



## **RESOLUTION NO. 11-2025**

### **ROWLAND WATER DISTRICT RESOLUTION OF THE BOARD OF DIRECTORS ADOPTING RATES AND SERVICE CHARGES FOR POTABLE AND RECYCLED WATER, AMENDING RESERVE POLICY AND TAKING OTHER ACTIONS RELATING THERETO**

**WHEREAS**, the Rowland Water District (“District”) is a county water district, organized and operating pursuant to Division 12 of the California Water Code; and

**WHEREAS**, the District imports potable water from the Metropolitan Water District of Southern California through its member agency, Three Valleys Municipal Water District, and also owns, operates, and maintains a recycled water system that distributes recycled water to customers within the District; and

**WHEREAS**, the District is authorized to fix and collect charges for the provision of services and facilities, including potable and recycled water; and

**WHEREAS**, the District retained IB Consulting, Inc. to conduct a water rate study, and determined that it is necessary to adopt new rates for its potable and recycled water service charges to: (1) meet revenue requirements; (2) ensure revenue stability; and (3) provide adequate funding for capital improvements; and

**WHEREAS**, the proposed rate structure for the potable and recycled water service charges has three customer classes: Single-Family Residential Customers, All Other Customers (commercial, industrial, governmental, institutional, and multi-family residential), and Recycled Water Customers.

**WHEREAS**, the rate structure consists of five components: (1) fixed monthly service charges (the “Fixed Service Charges”); (2) volumetric potable water commodity charges (“Potable Water Commodity Charges”); (3) volumetric recycled water commodity charges (“Recycled Water Commodity Charges”); (4) volumetric zonal surcharges (“Zonal Surcharges”), and (5) fixed monthly fire service charges (“Fire Service Charges”) (collectively herein, and together with the Water Shortage Surcharge described below, the “Charges”); and

**WHEREAS**, the Service Charges are fixed monthly charges established on the basis of the size of the meter serving a property and are calculated to recover the District’s fixed costs of operating and maintaining the reliability of the water system, and delivering water; and

**WHEREAS**, the Potable Water Commodity Charges are variable charges imposed per unit of potable water delivered during a billing period. One unit equal to one hundred cubic feet (“HCF”), or 748 gallons. For Single-Family Residential Customers, the rate structure for the Potable Water Commodity Charges consists of two tiers which impose higher rates as the level of consumption increases to reflect incremental costs of providing water service. For All Other Customers, the rates for Potable Water Commodity Charges are uniform charges imposed per HCF of water delivered during a billing period.

**WHEREAS**, the Recycled Water Commodity Charges are variable charges imposed per unit of recycled water delivered during a billing period. The rates for Recycled Water Commodity Charges are uniform charges imposed per HCF of water delivered during a billing period; and

**WHEREAS**, the Zonal Surcharges are variable charges per unit of potable water delivered to customers in higher elevations across six different pressure zones and are based on the cost to maintain and pump water to customers across pressure zones; and

**WHEREAS**, the fire service charges (“Fire Service Charges”) are fixed monthly charges established on the basis of the size of the meter supplying private fire suppression systems/hydrants; and

**WHEREAS**, the District is additionally proposing to adopt water shortage surcharges (“Water Shortage Surcharge”), to be imposed during periods of severe drought or water shortage emergency during which mandatory water reduction measures are implemented in order to ensure revenue sufficiency; and

**WHEREAS**, the Water Shortage Surcharge is a volumetric rate imposed per HCF of potable water consumption, and will vary depending on the level or percentage of water reduction required; and

**WHEREAS**, the District purchases water on a wholesale basis from its wholesale providers, and is subject to rate increases imposed on the District by such wholesalers; and

**WHEREAS**, in order to ensure revenue sufficiency in the event that such wholesalers adopt increased rates, the District will be authorized to automatically pass through any wholesale rate increase beginning January 1, 2026, and any time thereafter through and including July 1, 2030, provided such increase shall not cause the impacted rate to increase by more than 100% in any fiscal year (“Wholesale Pass-Through Adjustment”); and

**WHEREAS**, the proposed Charges will take effect and apply to water service on and after January 1, 2026, and will be adjusted each January 1 thereafter, through and including January 1, 2030, based on the schedule in Exhibit A; and

**WHEREAS**, the Charges are subject to Article XIII D, section 6 of the California Constitution (“Article XIII D”), which creates certain procedural and substantive requirements for the imposition of any new or increase in any existing property-related fees and charges, and meets these requirements as set forth below; and

**WHEREAS**, the revenues derived from the proposed Charges will not exceed the funds required to provide the services and shall be used exclusively for the operation and maintenance of the potable and recycled water systems; and

**WHEREAS**, the amount of the proposed Charges will not exceed the proportional cost of the services attributable to each parcel upon which they are proposed for imposition; and

**WHEREAS**, the proposed Charges will not be imposed on a parcel unless the water services are actually used by, or immediately available to, the owner of the parcel; and

**WHEREAS**, Article XIII D requires that prior to imposing any new Charges, the District shall provide written notice (the “Notice”) by mail of the proposed Charges to the record owner of each parcel upon which the Charges are proposed for imposition and any tenant directly liable for payment of the Charges, the amount of the Charges proposed to be imposed on each parcel, the basis upon which the Charges were calculated, the reason for the Charges, and the date time and location of a public hearing (the “Hearing”) on the proposed Charges; and

**WHEREAS**, pursuant to Article XIII D such Notice is required to be provided to the affected property owners and any tenant directly liable for the payment of the Charges not less than forty-five days prior to the Hearing on the proposed Charges; and

**WHEREAS**, the District did provide such Notice to the affected property owners and tenants in compliance with Article XIII D; and

**WHEREAS**, in accordance with Government Code section 53759.1, the District implemented an administrative remedy pursuant to which property owners and customers of record must submit legal objections prior to 5:00 PM on October 28, 2025, and the District provided responses to any valid legal objections prior to opening the Hearing; and

**WHEREAS**, the Board of Directors determined to open the Hearing, and the Hearing was held on this day, November 4, 2025; and

**WHEREAS**, at the Hearing, the Board of Directors of the District (“Board”) considered all written materials and written protests to the proposed Charges received prior to the close of the Hearing, and heard oral testimony concerning the establishment and imposition of the proposed Charges, and at the close of the Hearing the District determined that it did not receive written protests against the establishment and imposition of the proposed Charges from a majority of the affected property owners or tenants directly liable for the payment of such Charges; and.

**WHEREAS**, the Board now desires to establish and impose the Charges as set forth in Exhibit A;

**WHEREAS**, the Board previously adopted a Reserve Policy pursuant to Resolution No. 7.1-2021 on July 13, 2021; and

**WHEREAS**, the Board has since determined that it is prudent to add an additional reserve category to the Capital Facilities Fund called the “Capital/Emergency Reserve” for emergency capital costs, and to make certain changes to the Operating Reserve.

**NOW THEREFORE, BE IT RESOLVED** by the Board of Directors of the Rowland Water District as follows:

1. Incorporation of Recitals. The Recitals set forth above are made findings of this Board and are incorporated herein and made an operative part of this Resolution.
2. Inconsistency with other Fees and Charges. To the extent any Charges established by this Resolution are inconsistent with water service fees and charges previously adopted; it is the explicit intention of the Board that the Charges adopted pursuant to this Resolution shall prevail.
3. Charges. The Board hereby adopts the Charges at the rates, in the amounts, and on the effective dates set forth in Exhibit "A." The Water Shortage Surcharge may be activated as a result of a drought, a statewide order mandating water use reductions, or other natural disaster or event that results in a water shortage and an unforeseen drop in water demand. Additionally, the Board shall be authorized to implement a Wholesale Pass-Through Adjustment to account for any rate increases adopted by a wholesale water provider, commencing January 1, 2026 and any time thereafter through and including July 1, 2030. The Wholesale Pass-Through Adjustment shall not cause any impacted rate to increase by more than 100%, and shall not cause the Charges to exceed the cost of service. The District shall provide mailed notice to all impacted property owners or customers of record at least 30 days before implementing a Wholesale Pass-Through Adjustment.
4. Amendment to Reserve Policy. The Board hereby adopts the Amended and Restated Reserve Policy set forth in Exhibit "B" hereto. The Amended and Restated Reserve Policy shall supersede the Reserve Policy established pursuant to Resolution No. 7.1-2021.
5. CEQA Compliance. The Board finds that the need to meet the District's financial reserve requirements and obtain funds for capital projects, to be funded by the Charges, is necessary to maintain service within the District's existing water service area as described herein. The Board further finds that the need to meet the District's financial reserve requirements and obtain funds for capital projects, to be funded by the Charges will not expand the District's water system. The Board further finds that the adoption of the Charges is necessary and reasonable to meet the District's financial reserve requirements and obtain funds for capital projects. Based on these findings, the Board determines that the adoption of the Charges is exempt from the requirements of the California Environmental Quality Act pursuant to section 21080(b)(8) of the Public Resources Code and section 15273(a) of the State CEQA Guidelines. The documents and materials that constitute the record of proceedings on which these findings have been based are located at the Rowland Water District, 3021 Fullerton Road, Rowland Heights, CA 91748. The custodian for these records is the Board Secretary of the District. The Board hereby directs District staff to file a Notice of Exemption within five business days of the adoption of this Resolution.
6. Severability. If any section, subsection, clause or phrase in this Resolution or the application thereof to any person or circumstances is for any reason held invalid, the validity of the remainder of this Resolution or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of

the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.

7. Effective Date. This Resolution shall become effective immediately upon its adoption.

**ADOPTED AT A REGULAR MEETING OF THE ROWLAND WATER DISTRICT HELD November 4, 2025 by the following roll call vote:**

**AYES:** Directors Bellah, Hsu, Lewis, Lima, Lu-Yang

**NOES:** None

**ABSTAIN:** None

**ABSENT:** None



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JOHN BELLAH  
President

ATTEST:



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TOM COLEMAN  
General Manager/Board Secretary

I certify that the forgoing Resolution is a true and correct copy of the Resolution of the Board of Directors of the Rowland Water District adopted on November 4, 2025.



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TOM COLEMAN  
General Manager/Board Secretary

## EXHIBIT "A" TO RESOLUTION NO. 11-2025

### Fixed charges

| <b>Potable Monthly Fixed Charge</b> |                        |                        |                        |                        |                        |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Meter Size</b>                   | <b>Effective</b>       | <b>Effective</b>       | <b>Effective</b>       | <b>Effective</b>       | <b>Effective</b>       |
|                                     | <b>January 1, 2026</b> | <b>January 1, 2027</b> | <b>January 1, 2028</b> | <b>January 1, 2029</b> | <b>January 1, 2030</b> |
| 5/8"                                | \$48.03                | \$52.12                | \$56.56                | \$61.37                | \$66.59                |
| 1"                                  | \$107.69               | \$116.85               | \$126.79               | \$137.57               | \$149.27               |
| 1 1/2"                              | \$207.11               | \$224.72               | \$243.83               | \$264.56               | \$287.05               |
| 2"                                  | \$326.42               | \$354.17               | \$384.28               | \$416.95               | \$452.40               |
| 3"                                  | \$1,002.51             | \$1,087.73             | \$1,180.19             | \$1,280.51             | \$1,389.36             |
| 4"                                  | \$1,996.76             | \$2,166.49             | \$2,350.65             | \$2,550.46             | \$2,767.25             |
| 6"                                  | \$3,189.86             | \$3,461.00             | \$3,755.19             | \$4,074.39             | \$4,420.72             |
| 8"                                  | \$5,576.06             | \$6,050.03             | \$6,564.29             | \$7,122.26             | \$7,727.66             |
| 10"                                 | \$10,945.01            | \$11,875.34            | \$12,884.75            | \$13,979.96            | \$15,168.26            |
| 12"                                 | \$10,945.01            | \$11,875.34            | \$12,884.75            | \$13,979.96            | \$15,168.26            |

*\*Single-family residential customers who have a 1" meter to meet fire flow requirements were captured under 5/8" meters to reflect the capacity these customers utilize within the system*

| <b>Recycled Monthly Fixed Charge</b> |                        |                        |                        |                        |                        |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Meter Size</b>                    | <b>Effective</b>       | <b>Effective</b>       | <b>Effective</b>       | <b>Effective</b>       | <b>Effective</b>       |
|                                      | <b>January 1, 2026</b> | <b>January 1, 2027</b> | <b>January 1, 2028</b> | <b>January 1, 2029</b> | <b>January 1, 2030</b> |
| 5/8"                                 | \$45.12                | \$48.96                | \$53.13                | \$57.65                | \$62.56                |
| 1"                                   | \$100.41               | \$108.95               | \$118.22               | \$128.27               | \$139.18               |
| 1 1/2"                               | \$192.56               | \$208.93               | \$226.69               | \$245.96               | \$266.87               |
| 2"                                   | \$303.14               | \$328.91               | \$356.87               | \$387.21               | \$420.13               |
| 3"                                   | \$929.76               | \$1,008.79             | \$1,094.54             | \$1,187.58             | \$1,288.53             |
| 4"                                   | \$1,851.26             | \$2,008.62             | \$2,179.36             | \$2,364.61             | \$2,565.61             |
| 6"                                   | \$2,957.06             | \$3,208.42             | \$3,481.14             | \$3,777.04             | \$4,098.09             |
| 8"                                   | \$5,168.66             | \$5,608.00             | \$6,084.68             | \$6,601.88             | \$7,163.04             |
| 10"                                  | \$10,144.76            | \$11,007.07            | \$11,942.68            | \$12,957.81            | \$14,059.23            |
| 12"                                  | \$10,144.76            | \$11,007.07            | \$11,942.68            | \$12,957.81            | \$14,059.23            |

### Fire Line Monthly Fixed Charge

| Connection Size | Effective       | Effective       | Effective       | Effective       | Effective       |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                 | January 1, 2026 | January 1, 2027 | January 1, 2028 | January 1, 2029 | January 1, 2030 |
| 5/8"            | \$10.48         | \$11.38         | \$12.35         | \$13.40         | \$14.54         |
| 1"              | \$13.81         | \$14.99         | \$16.27         | \$17.66         | \$19.17         |
| 1 1/2"          | \$19.36         | \$21.01         | \$22.80         | \$24.74         | \$26.85         |
| 2"              | \$26.02         | \$28.24         | \$30.65         | \$33.26         | \$36.09         |
| 3"              | \$63.76         | \$69.18         | \$75.07         | \$81.46         | \$88.39         |
| 4"              | \$119.26        | \$129.40        | \$140.40        | \$152.34        | \$165.29        |
| 6"              | \$185.86        | \$201.66        | \$218.81        | \$237.41        | \$257.59        |
| 8"              | \$319.06        | \$346.19        | \$375.62        | \$407.55        | \$442.20        |
| 10"             | \$618.76        | \$671.36        | \$728.43        | \$790.35        | \$857.53        |
| 12"             | \$618.76        | \$671.36        | \$728.43        | \$790.35        | \$857.53        |

### Variable Rates

#### Variable Rates (\$/hcf)

| Customer Class                   | Tiers          | Effective       | Effective       | Effective       | Effective       | Effective       |
|----------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                  |                | January 1, 2026 | January 1, 2027 | January 1, 2028 | January 1, 2029 | January 1, 2030 |
| <b>Single-Family Residential</b> |                |                 |                 |                 |                 |                 |
| Tier 1                           | 7              | \$4.52          | \$4.91          | \$5.33          | \$5.79          | \$6.29          |
| Tier 2                           | >7             | \$5.26          | \$5.71          | \$6.20          | \$6.73          | \$7.31          |
| All Other Potable                | <i>Uniform</i> | \$4.52          | \$4.91          | \$5.33          | \$5.79          | \$6.29          |
| Construction                     | <i>Uniform</i> | \$8.49          | \$9.22          | \$10.01         | \$10.87         | \$11.80         |
| Recycled                         | <i>Uniform</i> | \$3.73          | \$4.05          | \$4.40          | \$4.78          | \$5.19          |

#### Pumping Rates (\$/hcf)

| Pumping Zone | Effective       | Effective       | Effective       | Effective       | Effective       |
|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|              | January 1, 2026 | January 1, 2027 | January 1, 2028 | January 1, 2029 | January 1, 2030 |
| Zone 1       | \$0.07          | \$0.08          | \$0.09          | \$0.10          | \$0.11          |
| Zone 2       | \$0.29          | \$0.32          | \$0.35          | \$0.38          | \$0.42          |
| Zone 3       | \$0.73          | \$0.80          | \$0.87          | \$0.95          | \$1.04          |
| Zone 4       | \$1.33          | \$1.45          | \$1.58          | \$1.72          | \$1.87          |
| Zone 5       | \$1.73          | \$1.88          | \$2.04          | \$2.22          | \$2.41          |
| Zone 6       | \$2.05          | \$2.23          | \$2.42          | \$2.63          | \$2.86          |

## Water Shortage Surcharges

### Water Shortage Surcharges FY 2026

| <b>Customer Class</b>     | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>Stage 4</b> | <b>Stage 5</b> | <b>Stage 6</b> |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Single-Family Residential |                |                |                |                |                |                |
| Tier 1                    | \$0.20         | \$0.44         | \$0.65         | \$0.94         | \$1.35         | \$1.95         |
| Tier 2                    | \$0.24         | \$0.51         | \$0.76         | \$1.10         | \$1.57         | \$2.27         |
| All Other Potable         | \$0.20         | \$0.44         | \$0.65         | \$0.94         | \$1.35         | \$1.95         |

### Water Shortage Surcharges FY 2027

| <b>Customer Class</b>     | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>Stage 4</b> | <b>Stage 5</b> | <b>Stage 6</b> |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Single-Family Residential |                |                |                |                |                |                |
| Tier 1                    | \$0.21         | \$0.44         | \$0.66         | \$0.95         | \$1.35         | \$1.96         |
| Tier 2                    | \$0.25         | \$0.51         | \$0.76         | \$1.10         | \$1.57         | \$2.28         |
| All Other Potable         | \$0.21         | \$0.44         | \$0.66         | \$0.95         | \$1.35         | \$1.96         |

### Water Shortage Surcharges FY 2028

| <b>Customer Class</b>     | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>Stage 4</b> | <b>Stage 5</b> | <b>Stage 6</b> |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Single-Family Residential |                |                |                |                |                |                |
| Tier 1                    | \$0.23         | \$0.45         | \$0.67         | \$0.97         | \$1.39         | \$2.02         |
| Tier 2                    | \$0.26         | \$0.52         | \$0.78         | \$1.13         | \$1.62         | \$2.35         |
| All Other Potable         | \$0.23         | \$0.45         | \$0.67         | \$0.97         | \$1.39         | \$2.02         |

### Water Shortage Surcharges FY 2029

| <b>Customer Class</b>     | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>Stage 4</b> | <b>Stage 5</b> | <b>Stage 6</b> |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Single-Family Residential |                |                |                |                |                |                |
| Tier 1                    | \$0.26         | \$0.50         | \$0.76         | \$1.11         | \$1.60         | \$2.33         |
| Tier 2                    | \$0.30         | \$0.58         | \$0.88         | \$1.29         | \$1.86         | \$2.71         |
| All Other Potable         | \$0.26         | \$0.50         | \$0.76         | \$1.11         | \$1.60         | \$2.33         |

### Water Shortage Surcharges FY 2030

| <b>Customer Class</b>     | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>Stage 4</b> | <b>Stage 5</b> | <b>Stage 6</b> |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Single-Family Residential |                |                |                |                |                |                |
| Tier 1                    | \$0.30         | \$0.58         | \$0.90         | \$1.32         | \$1.92         | \$2.81         |
| Tier 2                    | \$0.35         | \$0.67         | \$1.04         | \$1.53         | \$2.23         | \$3.26         |
| All Other Potable         | \$0.30         | \$0.58         | \$0.90         | \$1.32         | \$1.92         | \$2.81         |

## EXHIBIT "B" TO RESOLUTION NO. 11-2025

### AMENDED AND RESTATED RESERVE FUNDS POLICY

1. There is hereby established in the District's books, two reserve funds, which are designated the Operations Fund and the Capital Facilities Fund. All unrestricted reserve funds currently held by the District shall upon adoption of this policy be designated and accounted for within either the Operations Fund or the Capital Facilities Fund.
2. The Operations Fund is established to meet the day to day operating expenses of the District. The Operations Fund shall consist of an operating reserve and a rate stabilization reserve balance. The reserve shall be initially funded with unrestricted funds currently held in the District's accounts and supplemented or replenished as necessary from operating revenues and non-operating revenues other than acreage supply charges and/or capacity fee charges.
  - a. **Operating Reserve:** An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (such as volumetric charges), and changes in age of receivables in periods of economic distress. The minimum requirement for the Operating Reserve shall be equal approximately to 90 days of operating expenses and the reserve target shall be 120 days of operating expenses, and shall be reviewed and adjusted annually to maintain the levels set forth above.
  - b. **Rate Stabilization Reserve:** A Rate Stabilization Reserve is established for the purpose of providing funds necessary to respond to reasonably foreseeable but unpredictable contingencies, which would result in a significant extraordinary expense or temporary reduction or disruption in revenues, without requiring an increase in water rates or service charges. Examples of contingencies include natural disasters such as earthquakes and fires, or unanticipated reductions in water sales due to unusually wet weather. The Rate Stabilization Reserve has a target balance of \$6.0 Million.
3. The Capital Facilities Fund is established to fund scheduled rehabilitation and replacement of district capital facilities, improvement of capital facilities to meet regulatory requirements and improve service reliability, and for projects to expand the capital facilities to meet future demand. The Capital Facilities Fund shall consist of an Expansion Reserve and a Capital Improvement Reserve. The Expansion Reserve shall be funded exclusively with revenues derived from acreage supply charges and/or capacity fee charges imposed on new or expanded connections, currently held by the District and collected in the future. All acreage supply charge and/or capacity fee charge revenues shall be designated as Expansion Reserves and used exclusively for the purposes permitted under the Expansion Reserve policy. The Capital Improvement Reserve shall be initially funded with unrestricted funds of the District and shall be replenished or supplemented with operating and non-operating revenues, other than acreage supply and/or capacity fee charges. Excess funds not needed in one reserve account may be transferred to another reserve account except that no funds from the Expansion Reserve shall be transferred or used for any purpose other than the purposes specified or to reduce future acreage supply charges.

a. **Expansion Reserve:** The Expansion Reserve is established for the exclusive purpose of funding capital improvements to increase the capacity of existing facilities or construct new facilities to serve new development. In accordance with the requirements of Sections 66013 and 66016 of the California Government Code, all acreage supply charge and/or capacity fee charge revenues shall be deposited into the Expansion Reserve and accounted for separately in a manner that avoids any commingling with other moneys of the District and expended solely for the purposes for which the charges were collected. All interest earned on the investment of the Expansion Reserve shall remain in the Expansion Reserve. Not later than 180 days after the last day of each fiscal year, the District shall make available to the public the following information:

- (i) A description of the charges deposited into the Expansion Reserve.
- (ii) The beginning and ending balance of the fund and the interest earned from investment of moneys in the fund.
- (iii) The amount of charges collected in that fiscal year.
- (iv) An identification of:
  - A. Each public improvement on which funds from the Expansion Reserve were expended and the amount of the expenditure for each improvement including the percentage of the total cost of the public improvement that was funded with those funds from the Expansion Reserve if more than one source of funding was used.
  - B. Each public improvement on which funds from the Expansion Reserve were expended that was completed during the fiscal year.
  - C. Each public improvement that is anticipated to be undertaken in the following fiscal year.
- (v) A description of each interfund transfer or loan made from the Expansion Reserve, including the public improvement on which the transferred funds will be expended and the date the transfer is expected to be repaid along with the rate of interest to be paid.
- (vi) The information required above may be included in the District's annual financial report.
- (vii) If the revenues derived from the acreage supply charges and/or capacity fee charges exceed the amount necessary for the purposes permitted under the Expansion Reserve, then the excess revenues will be used to reduce the amount of the acreage supply charge and/or capacity fee charges in the future.

b. **Capital Improvement Reserve:** A Capital Improvement Reserve is established to accumulate a sufficient fund to pay for scheduled facility rehabilitation and replacement, facility upgrades made necessary by increased regulatory standards, or to improve system reliability. The Capital Improvement Reserve shall have a target balance equal to 6 percent of the total depreciated asset value of the water system.

c. **Capital/Emergency Reserve:** A Capital/Emergency Reserve is established to accumulate sufficient funds to provide separate funding for any unforeseen system failures, while not impacting funds within the Capital Improvement Reserve planned for routine and scheduled system improvements. The Capital/Emergency Reserve shall have a minimum requirement of 6% of the total asset value of the

water system, and a target of 12% of the total depreciated asset value of the water system.

4. Unrestricted Fund Balance: All revenues not otherwise restricted will be deposited into the District's unrestricted account to be used for payment of day- to-day expenses of the District including water purchases, payroll, power charges, and other customary and ongoing expenses of the District's operations.
5. Interest earned on investments of funds in each designated reserve will be credited to that reserve fund.