. Notionally, this amount translates to a maximum annual capacity of 310,009 acre-feet.

   e) Eastern MWD's distribution system includes 79 storage tanks with a combined capacity of 626 acre-feet at the end of the addendum period. This storage amount supplies both retail and wholesale users with the latter excluding Rancho California Water District, which has a direct wheel connection.

   f) Eastern MWD's overall daily potable water demands have averaged 233.5 acre-feet during the addendum period with 96% dedicated to retail uses. The average daily per capita demand over the period tallies 0.0057 gallons.

g) Eastern MWD's overall annual potable water demands (retail and wholesale) have increased by 6.6% over the addendum period – or 1.3% each year. Nearly all of the increase involves retail usage.

h) Overall, and based on assigning normalcy to the addendum period, Eastern MWD has established sufficient potable water supplies and related resources to meet current and near-term demands. This conclusion is substantiated given the average day/annual demand over the preceding 60-month period equals only 27.5% of accessible supply capacities.

i) Overall, and specific to stress periods, Eastern MWD's potable water supplies and related resources are sufficient to meet current and near-term demands. This conclusion is substantiated by peak-day demands equaling only 52.1% of accessible supplies over the preceding 60-month period.

j) Eastern MWD's online potable storage capacity can accommodate up to 2.8 days of average day demands within its entire distribution system – wholesale and retailed – based on usage during the addendum period. An increase in portable storage to accommodate more than three full days is advisable.

5.4 Agencies' Financial Ability to Provide Services

1. With respect to Eastern MWD's overall financial standing, the following determinations apply.

   a) Eastern MWD's actual operating expense at the end of the addendum period is $336.5 million. This amount includes depreciation and represents a 15.3% overall increase over the 60-month period. The per capita expense similarly increased from $353 to $388.

   b) Eastern MWD's actual operating revenue at the end of the five-year report period was $285.6 million and represents a 29.1% overall increase over the 60-month period. The per capita revenue similarly increased from $267 to $329.

c) Eastern MWD's audited net position during the addendum period has increased by 19.3% from $1.5 billion to $1.8 billion and directly ties to new assets outpacing new liabilities by 18-fold.

d) Eastern MWD's unrestricted fund balance less pension and related employee accrued liabilities at the end of the addendum period is sufficient to cover almost 20 months of operating expenses.

e) Standard measurements used to assess the Eastern MWD's financial standing shows positive trends in most categories during the addendum period and most notably in margin levels.

f) In terms of overall standing at the end of the addendum period, Eastern MWD finished with average to above-average levels of liquidity, margin (total), and asset management. Capital levels – notably – serve as the lone measured outlier and marked by a debt-to-net asset ratio of 70% at the end of the period.

g) Eastern MWD finished the addendum period with 1,405 enrollees within its pension program with CalPERS. The total number of enrollees has increased by 12% over the 60-month period.

h) Eastern MWD's employer pension contribution has increased by 69.1% – or 13.8% annually – over the addendum period. The rate of this increase in pension costs merits attention going forward.

2. With respect to Eastern MWD's financial standing, specific to its potable water system, the following determinations apply.

a) Eastern MWD's actual potable water operating expenses have increased by 23.0% over the addendum period while actual revenues have increased by 30.7%.

5.5 Status and Opportunities for Greater Efficiencies, Shared Facilities, & Resources

1. Given the scope of this addendum, it is appropriate for the Commission to defer to the earlier analysis performed by Riverside LAFCO with regards to

addressing cooperative arrangements and/or opportunities available to Eastern MWD.

2. Riverside LAFCO identifies several cooperative arrangements Eastern MWD maintains with other agencies that benefit their constituents. This includes – but not limited to – partnering with MET as well as Western MWD, Elsinore Valley WD, and Rancho California WD with supply and intertie connections to share water in emergency situations.

5.6 Local Accountability and Government Restructure Options

1. Eastern MWD operates under the authority of the Municipal Water District Act of 1911 and codified in Water Code Sections 71000-73001. Authorized service functions are set by Riverside LAFCO and presently include potable water, non-potable, and wastewater. Authorization of any additional functions consistent with the principal act would require LAFCO approval.

2. Any approved expansion – whether by annexation or out-of-agency contract – into San Diego County would be subject to a concurrent function-by-function authorization by San Diego LAFCO.

3. Eastern MWD maintains a comprehensive and user-friendly website that meets all requirements recently established by the Legislature for local government agencies (Assembly Bill 2257 and Senate Bill 939) and helps expedite timely information sharing.

4. Senior management for Eastern MWD proved responsive and helpful in the preparation of this addendum and reflects a high-level of organizational aptitude and efficiency.

5.7 Environmental Justice (Adopted Policy)

1. Tracked ozone levels within Eastern MWD at the end of the addendum period ranked at the 88.7 percentile for the entire state. Ozone is the main ingredient of smog and contributes to respiratory disorders, cardiovascular dysfunctions, neurological disorders, and cancers.

2. Tracked susceptible population rankings at the end of the addendum period within Eastern MWD shows elevated scores in five of the eight measured categories. These elevated rankings are marked by high levels of cardiovascular disease among the citizenry and close to 90% higher than the rest of the state.

3. Additional analysis is needed to assess opportunities for Eastern MWD to proactively assist in mitigating existing environmental justice concerns – and specifically unhealthy levels of ozone and cardiovascular disease among residents – identified within its jurisdictional boundary.

CHAPTER THREE
ABBREVIATED AGENCY PROFILE

1.0 OVERVIEW

City of Menifee / Eastern MWD
Southern View from Menifee Mountain



Photo Credit: Google Maps (2022)

The Eastern Municipal Water District (WD) is an independent special district formed in 1950. Formation proceedings were petitioned by landowners as the first of two negotiated steps necessary to establish access to imported water supplies drawn from the Colorado River through the Metropolitan Water District of Southern California or "MET." These negotiations began in the late 1940s and paralleled MET's construction of the San Jacinto Tunnel portion of the Colorado Aqueduct and associated seepage that began to impact local groundwater supplies leading to litigation. The second negotiated step followed formation of Eastern MWD and involved the successful annexation of Eastern's jurisdictional boundary to MET and resulting membership in 1951. MET water deliveries in Eastern MWD began in July 1952.

Eastern MWD's jurisdictional boundary has evolved from its predominant agrarian uses at the time of formation to now include considerable urban-suburban uses. This land use transition is marked by the incorporation of five cities – Moreno Valley in 1984, Canyon Lake in 1989, Temecula in 1989, Murrieta in 1991, and Menifee in 2008 – within Eastern MWD since its formation. Eastern MWD's current jurisdictional boundary spans 558 square miles and covers 7.6% of Riverside County.

Eastern MWD is currently authorized to provide three municipal functions: (a) potable water; (b) wastewater; and (c) non-potable (agriculture and recycled) water. Eastern MWD is also eligible – subject to LAFCO authorization – to provide additional functions under the MWD principal act. These other potential functions involve fire

> Eastern MWD is presently authorized to provide potable water, wastewater, and non-potable water functions. Potable water serves as MWD's largest operation and divided between wholesale and retail classes.

protection, recreation, communications, solid waste and garbage, street lighting, road maintenance and drainage, transportation, and electric services.

Eastern MWD Administrative Office
2270 Trumble Road, Perris California 92570



Photo Credit: Eastern MWD (2022)

Governance at Eastern MWD is provided by a five-person Board with members elected by division, based on an equal number of registered voters. Terms are four-years. The average time on the Board among current members is 12.8 years, with the longest tenure belonging to David J. Slawson and dating back to 1995. The Board appointed Joe Mouawad as General Manager in May 2021 following the retirement of Paul Jones who had served since 2011. The total number of budgeted fulltime equivalent employees at the end of the addendum period tallies 642 (2020-2021) and reflects a change of 2.1% during the preceding 60-month period. Close to two-thirds of current employees are represented by a bargaining unit (International Brotherhood of Electrical Workers Local 1436) with the current memorandum of understanding expiring in December 2023.

Eastern MWD's actual operating costs per resident at the end of the addendum period is $388 and reflects a 9.8% increase over the prior 60 months.

Eastern MWD's actual total expense at the end of the addendum period in 2020-2021 is $382.1 million and divided between $336.5 million in operating costs and $45.6 million in capital outlays. The total actual amount represents an overall change during the period of 13.4%. The total per capita expense less capital outlays has separately changed during the period from $353 to $388 or 9.8%. The audited financial statements show Eastern MWD finished the period with a total net position of $1.828 billion and reflects a period increase of 19.3%. The unrestricted portion tallies $260.2 million and adjusts to $431.8 million less retiree obligations. This latter amount represents the equivalent of covering 15.8 months of recent actual expenses.

LAFCO independently estimates the fulltime resident population within Eastern MWD is 868,426 at the end of the addendum period. It is also projected the estimate of fulltime residents represents an overall increase of 113,701 since 2010 – or 10,336 annually – with a resulting annual growth rate of 1.4%, which is more

than double the overall Riverside County rate of 0.6%. The estimated population is directly supported by 276,677 housing units, which has increased since 2010 with the construction or otherwise addition of 25,937 units. LAFCO estimates the approximate median household income within Eastern MWD at the end of the period to be $99,675; more than one-fourth higher than the countywide median tally of $79,024.

2.0 DEMOGRAPHICS & ENVIRONMENT

2.1 Population and Housing

Eastern MWD's fulltime resident population within its jurisdictional boundary is independently estimated by LAFCO at 868,426 at the end of the addendum period. This amount represents 35.6% of Riverside County. Estimates by LAFCO separately show the fulltime population within Eastern MWD has risen overall by 15.1% from 754,725 in 2010 and the last census reset. This translates to an annual change of 10,336 or 1.4%, which is more than two times higher than the corresponding countywide growth rate of 0.60%. The current estimate produces a population density of 2.4 residents for every one acre. For purposes of this addendum, it is assumed the current growth rate will continue into the near-term and result in the fulltime population reaching 929,545 in 2026.

It is estimated there are 868,426 fulltime residents in Eastern MWD at the end of the report period. It is projected the fulltime population will increase consistent with recent trends and add another 61,119 residents and reach 929,545 by 2026.

Eastern MWD
Resident Population
Table 2.1a (Source: Esri and San Diego LAFCO)

Factor	2010 Estimate	2017 Estimate	2021 Estimate	Annual Change	2026 Projection
Eastern MWD	754,725	827,080	868,426	1.4%	929,545
Riverside County	2,189,641	2,356,102	2,441,965	0.6%	2,510,583

LAFCO separately estimates there are 276,677 residential housing units within Eastern MWD at the term of the addendum period. This amount represents an increase of 25,937 since 2010 for an annual gain of 2,358 units. The overall ratio of residents to housing units during the period has increased by 0.014% and – notably – serves to quantify an overall housing shortfall of 3,021.

Eastern MWD's jurisdictional boundary has experienced an average annual increase of 2,358 new units during the addendum period. This results in adding one new home for every 3.1 new residents.

Other notable housing characteristics within Eastern MWD follow:

- Close to two-thirds – or 64.8% – of all housing units are owner-occupied at the end of the period. The remaining units are categorized as renter-occupied at 28.0% or vacant at 7.3%.

- The estimated median housing cost for homeowners at the end of the period is $2,122. This amount has changed by 3.9% over the period.

- The estimated median housing cost for renters at the end of the period is $1,769. This amount has changed by 7.6% over the period.

2.2 Homelessness Counts

Riverside County participates in an annual Point In Time (PIT) Count for homelessness and Housing Inventory Count (HIC), administered by the region's Continuum of Care "CoC" provider. The count is performed by volunteers during the last week of January in all 28 cities as well as several unincorporated communities in Riverside County. Full counts were performed for the first four years of the five-year addendum period and shows that the average number of unsheltered homeless, specific to Eastern MWD's boundary, has been 399 with an overall increase of 14.7% over the prior 48 months.[7]

The number of counted unsheltered homeless in Eastern MWD has been increasing and at the end of the abbreviated addendum period (2020) totals 437 and represents 0.5% of the overall MWD population. The end of period amount represents a 15% net increase over the prior 48 months.

[7] Due to the COVID-19 pandemic the County of Riverside's regional Continuum of Care "CoC" provider applied for and was granted an exception from conducting the 2021 annual Point-in-Time Count for the regions unsheltered homeless by the Department of Housing and Urban Development (HUD).

The total number of unsheltered homeless at the end of the abbreviated period in Eastern MWD totals 437 and equals 20.2% of the countywide count.

Eastern MWD
Point-in-Time Homeless Counts within MWD
Table 2.5a (Source: Riverside County Regional Taskforce on Homeless)

Category	2017	2018	2019	2020	2021	Average	Trend
Sheltered	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Unsheltered	381	399	378	437	n/a	398.8	14.7%
Total	**381**	**399**	**378**	**437**	**n/a**	**398.8**	**14.7**
… % of Riverside County	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Additional information is pending with respect to sheltered homeless counts.

2.3 Environmental Justice Factors

State law directs LAFCO to address several factors anytime the Commission considers jurisdictional changes, including environmental justice. This factor was added to statute beginning January 1, 2008 and defined to mean "the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services." LAFCO adopted a policy in 2022 to formally guide its consideration of environmental justice and this includes proactively incorporating the topic – and specifically pollution burdens and their associated economic impacts – in the Commission's municipal service review program.

> LAFCO's consideration of environmental factors draws from the California Environmental Protection Agency and organized to calculate percentile rankings within Eastern MWD relative to all of California as it relates to (a) pollution burdens and (b) susceptible populations to pollution burdens.

Consideration of environmental justice factors within Eastern MWD draw on staff analyzing data available from the California Environmental Protection Agency through its online assessment tool (CalEnviroScreen 4.0). Two percentile rankings for Eastern MWD and surrounding unincorporated lands within its sphere of influence are generated within this analysis and based on a composite of all underlying census tracts. These involve (a) pollution burdens and (b) susceptible population to pollution burdens as a percentile to all census tracts in California.

- LAFCO's calculation of an overall composite **pollution burden** score for Eastern MWD's jurisdictional boundary at the end of the addendum period ranks in the 30.1 percentile relative to all of California. This calculation draws on an analysis of 159 census tracts that collectively covers Eastern MWD's jurisdictional boundary paired with 13 standard measurements. Any statewide percentile scores above 50.0 are considered significant. One measurement score within Eastern MWD exceeds this threshold and involves a composite 88.7 percentile score for ozone, which is the main ingredient of smog and largely associated with trucks, cars, planes, trains, factories, farms, construction, and dry cleaners.[8]

  Tracked ozone levels within Eastern MWD at the end of the addendum period ranked at the 88.7 percentile for the entire state. Ozone is the main ingredient of smog and contributes to respiratory disorders, cardiovascular dysfunctions, neurological disorders, and cancers.

- LAFCO's calculation of an overall composite **susceptible population** score for Eastern MWD's jurisdictional boundary at the end of the addendum period ranks in the 59.9 percentile, relative to all of California. This calculation draws on an analysis of 159 census tracts that collectively covers Eastern MWD's jurisdictional boundary paired with eight standard measurements. Five of the eight measurements – asthma, cardiovascular disease, education, poverty, and unemployment – surpass the significant threshold of 50.0 identified by staff. The highest score at the 88.7 percentile involves cardiovascular disease and refers to conditions that involve blocked or narrowed blood vessels that can lead to a heart attack or other heart problems. Heart attack is the most common cardiovascular event.

  Tracked susceptible population rankings at the end of the addendum period within Eastern MWD shows elevated scores in five of the eight measured categories. These elevated rankings are marked by high levels of cardiovascular disease among the citizenry and close to 90% higher than the rest of the state.

A summary of overall tracked pollution burdens and susceptible populations within Eastern MWD follows.

[8] The California Office of Environmental Health Hazard Assessment describes ozone at the ground level being formed when pollutants chemicals react in the presence of sunlight.

Eastern MWD's Jurisdictional Boundary
Pollution Burdens and Susceptible Population Statewide Rankings
Table 2.6a (Source: California Environmental Protection Agency and SD LAFCO)

Factor	Jurisdictional Boundary
No. of Census Tracts	159
Estimated Population	944,239
Pollution Burden	**Weighted Percentile**
... Composite Score	47.14
... Percentile	**30.07**
Indicator | Air Quality: Ozone	88.70
Indicator | Air Quality: PM 2.5:	44.01
Indicator | Air Quality: Diesel PM:	35.76
Indicator | Pesticides:	27.86
Indicator | Toxic Releases:	28.59
Indicator | Traffic:	33.08
Indicator | Drinking Water Contaminants:	29.82
Indicator | Lead in Housing:	24.54
Effects | Cleanup Sites:	21.35
Effects | Groundwater Threats:	11.07
Effects | Hazardous Waste:	40.56
Effects | Impaired Water:	19.04
Effects | Solid Waste:	21.68
Sensitive Population	**Weighted Percentile**
... Percentile	**59.86**
Population | Asthma:	52.91
Population | Low Birth Weight:	40.56
Population | Cardiovascular Disease:	81.78
Population | Education:	55.44
Population | Linguistic Isolation:	21.27
Population | Poverty:	54.22
Population | Unemployment:	53.22
Population | Housing Burden:	43.36

3.0 MUNICIPAL SERVICES

Eastern MWD directly provides three distinct municipal functions: (a) potable water; (b) wastewater; and (c) non-potable (agriculture and recycled) water. This addendum and succeeding analysis focus only on the potable water function and its two class distinctions involving wholesale and retail. A summary analysis of this specific function follows with respect to capacities, demands, and performance during the five-year addendum period between 2017 and 2021.

This addendum's focus is limited to Eastern MWD's potable water function and related classes.

3.1 Potable Water Service

Eastern MWD's potable water services represent its principal function and involves both retail and wholesale classes. The potable water function commenced following Eastern MWD's formation in 1950 and the subsequent annexation into MET and access therein to the latter's imported water supplies drawn from the Colorado River (Colorado Aqueduct) and Bay Delta (State Water Project).[9] The potable water system has also evolved over the proceeding decades from relying on only imported supplies from MET to now include local groundwater sources. The potable water system is further divided by Eastern MWD into three distinct service areas – Skinner, Mills, and East Valley – that align with treatment facilities.

Eastern MWD's **wholesale class** presently involves delivering treated supplies to seven local retailers all within its jurisdictional boundary. These wholesale relationships were established between 1964 and 2003 and divided between three cities (Hemet, Perris, and San Jacinto), three special districts (Lake Hemet MWD, Western MWD, and Rancho Water District), and one private entity (Nuevo Water Company). All seven of these wholesale users rely on Eastern to supplement their systems and own local supplies. The estimated resident population within the wholesale service area at the end of the addendum period is estimated at 263,896[10].

> Eastern MWD's wholesale class involves delivering treated supplies to seven local retailers with the largest being Rancho California Water District. The total estimated wholesale service population is 263,896.

Eastern MWD's **retail class** presently spans 558 square miles of distribution lines over 75 connected pressure zones. The distribution system expanded by 11 miles – or 2.0% – during the addendum period. The topography in the retail distribution system ranges from 1,065 to 2,760 feet above sea level and managed through 86 public pump stations. The total number of active connections at the end of the addendum period is rounded to163,000, with 155,535 – or 95.4% – classified as residential. The estimated service

> Eastern MWD's retail class involves directly delivering treated supplies via 558 miles of distribution lines to an estimated service population of 624,372.

[9] MET was formed in 1928 by an original grouping in 13 local agencies for the primary purpose to develop, store and distribute potable water throughout Southern California.

[10] Wholesale service area population provided by representatives of Eastern MWD.

population at the end of the addendum period is 624,372 and reflects an overall increase of 41,345 or 5.0% over the corresponding 60 months.[11]

FIGURE ONE | MET MEMBER AGENCIES

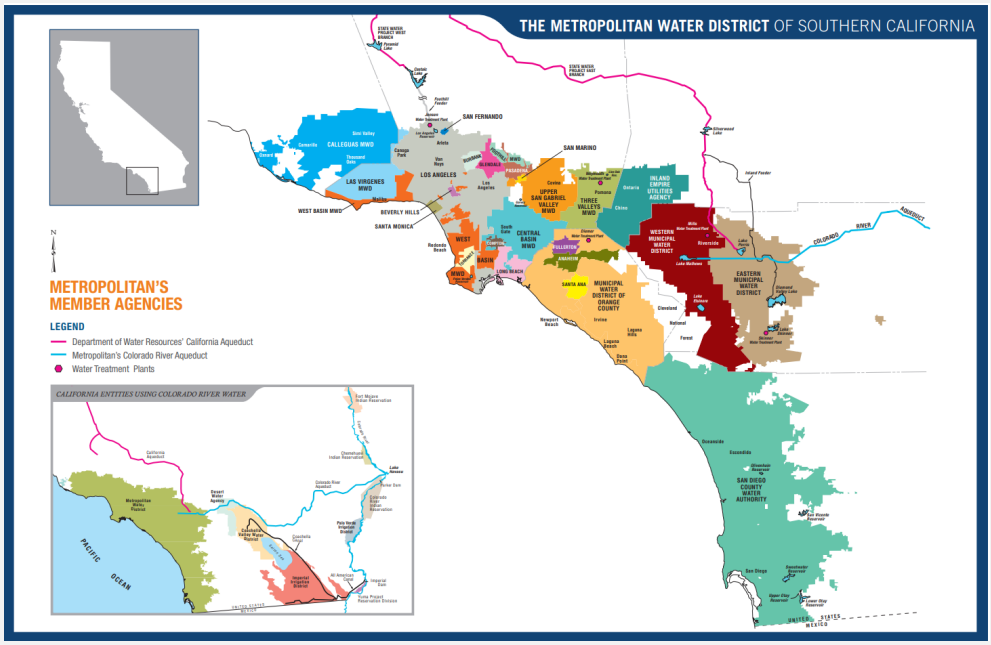
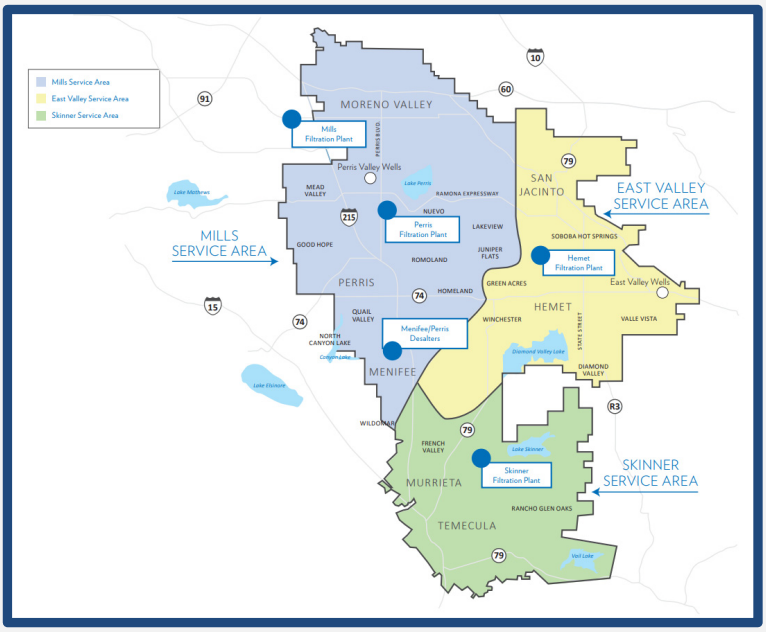


FIGURE TWO | EASTERN MWD SERVICE AREA



[11] The potable water service area population estimate by LAFCO utilizes the following formula: (number of single-family connections x 2.78) + (number of multi-family connections x 4 x 2.78).

Service Capacities and Related Resources

Eastern MWD's potable water supplies are generated from three distinct sources. The majority of potable water supplies are imported from out of the region through Eastern MWD's membership with MET. This membership allows Eastern MWD to purchase an unrestricted amount of potable water based on availability and relative to accounting for demands among all 26 of MET's agencies.[12] Local groundwater – and divided between distilled and desalinated sources – round out Eastern MWD's potable water supplies.

Eastern MWD's potable water sources involve imported MET supplies and local groundwater with the latter divided between distilled and desalinated. As detailed, the total maximum daily supply capacity available is 849.3 acre-feet. During the addendum period, imported MET supplies (treated and untreated) represents 78% of all deliveries.

Close to four-fifths of all potable water deliveries (wholesale and retail) made by Eastern MWD during the addendum period involve MET supplies and consists of a blend coming from the Colorado River and the Bay Delta.[13] Most imported supplies – close to three-fourths during the addendum period – are pretreated and delivered to Eastern MWD directly from one of two MET facilities. The remaining MET deliveries involve raw water subsequently treated at one of two Eastern MWD facilities. A summary of all four treatment facilities utilized by Eastern MWD are summarized below.

San Jacinto Tunnel
Underground Portion of Colorado Aqueduct



Photo Credit: MET (2022)

With respect to treated MET supplies:

- MET's Henry J. Mills Water Treatment Facility (WFT) is located immediately outside Eastern MWD in Riverside County. It largely receives imported raw supplies from the Bay Delta via the State Water Project. The daily capacity of the Mills WTF is 674 acre-feet. The combined capacity of

[12] According to Eastern MWD, each year they update MET on how much water they anticipate they will need during the next five years. MET proceeds to work with Eastern MWD and the other 25 member agencies to develop forecasts of long-term future water supply.

[13] MET does not administratively distinguish supply sources in delivering water and therefore information identifying the portions emanating from the Colorado River or Bay Delta is not readily available.

Eastern MWD's two transmission connections to access this treated water is slightly less than one-half of the overall capacity and estimated at 155 cubic feet per second, which translates to a maximum day volume of 307 acre-feet. Notionally, and if run continuously, the annual maximum supply generated at the Mills WTF available to Eastern MWD is 112,215 acre-feet.

- MET's Robert F. Skinner WTF is located inside Eastern MWD within the unincorporated community of Winchester. It receives a blend of imported raw supplies from the Bay Delta via the State Water Project and Colorado River via the Colorado Aqueduct. The daily capacity of the Skinner WTF is 1,934 acre-feet. The capacity of Eastern MWD's single transmission connection to access this treated water is estimated at 150 cubic feet per second and translates to a maximum day sum of 298 acre-feet.[14] Notionally, if run continuously, the annual maximum supply generated at Skinner WTF available to Eastern MWD is 108,595 acre-feet.

With respect to untreated MET Supplies:

- Eastern MWD's Perris Filtration Plant is located inside the District within the City of Perris. It receives raw water originating from both the Bay Delta and Colorado River. The daily capacity is 73.6 acre-feet. It is presumed Eastern MWD's transmission connection to the Perris Filtration Plant provides 100% access to this supply, and if run continuously produces an annual maximum supply of 26,879 acre-feet.

- Eastern MWD's Hemet Filtration Plant is located inside the District within the City of Hemet. It receives raw water originating from only the Colorado River. The daily capacity is 24.0 acre-feet. It is presumed Eastern MWD's transmission connection to the Hemet Filtration Plant provides 100% access to this supply, and if run continuously, produces an annual maximum supply of 8,760.0 acre-feet.

[14] This does not include the treated water connections and capacity reserved for Rancho California Water District (WD). The separate connections' capacity dedicated to Rancho California WD are 40 cubic feet per second at EM-13 and 100 cubic feet per second at EM-20.

The remaing portion of Eastern MWD's potable water supply involves local groundwater supplies extracted from the San Jacinto Groundwater Basin. This local source accounts for approximately 22.0% of all potable water delivered (wholesale and retail) by Eastern MWD during the addendum period. Groundwater is also divided between distilled and desalinated as described below.

Local groundwater supplements imported supplies from MET and represents 22% of all Eastern MWD deliveries (wholesale and retail) made during the addendum period. The total maximum daily groundwater supply available to Eastern MWD based on current infrastructure capacities is 133.7 acre-feet.

With respect to distilled groundwater:

- Distilled groundwater is pumped out of the northern and eastern portions of Eastern MWD's jurisdictional boundary, with the largest amount of production taking place near the Cities of Hemet (East Valley Wellsite) and San Jacinto (Perris Valley Wellsite). This groundwater does not require additional treatment given low levels of total dissolved solids. The combined daily pumping capacities is estimated at 91 acre-feet.[15]

With respect to desalinated groundwater:

- Brackish groundwater is pumped from the western portion of Eastern MWD's jurisdictional boundary and subsequently conveyed to one of three Eastern facilities located in Sun City – Menifee Desalter and the Perris I and Perris II Desalters – for treatment via reverse osmosis to offset impacts generated, and among other factors, from agricultural practices. The combined daily pumping/treatment capacities is estimated at 42 acre-feet. [16]

Overall, and drawing both imported and local sources, the max daily potable water supplies currently available to Eastern MWD is estimated at 849.3 acre-feet.[17] This amount – notionally – extends to 310,009.2 acre-feet annually.

[15] Figure provided does not include Eastern MWD's desalter wells nor accounts for offline maintenance of wells and the adjudication in the eastern portion of the basin, making this amount reflective of a non-sustainable production rate.
[16] As the desalters are not 100% efficient, the supply production of the desalters is lower than the treatment capacities cited here. However, desalters may be able to achieve a higher instantaneous capacity for short periods.
[17] This estimated maximum supply is subject to fluctuation due to facility maintenance, operational restrictions, or considerations with respect to MET's system.

Eastern MWD
Available Potable Water Supplies
Table 6.1a (Source: Eastern MWD and SD LAFCO)

Direct Source	Maximum Daily Infrastructure Capacity	Maximum Annual Infrastructure Capacity
MET Imported: Treated (Colorado River or Delta)	197.2 million gallons or 605.5 acre-feet	72.0 billion gallons or 220.859.2 acre-feet
MET Imported: Raw (Colorado River or Delta)	36.0 million gallons or 110.5 acre-feet	13.1 billion gallons or 40.319.1 acre-feet
Potable Groundwater (San Jacinto Basin)	29.8 million gallons or 91.4 acre-feet	10.9 billion gallons or 33,375.3 acre-feet
Brackish Groundwater Desalination (San Jacinto Basin)	13.8 million gallons or 42.3 acre-feet	5.0 billion gallons or 15.455.7 acre-feet
TOTAL	**276.8 million gallons or 849.3 acre-feet**	**101.0 billion gallons or 310,009.2 acre-feet**

Eastern MWD's distribution system includes 79 storage tanks with a combined capacity of 626 acre-feet.

Potable water – whether from the Mills, Skinner, well sites, or the three Desalter facilities – directly enters Eastern MWD's distribution system and gravity flows through most of the 558 square miles of distribution lines and the 75 pressure zones. There are also 86 public pump stations to help lift supplies from lower to higher zones. Pressure within the distribution system is directly maintained by covered steel storage tanks located within each pressure zone. The date of service entry ranges of these existing storage tanks from 1959 to 2020. The combined capacity of the 79 covered storage tanks is 204 million gallons or 626 acre-feet.

Eastern MWD maintains 30 active interties with its seven wholesale customers and accessed off of the distribution system. Eastern MWD delivers potable water to wholesale customers through these interties. In addition to these interties, one of Eastern MWD's wholesale customers (Rancho California Water District) has direct access to three of Eastern MWD's direct connections to MET.

With respect to staff resources, Eastern MWD's potable water function is directly provided by the Water Operations and Distribution Department within the Operations and Maintenance Division of Eastern MWD. Budgeted staffing for potable water services totals 68 fulltime equivalent employees at the end of the addendum period. This amount reflects an overall increase of 12.3 fulltime positions over the preceding 60 months. Overall, budgeted staffing dedicated for water services equals 25.5% of Eastern's total staffing levels in 2021.

With respect to financial resources, Eastern MWD's potable water service function largely operates as an enterprise fund and intended to be self-supporting through user charges and associated fees. A small amount of property taxes is used by Eastern MWD to support water services. Actual water expenses (operating only) during the addendum period have averaged $191.3 million with the most recent year amount totaling $210.7 million. Actual operating expenses have increased overall by 23.0%. The largest actual expense source involves water purchases and accounts for 35.5% of all operating costs during the period. Actual water revenue (operating only) during the period have averaged $243.3 million with the most recent year amount totaling $275.3 million. Actual revenues have increased overall by 30.7%.

Eastern MWD's actual potable water operating expenses have increased by 23.0% over the addendum period while actual revenues have increased by 30.7%.

Eastern MWD's potable retail water rates are billed monthly and include three distinct fees. Two of the fees are fixed and cover availability and capital projects and for most customers (single-family residential) collectively total $18.06 at the end of the addendum period. The third fee involves a variable usage charge and based on formula "water budget" as described in the accompanying footnote.[18] The average single-family residential customer's monthly usage charge at the end of the period tallies $61.67. This amount reflects an overall change over the preceding 60 months by 21.7%.

It is estimated the average retail residential customer pays $79.73 a month for potable water service from Eastern MWD at the end of the addendum period.

Service Demands

Eastern MWD's average annual demand for potable water over the addendum period has been 27.8 billion gallons or 85,221.2 acre feet. These annual amounts include both retail and wholesale demands and translate to daily averages of 76.1 million gallons and 233.5 acre-feet, respectively. The total demand is further split between retail and wholesale usage 95.5% to 4.5% over the 60-month period.

Eastern MWD's overall annual potable water demands have averaged 85,221 acre-feet during the addendum period with 95.5% dedicated to retail uses. The average per capita demand over the period tallies n/a gallons.

[18] Eastern MWD's water budget formula for household size is BU= Household Size x GPCD X Days/ 748 gallons (GCDP is the gallons per capita (for each person) per day and BU is billing units allocated for each household/landscape irrigation needs (1 BU= 100 cubic feet))

The average peak-day demand – the highest one-day sum in a year – over the period was 144.3 million gallons or 442.7 acre-feet. This latter amount produces an average period peaking factor of 1.9 and shows high-demand periods increased usage by nearly double.

With respect to overall trends, Eastern MWD has experienced a total change of 6.6% in potable water demands – or 1.3% annually – during the addendum period. This change proportionally tracks with the corresponding population growth rate calculated within Eastern MWD of 1.3% annually.

Eastern MWD's overall annual potable water demands (retail and wholesale) have increased by 6.6% over the addendum period. Close to nine-tenths of the increase is entirely attributed to retail usage.

Eastern MWD | Potable Water Demands
Table 6.1b (Source: Eastern MWD and SD LAFCO)

Category	2017	2018	2019	2020	2021	Average	Trend
Annual Total (af)	83,671	86,015	79,280	87,942	89,198	85,221.2	6.6%
... Wholesale Portion (af)	3,673	4,159.00	3,667	3,903	3,702	3,820.8	0.8%
... Retail Portion (af)	79,998	81,857	75,613	84,040	85,496	81,400.8	6.9%
Average Day (af)	229.2	235.7	217.2	240.9	244.4	233.5	6.6%
... Retail Per Resident (g)							
Peak Day Total (mg)	151.3	143.2	152.5	134.2	140.2	144.3	(7.3%)
... Peaking Factor	2.03	1.86	2.15	1.71	1.76	1.90	(13.1%)

af = acre feet
mg = million gallons
g = gallons

Service Performance

Eastern MWD's potable water system is operating with sufficient and excess capacities in supply and storage in accommodating current demands based on usage generated during the addendum period. These capacities are similarly expected to accommodate anticipated demands over the next five-year period with variables – including resiliency during different hydrological periods – having been appropriately evaluated and currently being employed by Eastern in its Urban Water Management Plan, which was updated at the end of the period in July 2021.

Eastern MWD has established sufficient potable water infrastructure and related capacities and marked – and among other measurements – by the average demand over the addendum period equaling only 27.5% of system capacity under normal conditions.

The following statements summarize and quantify existing and projected relationships between Eastern MWD's capacities and demands now and going forward towards 2026. This includes referencing California's Waterworks Standards (Title 22) and its requirements that all public community water systems have sufficient source, treatment, and storage capacities to meet peak day demand system-wide and within individual zones. It also addresses water quality and rates.

Potable Supplies:

- The average annual and daily potable water demands generated during the addendum period for the entire distribution system – wholesale and retail customers – equals 27.5% of Eastern MWD's maximum accessible supply and associated infrastructure capacities under normal periods.

- The average peak-day potable water demand generated during the addendum period for the entire distribution system – wholesale and retailed customers – equals 52.1% of Eastern MWD's accessible supply and associated infrastructure capacities under normal conditions.

Potable Storage:

- The average peak-day potable water demand generated during the addendum period for the entire distribution system – wholesale and retailed customers – equal 70.1% of Eastern MWD's existing online storage capacity.

- Eastern MWD's online storage capacity can accommodate up to 2.8 days of average day demands within its entire distribution system – wholesale and retailed – generated over the addendum period without recharge.

Potable Water Quality:

- A review of records maintained by the State Water Quality Control Board shows there have been 0 violations issued for drinking water standards to Eastern MWD during the addendum period.

- Eastern MWD's most recent water quality report was issued July 2022 and reports the results of self-monitoring conducted in the final year of the addendum period, 2021. No excessive primary or secondary contaminants were reported.

Potable Water Rates

- Eastern MWD ratepayers receive charges for potable water service based on an average rate for 20 billing units; a billing unit is 100 cubic feet of water or 748 gallons. The charges were last updated at the end of the report period in June 2021. Overall, charges have increased by 21.7% for residential users.

- The average monthly potable water service charge for residential ratepayers in Eastern MWD is $68.98 based on the average household usage of 14,960 gallons.[19]

4.0 FINANCES

4.1 Budget Information

Eastern MWD's actual operating expense at the end of the addendum period is $336.5 million. This amount includes depreciation and represents a 15.3% overall increase over the 60-month period. The per capita expense similarly increased from $353 to $388.

Eastern MWD's average actual operating expense during the addendum period has been $311.5 million and translates to a per resident cost of $367. This amount represents the combined actual expenses within three distinct funds – water, wastewater, and general/administrative – that collectively cover day-to-day expenses for Eastern MWD along with depreciation.[20] (The average actual operating expense less depreciation has been $211.9 million.) The actual operating expense at the end of the period totaled $336.5 million with the Water Fund representing the largest single apportionment made by the Board at $132.4 million – or 39.3%. Overall, actual operating expenses for Eastern MWD increased by 15.3% – or $44.7 million – over the corresponding 60-month period.

[19] Average household usage for residential for Single Family Residential and Multi Family Residential customers is approximately 20 billing units or 14,960 gallons.
[20] This includes scheduled capital depreciation.

Eastern MWD
Operating Budget: Actual Expenses
Table 7.1a (Source: Eastern MWD Financial Statements., FY17 to FY21)

Category	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	2020-2021 Actual	Average	Trend
General (Admin)	46,016,130	51,754,801	48,643,745	44,873,431	45,830,441	47,423,710	(0.4%)
Water	107,666,933	116,466,165	113,550,782	123,577,541	132,373,998	118,727,083	22.9%
Wastewater	42,232,322	42,110,008	42,748,806	49,780,561	51,654,247	45,705,189	22.3%
Depreciation	95,968,255	94,853,174	97,743,963	103,217,866	106,659,451	99,688,542	11.1%
Total	**291,883,640**	**305,184,148**	**302,687,296**	**321,449,399**	**336,518,137**	**311,544,524**	**15.29%**
Per Capita	**353**	**364**	**357**	**374**	**388**	**367**	**9.8%**

Eastern MWD's actual operating revenue at the end of the five-year report period was $285.6 million and represents a 29.1% overall increase over the 60-month period. The per capita revenue similarly increased from $267 to $329.

Eastern MWD's average actual operating revenue (fees, charges, etc.) during the addendum period has been $249.2 million. The primary revenue source is generated through water sales (domestic and irrigation) which accounts for three-fifths– or 60.6%– of the period totals. The actual operating revenue at the end of the report period totaled $285.6 million. Overall, actual operating revenues have increased by 29.1% over the corresponding 60-month period.

Eastern MWD
Operating Budget: Actual Revenues
Table 7.1a (Source: Eastern MWD Financial Statements., FY17 to FY21)

Category	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	2020-2021 Actual	Average	Trend
Potable	120,870,937	135,428,866	132,847,172	141,303,051	163,113,885	138,712,782	35.0%
Non Potable	7,792,169	9,028,827	7,034,622	8,061,905	9,949,373	8,373,379	27.7%
Wastewater	92,536,116	96,049,786	102,037,610	107,541,964	112,533,433	102,139,782	21.6%
Total	**221,199,222**	**240,507,479**	**241,919,404**	**256,906,920**	**285,596,691**	**249,225,943**	**29.1%**
Per Capita	**267**	**287**	**285**	**299**	**329**	**293**	**23.2%**

4.2 Financial Statements

Eastern MWD regularly contracts with an outside accounting firm to prepare an annual report to review the District's financial statements in accordance with established governmental accounting standards. This includes auditing Eastern MWD's statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide LAFCO quantitative measurements in

assessing Eastern MWD's short and long-term fiscal health with specific focus on delivering its activated service functions. The current outside consultant is Lance, Soll & Lunghard, LLP (Brea, CA).

Most Recent Year-Ending Financial Statements (2020-2021)	
Assets	4,699,215,546
Liabilities	1,385,931,189
Deferred Outflow/Inflow	11,154,898
Net Position	**1,828,096,581**
Adjusted Net Position (Less pension liabilities)	1,947,945,657

Eastern MWD's most recent financial statements for the five-year report period were issued for 2020-2021 and syncs with the end of the addendum period. These statements show Eastern MWD experienced a substantive improvement over the prior fiscal year as the overall net position (full accrual basis) increased by 19.3% from $1.533 billion to $1.828 billion. Adjusting to pre GASB 68 and 75 reporting standards and the listing of pension and other post-employment benefit liabilities, Eastern MWD's net position increases to $1.948 billion.[21] The accompanying auditor's report did not identify any material weaknesses or related concerns. A detailing of year-end totals and trends during the addendum period follows with respect to assets, liabilities, and net position.

Agency Assets

Eastern MWD's audited assets over the addendum period increased by 16.2% and are primarily tied to investments in structures, water rights and related improvements.

Eastern MWD's audited assets at the end of the addendum period totals $4.699 billion. This amount is 8.1% higher than the average year-end amount of $4.348 billion in total assets documented during the addendum period and underlies the upward track at the end of the period. Assets classified as current with the expectation they could be liquidated within a year represented $492.3 million – or 10.5% – and largely tied to cash and investments. Assets classified as non-current and not readily liquid make up the remainder and total $4.207 billion and involve capital assets tied to land, infrastructure, water rights and equipment. Overall, Eastern MWD's total audited assets have increased by $655.2 million – or 16.2% – over the corresponding 60-month period.

[21] The adjustment to the net position is calculated by LAFCO and not part of the audited financial statements.

Eastern MWD
Audited Assets
Table 7.2a (Source: Eastern MWD Financial Statements, FY17 to FY21)

Category	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	Average	Trend
Current	299.206	348.392	399.377	461.426	492.251	400.131	64.5%
Non-Current	3,745.153	3,809.602	3,908.114	4,070.956	4,206.965	3,948.158	12.3%
Total	**4,044.360**	**4,157.994**	**4,307.490**	**4,532.383**	**4,699.216**	**4,348.288**	**16.2%**

Amounts in millions

Agency Liabilities

Eastern MWD's audited liabilities over the addendum period increased by 0.1% and primarily tied to revenue bonds and accounts payable.

Eastern MWD's audited liabilities at the end of the addendum period totals $1.358 billion. This amount is (0.4%) below the average year-end amount of $1.392 billion in total liabilities documented during the addendum period and underlies an overall steady direction. Liabilities classified as current with the expectation they will become due within a year represented $120.373 million – or 8.7% of the total – and largely tied to accounts payable. Liabilities classified as non-current and considered longer termed debts make up the remainder of the total amount at $1.266 billion and marked by $909 million in revenue bond debt. Overall, Eastern MWD's total audited liabilities increased by $1.4 million – or 0.1% – over the corresponding 60-month period.

Eastern MWD
Audited Liabilities
Table 7.2b (Source: Eastern MWD Financial Statements, FY17 to FY21)

Category	2017	2018	2019	2020	2021	Average	Trend
Current	94.415	94.366	96.033	109.853	120.373	102.408	31.7%
Non-Current	1,292.590	1,314.529	1,285.726	1,288.969	1,265.558	1,298.475	(2.1%)
Total	**1,384.005**	**1,408.529**	**1,381.760**	**1,398.760**	**1,385.931**	**1,391.883**	**0.1%**

Amounts in millions

Net Position

Eastern MWD's audited net position has increased over the addendum period by 19.3% from $1.5 billion to $1.8 billion and directly ties to new assets outpacing new liabilities by 18-fold.

Eastern MWD's audited net position, or equity at the end of the addendum period totals $1.828 billion and represents the difference between the MWD's total assets and total liabilities along with adjusting for deferred resources (i.e., pension outflows and inflows). The most recent year-end amount is 10.3% higher than the average year sum of $1.657 billion during the addendum period and quantifies upward trajectory and improvement. Most of the net position – $1.452 billion or 79.4% – is tied to investments in capital assets. Most of the remainder is tied to unrestricted monies at $260.2 million – or 14.2% – is further detailed in the preceding paragraph. The remainder of net assets is tied to restricted monies at $115.7 million – or 6.4% – and tied to debt service covenants and construction. Overall, Eastern MWD's audited net position increased by $295.8 million – or 19.3% – over the corresponding 60-month period.

Adjusting to exclude Eastern MWD's proportional share of pension and other-post employment obligations – which are relatively new reporting standards for financial statements under GASB 68 and 75 – the net position increases during the addendum period from $1.651 billion to $1.948 billion or 18.0%.

Eastern MWD
Audited Net Position
Table 7.2c (Source: Eastern MWD Financial Statements, FY17 to FY21)

Category	2017	2018	2019	2020	2021	Average	Trend
Capital	1,338.332	1,349.982	1,389.284	1,407.119	1,452.208	1,387.385	8.5%
Restricted	131.840	103.987	92.561	123.620	115.714	113.544	(12.2%)
Unrestricted	62.360	94.849	154.920	210.933	260.175	156.647	317.2%
Total	**1,532.532**	**1,548.818**	**1,636.766**	**1,741.671**	**1,828.097**	**1,657.577**	**19.3%**
Adjusted…	**1,650.728**	**1,686.354**	**1,766.628**	**1,864.249**	**1,947.946**	**1,783.181**	**18.0%**

Amounts in millions
"Adjusted" excludes GASB 68 and 75 reporting requirements with respect to employee pension and other post-employment accrued obligations

The unrestricted portion of Eastern MWD's net position at the end of the addendum period totals $260.2 million. This represents the accrued spendable portion of the fund balance and is only subject to discretionary designations made by the Board (commitments and assignments). The adjusted amount less pension and related retiree liabilities is $380.0 million and represents a more accurate accounting of available fund balance monies. This adjusted amount equals 19.8 months of Eastern MWD's operating expenses based on actual operating expenses at the end of the report period.[22]

Eastern MWD's unrestricted fund balance less pension and related employee accrued liabilities at the end of the addendum period is sufficient to cover almost 20 months of operating expenses.

4.3 Financial Health Measurements

LAFCO's review of the audited financial statement issuances by Eastern MWD covering the addendum period shows the District experienced largely positive trends within the four measurement categories – liquidity, capital, margin, and asset management – utilized in this document. This overall summation is reflected in Eastern MWD's markedly improving its operating and total margin ratios during the 60-month period with the latter category increasing more than four-fold. Exceptions to the overall summation is limited to Eastern MWD experiencing a 18% increase in the capital age of its infrastructure.

Standard measurements used to assess the Eastern MWD's financial standing shows the District trended positively in most categories during the report period and most notably in margin levels.

With respect to measurements at the end of the addendum period, and irrespective of recent trends, liquidity levels via current ratio, cash ratio, and days' cash amounts all appear sufficient in meeting near term obligations. The latter category - also referred to as the burn rate - finished the period with enough cash to cover over 1.5 years of normal operating expenses. Eastern MWD's capital levels – in contrast – finished the period relatively constrained as measured by the portion of long-term

With respect to overall standing, Eastern MWD finished the addendum period with average to above-average levels of liquidity, margin (total), and asset management. Capital levels – notably – serve as the lone measured outlier and marked by a debt-to-net asset ratio of 70% at the end of the period.

[22] Based on 2020-2021 operating costs less depreciation or $229.8 million

borrowing equaling 69.2% of its accumulated net worth and suggests limitations on absorbing new debt going forward. Total margin levels – and despite consistent negative operating ratios during the period – finished in positive territory in four of the five years with an overall average of 4.5%. (The differences in operating and total margins during the period also show the significance of property taxes in helping to subsidize the District's two enterprise functions.) Eastern MWD separately finished the period with a relatively high (good) capital replacement rate of 14.4 years and among other benefits suggests high useful life remains for the majority of its infrastructure.

Eastern MWD
Financial Heath Measurements
Table 7.3a (Source: San Diego LAFCO)

Measurement	2017	2018	2019	2020	2021	Average	Trending
Liquidity							
… Current Ratio	3.3 to 1	3.7 to 1	4.2 to 1	4.2 to 1	4.1 to 1	**3.8 to 1**	→
… Cash Ratio	2.5 to 1	2.9 to 1	3.1 to 1	3.2 to 1	3.3 to 1	**3.0 to 1**	→
… Days' Cash	431	348	528	593	632	**506**	→
Capital							
… Debt to Net Position	84.3%	84.9%	78.6%	74.0%	69.2%	**78.2%**	→
… Debt Ratio	34.2%	33.9%	32.1%	30.9%	29.5%	**32.1%**	→
… Cash Flow to Total Debt	6.3%	7.5%	9.3%	8.8%	10.4%	**8.5%**	→
Margin							
… Total	(2.9%)	3.2%	8.3%	5.3%	8.8%	**4.5%**	→
… Operating	(32.0%)	(26.9%)	(25.1%)	(25.1%)	(17.8%)	**(25.4%)**	→
Asset Management							
… Accumulated Depreciation to Capital Assets	40.7%	43.6%	45.6%	37.8%	38.8%	**(4.7%)**	→
… Accounting Age of Capital Assets (years)	12.2	13.3	13.8	14.0	14.4	**13.5**	→

Current Ratio (Liquidity)
Provides a macro measurement of liquidity by comparing current assets against current liabilities on a dollar-to-dollar basis.

Cash Ratio (Liquidity)
Provides a micro measurement of liquidity by comparing available cash against current liabilities on a dollar-to-dollar basis.

Days' Cash (Liquidity)
Provides an operations measurement of liquidity by identifying the total number of days the agency can fund normal activities without any new cash income.

Debt to Net Position (Capital)
Provides a measurement of capital via long-term debt load by comparing non-current liabilities against net position on a percentage basis.

Debt Ratio (Capital)
Provides a measurement of capital via overall finance debt load (current and non-current) by comparing the agency's total assets against total liabilities on a percentage basis.

Cash Flow to Total Debt (Capital)
Provides a measurement of capital via operational cash flow by comparing net income against total liabilities on a percentage basis.

Total Margin (Margin)
Measures the bottom line of the agency with respect to comparing all revenues to all expenses (operating and non-operating) on a percentage basis.

Operating Margin (Margin)
Measures the relationship between core operational revenues and expenses and excludes one-time transactions, like grants and loans, on a percentage basis.

Accumulated Depreciation to Fixed Assets (Asset Management)
Measures the agency reinvestment in its capital assets by comparing accumulated depreciation against total capital assets on a percentage basis.

Accounting Age of Capital Assets (Asset Management)
Measures the average age for accounting replacement purposes of capital assets by comparing depreciation expense versus accumulated depreciation.

4.4 Pension Obligations

Eastern MWD provides a defined benefit plan to its employees through an investment risk-pool contract with the California Public Employees Retirement System (CalPERS). This pension contract provides employees with specified retirement benefits based on the date of hire with all employees classified as "classic." Additional pension details based on actuarial valuations issued by CalPERS during the five-year report period with respect to formulas, enrollees, contributions, and funded status follows.

Pension Enrollees and Formulas

The annual valuation issued at the end of the addendum period identifies 1,439 total participants in Eastern MWD's pension program with CalPERS. This total represents an overall increase of 148 new enrollees over the preceding 60-month period. The total is also divided between enrollee type and produces a near matching active-to-retiree employee ratio of 1.01 to 1.00 – or slightly more than one active employee contributing to the pension system for every one retiree collecting from the pension system.

Eastern MWD finished the addendum period with 1,405 enrollees within its pension program with CalPERS. The total number of enrollees has increased by 12% over the 60-month period.

Eastern MWD
Pension Enrollee Information
Table 7.4a (Source: CalPERS and SD LAFCO)

Type	2017	2018	2019	2020	2021	Trend
Active	601	612	606	613	618	2.8%
Transferred or Terminated	189	194	205	201	207	9.5%
Retired	501	541	569	591	614	22.6%
Total Enrollees	**1,291**	**1,347**	**1,380**	**1,405**	**1,439**	**11.5%**
Active to Retiree Ratio	**1.2 to 1**	**1.13 to 1**	**1.07 to 1**	**1.04 to 1**	**1.01 to 1**	**(15.8%)**

All pension enrollees are classified as miscellaneous and divided into one of three tiers based on their date of hire. Each tier includes a distinct benefit package as summarized below.

- Tier "1" employees have hire dates prior to November 1, 2010 and receive a benefit formula of 2.5% at 55. The employee contribution rate is 8.00%.

- Tier "2" employees have hire dates after November 1, 2010 up to January 1, 2013 and receive a benefit formula of 2.0% at 55. The employee contribution rate is 7.00%.

- Tier "3" employees have hire dates after January 1, 2013 to the present and receive a benefit formula of 2.0% at 62. The employee contribution rate was 6.25% for fiscal year 2020-21.

Annual Contributions

Eastern MWD's total annual pension contribution in the most recent valuation available covers 2020-2021 and tallies $16.404 million. This contribution amount equals 27.6% of the payroll total for the corresponding fiscal year. The most recent contribution amount also reflects an overall increase of 69.1% during the preceding 60-months covering the addendum period.

Eastern MWD's employer pension contribution has increased by 69.1% - or 13.8% annually – over the 60-month addendum period.

Eastern MWD
Annual Pension Contributions
Table 7.4b (Source: Eastern MWD, CALPRs and SD LAFCO)

Category	2017	2018	2019	2020	2021	Trend
Contribution Paid	9,699,290	10,748,902	12,446,689	14,572,035	16,404,317	69.1%
Covered Payroll	53,441,059	52,372,367	53,670,440	54,038,273	59,486,804	18.2%
Percent of Payroll	**18.1**	**20.5**	**23.2**	**27.0**	**27.6**	**43.1%**

Funding Status

Eastern MWD's total and composite unfunded liability at the end of the addendum period tallies ($133.0 million). This amount reflects the accrued pension monies owned to all employees and not covered by assets and translates to a composite funded ratio of 76.1% based on market value. Overall, Eastern MWD's funded ratio has improved by 2.9% during the period and generated by pension assets outpacing pension liability by more than one-third during the 60-month period.

Eastern MWD's total funded ratio at the end of the report period is 76.1%. This ratio has also improved over the addendum period by 9%.

Eastern MWD
Composite Pension Funding Status
Table 7.4c (Source: CalPERS and SD LAFCO)

Category	2017	2018	2019	2020	2021	Trend
Pension Assets	296,469,041	317,582,172	333,782,932	345,772,826	422,656,256	42.6%
Pension Liabilities	425,711,660	463,981,295	488,028,638	514,698,360	555,644,527	30.5%
Unfunded Liability	**(129,242,619)**	**(146,399,123)**	**(154,245,706)**	**(168,925,534)**	**(132,988,271)**	**2.9%**
Funded Ratio	**69.6%**	**68.5%**	**68.4%**	**67.2%**	**76.1%**	**9.2%**

APPENDIX A

Riverside LAFCO's Western County Region Water and Wastewater Agencies May 2018

Agency Profile: Eastern Municipal Water District

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Eastern Municipal Water District

Overview/History

Eastern Municipal Water District (EMWD) is a public water agency formed on September 26, 1950 under the Municipal Water Act of 1911 (Water Code 71000, et seq.). In 1951, it was annexed into the Metropolitan Water District of Southern California (MET) and gained access to a supply of imported water from the Colorado River Aqueduct (CRA). Today, EMWD remains one of MET's 26 member agencies, one of two in Riverside County, and also receives water from Northern California through the State Water Project (SWP) in addition to deliveries through the CRA.

EMWD's initial mission was to deliver imported water to supplement local groundwater for a small, mostly agricultural, community in Riverside County. Since that time, EMWD's list of services has evolved to include groundwater production, desalination, water treatment filtration, wastewater collection and treatment, and regional water recycling. EMWD provides both wholesale and retail water service covering a total population of over 816,000. EMWD's adopted mission is "to provide safe and reliable water and wastewater management services to our community in an economical, efficient, and responsible manner, now and in the future."

EMWD is located in western Riverside County, east southeast of the cities of Riverside and east of the I-15 freeway corridor. The 542 square mile service area includes seven incorporated cities in addition to unincorporated areas in the County of Riverside. The cities and unincorporated areas within EMWD's boundary include: City of Hemet, City of Menifee, City of Moreno Valley, City of Murrieta, City of Perris, City of San Jacinto, City of Temecula; communities of Homeland, Lakeview, Nuevo, Quail Valley, Romoland, Valle Vista and Winchester in most of the listed areas, EMWD provides both water and sewer service.

In some areas EMWD provides only sewer or water service or provides wholesale water to a purveyor agency. Additionally, EMWD is a wholesale potable provider to the following agencies: City of Hemet Water Department, City of Perris Water System, City of San Jacinto Water Department, Lake Hemet Municipal Water District (LHMWD), Nuevo Water Company and the Rancho California Water District (RCWD). EMWD also sells recycled water produced from its wastewater treatment plants to RCWD and Elsinore Valley Municipal Water District (EVMWD). EMWD has an emergency connection with the City of Perris' North Perris Water System.

EMWD serves water through 148,473 connections to approximately 546,000 customers and sewer service to 245,013 lateral connections to approximately 816,000 customers (sources are 2015 UWMP and 2017 CAFR). EMWD has four sources of water supply: imported water from MET, local groundwater, desalinated groundwater, and recycled water. Delivery points for

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each source of water are located throughout the EMWD service area and described in sections of this report.

Imported potable water is treated and delivered to EMWD directly from MET's two regional filtration plants: 1) The Henry J. Mills (Mills) Water Treatment Plant treats water from Northern California and provides it to EMWD through two connection points located in the northeast portion of EMWD's service area. 2) The Robert F. Skinner (Skinner) Water Treatment Plant north of Temecula treats a blend of water from the Colorado River and water from Northern California and provides it to EMWD through a connection point in the southern portion of EMWD's service area.

EMWD owns and operates two microfiltration plants that filter raw non-potable imported water from MET, treating it to achieve potable water standards. The two treatment plants, the Perris Water Filtration Plant and the Hemet Water Filtration Plant, are located in Perris and Hemet, respectively. Raw water from Northern California provided by MET is also used for groundwater replenishment in the eastern part of EMWD. EMWD can extract this water at a later date for beneficial uses. Untreated water from MET is used for agricultural purposes and is delivered in the northeast area for use by EMWD retail and wholesale accounts and in the south for RCWD agricultural accounts.

EMWD produces potable and brackish groundwater from the San Jacinto Groundwater Basin that underlies the EMWD service area. Groundwater wells are located within the San Jacinto Watershed and serve the northern and eastern portions of EMWD, with the largest amount of production taking place around the cities of Hemet and San Jacinto. EMWD owns and operates two desalination plants in Menifee; the Menifee Desalter and the Perris I Desalter, which treat brackish groundwater through reverse osmosis to achieve potable water standards.

In addition to the potable system, EMWD maintains a regional recycled water system that provides tertiary-treated recycled water to customers for agricultural, landscape irrigation, environmental, and industrial use. EMWD's recycled water system consists of four regional water reclamation facilities (RWRFs) that treat municipal sewage and produce water for recycling. The four RWRFs, the San Jacinto Valley RWRF, the Moreno Valley RWRF, the Temecula Valley RWRF, and the Perris Valley RWRF, are spread throughout EMWD's service area.

In April 2017, the District began providing potable water service to customers previously served by the County Water Company of Riverside in the City of Menifee. In 2013, the District, along with Elsinore Valley Municipal Water District (EVMWD), was engaged by the State and the County of Riverside to provide water service and assume ownership of the County Water Company, a private, for-profit company located in the County of Riverside. The County Water Company served less than 150 residences over a 1,280-acre service area with a single well

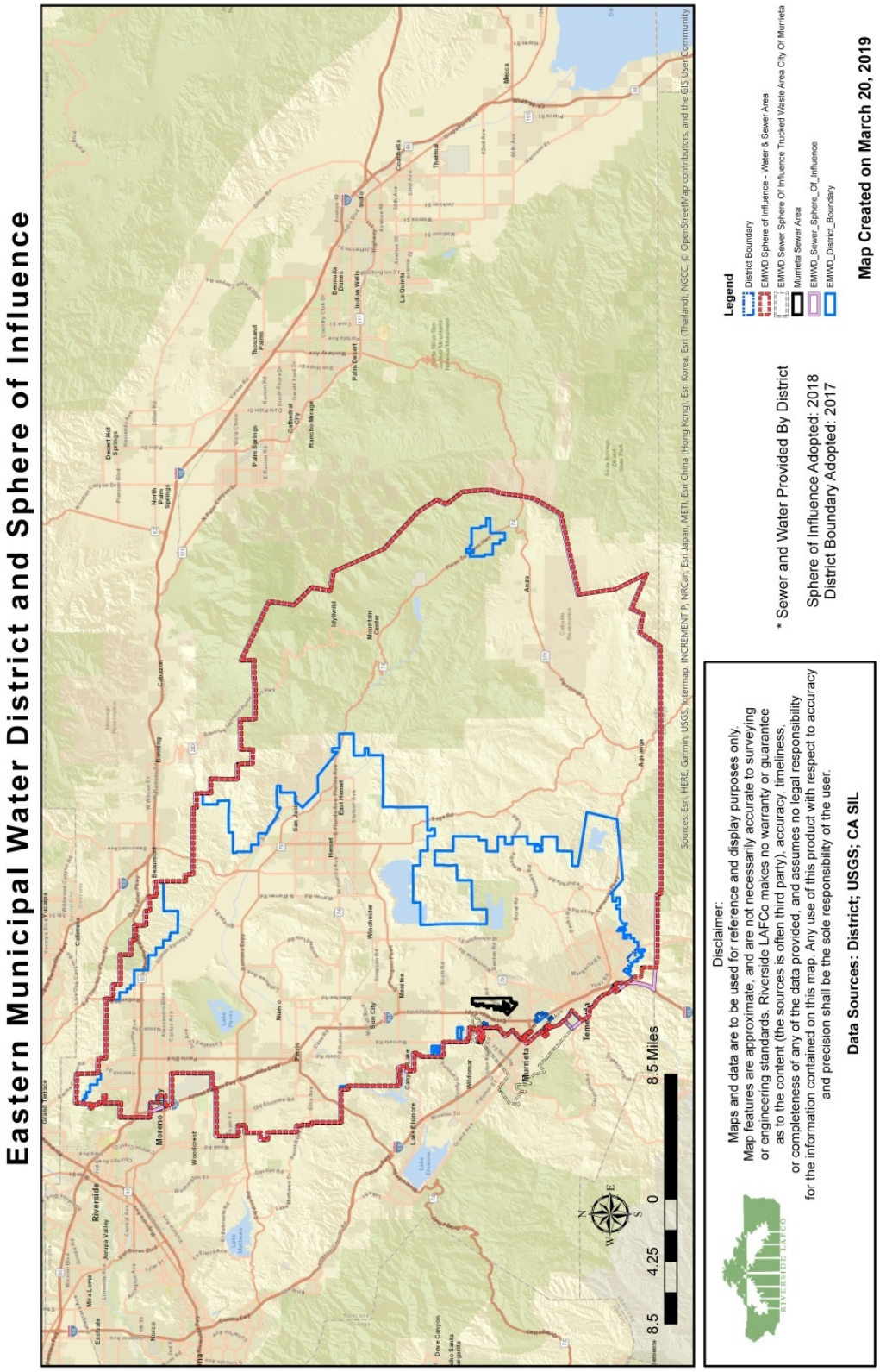
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source that was often unreliable and out of service. The water delivered had nitrate levels well above the federal and state regulatory agencies drinking standards.

In order to provide safe and reliable potable water service and consolidate the County Water Company into the District and EVMWD (eastern portion to the District and western portion to EVMWD), a new water system in the area was constructed with the County of Riverside acting as intermediary. The state provided $2.9 million of the project cost of $3.4 million. EMWD's service area boundary and the cities within that boundary are illustrated on the following map.

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Exhibit 8 – Eastern Municipal Water District



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Eastern Municipal Water District – Agency Profile

General Information			
Agency Type	Municipal Water District Act of 1911; section 71000 Water Code		
Date Formed	September 26, 1950		
Services	Retail water, recycled water, sewer collection and treatment		
Service Area			
Location	Central Riverside County south of Hwy 60 to Temecula east of I-215		
Square Miles/Acres	542 square miles/ 346,808 acres		
Total Water/Sewer Connections	Water: 148,473 (2017 CAFR)	Sewer: 245,013	
Population Served	Water: 546,146 (UWMP 2015)	Sewer: 816,411 (2017 CAFR)	
Water Infrastructure			
Facilities	Perris and Hemet Water Filtration Plants; 16 potable wells, 12 non-potable wells; 2,380 miles pipeline; 79 reservoir tanks; 84 pump stations		
Storage Capacity	211 MG in system		
Primary Source of Supply	14 Groundwater wells / 14 Brackish Wells with 2 Desalter and 2 Filtration Plants (16%); Imported water via connection to MWD (49%); 35% recycled water		
Water Rates (single-family home)	District uses a three tier rate structure: Indoor Use - $1.03 (base), $5.67 (excessive use) and $11.59 (wasteful) per HCF; Outdoor/landscape use has a three tier structure - $3.44 (base), $7.00 (excessive use) and $11.68 (wasteful use) per HCF.		
Sewer Infrastructure			
Facilities	1,790 miles collection system to four RWRFs in San Jacinto, Moreno, Perris, Temecula Valleys		
Current and Projected Treatment Capacity	69 MGD currently and another 8 MGD under development		
Primary Disposal Method	Tertiary recycled water for municipal, industrial, and irrigation		
Sewer Rates (single-family home)	Vary by area served		
Budget Information - FY 2017-2018 (Water & Sewer Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Water and Sewer Fund	$227.8 million	$221.3 million	$6.5 million
Government Fund (none)	$0	$0	$0
Combined City Funds	$227.8 million	$221.3 million	$6.5 million
Capital Expenditures	FY 2017-2018 $111.5 million	Long-Term Planned Expenditures $346.8 million in 2018-22 CIP Plan	
Water Fund Balance/Reserves	$24.2 million		
Sewer Fund Balance/Reserves	$38.1 million		
Agency Net Funds - Unrestricted	$62.3 million		
Governance			
Governing Body	Five member Board elected by division		
Agency Contact	John Ward, 951-928-3777, ext. 4453; wardj@emwd.org; Board of Directors meets first and third Wednesdays each month at 9:00 a.m. at District office, 2270 Trumble Road, Perris, CA 92570		

Sources: Website, 2017 CAFR, UWMP 2015, approved 2017-18 Budget & CIP, questionnaire response

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Growth and Population Projections

As part of an Urban Water Management Plan Update completed in 2016, EMWD developed population and growth projections. The current and estimated future service population for EMWD wholesale and retail services are shown in the tables below.

Table 37 – EMWD Wholesale Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
215,075	239,400	267,300	291,100	314,400	335,500

Source: UWMP (2015)

Table 38 – EMWD Retail Population Projections, 2015-2040

2015	2020	2025	2030	2035	2040
546,146	617,100	699,800	784,100	864,200	939,100

Source: UWMP (2015)

Between 2015 and 2040, the District's retail service population is expected to increase in service population by approximately 106,000 connections or 392,900 residents. The majority of this growth is expected to be in the cities and the suburban communities within the District's service area.

Disadvantaged Unincorporated Communities (DUCs)

In preparation of the 2015 UWMP, the District consultant identified that DUC areas existed within the District service area. LAFCO documentation reveals that 15 DUC areas are within the EMWD, and all have access to being served both water and sewer service.

In the Hemet area:

- Donald Street/California Avenue, west of the City of Hemet
- Roseland Mobile Home Park
- E. Stetson Avenue/S. San Jacinto Street
- E. Acacia Avenue
- Columbia Street/Mayberry Avenue
- So. Dartmouth Street/Mayberry Avenue
- Ridge area
- New Chicago Avenue/E. Acacia Avenue
- Mountain View Mobile Home Park
- Valle Vista area
- Georgia Avenue/Highway 74 area

In the Perris area:

- Una Street/Alexander Street - Mead Valley
- Mead Valley North
- Luckens Lane/ West San Jacinto Avenue
- Mead Valley - South

Additionally, in the Temecula Area, there is one DUC adjacent to the SOI in the Pechanga area but outside the service area of water facilities.

Present and Planned Capacity of Public Facilities

EMWD utilizes water supplies from three primary sources of water supply or to supplement the drinking water supply: Imported water from MET, local groundwater and recycled water produced by the four RWRFs in the area. Some water is imported and stored underground for later extraction, treatment and use. The potable water system consists of 2,380 miles of pipelines, 79 storage tanks with 211 MG of capacity, 84 pumping plants, 14 potable wells and two water filtration plants and two desalters totaling 44 MGD capacity for a total system capacity of 260 MGD.

Imported Water (Purchased)

EMWD purchases imported water from MET in three forms: treated water that is supplied directly into the potable water system, raw water that is treated at EMWD's two local filtration plants and then supplied to the potable system, or raw water that is used for irrigation and other non-potable use and to recharge the groundwater basin. EMWD depends on MET for approximately half of its retail water supply. For the past 5 to 8 years, EMWD has been able to maintain a balance of local and imported water even as new connections were added. This was accomplished through the implementation of local supply projects and increased water use efficiency. In 2015-2016, EMWD's reliance on MET was lower than average due to mandatory restrictions put in place by SWRCB, which required EMWD customers to reduce their demands based on state mandated requirements.

During the 1970-80s period, MET acquired additional supplies by contract through the SWP, water from Northern California. EMWD built facilities to take advantage of the SWP water becoming available, and today, the largest portion of EMWD's water supply is provided from the SWP. EMWD is also has facilities to accept CRA water deliveries from MET and the ability to increase use of CRA water if SWP supplies are strained. Treated potable water is available in the Northern area from MET's Mills Water Treatment Plant and in the south through MET's Skinner Water Treatment Plant. EMWD also owns and operates two water filtration plants that treat raw imported water: the Perris Water Filtration Plant and Hemet Water Filtration Plant. Raw imported water is also used for recharge purposes and to meet agricultural demands.

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Based on information provided by EMWD and other member agencies, MET has determined in its planning and UWMP that it is able to meet the demands of all member agencies through 2040.

Groundwater

EMWD draws on average approximately 15 to 20 percent of its water supply from two groundwater basins that serve different areas of the District. EMWD has 14 potable wells. The two areas are the West San Jacinto Groundwater Basin Management Plan area (West San Jacinto Basin) and the Hemet/San Jacinto Water Management Plan area (Hemet/San Jacinto Basin). EMWD also owns and operates two desalination plants that convert brackish groundwater from the West San Jacinto Basin into potable water. These plants not only provide a reliable source of potable water, they also protect potable sources of groundwater and support EMWD's groundwater salinity management program.

EMWD is a key player in three cooperative efforts to protect groundwater quality and reliability. The West San Jacinto Basin is subject to the West San Jacinto Groundwater Basin Management Plan (WSJ Management Plan), developed in 1995. The Hemet/San Jacinto Basin is subject to the HSJ Management Plan, developed in 2007. The HSJ Management Plan is implemented by the Hemet-San Jacinto Watermaster (Watermaster). The Watermaster was appointed and is supervised by the Superior Court of the State of California for the County of Riverside, pursuant to the Stipulated Judgment entered in April 2013. Participants to the Watermaster Board include EMWD, Lake Hemet Municipal Water District (LHMWD), the cities of Hemet and San Jacinto, and private groundwater producers. One of the goals of the Watermaster is to ensure that groundwater is managed sustainably to support the superior water right held by the Soboba Band of Luiseño Indians (Soboba Tribe). EMWD, LHMWD and the Soboba Tribe also actively manage water levels in the Canyon Sub basin in a corporative effort as part of the Canyon Operating Plan.

Native potable groundwater production in the Hemet/San Jacinto (HSJ) Basin is limited under the HSJ Management Plan provisions to prevent overdraft. EMWD's rights under the HSJ Management Plan will be a long-term adjusted base production right of 7,303 AFY. EMWD's adjusted base production right will be gradually reduced to the long-term value by 2019. In 2015, EMWD's base production right was 9,300 AF, not including previously recharged water credited to it. Any pumping above that amount is subject to replenishment fees. EMWD has recently entered into an agreement with the City of San Jacinto to purchase some of the city's unused groundwater for EMWD's use.

In 2008, Congress passed and the President signed the Soboba Settlement Act that provided to the Soboba Tribe an annual water supply of 9,000 AF, 128 acres of land near Diamond Valley Lake for commercial development, and approves and ratifies the Soboba Settlement Agreement that set forth $17 million from the local water districts for economic development.

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Additionally, the United States government provided the Soboba Tribe with $11 million for water development.

The agreement terminated litigation against MET and EMWD, which was filed by the Soboba Tribe in April 2000 (Soboba Band of Luiseño Indians v. MWD). The lawsuit sought damages and injunctive relief for the continuing drainage of water from the Soboba Reservation into MET's nearby San Jacinto Tunnel which was constructed in the 1930s. The bill mandated, on average, an annual delivery of 7,500 AF of water by MET for the next 30 years to EMWD, LHMWD, and the cities of Hemet and San Jacinto, as part of an effort to recharge imported water in the HSJ Management Plan area of the San Jacinto Groundwater Basin, fulfilling the Soboba Tribe's water rights and addressing chronic groundwater overdraft.

As outlined in the Soboba Settlement Act, the cities and agencies also received $10 million in federal funds to build the facilities to recharge the aquifer with the imported water, and between 6,100 and 4,900 AFY of the Soboba Tribe's water (on a declining scale over a 50 year period) to be used towards basin replenishment. The Soboba Tribe will also make 98 acres of Soboba Reservation land available for endangered species habitat, on an acre for acre basis, to replace EMWD land found to be not suitable for mitigation. In 2015, the Canyon Operating Plan, an agreement between EMWD, LHMWD and the Soboba Tribe, was completed as a result of a Memorandum of Understanding (MOU) related to the Soboba Settlement Act. The Canyon Operating Plan provides a framework for operating the Canyon Management Zone in a manner to avoid significant impacts to the Soboba Tribe's wells and does not reduce the overall supply available in the Hemet/San Jacinto Basin.

The HSJ Management Plan recognizes that the HSJ Management Plan area has been in a condition of groundwater overdraft. In 2007, the overdraft was estimated to range from 10,000 to 15,000 AFY. The Watermaster has implemented long-term base production rights that will eliminate overdraft conditions within the HSJ Management Plan area, with interim production rights that step down gradually. In 2015, EMWD's annual base production right in the Hemet/San Jacinto Basin was 9,300 AF. The long-term annual base production right for EMWD is 7,303 AF.

Through pilot programs and using temporary facilities, EMWD has recharged groundwater in the HSJ Management Plan area with imported raw water from MET since 1990. In April of 2004, EMWD, LHMWD, and the cities of Hemet and San Jacinto executed a MOU for an Interim Water Supply Plan. The purpose of the plan was to address the deteriorating situation in the HSJ Management Plan area by providing recharge of imported water from the SWP into the aquifer at two sites – the Conjunctive Use Ponds in the Intake portion of the San Jacinto Upper Pressure Groundwater Management Zone, and the Grant Avenue Ponds in the Canyon Groundwater Management Zone. Approximately 20,819 AF of imported water from the SWP was recharged into the aquifer in the period spanning from 2004 through 2007. Due to dry conditions, environmental restriction, and the level of demands in its service area, MWD curtailed Replenishment Service effective as of May 1, 2007.

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Since then, permits to recharge water at the two sites have expired. To replace the temporary recharge facilities, long-term facilities are being operated as part of the Integrated Recharge and Recovery Program (IRRP), an integral piece of the HSJ Management Plan and the Soboba Settlement Agreement. The IRRP consists of 35 acres of basins or ponds for recharging SWP from MWD; three extraction wells; three monitoring wells; modification to two existing pump stations; and pipelines within, and adjacent to, the San Jacinto River. EMWD and the other three local agencies are also contributing to the replenishment of the basin by providing recycled water in lieu of groundwater production. The Recycled In-Lieu Program supplies recycled water for agricultural irrigation in-lieu of pumping native groundwater. The project can deliver up to 8,540 AFY to local agricultural water producers. The project costs are jointly funded by EMWD, LHMWD, and the Cities of Hemet and San Jacinto. Agreements that set limits on groundwater production and provide for a payment of a portion of the operation and maintenance costs have been in place since 2008.

EMWD anticipated the limitations on native groundwater production and has developed alternatives to enhance the reliability of its water supply, including the IRRP facilities, filtration plants to treat and deliver imported water to areas dependent on groundwater, and recycled water use for irrigation of landscape and agriculture. In addition to the existing IRRP, EMWD is developing the Enhanced Recharge and Recovery Program (ERRP) to increase conjunctive use and facilitate groundwater banking. Phase 1 of the ERRP program is included in the Santa Ana River Conservation & Conjunctive Use Program (SARCCUP), a cooperative program to store imported water during wet years for use during dry years that was successful at receiving Prop 84 funds. Both management plan areas are part of the San Jacinto Groundwater Basin (DWR Bulletin 118 Groundwater Basin Number 8-05). More detail information on groundwater supplies, facilities and water quality may be found in the District's UWMP 2015 Update on its website.

Table 39 – EMWD Groundwater Production, 2011-2015

2011 (acre-feet)	2012 (acre-feet)	2013 (acre-feet)	2014 (acre-feet)	2015 (acre-feet)
17,465	15,490	18,824	12,037	15,249

Source: UWMP Update (2015)

Surface Water

EMWD holds a right to divert up to 5,760 AFY of San Jacinto River flows for recharge and subsequent use annually from September 1st through June 30th of the following calendar year. EMWD's diversion and recharge of San Jacinto River surface water takes place at EMWD's Grant Avenue Ponds in the Valle Vista area. EMWD's diverted water is recharged into the groundwater aquifer of the Canyon Groundwater Management Zone and is not used for direct use or sale. The San Jacinto River is an ephemeral river and, consequently, river flows may be insufficient for any diversion at all in some years. Water that is recharged helps the regional water balance and contributes to the safe yield of the basin.

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Desalinated Water

EMWD currently uses groundwater desalination to remove salts from basins in the West San Jacinto Basin. This 250-square-mile area experiences increasing water levels due to the inward migration of high total dissolved solids (TDS) groundwater and decreased production. The high TDS groundwater is migrating into the Lakeview portion of the Lakeview/Hemet North Management Zone, which is an area of good quality groundwater. Lowering groundwater levels and removal of saline groundwater is an integral element of the WSJ Management Plan.

To address these concerns, EMWD implemented a Groundwater Salinity Management Program. This program currently consists of two desalination facilities owned and operated by EMWD. These facilities recover high TDS groundwater from the Menifee and Perris South Management Zones, and the Lakeview portion of the Lakeview/Hemet North Management Zone, for potable use. In addition to being a source of potable water, the main role of the desalters is to play a part in managing the groundwater management zones by addressing the migration of brackish groundwater into areas of good quality groundwater. Desalter wells pump water to an integrated brackish water system that delivers water to the desalination plants where it is treated prior to entering the distribution system.

The Menifee Desalter was the first desalter to be built. This facility began producing potable water in 2003. The second desalter, the Perris I Desalter, is located next to the Menifee Desalter in Sun City. This plant began production in 2006 and has a production capacity of 10.5 CFS. Groundwater extraction for use in the desalter program has caused local declines in water levels to date; but the overall West San Jacinto Basin shows groundwater levels that continue to exhibit a stable or upward trend. High iron and manganese concentrations along with silica irreversibly impact the desalter membranes and have resulted in several brackish groundwater extraction wells being offline.

In 2004, an effort was initiated to evaluate alternative technologies for removal of iron and manganese prior to desalination. In late 2013, iron and manganese removal facilities were placed online and allowed EMWD to begin producing from four previously inactive wells. Around 9,000 AF of brackish groundwater was pumped in 2014 and 2015, which fed roughly 7,000 AF of potable water into the retail system, a significant increase over the 4,800 AF of potable water generated from the desalters in 2013. EMWD has designed a third desalter, the Perris II Desalter, which will be located across the street from the existing desalters to the north. The Perris II Desalter is designed to have a capacity of 3.5 to 5.4 million gallons per day and is scheduled to be built in two phases, with the first coming online sometime in the 2020 to 2025 timeframe.

Wastewater (Reclamation)

EMWD is a wastewater treatment agency that provides wastewater collection, treatment, and recycled water services throughout its service area. Recycled water is extensively used in EMWD's service area to meet non-potable demands. The supply of recycled water will

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continue to increase with EMWD's population size (though it is also impacted by conservation measures). The four RWRFs that EMWD operate, San Jacinto, Moreno, Perris and Temecula Valley Reclamation Facilities, have completed expansions.

Recycled water is currently used for both municipal and agricultural purposes. Municipal customers use recycled water for landscape irrigation and industrial process water. Agricultural customers use recycled water for irrigation of crops. A portion of agricultural demand for recycled water is provided in-lieu of using groundwater. Due in part to drier conditions and higher demands, EMWD has been able to meet its goal to minimize discharges and using all of the recycled water available within EMWD for the past two years. Some of the recycled water use offsets demands of existing potable customers.

EMWD has been active in developing local and regional plans for expanded water recycling in its service area. EMWD's first Recycled Water Facilities Master Plan was developed in 1990 and was formally updated in 2010. In 2009, EMWD completed a Recycled Water System Strategic Plan that provides guidelines for moving forward with recycled water projects. Information from the strategic plan was incorporated into the EMWD Integrated Resource Plan (IRP) to evaluate potential recycled water projects. EMWD is in the process of updating all three planning efforts with the development of its 2015 Recycled Water Strategic and Master Plan and its 2015 IRP.

EMWD's local water recycling plan is also incorporated into the 2014 IRWM Plan developed by SAWPA for the Santa Ana River Watershed. EMWD has worked closely with the Santa Ana Regional Water Quality Control Board in updating local basin plans and developing a long-term salinity management plan to support and ensure compliance with local basin objectives for salinity and nitrogen. EMWD is also participating in the development of a Total Maximum Daily Load analysis for impacted surface waters in the Santa Ana River Watershed. EMWD is involved with a variety of local agencies and public interest groups in recycled water planning efforts and has coordinated these agencies as part of the development of their UWMP 2015 Update.

EMWD is responsible for all wastewater collection and treatment in its service area. It has four operational RWRFs located throughout EMWD. Inter-connections between the local collections systems serving each treatment plant allow for operational flexibility, improved reliability, and expanded deliveries of recycled water. All of EMWD's RWRFs produce tertiary effluent, suitable for all tertiary recycled water uses, including irrigation of food crops. The four RWRFs have a combined production capacity of 81,800 AF/year as follows: San Jacinto Valley – 15,700, Moreno Valley – 17,900, Temecula Valley – 20,200 and Perris Valley – 28,000. This totals approximately 69 MGD and another five MGD is under development.

In addition to wastewater treatment facilities, EMWD has several recycled water storage ponds throughout EMWD. Using existing storage ponds, EMWD is able to sell more than the recycled water produced by its treatment plants during the peak demand months (June – September).

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During the cooler, wetter parts of the year, surplus recycled water is stored in unlined surface impoundments, resulting in some degree of incidental groundwater recharge. If storage capacity is full, surplus recycled water is disposed of through a regional outfall pipeline to Temescal Creek and the Santa Ana River. EMWD treats all of the wastewater collected in its service area to tertiary standards and disposes of its recycled water in one of three ways; 1) customer sales, 2) discharge to Temescal Creek, or 3) through percolation and evaporation while stored in ponds throughout EMWD. In 2017, EMWD collected and treated a total of 47,032 AF of wastewater at its four RWRFs.

In total, EMWD has 1,790 miles of collection pipelines and 69 MGD of treatment capacity with an additional five MGD under development.

Recycled Water System

EMWD produces recycled water from its RWRFs to maximize the available water to offset imported and groundwater demands. According to the 2015 UWMP, in 2015, EMWD produced 45,385 AF of recycled water for distribution to retail and wholesale customers throughout its service area. System losses such as storage pond evaporation and incidental recharge accounted for 11,384 AF of this quantity, and the remainder was available as a supply.

The majority of recycled water sold is used for agricultural irrigation. A portion of the water sold for agriculture is used in lieu of groundwater, preserving the groundwater basin and improving water supply reliability. In addition to meeting agricultural demand, recycled sales to municipal customers are increasing rapidly as residential and urban development replaces irrigated farmland. Landscape irrigation is an emerging market and in 2008, EMWD started selling recycled water to a large industrial customer for cooling towers in a power generation plant. EMWD also sells recycled water to the CDFW for environmental use within the San Jacinto Wildlife Area and to recreational customers that are comprised of private duck clubs and bird sanctuaries that use recycled water for ponds.

EMWD, EVMWD, and RCWD entered a five-year agreement in March 2009, which was extended for another five years in 2014, to coordinate use of recycled water supplies in the region and to establish wholesale recycled water prices for EVMWD and RCWD. This agreement establishes EMWD's recycled water availability and uses with other neighboring agencies. In addition, EMWD has an agreement with EVMWD to sell excess recycled water from Eastern MWD to provide to current recycled water customers. Under this agreement, EVMWD can purchase between 5,000 and 30,000 acre-ft per year of surplus effluent if available.

The recycled water system consists of 207 miles of pipeline from the four RWRFs, 24 pumping facilities and 7,571 AF of storage capacity (2,466 MG).

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Water Demand Projections

The UWMP Act requires a water retailer to quantify the minimum water supply available during the years 2016 to 2018, assuming years 2016 to 2018 repeated the driest three-year historic sequence for each water supply source. EMWD's estimated minimum supplies are shown in Table 40 below. These supplies are based on the anticipated reliability of imported water from MET and local groundwater.

Table 40 – EMWD - Minimum Supplies: Wholesale and Retail Total, 2016-2018

2016 (acre-feet)	2017 (acre-feet)	2018 (acre-feet)
154,400	158,200	162,200

Source: UWMP Update (2015)

In addition to the three-year "look ahead," the 2015 UWMP projects supply and demand 20 years in the future. EMWD projects supply reliability into the future based on both locally planned water supply projects and the regional planning MET has completed.

Supply and Demand Assessment

Historically, there is often an increase in water use among agencies similar to EMWD due to increased development. Conservation efforts are effective in decreasing water use when required to address drought conditions or regulatory requirements. Additionally, the District has adopted a Water Shortage Contingency Plan that includes increased levels of conservation and rate increases for certain uses in response to supply restrictions or regulatory requirements. In the District's recent UWMP 2015 Update, EMWD estimated that demands could increase five to ten percent during a single dry year due to some area property owners experiencing less precipitation and requiring additional irrigation water supplementation. However, during an extended multiple dry year period, it is expected that conservation messaging and restrictions would lead to consumption dropping back down to normal year levels in the second dry year, and falling a further ten percent in the third dry year.

The following tables summarize the anticipated supplies and demands for a Normal or Single dry year for wholesale and retail based upon growth forecasts for EMWD.

Table 41 – EMWD Wholesale Normal Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	52,156	58,866	62,883	66,800	70,400
Demand Totals	52,156	58,866	62,883	66,800	70,400
Difference	0	0	0	0	0

Source: UWMP Update 2015

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Table 42 – EMWD Retail Normal Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	145,745	159,834	172,917	185,800	197,800
Demand Totals	145,745	159,834	172,917	185,800	197,800
Difference	0	0	0	0	0

Source: UWMP Update 2015

Table 43 – EMWD Wholesale: Single Dry Year Supply and Demand Projections, 2020-2040

	2020 (acre-feet)	2025 (acre-feet)	2030 (acre-feet)	2035 (acre-feet)	2040 (acre-feet)
Supply Totals	58,500	66,200	70,700	75,200	79,300
Demand Totals	58,500	66,200	70,700	75,200	79,300
Difference	0	0	0	0	0

Source: UWMP Update 2015

Wastewater Collection and Treatment

EMWD is responsible for all wastewater collection and treatment in its service area. It has four operational RWRFs located throughout EMWD. Inter-connections between the local collections systems serving each treatment plant allow for operational flexibility, improved reliability, and expanded deliveries of recycled water. All of EMWD's RWRFs produce tertiary effluent, suitable for all tertiary recycled water uses, including irrigation of food crops. The four RWRFs have a combined production capacity of 81,800 AFY (or 69 MGD according to the District). In 2017, total treatment volume was 47,032 AF. These RWRF Treatment Plants are listed below.

RWRF Treatment Plant	Acre-Feet per Year
San Jacinto Valley	15,700
Moreno Valley	17,900
Temecula Valley	20,200
Perris Valley	28,000
Total	81,800

Source: UWMP Update 2015

EMWD treats all of the wastewater collected in its service area at the RWRFs to tertiary standards and disposes of its recycled water in one of three ways; 1) customer sales, 2) discharge to Temescal Creek if required, or 3) through percolation and evaporation while stored in ponds throughout EMWD. In 2017, EMWD collected and treated a total of 47,032 AF of wastewater at its four RWRFs. While EMWD sells recycled water to wholesale customers RCWD and EVMWD, the recycled water originates from wastewater collected and treated within EMWD's wholesale service area. EMWD does not provide supplemental treatment to the recycled water it distributes.

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In total, the EMWD sewer system has 1,790 miles of collection pipelines, 46 lift (pumping) stations and treatment capacity totaling 69 MGD and an additional 5 MGD under development.

Emergency Preparedness (Supply Interruption Capability)

EMWD is dependent on MET for the majority of its water supply. MET has prepared for emergencies using a combination of storage, facility design and redundant power sources. Emergency storage requirements are based on the potential for a major earthquake that renders major water transportation facilities out of service for six months. Assuming 100 percent of its supplies are unavailable for six months, MET has enough water storage to sustain 75 percent of normal year firm deliveries. In the event of a major power outage, water supply can be delivered by gravitational feed from recreational reservoirs, including Diamond Valley Lake Reservoir. For treatment plants, MET has backup power generators in place in case of electrical outages. Additional information about addressing catastrophic supply interruption can be found in Section 2.5 of MET's 2015 UWMP.

To protect EMWD customers in the case of an emergency, EMWD has developed the Water Shortage Emergency Operations Plan (WSEOP). This plan determines the operation response to many types of emergencies. It specifies chain of command and provides the authority to respond. Elements of that response can include interdepartmental staff notification and mobilization; activation of alternative water supply sources (i.e., interagency connections), use of temporary pumping facilities; use of power generators; public notification; and activation of conservation measures. An emergency is defined as any time period when MET or EMWD facilities are incapable of supplying potable water. An emergency could be caused by a natural disaster such as an earthquake or through facility failures.

The WSEOP describes the coordination required between operational staff, management, community involvement staff and other EMWD employees. In addition, communication and cooperation will be required with the community and other agencies such as the Department of Health Services and MET. In the event that one or more water supply sources are unavailable, remaining sources of supply will be maximized to meet demand. If needed, the WSCP could be implemented to conserve water and reduce demand. If an electrical or gas power outage occurs, some of EMWD's booster facilities have backup generators. Facilities without redundant power sources may be served on a priority basis by available portable generators.

All Wastewater facilities are required to have emergency power capability for reliability. Main lift pump stations also have emergency power or the capability for portable generators to be connected.

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Financial Ability to Provide Services

As of June 30, 2017, the District reported unrestricted fund balance of $62,360,074, an increase of $64,334,935 from the prior year. The net position of the District, the value of assets and funds on hand for operations and capital investment was reported as $1,532,531,643, an increase of $12,016,498 or about one percent from the prior year.

EMWD operates its water, sewer and recycled water services as enterprise funds within the parameters of overall District operations. Water sales and service charges comprise the substantial majority of operating revenues (68 percent) that fund the services provided for water operations and administration. The same situation exists for the sewer operations. On average, the EMWD receives approximately 14 percent of its revenues from property and related taxes. The District utilizes these funds for wastewater operations, capital improvements and debt service for new facilities on an as needed basis.

Overall, the District water, sewer and CIP funds are considered stable and self-sustaining for operational, capital and debt service activities. Rate increases had been implemented over the last several years to accommodate increased expenditures for maintenance and capital improvements.

The District has adopted a comprehensive Cash Reserve Policy that designates funds for various programs and long-term debts. The policy provides direction to District staff on addressing reserves in the annual budget process. Reserves are established in various categories and uses:

- Operating reserve – funds to ensure that adequate cash flow in the event of extraordinary expenses or reduction in revenues; by Board resolution, the fund is to be at a minimum one quarter of the annual maintenance and operating costs in the operating budget. The actual reserve balance on June 30, 2017 was $37,459,564.
- Debt Reserve – To fund payment of principal and interest for debt financed facilities as identified in CIP and FY Budgets. The SRF loan for the Hemet WFP requires a Debt Service Reserve Fund of $2,104,920 to be on deposit in 2018.
- Capital Facilities Reserve – For payment of costs for new facilities required for current and planned services and encumbered projects
- Replacement Reserve – Funds to replace aging facilities as planned in the Five-year CIP.

The above reserves include various operating and emergency accounts to provide funding for rate stabilization, operating reserves, capital assets and debt service coverage covenants.

A comparison of three years financial statistics from the published Comprehensive Audited Financial Reports is provided below.

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Table 44 – EMWD Financial Statements, FY 2015-FY 2017

	FY 2015	FY 2016	FY 2017
Operating Revenues			
Water revenues – domestic	$ 113,859,511	$ 107,319,708	$ 115,796,435
Water revenues – irrigation	3,435,641	5,137,718	5,074,502
Sewer revenues	77,120,505	87,184,856	92,536,116
Recycled water revenues	6,392,763	6,648,809	7,792,169
Total operating revenue	$ 200,808,420	$ 206,291,091	$ 221,199,222
Operating Expenses			
Water purchases	$ 59,040,009	$ 50,334,462	$ 57,512,425
Water operations	45,691,510	43,582,087	44,089,564
Sewer operations	42,743,947	42,095,206	42,232,322
Recycled water operations	6,101,759	6,287,916	6,064,944
General and administrative	28,677,026	29,687,364	36,283,686
Depreciation/amortization	88,830,791	95,302,858	95,968,255
Net OPEB	8,568,000	9,478,577	9,732,444
Total operating expenses	$ 279,653,042	$ 276,768,470	$ 291,883,640
Operating income (loss)	$ -78,844,622	$ -70,477,379	$ -70,684,418
Non-Operating Revenues (Expenses)			
Property taxes (total)	$ 34,100,580	$ 36,876,790	$ 38,578,024
Standby charges	5,735,466	5,784,242	5,831,357
Investment earnings	3,092,643	3,405,039	4,733,897
Change in investment value	-5,731,338	1,607,359	-2,151,319
Interest – GO bond funds	45,068	44,559	68,172
Other income	10,834,613	18,313,734	16,439,820
Interest expense	-18,104,541	-20,550,700	-22,823,362
Other expenses	-8,221,492	-9,212,819	-8,293,642
Research/development costs	–	-3,572,614	-8,815,131
Gain/loss capital assets	-1,734,798	-5,675,444	-2,825,645
Connection fees	28,07,625	45,715,784	40,565,197
Total non-operating revenue (net)	$ 49,992,435	$ 75,675,617	$ 61,307,368
Net income (loss) before capital contributions	$ -28,852,187	$ 5,198,238	$ -9,377,050
Capital Contributions			
Developer contributions	$ 57,086,793	$ 34,802,124	$ 12,498,450
Capital grants	2,112,456	2,823,624	6,164,479
Other contributions	11,763	20,291	2,730,619
Total capital contributions	$ 59,211,012	$ 37,646,039	$ 21,393,548
Change in net position	$ 30,358,825	$ 42,844,277	$ 12,016,498
Net Position			
Beginning of year	$ 1,550,571,926	$ 1,477,670,868	$ 1,520,515,145
Effect of GASB 68	-103,259,883		
Net position - end of year	$ 1,477,670,868	$ 1,520,515,145	$ 1,532,531,643

Source: Comprehensive Annual Financial Reports 2015, 2016, 2017

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There are seven primary criteria, discussed below, that may be utilized to assess the present and future financial condition of the District's water service operations:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Rate Structures
6. Capital Improvement Plan
7. Pension Liability and Other Post-Employment Benefits Liability

1. 3 Year Revenue/Expenditure Budget Trends

The District funds overall has been experiencing modest surplus total revenues over expenses as well as occasional increased spending over the last several years. However, this is attributed primarily to planned capital expenditure debt service and cash flows. Appropriate rate increases have been implemented for water and sewer over the prior years' utilizing a cost of service analysis to have services funded by fees and charges. The impact of adoption of GASB 68 requiring expenses and liabilities for pension benefits impacted the 2015 net position by $103 million. Ongoing pension and OPEB expenses are included in the expenses.

2. Ratios of Revenue Sources

The District receives 78 percent of its water and sewer fund revenues from charges and fees for services, substantial revenue from property taxes (13 percent), and about 11 percent from miscellaneous other sources including grants and connection fees. The ratios of designated reserves and funds reflect an appropriate balance for typical enterprise fund services; this minimizes the impact that negative economic factors might have on more elastic revenues such as water sales and property tax (property tax has varied based upon the economic picture over the past ten years).

3. Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted or restricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. The District designates reserves to debt service and construction as restricted for reporting purposes so the fund balance ratio fluctuates as projects are completed. The available unrestricted fund balance is approximately 21 percent of annual expenditures, slightly lower than a guideline of three to six months of expenses. Including reserve for construction adjusts the fund balance to approximately 39 percent. This fund ratio represents an adequate ratio position and the designated reserves have been increasing over time.

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4. Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. The District has several State low interest loans, general obligation bonds and revenue bonds for major capital projects. Long-term liabilities of debt are $1,107 million at June 30, 2017 and the payments due in next year are $19.5 million. A significant amount of these loans and debt issues are in Certificates of Participation and Revenue Bonds that have been issued to refinance prior debt at more favorable interest rates. Ideally, a ratio of 10-15 percent or less would reflect a very stable ratio. The District's water, sewer and recycled funds have reasonable debt, including refinancing of prior debt to reduce long-term expenses and to pay for needed capital projects over time. The District's annual debt service ratio to total expenditures is approximately six percent, an acceptable ratio.

5. Rate Structures

The District has adjusted service charge methods and raised water and sewer rates annually to keep pace with costs of operations and planned capital facility replacements. A Cost of Service Study was completed in March 2017. For perspective of water service rates, in 2009, a budget- based tiered rate structure was adopted for single-family and multi-family residential and landscape domestic usage based upon an analysis of service and costs.

The residential water rates use a four tiered rate system and are established for three general areas and have calculated rates based upon improvements made and costs of service. Effective February 21, 2018, the District's current rates range from typical domestic residential water commodity rate (indoor use) changed to $1.03 (Base) – $5.67 (Excessive use) and $11.59 (Wasteful) per 100 cubic feet of usage. Landscape use has a three tier structure of $3.44 (base) - $7.00 (Excessive use) and $11.68 (Wasteful use). Commercial and recycled customers have separate rates. Recycled and non-potable users pay a rate based upon 75 percent of domestic rate adjusted for each area. Wholesale rates average $857/AF plus additional pass through costs when MET Tier 2 rate of $86/AF is added.

Water service charges are levied on a daily rate and a water meter base rate for up to a 1" size meter for a 30 day month is $11.83. The typical residential customer with a 1" meter and using 20 HCF paid $68.53 in 2017. Rates in 2018 were adjusted slightly and rates in 2019 will increase approximately 6 percent. Additional capacity fees and special services fees are set as needed.

Sewer fees for the served areas effective February 21, 2018 for residential are levied on a per day charge ranging from $.79 - $.85 in three service areas of Hemet/San Jacinto, Moreno Valley and Sun City. The areas of Temecula/Murrieta fee are $1.00 per day and the area of Perris Valley ranges from $1.09 to $1.15 per day. The Canyon Lake area served by EVMWD rate is $1.06 per day plus a calculation of number of occupants times $6.93 per month.

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The District has other fees and charges for service and late fees can be found on the District website at www.emwd.org

6. Capital Improvement Program/Plan

The District prepares a five-year financial plan to anticipate funding needs, reserve levels, and expected impacts to Rates. A key component to the plan is the District's Capital Improvement Program/Plan (CIP), which calls for total expenses for water, sewer, and recycled water facilities of approximately $346.8 million for the period from 2018 through 2022. The FY 2017-18 portion of the CIP was $111 million. The CIP is expected to be financed through a combination of property taxes, developer connection fees, rates and charges, publicly financed bond proceeds, reserves, grants and low-interest loans from the California State Revolving Fund.

The CIP is modified on an annual basis to reflect updated assumptions regarding future growth within the District's service area. Major projects being designed and constructed include the Perris II Reverse Osmosis Treatment Facility ($41 million total less a State grant of $22.5 million), completion date in 2021; Recycled Water Storage Pond expansion ($14.1 million with a SRF loan at 1 percent and possible grant of $3.4 million), completion in early 2018; Temecula Valley Regional WRF expansion of 5 MGD ($120 million less a State grant of $15 million and low interest loan of $80.3 million), completion in 2020. A comprehensive list of the CIP is available on the District website.

7. Pension Liability and Other Post-Employment Benefits Liability

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries to EVMWD employees. A "Classic" CalPERS Miscellaneous member (hired prior to January 1, 2013) becomes eligible for service retirement upon attainment of age 55 with at least five years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members (hired on or after January 1, 2013) become eligible for service retirement upon attainment of age 62 with at least five years of service.

The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

California law requires an annual calculation of the net pension liability and contribution for each participating agency. This calculation is utilized by the agency to budget for and make contributions to CALPERS toward its unfunded liability balance. In 2015, EMWD recorded a loss on its balance sheet for $103.3 million liability per GASB 68. The District net pension liability is reported as $117.2 million, a difference of the total pension liability of $386.3 and the

plan fiduciary net position of $269.2 million. For the measurement period ending June 30, 2016, the District recognized a pension expense of $11.6 million toward the pension services plan. Final accounting occurs after the end of each pension year based upon deferred outflows and inflow of revenues and payments and credits. The 2016-17 CAFR contains a detailed description of the calculation of benefit and unfunded liability.

The District also provides post-employment health care benefits to all qualified employees who meet the District's CALPERS plan requirements. The District's contribution varies based upon the date of hire in one of three tiers and length of service upon separation or retirement. In 2012, the District established an OPEB Trust to manage the plan. The District's total contribution in FY 2017 was $17.6 million. A complete explanation of the OPEB status is detailed in the 2016-17 CAFR.

Status and Opportunities for Shared Facilities/Services

EMWD is a water and sewer district and agency member of the MET that serves a diverse area and with multiple types of retail water and sewer customers. EMWD has undertaken a number of shared service opportunities with other agencies, including:

- EMWD cooperates with the primary water provider, MET as well as Western MWD, Elsinore Valley WD, and Rancho California WD with supply and intertie connections to share water in emergency situations.
- EMWD participates in a Joint Powers Authority (JPA) with four other agencies as the Santa Ana Watershed Project Authority (SAWPA) since 1984. The District has one representative on the five-member Commission that governs the Authority.
- EMWD is a member of the Lake Elsinore San Jacinto Water Authority (LESJWA) that manages water flows and use in the Lake Elsinore watershed.
- EMWD contracts with private companies to supplement or substitute for services based upon demand and efficiencies. Examples are engineering services such as plan checking; inspection services for developer projects; Information Services support; assistance with installation of Advanced Metering Infrastructure technology to reduce time and staffing; on-call general pipeline construction services for heavy workload periods.
- Member of the working group for the West San Jacinto Groundwater Basin Management Plan (WSJ Management Plan) developed in 1995. Developed implementing agreements with LHMWD and native tribe.

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Government Structure and Accountability

EMWD is governed by board of directors with five members elected by division for four-year terms.

Table 45 – Eastern Municipal Water District Board of Directors

EMWD Board Member	Term Expires
Philip E. Paule, Div. 1	2023
Stephen J. Corona, Div. 2	2023
Randy A. Record, Div, 3	2021
Ronald W. Sullivan, President, Div. 4	2021
David J. Slawson, Div. 5	2023

The Board of Directors meets the first and third Wednesdays of each month at 9:00 a.m. at the District Office located at 2270 Trumble Road, Perris, CA 92570. The Board of Directors appoints a General Manager as the Chief Administrative Officer who is responsible for managing District operations on a day-to-day basis, and select, appoint and manage staff and consultants to carry out District programs and projects. The Board also appoints a Legal Counsel and Treasurer.

The District provides public information on its website, including information on a history of the District, current projects, water and sewer information, customer inquiries and FAQ's, conservation programs, annual budgets, and audits (CAFR). The website also includes contact information for the Board of Directors and staff and Board meeting agendas and minutes. Other major reports are accessible via links on the portal at www.emwd.org. A contact portal is also provided to further research District reports and studies.

The District staff state that they work cooperatively with several other water agencies and cities in the County and region. Based upon water rights and infrastructure resources, there does not appear to be increased interest in considering alternative government service structures at this time. Additionally, District staff is aware of and provided information on a request by the City of Murrieta to Riverside LAFCO to conduct a study of water services to the Commercial Area of the City, including participation by the area water agencies including EMWD, City of Murrieta, Western Municipal Water District and Rancho California Water District. EMWD has agreed to participate in the focused study process.

The District also is aware of at least eight possible annexations totaling 2,904 acres of residential and commercial uses that could be considered in the near future based upon the property owner's desire to proceed with development. No definitive dates for possible action on these projects have been identified.

LAFCO Policies Affecting Service Delivery

No LAFCO policies affecting service delivery were identified at this time.