

ANNUAL COMPREHENSIVE FINANCIAL REPORT

OF THE CITY OF SAN BERNARDINO
WATER DEPARTMENT

A COMPONENT UNIT OF THE CITY OF SAN BERNARDINO

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



San Bernardino, CA

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CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF SAN BERNARDINO
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2022

PREPARED BY:
THE FINANCE AND ACCOUNTING DIVISION

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CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2022

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CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
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CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

CITY OF SAN BERNARDINO
WATER BOARD

TONI CALLICOTT
President

Commissioners
WAYNE HENDRIX
DAVID E. MLYNARSKI
RIKKE V. JOHNSON
THOMAS BRICKLEY



MIGUEL J. GUERRERO, P.E.
General Manager
ROBIN L. OHAMA
Deputy General Manager
STEVE R. MILLER
Director of Water Utility
KEVIN T. STEWART, P.E.
Director of Water Reclamation
JENNIFER L. SHEPARDSON
Director of Environmental &
Regulatory Compliance
CYNTHIA J. MOUSER
Director of Finance

“Trusted, Quality Service since 1905”

January 17, 2023

Water Board Commissioners
San Bernardino Municipal Water Department

Introduction:

State law requires that every general-purpose government publish a complete set of audited financial statements within six months of the close of each fiscal year. This report is published to fulfill that requirement for the San Bernardino Municipal Water Department (“Department”) for the fiscal year ended June 30, 2021.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Lance, Soll & Lunghard, LLP has issued an unmodified opinion on the Department’s financial statements for the year ended June 30, 2021. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Department:

The San Bernardino Municipal Water Department and the Water Board of Commissioners (“Board”) were established on May 8th, 1905, by the Mayor and Common Council of the City of San Bernardino in accordance with the provisions specified in the City charter. The Board assembled for the first time on May 16th, 1905, to ensure water supply needs of the community are met by providing trusted, quality service to our customers. This service has grown through the years to include water supply, water reclamation, geothermal heating supply, sewer collection and administrative support for the growing community.

1350 South “E” Street, San Bernardino, California 92408 P.O. Box 710, 92402 Phone: (909) 384-5141

FACSIMILE NUMBERS: Administration: (909) 453-6399 Customer Service: (909) 453-6396 Finance: (909) 453-6383 Engineering: (909) 453-6385
Corporate Yards: (909) 453-6389 Water Reclamation Plant: (909) 453-6395 Environmental & Regulatory Compliance: (909) 453-6391
Environmental Control: (909) 453-6394

The first water distribution system of San Bernardino included water supply for approximately six thousand citizens within a one square mile service area. Today, the Department's service area is approximately 50 square miles and the water supply distribution network now encompasses over 45,000 service connections and 750 miles of water mains. Although the number of connections has increased during the past one hundred years, our commitment to providing trusted, quality service remains the same.

The City of San Bernardino receives the majority of its water supply from an underground aquifer called the Bunker Hill Groundwater Basin which is part of the San Bernardino Basin. The water contained in the Bunker Hill Basin is replenished with rain and snowmelt that filters through our local San Bernardino Mountains. This local water supply ensures that San Bernardino Municipal Water Department customers receive high quality, relatively inexpensive water as compared to other communities. Many other communities in Southern California must import their water supplies from remote locations via the Colorado River and State Water Project systems which adds cost. Many water supplies imported from distant locations can be impacted by certain man-made and natural contaminants as the water is transported to the customer. Imported supplies are also impacted by drought conditions and environmental impacts.

The Department has operated the Water Reclamation Plant (WRP) since 1973. The WRP is a 33 million gallons per day (MGD) regional secondary treatment facility that provides trusted, quality wastewater treatment services for the City of San Bernardino, City of Loma Linda, East Valley Water District, San Bernardino International Airport, Patton State Hospital, and unincorporated areas of San Bernardino County. The WRP serves over 60,000 customers, of which 38,000 are located within the City's boundaries.

In May of 2017, management and operations of the Sewer Collection System were transferred from the City of San Bernardino Public Works Department to the San Bernardino Municipal Water Department. The Sewer Collection section is responsible for maintaining 467 miles of sewer mains, several thousand maintenance holes, and lift stations. The system encompasses approximately 38,000 connections and conveys over 5 billion gallons of sewage annually to the Department's Water Reclamation Plant for treatment.

Fiscal Management:

The Board annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the Department's functions, including the Water Utility, Sewer Treatment and Sewer Collection Funds. The budget and reporting treatment applied to a fund is consistent with the accrual basis of accounting and the financial statement basis. Each year the Department adopts a balanced budget.

Local Economy:

The Department's offices are located in the City of San Bernardino in San Bernardino County. According to the California Department of Finance, San Bernardino's population as of June 30, 2022, was 220,840. The City of San Bernardino ("the City") continues to recover from the downturn in the economy caused by the Pandemic. The City's unemployment rate is 4.8%¹ as of September 2022, which is reduced from a rate of 9.4% at the same time in 2021. The City has received funds from the American Recovery Act that will help stimulate economic growth in the area. The City has allocated to the Department approximately \$5 million from the American Recovery Act funds to fund the Department's Lead Service Lateral capital project. The Department was also able to recover approximately \$1.5 million from the California Arrearage Payment Program for customer delinquencies related to the COVID-19 Pandemic ("Pandemic").

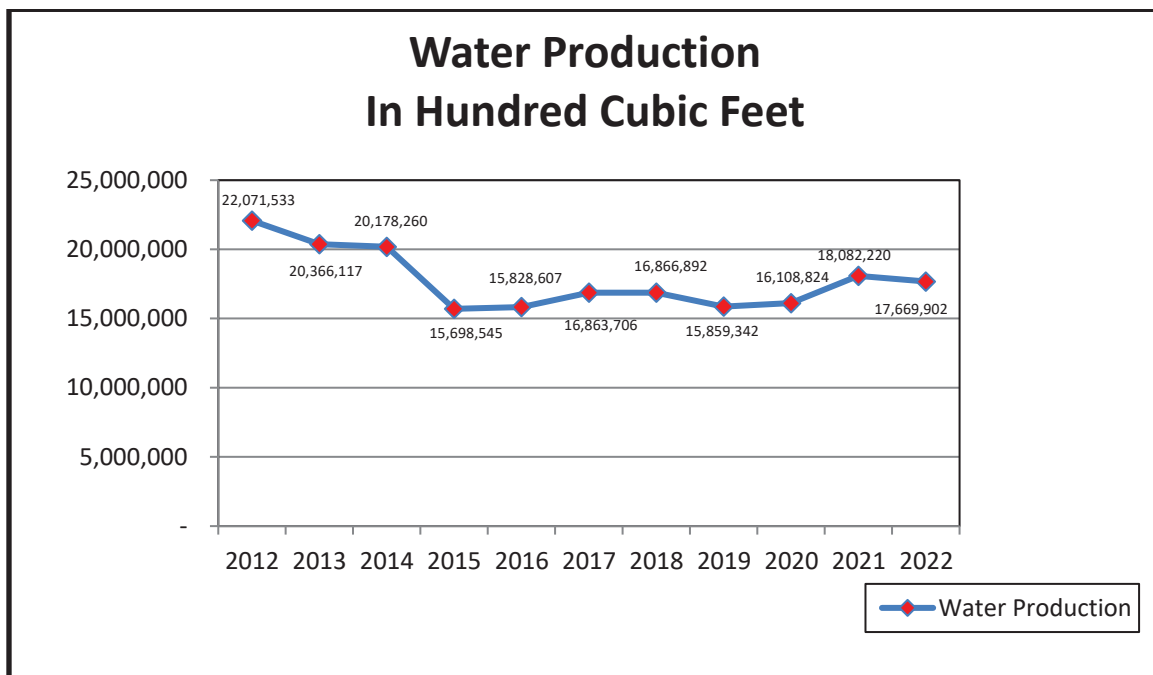
The May 2021 Inland Empire Regional Intelligence Report published by the University of California Riverside's Center for Economic Forecasting and Development notes that the Inland Empire's labor market has fully recovered from the Pandemic. The unemployment rate for the Inland Empire is 3.7% as of summer 2022, which is lower than the pre-Pandemic rate of 4.1% in February of 2020. The job market in the Inland Empire's

¹ State of California, Employment Development Department, Labor Market Information, <http://www.labormarketinfo.edd.ca.gov/>

transportation and warehousing sector has been boosted due to the increase in e-commerce during the Pandemic. Over 60,300 local jobs were added to the transportation and warehousing sector in the Inland Empire since February 2020. Other sectors like professional, scientific, and technical services, administrative support, retail trade, and financial activities have had significant job gains as well. Wages in the Inland Empire grew 2.3% from the third-quarter 2020 to the third quarter of 2021; wages in San Bernardino County grew 1.7%, which trails California's wage growth of 4.2% overall. Most of the slow wage growth in the Inland Empire is attributed to adding positions in low-paying industries such as leisure and hospitality and retail trade. As noted in the Regional Intelligence Report, the Inland Empire region continues to be one of the fastest growing areas in Southern California, mostly due to the affordable housing offered in the area. The median single-family home price in the Inland Empire rose 19.4% from the first quarter of 2021 to the first quarter of 2022 bringing the median single-family home price to \$544,000 which is lower than Los Angeles, Orange and San Diego counties. The housing market is expected to slow down as inflation is driving up mortgage rates and making home ownership less affordable.

California's water supply continues to be a concern due to drought conditions and mandated conservation measures. In May of 2022 the State Water Resources Control Board adopted emergency regulations to expand water conservation actions across the state. The statewide regulations ban watering of ornamental turf at commercial, industrial, and institutional properties. In addition to the watering ban of non-functional turf, the regulations require all California water suppliers to implement conservation actions under Level 2 of their Water Shortage Contingency Plans. The Department continues to be in Stage 2A of its Water Shortage Contingency Plan, where customers are limited to watering outdoors three days per week for fifteen minutes per station. The Department also adopted an option to implement a drought surcharge rate to assist in revenue recovery if drought regulations decrease the Department's revenue significantly. State Water Project allocations have also been reduced in response to the state's sustained drought conditions. The Department is not affected by the State Water Project allocation as the primary source of water for the Department is local ground water.

For the Department, the goal of water use efficiency remains paramount. Efficient water use is the most cost-effective and immediate way to achieve long-term conservation goals. As such, the Department is committed to sharing information, programs, and incentives to encourage and support water use efficiency for our customers.



Major Initiatives:

Fuel Cell

In July 2021, the Department commenced operation of a fuel cell facility at the San Bernardino Water Reclamation Plant (WRP) site. The fuel cell allows the Department to continue beneficial use of methane produced from wastewater treatment digesters (“digester gas”) to produce electricity for the WRP.

Historically, the Department used digester gas beneficially to fuel engines that operated generators, aeration blowers, and pumps that were part of the wastewater treatment process. The Department must meet several stringent regulations to ensure the health and safety of the community it serves and to protect the environment. This includes new and revised air quality standards for operation of wastewater plants such as the WRP.

The facility was conceived as part of the Department’s ongoing response to the new and revised regulations and supports the Department’s plans to improve operations and continue to beneficially utilize biogas generated from the WRP digesters. The fuel cell facility was developed in a public/private partnership between SBMWD and Fuel Cell Energy, Inc. (FCEL), a leading US manufacturer of fuel cell power plants with several facilities at wastewater treatment plants in California. FCEL was responsible for construction, installation, commissioning of the entire facility and will also provide long-term operation, maintenance, and service.

Advanced Metering Infrastructure

The Department has been selected to receive a \$500,000 grant from the U.S. Bureau of Reclamation to start phase one of the Department’s Advanced Metering Infrastructure (AMI) project. In addition to this grant, the Department was also awarded a \$2 million grant by the CA Department of Water Resources Urban and Multibenefit Drought Relief Grant Program. The first phase of the AMI project will install and connect approximately one quarter of the Department’s water meters to an advanced communications network to gather water consumption data in real time. This water use data will reduce water waste by enabling the Department to identify and notify customers of leaks and abnormally high-water use more quickly.

Water Resource Management

The Department recently completed a joint planning effort to develop the Integrated Regional Urban Water Management Plan with several agencies within the Upper Santa Ana River Watershed. This effort developed a comprehensive guide for water resource management including actions to ensure adequate supplies to meet future demands within a range of water supply conditions including water shortages.

Regional Recycled Water

Lastly, the Department continues to develop its recycled water project. While the design for the initial phase of the project is complete, certain environmental and permitting prerequisites remain. The Department anticipates resolving outstanding prerequisites and commencing construction in 2023. At the same, the Department is working with its regional partners to develop a regional recycled water system that involves connecting recycled water systems in the region and will provide flexibility to apply produce recycled water where it is most needed in the San Bernardino Basin.

Long Term Financial Planning:

As part of the Department's Strategic Plan, long-term financial plans were developed for all three of the Department's enterprises: Water, Sewer Treatment and Sewer Collection. These financial plans assisted the Department with a cost of service study for all three enterprises. A cost of service/rate study conducted in FY 21-22 recommended an increase to the Department's water and sewer rates. As a result of the study, the water Board adopted a 4-year rate increase for the water and sewer funds effective April 1, 2022. The remaining increases are effective annually on July 1 starting July 1, 2022 through July 1, 2025. These newly adopted rate structures and increases will allow for better revenue stability for the Department as cost increases and drought is a major concern for the State.

The Department's financial plan includes the revision of the existing Reserve Policy. The Department's current Reserve policy was revised and adopted by the Board in September 2021.

- **Operating Reserve:** This reserve is established to ensure adequate cash flow is available to meet day-to-day expenses. The target balance is 45 days of the operating expenses budgeted for each respective fund.
- **Rate Stabilization Reserve:** This reserve is established to offset revenue risk associated with low service demands years. The minimum target balance for each fund is twenty percent (20%) of their respective budgeted sales.
- **Emergency Replacement Reserve:** The purpose of this reserve is to minimize the impact of unforeseen capital asset and operating expenses. The target balance for each fund shall be two percent (2%) of the total recorded value of capital assets as of the previous fiscal year.
- **Capital Replacement Reserve:** The Capital Replacement Reserve was set up in order to provide funding support of the Department's capital program. The basis for calculating the target balance for this reserve is a rolling five-year average of the Department's Capital Improvement Program projects, excluding those with external funding. The target balance will be assessed on an annual basis as part of the budgeting process.

Debt Administration:

The Department's outstanding debt as of June 30, 2022 consists of one Revenue Bond in the Water Utility Fund, and one Revenue Bond in the Sewer Utility Fund, as shown in the table below:

Water Fund Long-Term Debt Activity	
Year of Issuance/Description	Use of Proceeds
2016 California Municipal Finance Authority Revenue Bond	Funding for facility construction, seismic retrofit of reservoirs and other capital improvement projects.

Sewer Fund Long-Term Debt Activity	
Year of Issuance/Description	Use of Proceeds
2016 California Municipal Finance Authority Revenue Bond	Funding for primary influent flow equalization project, facility construction, and recycled water project.

Relevant Financial Policies:

Internal Control Structure

Department management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the Department are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Department's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Major Initiatives and Key Values:

The activities of the Board and Department staff are driven by our key value statements as outlined below:

1. Provide the highest level of customer service to our community.
2. Responsibly establish necessary rates in the most cost-effective manner.
3. Provide the highest quality water and wastewater services.
4. Provide responsible stewardship of our resources and our environment.
5. Require ethical business practices.
6. Foster a strong, positive organizational culture and promote staff development.

Awards and Acknowledgements:

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its annual comprehensive financial report for the fiscal year ended June 30, 2021. To be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

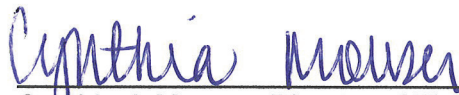
A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished by the combined efforts of Department staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the service of the Department's customers. The contributions made by Veronica Bustillos, Finance Manager, and Rochelle Johnson and Andrea Parker, Senior Accountants, deserve special recognition. We would also like to thank and recognize the members of the Board for their continued support in planning and implementation of the Department's fiscal policies.

Respectfully submitted,



Miguel J. Guerrero, P.E., General Manager



Cynthia J. Mouser, Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of San Bernardino Municipal Water Department
California**

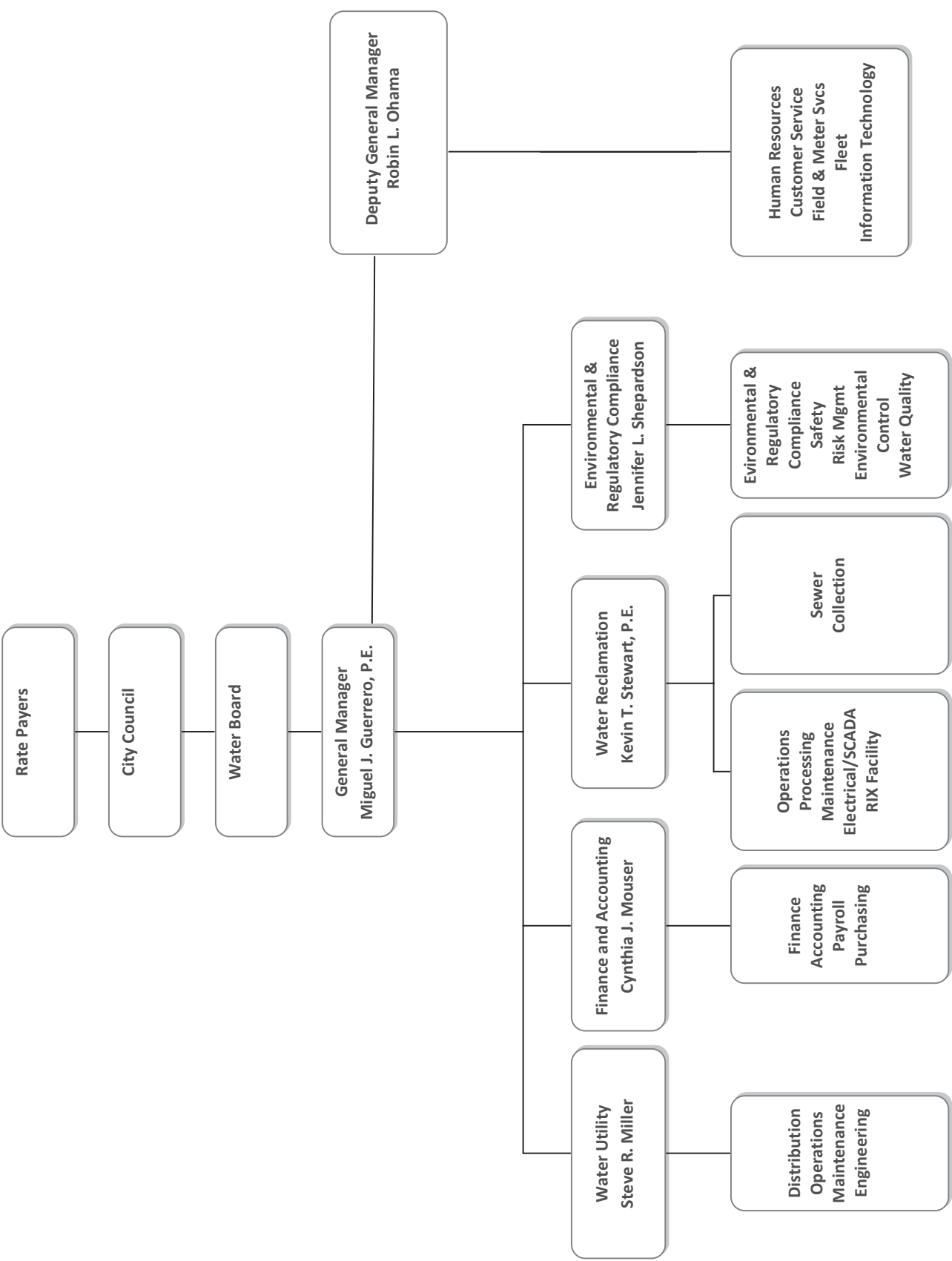
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
ORGANIZATION



City of San Bernardino Municipal Water Department

Mayor the City of San Bernardino

John Valdivia

Water Board

Toni Callicott, President

Wayne Hendrix, P.E., Vice President

David E. Mlynarski, Commissioner

Rikke V. Johnson, Commissioner

Thomas Brickley, Commissioner

Administration

Miguel J. Guerrero, P.E., General Manager

Robin L. Ohama, Deputy General Manager

Steve R. Miller, Director of Water Utility

Kevin T. Stewart, P.E., Director of Water Reclamation

Cynthia J. Mouser, Director of Finance

Jennifer L. Shepardson, Director of Environmental & Regulatory Compliance

Mission Statement

To meet the needs of the community by providing sustainable, high quality water supply and wastewater services in the most professional, environmentally responsible, and cost-effective manner possible.

Organization

The City of San Bernardino Municipal Water Department was formed in 1905 under the Charter of the City of San Bernardino and is governed by the Water Board who are appointed by the Mayor of the City of San Bernardino. The most recent Charter, approved by voters in November 2016, gave the Water Board “Responsibility to oversee and manage the City’s water supply, recycled water, wastewater collection and treatment functions in accordance with State Law.” The Department operated three enterprise funds: the Water Utility Enterprise Fund, the Sewer Utility Enterprise Fund and the Sewer Collection Utility Enterprise Fund. Water service encompasses the City, with the exception of the east end, which is served by East Valley Water District. Sewer treatment service encompasses all of the City of San Bernardino, the City of Loma Linda, the former Norton Air Force Base, Patton State Hospital, and portions of the City of Highland serviced by East Valley Water District. Sewer collection service is provided within the City of San Bernardino boundaries.



INDEPENDENT AUDITORS' REPORT

To the Water Board
City of San Bernardino Municipal Water Department
San Bernardino, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund of the City of San Bernardino Municipal Water Department (the "Department"), a component unit of the City of San Bernardino, California (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Department as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Component Unit Reporting

As discussed in Note 1 to the financial statements, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the City as a whole, as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As described in Note 1 to the financial statements, in the fiscal year ended June 30, 2022, the Department adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.



To the Water Board
City of San Bernardino Municipal Water Department
San Bernardino, California

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



To the Water Board
City of San Bernardino Municipal Water Department
San Bernardino, California

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension and other post-employment benefits schedules, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Soll & Loughard, LLP".

Brea, California
January 17, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of San Bernardino Municipal Water Department (Department) is a water, sewer collection and treatment utility responsible for delivering high quality, economically priced water, sewer treatment and sewer collections services to a quarter of a million customers in and around the City of San Bernardino, California. This section of the Department's annual financial report presents management's analysis of the Department's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the basic financial statements which follow this section.

All amounts in the Management's Discussion and Analysis within text areas are in thousands unless otherwise noted.

Financial Highlights:

- The Department's overall net position increased by \$17.3 million or 5.5%.
- Operating revenues increased \$2.7 million, 3.3% from the prior fiscal year. Revenues had a modest increase. On March 8th, 2022, the Board approved a rate increase that became effective on April 1st, 2022, resulting from a Rate Structure Study. The Cost of Service and Rate Design created a simplified rate structure, meeting the goals of the Department to provide revenue stability, affordability and to accommodate the rising operational cost. The simplified rate structure between the Sewer Utility and Sewer Collection fund will facilitate the merging of the funds in fiscal year 2023.
- Operating expenses decreased \$5.2 million, 6.8% decrease from the prior fiscal year. The most significant variances were noted in the categories of electricity, chemicals, capital repair and maintenance offset by decreased changes in experience and actuarial assumptions for pension and other post-employment benefits, and depreciation expense decrease in the water fund as a result of asset useful life corrections in the current year.
- Net income/loss before capital contributions increased by \$7.6 million.
- The Department's current ratio (the ability to pay short-term obligations) was 6.9.
- Cash available (the ability to cover current expenses with cash) was 725 days.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of two components: the Financial Statements and the Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Information providing citywide financial results is available in the City's Annual Comprehensive Financial Report.

Required Financial Statements

The financial statements of the Department report information about the Department using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position (pages 14-15) includes all of the Department's investments in resources (assets) and the

obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Department and assessing the liquidity and financial flexibility of the Department. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. (page 17) This statement measures the success of the Department's operations over the past year and can be used to determine whether the Department has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows (pages 18-19). The primary purpose of this statement is to provide information about the Department's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to questions such as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

Financial Analysis of the Department

Our analysis of the Department begins on page 6 of the financial statements. One of the most important questions to ask about the Department's finances is "Whether the Department, as a whole, is better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the Department's activities in a way that will help answer this question. These two statements report the net position of the Department and changes in them. Measuring the change in the Department's net position - the difference between assets and liabilities - is one way to measure financial health or financial position. Over time, increases or decreases in the Department's net assets are indications of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and zoning and new or changed government legislation.

Water Utility Fund

To begin our analysis, a summary of the Water Utility Fund's Statement of Net Position is presented in Table A-1.

TABLE A-1
Condensed Statement of Net Position - Water Utility
(amounts expressed in thousands of dollars)

	2022	2021	\$ Change	% Change
Current and noncurrent assets	\$ 117,400	\$ 104,853	\$ 12,547	12.0%
Capital assets	203,760	204,921	(1,161)	-0.6%
Total assets	321,160	309,774	11,386	3.7%
Deferred outflows of resources	4,505	5,407	(902)	-16.7%
Current liabilities	12,733	7,950	4,783	60.2%
Noncurrent liabilities	112,856	132,008	(19,152)	-14.5%
Total liabilities	125,589	139,958	(14,369)	-10.3%
Deferred inflows of resources	18,353	4,227	14,126	334.2%
Net investment in capital assets	168,065	168,554	(489)	-0.3%
Unrestricted	13,550	2,442	11,108	-454.9%
Total net position	\$ 181,615	\$ 170,996	\$ 10,619	6.2%

The table highlights, the Water Utility total net position increased 6.2% or \$10.7 million in fiscal year 2022. The favorable increase in net position is primarily related to the increase in total assets (\$11.4 million). The change includes increases in cash and investments (\$9.5 million) and increase in general accounts receivables (\$1.2 million).

TABLE A-2
Condensed Statement of Revenues, Expenses and Changes in Net Position - Water Utility
(amounts expressed in thousands of dollars)

	2022	2021	\$ Change	% Change
Operating revenue	\$ 43,150	\$ 42,758	\$ 392	0.9%
Capital contributions	4,719	3,861	858	22.2%
Other nonoperating revenue	2,817	2,718	100	3.7%
Total revenues	50,686	49,337	1,350	2.7%
Operating expenses	\$ 37,626	\$ 42,481	(4,855)	-11.4%
Nonoperating expenses	2,333	1,926	407	21.2%
Total expenses	39,959	44,407	(4,448)	-10.0%
Change in net position	10,727	4,930	5,797	-117.6%
Net position at the Beginning of the Year	170,996	166,066	4,930	3.0%
Total net position	\$ 181,723	\$ 170,996	\$ 10,727	6.3%

Total revenues increased by 2.7% or \$1.4 million. Water operating revenues reflect a modest increase due to higher consumption and the rate increase effective April 1st, 2022. Capital contributions also increased as development in the City increased due to Pandemic restrictions lifting during FY 22. Total expenses decreased 10.0% or \$4.4 million. Significant variances were noted in capital repairs and maintenance (\$1.2 million), change in fair value of investments (\$0.4 million), offset by favorable decreased changes in experience and actuarial assumptions for pension and other post-employment benefits (\$3.4 million), and depreciation expense decrease (\$2.6 million) as a result of asset useful life corrections in the current year.

TABLE A-3
Capital Assets - Water Utility
(amounts expressed in thousands of dollars)

	2022	2021	\$ Change	% Change
Land and easements	\$ 5,611	\$ 5,611	\$ -	0.0%
Construction in progress	10,813	9,808	1,005	10.2%
Wells and pumping	101,989	101,989	-	0.0%
Distribution	161,668	159,997	1,671	1.0%
Right -of-use assets	155	-	155	100.0%
Plant and facilities	8,368	7,543	825	10.9%
Other capital assets	43,397	43,030	367	0.9%
Total capital assets	332,001	327,978	4,023	1.2%
Less: accumulated depreciation	(128,241)	(123,057)	(5,184)	4.2%
Total capital assets, net	\$ 203,760	\$ 204,921	\$ (1,161)	-0.6%

Total capital assets increased by 1.2% or \$4.0 million in fiscal year 2022. The Water fund capitalized \$3.0 million in various annual repairs and maintenance capital projects completed and placed in service during the fiscal year. The increase is also attributed to an increase in Construction in progress (CIP) expenditures related to Tyler Munis Enterprise Resource Planning (ERP) information system (\$0.3 Million) and the Water Facilities Relocation Project (\$0.4 million). The department Additional information on capital assets is presented in Note 4 of the Notes to the Basic Financial Statements.

TABLE A-4
Long-term Debt - Water Utility
(amounts expressed in thousands of dollars)

	2022	2021	\$ Change	% Change
Bonds Payable	\$ 44,070	\$ 44,970	\$ (900)	-2.0%
Bond Premium	4,809	5,007	(198)	-4.0%
Compensated Absences	1,414	1,413	1	0.1%
Lease Payable	60	-	60	100.0%
Total long-term debt	<u>\$ 50,353</u>	<u>\$ 51,390</u>	<u>\$ (1,037)</u>	<u>-2.0%</u>

Total long-term debt decreased by 2.0% or \$1.1 million due to annual debt service payments. Additional information on long-term debt is presented in Note 5-7 of the Notes to Basic Financial Statements.

Sewer Utility Fund

TABLE B-1
Condensed Statement of Net Position - Sewer Utility
(amounts expressed in thousands of dollars)

	2022	2021	\$ Change	% Change
Current and noncurrent assets	\$ 95,665	\$ 91,573	\$ 4,092	4.5%
Capital assets	<u>83,576</u>	<u>83,932</u>	<u>(356)</u>	<u>-0.4%</u>
Total assets	179,241	175,505	3,736	2.1%
Deferred outflow of resources	<u>3,364</u>	<u>3,973</u>	<u>(609)</u>	<u>-15.3%</u>
Current liabilities	5,626	6,577	(951)	-14.5%
Noncurrent liabilities	<u>46,123</u>	<u>57,095</u>	<u>(10,972)</u>	<u>-19.2%</u>
Total liabilities	51,749	63,672	(11,923)	-18.7%
Deferred inflow of resources	<u>10,751</u>	<u>3,085</u>	<u>7,666</u>	<u>248.5%</u>
Net investment in capital assets	60,854	64,651	(3,797)	-5.9%
Unrestricted	<u>59,251</u>	<u>48,070</u>	<u>11,181</u>	<u>23.3%</u>
Total net position	<u>\$ 120,105</u>	<u>\$ 112,721</u>	<u>\$ 7,384</u>	<u>6.6%</u>

The table above highlights, the Sewer Utility net position increased 6.6% or \$7.4 million in fiscal year 2022. The total net position increased as a result of current year operations. The Department adopted a sewer rate increase effective April 1, 2022 that combined the Sewer Utility and Sewer Collection monthly charge and variable rate. The combined rates are being recorded in the Sewer Utility fund. Another factor for consideration is the net change between total liabilities and deferred inflow of resources due to favorable investment earnings for both pension and other post-employment benefits (OPEB).

TABLE B-2
Condensed Statement of Revenues, Expenses and Changes in Net Position - Sewer Utility
(amounts expressed in thousands of dollars)

	2022	2021	\$ Change	% Change
Operating revenue	\$ 34,171	\$ 30,361	\$ 3,810	12.5%
Capital contributions	2,295	2,502	(207)	-8.3%
Other nonoperating revenue	-	19	(19)	-100.0%
Total revenues	36,466	32,882	3,584	10.9%
Operating expenses	26,794	26,986	(192)	-0.7%
Nonoperating expenses	2,288	2,927	(639)	-21.8%
Total expenses	29,082	29,913	(831)	-2.8%
Change in net position	7,384	2,969	4,415	148.7%
Net position at the Beginning of the Year	112,721	109,752	2,969	2.7%
Total net position	\$ 120,105	\$ 112,721	\$ 7,384	6.6%

During fiscal year 2022, total revenues for the Sewer Utility increased 10.9% or \$3.6 million, from the prior year, primarily due to a sewer rate increase that combined rates for the Sewer Utility and Sewer Collection funds as approved by the Board effective April 1st, 2022. Total expenses decreased 2.8% or \$0.8 million in fiscal year 2022. Significant increased variances were noted in electricity (\$0.6 million), sludge removal (\$0.5 million), repairs and maintenance (\$.2 million), share of joint venture payments classified as operating in FY 22 (\$1.5 million) offset by favorable decreased changes in experience and actuarial assumptions for pension and other post-employment benefits (\$2.6 million).

TABLE B-3
Capital Assets - Sewer Utility
(amounts expressed in thousands of dollars)

	2022	2021	\$ Change	% Change
Land and easements	\$ 17,603	\$ 17,603	\$ -	0.0%
Construction in progress	31,365	26,024	5,341	20.5%
Pumping	3,949	4,750	(801)	-16.9%
Buildings, plants and stores	143,315	143,371	(56)	0.0%
Field and office equipment	10,010	10,543	(533)	-5.1%
Total capital assets	206,242	202,291	3,951	2.0%
Less: accumulated depreciation	(122,666)	(118,359)	(4,307)	3.6%
Total net assets	\$ 83,576	\$ 83,932	\$ (356)	-0.4%

Total capital assets increased by 2.0% or \$4.0 million in fiscal year 2022, primarily due to construction in progress expenditures related to the Blower Decentralization Project (\$1.7 million); Flare Replacement Project (\$1.4 million); and the Digester B Replacement Plan (\$0.7 million). More information relating to capital assets can be found in Note 4 of the Notes to the Basic Financial Statements.

TABLE B-4
Long-term Debt - Sewer Utility
(amounts expressed in thousands of dollars)

	2022	2021	\$ Change	% Change
Bonds Payable	31,245	31,945	(700)	-2.2%
Bond Premium	156	163	(7)	-4.3%
Compensated absences	492	539	(47)	-8.7%
Total long-term debt	<u>\$ 31,893</u>	<u>\$ 32,647</u>	<u>\$ (754)</u>	<u>-2.3%</u>

During the year, the Sewer Utility's long-term debt decreased 2.3% or \$0.8 million which can be attributed to the annual debt service payments. Additional information on long-term debt is presented in Note 5-7 of the Notes to Basic Financial Statements.

Sewer Collections Utility

TABLE C-1
Condensed Statement of Net Position - Sewer Collections Utility
(amounts expressed in thousands of dollars)

	2022	2021	\$ Change	% Change
Current and noncurrent assets	\$ 18,566	\$ 19,839	\$ (1,273)	-6.4%
Capital assets, net	<u>21,298</u>	<u>20,084</u>	<u>1,214</u>	<u>6.0%</u>
Total assets	39,864	39,923	(59)	-0.1%
Deferred outflow of resources	<u>1,087</u>	<u>1,335</u>	<u>(248)</u>	<u>-18.6%</u>
Current liabilities	2,320	792	1,528	192.9%
Noncurrent liabilities	<u>4,949</u>	<u>8,650</u>	<u>(3,701)</u>	<u>-42.8%</u>
Total liabilities	7,269	9,443	(2,173)	-23.0%
Deferred inflow of resources	<u>3,489</u>	<u>1,018</u>	<u>2,471</u>	<u>242.7%</u>
Net investment in capital assets	21,298	20,084	1,214	6.0%
Unrestricted	<u>8,895</u>	<u>10,713</u>	<u>(1,818)</u>	<u>-17.0%</u>
Total net position	<u>\$ 30,193</u>	<u>\$ 30,797</u>	<u>\$ (604)</u>	<u>-2.0%</u>

As can be seen from the table above, the Sewer Collections Utility net position decreased 2.0 % or \$0.6 million, to \$30.2 million in fiscal year 2022. The decrease in net position is primarily related to the decrease in current year operations. Other factors to consider are the shift of current and non-current assets versus capital assets relating to transfer of assets between the Sewer Collection Utility and Sewer Utility fund.

TABLE C-2
Condensed Statement of Revenues, Expenses and Changes in Net Position - Sewer Collections Utility
(amounts expressed in thousands of dollars)

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenue	\$ 6,395	\$ 7,794	\$ (1,399)	-17.9%
Capital contributions	1,058	242	816	337.2%
Other nonoperating revenue	-	11	(11)	-100.0%
Total revenues	<u>7,453</u>	<u>8,047</u>	<u>(594)</u>	<u>-7.4%</u>
Operating expenses	7,888	7,862	26	0.3%
Nonoperating expenses	511	-	511	100.0%
Total expenses	<u>8,399</u>	<u>7,862</u>	<u>537</u>	<u>6.8%</u>
Change in net position	(946)	185	(1,131)	-611.4%
Net position at the Beginning of the Year	30,796	30,612	184	0.6%
Restatement	343	-	343	100.0%
Total net position	<u>\$ 30,193</u>	<u>\$ 30,797</u>	<u>\$ (604)</u>	<u>-2.0%</u>

During fiscal year 2022, total revenues for the Sewer Collection Utility decreased 7.4% or \$0.6 million from the prior year, resulting from the rate increase that was effective April 1, 2022. Sewer Collections revenue was recorded in the Sewer Treatment fund as the rate study combined the Sewer Treatment and Sewer Collection monthly charge and variable rate. The combined rates are being recorded in the Sewer Utility fund effective April 1st, 2022. Capital contributions increased 337.2% or \$0.8 million from the prior year primarily due to an increase in sewer added facility charges (capacity charges) and contributed assets from developers. Total expenses increased 6.8% or \$0.5 million in fiscal year 2022. The increase is primarily attributed to the increase in non-operating expense relating to the change in fair value of investments.

TABLE C-3
Capital Assets - Sewer Collections Utility
(amounts expressed in thousands of dollars)

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Construction in progress	\$ 1,879	\$ 1,683	\$ 196	100.0%
Buildings, plants and stores	17,334	17,252	82	0.5%
Field and office equipment	7,379	7,379	-	0.0%
Sewer Pipelines	<u>21,154</u>	<u>19,112</u>	<u>2,042</u>	<u>10.7%</u>
Total capital assets	<u>47,746</u>	<u>45,426</u>	<u>2,320</u>	<u>5.1%</u>
Less: accumulated depreciation	<u>(26,448)</u>	<u>(25,342)</u>	<u>(1,106)</u>	<u>4.4%</u>
Total net assets	<u>\$ 21,298</u>	<u>\$ 20,084</u>	<u>\$ 1,214</u>	<u>6.0%</u>

Total capital assets increased by 5.1% or \$2.3 million in fiscal year 2022, due to extensive repairs and rehabilitation of sewer collection mains and manhole repairs along with transfer of mains from the Sewer Utility Fund during the fiscal year. More information relating to capital assets can be found in Note 4 of the Notes to the Basic Financial Statements. The Sewer Collections Utility does not have any outstanding debt.

Economic Factors and Next Year's Budgets and Rates

The Service Area (Service Area) economy served by the Department continues to recover from the downturn in the economy caused by the COVID-19 Pandemic. The City has received funds from the American Recovery Act that will help stimulate economic growth in the area. The City has encumbered for the Department, approximately \$5 million from the American Recovery Act funds, to fund the Department's Lead Service Lateral capital project. The Department was also able to recover approximately \$1.5 million from the California Arrearage Payment Program for customer delinquencies related to the Pandemic. Additionally, the Department was approved for a State Revolving Funds loan from the State Water Resource Control Board in May of 2022 and a federal grant from the Bureau of Reclamation for designated capital projects. Development within the City continues, which has resulted in several new projects for the Department.

The Department adopted a balanced budget for Fiscal Year 2022-2023. The Fiscal Year 2022-2023 budget takes into consideration the residual effects of the Pandemic, rising operational expenses in electricity, inflation, and funding our capital program to address aging infrastructure. Additional details regarding the Department's budget can be found on the Department's website. Questions or requests for information regarding the Adopted Budget should be directed to the Finance Department.

The Department completed a rate study and a cost-of-service study for the water, sewer treatment, and sewer collection utilities. As a result of the study the water Board adopted a 4-year rate increase for the water and sewer funds effective April 1, 2022. The remaining increases are effective annually starting July 1, 2022, through July 1, 2025. These newly adopted rate structures and increases will allow for better revenue stability for the Department as costs increase and drought is a major concern for the State.

Contacting the Department's Director of Finance

This financial report is designed to provide our customers and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Department's finance department at (909) 453-6009.

BASIC FINANCIAL STATEMENTS

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

STATEMENT OF NET POSITION
JUNE 30, 2022

	Water Utility	Sewer Utility	Sewer Collection Utility	Total
Assets:				
Current:				
Cash and investments	\$ 46,562,144	\$ 56,840,680	\$ 17,957,648	\$ 121,360,472
Receivables:				
Accounts, net	8,123,332	5,878,143	185,846	14,187,321
Accrued interest	81,186	117,028	47,909	246,123
Lease	4,006,475	-	-	4,006,475
Due from other entities	-	582,317	-	582,317
Inventories	1,757,757	-	-	1,757,757
Prepaid expenses	245,283	564,909	64,676	874,868
Total Current Assets	60,776,177	63,983,077	18,256,079	143,015,333
Noncurrent:				
Investment in joint venture - RIX	-	22,060,405	-	22,060,405
Net OPEB asset	1,293,223	942,611	310,384	2,546,218
Restricted assets:				
Cash and cash equivalents:				
Restricted for capital	13,292,390	8,678,839	-	21,971,229
Investments:				
Restricted for consent decree	23,589,228	-	-	23,589,228
Accrued interest - consent decree	34,801	-	-	34,801
Prepaid Insurance - consent decree	18,414,949	-	-	18,414,949
Capital assets:				
Land and easements	5,610,559	17,603,413	-	23,213,972
Construction in progress	10,812,583	31,365,456	1,879,098	44,057,137
Depreciable capital assets	315,577,895	157,274,568	45,867,465	518,719,928
Less: accumulated depreciation and amortization	(128,241,422)	(122,667,460)	(26,448,479)	(277,357,361)
Total Capital Assets, Net	203,759,615	83,575,977	21,298,084	308,633,676
Total Noncurrent Assets	260,384,206	115,257,832	21,608,468	397,250,506
Total Assets	321,160,383	179,240,909	39,864,547	540,265,839
Deferred Outflows of Resources:				
Deferred outflows - pension related	3,522,092	2,647,361	850,862	7,020,315
Deferred outflows - OPEB related	982,707	716,285	235,858	1,934,850
Total Deferred Outflows of Resources	4,504,799	3,363,646	1,086,720	8,955,165

The notes to financial statements are an integral part of this statement.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

STATEMENT OF NET POSITION
JUNE 30, 2022

	Water Utility	Sewer Utility	Sewer Collection Utility	Total
Liabilities:				
Current:				
Accounts payable	2,555,796	2,763,111	249,947	5,568,854
Related parties payable	1,792,754	-	1,400,000	3,192,754
Accrued compensation	796,425	556,551	191,529	1,544,505
Claims payable	3,855,876	649,934	435,969	4,941,779
Consumer deposits	537,321	-	-	537,321
Due to other governments	7,575	-	-	7,575
Lease payable	47,736	-	-	47,736
Current portion of compensated absences	1,131,627	393,701	42,792	1,568,120
Current portion of bonds payable	1,147,638	741,404	-	1,889,042
Accrued interest	861,647	520,948	-	1,382,595
Total Current Liabilities	12,734,395	5,625,649	2,320,237	20,680,281
Noncurrent:				
Consumer deposits	2,300,979	-	-	2,300,979
Accrued compensated absences	282,907	98,425	10,698	392,030
Unearned revenue - consent decree	42,038,979	-	-	42,038,979
Lease payable	59,878	-	-	59,878
Bonds payable	47,731,557	30,659,940	-	78,391,497
Net pension liability	20,441,079	15,364,423	4,938,128	40,743,630
Total Noncurrent Liabilities	112,855,379	46,122,788	4,948,826	163,926,993
Total Liabilities	125,589,774	51,748,437	7,269,063	184,607,274
Deferred Inflows of Resources:				
Deferred inflows - pension related	8,693,725	6,534,590	2,100,218	17,328,533
Deferred inflows - OPEB related	5,785,158	4,216,736	1,388,492	11,390,386
Deferred inflows - leases related	3,873,891	-	-	3,873,891
Total Deferred Inflows of Resources	18,352,774	10,751,326	3,488,710	32,592,810
Net Position:				
Net investment in capital assets	168,065,196	60,853,472	21,298,084	250,216,752
Unrestricted	13,657,438	59,251,320	8,895,410	81,804,168
Total Net Position	\$ 181,722,634	\$ 120,104,792	\$ 30,193,494	\$ 332,020,920

The notes to financial statements are an integral part of this statement.

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CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	Water Utility	Sewer Utility	Sewer Collection Utility	Interfund Eliminations	Total
Operating Revenues:					
Sales and service charges	\$ 42,626,315	\$ 33,347,882	\$ 6,306,843	\$ (198,566)	\$ 82,082,474
Other operating revenues	523,809	823,278	87,780	-	1,434,867
Total Operating Revenues	43,150,124	34,171,160	6,394,623	(198,566)	83,517,341
Operating Expenses:					
Administration and customer service	7,244,325	4,159,046	1,517,567	(274,192)	12,646,746
Utility administration	1,481,431	381,431	193,347	(1,153)	2,055,056
Plant operations	9,733,004	12,301,718	590,600	135,150	22,760,472
Maintenance	2,846,997	3,764,618	-	(58,371)	6,553,244
Environmental control	-	798,701	-	-	798,701
Distribution	4,870,126	-	-	-	4,870,126
Engineering and water quality control	3,001,100	385,517	3,333,804	-	6,720,421
General, administration and overhead	3,195,638	(873,930)	824,400	-	3,146,108
Share of joint venture payments	-	1,548,111	-	-	1,548,111
Depreciation and amortization	5,253,425	4,329,178	1,428,347	-	11,010,950
Total Operating Expenses	37,626,046	26,794,390	7,888,065	(198,566)	72,109,935
Operating Income (Loss)	5,524,078	7,376,770	(1,493,442)	-	11,407,406
Nonoperating Revenues (Expenses):					
Investment income(loss)	(456,170)	(1,021,981)	(511,234)	-	(1,989,385)
Rental income	347,849	-	-	-	347,849
Noncapital grant funds	1,910,435	-	-	-	1,910,435
Interest expense and fiscal charges	(1,877,325)	(1,249,715)	-	-	(3,127,040)
Gain (loss) on disposal of capital assets	28,846	-	-	-	28,846
Other	530,326	(16,310)	-	-	514,016
Total Nonoperating Revenues (Expenses)	483,961	(2,288,006)	(511,234)	-	(2,315,279)
Net Income (Loss) Before Capital Contributions	6,008,039	5,088,764	(2,004,676)	-	9,092,127
Capital Contributions:					
Acquisition fees	2,664,645	-	-	-	2,664,645
Capacity fees	1,469,062	2,294,541	726,278	-	4,489,881
EPA grants	65,092	-	-	-	65,092
Capital contributions	520,065	-	332,261	-	852,326
Total Capital Contributions	4,718,864	2,294,541	1,058,539	-	8,071,944
Changes in Net Position	10,726,903	7,383,305	(946,137)	-	17,164,071
Net Position at the Beginning of the Year	170,995,731	112,721,487	30,796,863	-	314,514,081
Restatements	-	-	342,768	-	342,768
Beginning of Fiscal Year, as restated	170,995,731	112,721,487	31,139,631	-	314,856,849
Net Position at the End of the Year	\$ 181,722,634	\$ 120,104,792	\$ 30,193,494	\$ -	\$ 332,020,920

The notes to financial statements are an integral part of this statement.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Water Utility	Sewer Utility	Sewer Collection Utility	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 37,410,750	\$ 31,816,850	\$ 7,221,120	\$ 76,448,720
Cash paid to employees for services	(12,526,989)	(3,848,261)	(2,900,167)	(19,275,417)
Cash paid to suppliers for goods and services	(11,945,323)	(18,178,881)	(2,433,869)	(32,558,073)
Cash paid to RIX joint venture operations	-	(944,768)	-	(944,768)
Net Cash Provided by (Used for) Operating Activities	12,938,438	8,844,940	1,887,084	23,670,462
Cash Flows from Noncapital Financing Activities:				
Consent decree insurance drawdowns	800,903	-	-	800,903
Net Cash Provided by Noncapital Financing Activities	800,903	-	-	800,903
Cash Flows from Capital and Related Financing Activities:				
Capital fees received	4,133,707	2,294,541	1,058,539	7,486,787
Proceeds from sales of capital assets	28,846	-	-	28,846
Cash paid to acquire capital assets	(3,578,359)	(5,654,131)	(2,319,803)	(11,552,293)
Principal paid on capital-related debt	(900,000)	(700,000)	-	(1,600,000)
Interest paid on capital-related debt	(2,093,686)	(1,270,701)	-	(3,364,387)
Capital grant proceeds	65,092	-	-	65,092
Net Cash (Used for) Capital and Related Financing Activities	(2,344,400)	(5,330,291)	(1,261,264)	(8,935,955)
Cash Flows from Investing Activities:				
Cash received from rental income	347,849	-	-	347,849
Cash received from investment income	(480,387)	(1,030,362)	(512,677)	(2,023,426)
Net Cash Provided by Investing Activities	(132,538)	(1,030,362)	(512,677)	(1,675,577)
Net Increase in Cash and Cash Equivalents	11,262,403	2,484,287	113,143	13,859,833
Cash and Cash Equivalents, July 1	45,118,758	57,655,191	9,852,525	112,626,474
Cash and Cash Equivalents, June 30	\$ 56,381,161	\$ 60,139,478	\$ 9,965,668	\$ 126,486,307
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position:				
Cash and investments	\$ 46,562,144	\$ 56,840,680	\$ 17,957,648	\$ 121,360,472
Restricted cash and investments	13,292,390	8,678,839	-	21,971,229
Less those not meeting the definition of a cash equivalent	(3,473,373)	(5,380,041)	(7,991,980)	(16,845,394)
Cash and Cash Equivalents, June 30	\$ 56,381,161	\$ 60,139,478	\$ 9,965,668	\$ 126,486,307

The notes to financial statements are an integral part of this statement.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Water Utility	Sewer Utility	Sewer Collection Utility	Total
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss)	\$ 5,524,078	\$ 7,376,770	\$ (1,493,442)	\$ 11,407,406
Depreciation and amortization	5,253,425	4,329,178	1,428,347	11,010,950
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
(Increase) decrease in accounts receivable	(5,227,732)	(2,283,831)	826,497	(6,685,066)
Decrease in due from other entities	-	(70,479)	-	(70,479)
Decrease in inventory	(169,727)	-	-	(169,727)
(Increase) in prepaid expense	41,666	12,513	(14,869)	39,310
(Decrease) in accounts payable	856,054	(940,840)	(169,596)	(254,382)
(Decrease) in related parties payable	1,769,142	-	1,400,000	3,169,142
Increase (decrease) in accrued compensation	72,825	6,993	20,009	99,827
Increase in compensated absences	1,215	(47,828)	3,390	(43,223)
Increase in claims payable	2,134,878	-	275,000	2,409,878
(Decrease) in consumer deposits	(511,642)	-	-	(511,642)
(Decrease) in OPEB obligation	5,979,068	1,531,961	502,495	8,013,524
Increase in net pension liability	(2,784,812)	(1,672,840)	(890,747)	(5,348,399)
Total Adjustments	2,160,935	(2,861,008)	1,952,179	1,252,106
Net Cash Provided by (Used for) Operating Activities	\$ 12,938,438	\$ 8,844,940	\$ 1,887,084	\$ 23,670,462
Non-Cash Investing, Capital, and Financing Activities:				
Capital contributions	\$ 520,065	\$ -	\$ -	\$ 520,065
Unrealized gain in fair value of investments	(718,174)	(1,441,911)	(764,212)	(2,924,297)
Amortization of bond premiums	197,638	6,403	-	204,041

The notes to financial statements are an integral part of this statement.

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CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Note 1: Reporting Entity and Summary of Significant Accounting Policies

a. Organization and Operations of the Reporting Entity

The San Bernardino Municipal Water Department (Department) is governed under the Charter of the City of San Bernardino (City). A Water Board appointed by the Mayor and approved by City Council, has Charter defined powers, with full authority for administration of the water utility and delegated authority for the sewer treatment utility. The Department has served the community since 1905.

b. Basis of Accounting and Measurement Focus

The Department reports its activities as enterprise funds, which are used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Department is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flow takes place.

Operating revenues, such as charges for services (water sales, sewer services and water services) result from exchange transactions associated with the principal activity of the Department. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment income, result from nonexchange transactions or ancillary activities in which the Department gives (receives) value without directly receiving (giving) equal value in exchange.

When both restricted and unrestricted resources are available for use, the Department uses restricted resources and then unrestricted resources.

The major funds of the Department are described below:

Water Utility Fund – The Water Utility Enterprise Fund (Water Utility) is used to account for the operations of the Department's water system and related revenues.

Sewer Utility Fund – The Sewer Utility Enterprise Fund (Sewer Utility) is used to account for the operations of the City's wastewater treatment system and related revenues. The Sewer conveyance system is under the direction of the City's Public Works Department.

Sewer Collection Utility Fund – The Sewer Collection Enterprise Fund (Sewer Collection) is used to account for the operations of the City's sewer collection system and related revenues.

Administrative and engineering services are provided by the Water Utility to the Sewer and Sewer Collection Utilities.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

c. Financial Reporting

The Department's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB Statement No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net position replaces the balance sheet and reports assets, liabilities, and the difference between them as net position, not equity. A statement of revenues, expenses and changes in net position replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB Statement No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

d. Assets, Liabilities and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost as they are not transferable and have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation of investments.

Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

(Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the Department's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Department's own data.

3. Accounts Receivable

Customer or trade receivables are shown net of an allowance for uncollectible accounts based on historical and management estimates. Transactions between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables / payables" or "advances to/from" other funds. All interfund transactions are eliminated for financial reporting.

4. Inventory

Materials and supplies inventory consist primarily of water meters, pipe and pipefittings for construction and repair to the Department's water transmission and distribution system and items necessary for maintenance at the sewer treatment facilities. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

Water inventory is stated at its purchase cost using the first in, first out method. Inventory is recorded when purchased and expensed at the time the inventory is consumed.

5. Prepaid Expense and Deposit

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2022

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

6. Capital Assets and Right-to-Use Assets

Capital assets acquired or constructed are capitalized at historic cost. Department policy has set the capitalization threshold for reporting capital assets at \$5,000 and a life expectancy of at least 3 years. Overhead is capitalized at the rate of 28.9% of labor and benefits, 10% of material and supplies and 2% of significant contracts. Right-to-Use leased assets are defined by the Department as assets with an estimated useful life in excess of 3 years and with an initial, individual value of \$5,000 or more. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Source of supply plant	8 to 50 years
Disposal plant and interceptor lines	35 to 50 years
Other facilities (shops, leasehold & yards)	5 to 25 years
Tools, office equipment & communications	4 to 20 years
Computer equipment	3 to 5 years
Automotive and fleet equipment	3 to 15 years

7. Compensated Absences

Department policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Various negotiation groups have different sell-back and cash out options. Additionally, cash out options upon retirement or death of the employee vary based on the negotiation group. Employees' vacation and sick leave benefits are recognized as a liability of the Department.

8. Restricted Assets and Amounts Payable from Restricted Assets

Amounts shown as restricted assets have been restricted by bond indentures or are to be used for specified purposes based on contract provisions, such as bonded debt service. Certain liabilities which are currently payable have been classified as current liabilities payable from restricted assets since assets have been restricted for their payment.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the Department. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	June 30, 2020 to June 30, 2021

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

10. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Department's plan (OPEB Plan), the assets of which are held by US Bank in an irrevocable trust, and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

11. Deferred Outflows/Inflows

In addition to assets, the Statement of Net Position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Department has two items that qualify for reporting in this category: the deferred outflows related to pensions and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net assets that applies to future periods and will not be recognized as inflow of resources (revenue) until that time. The Department has three items that qualify for reporting in this category, of which two relate to deferred inflows related to pensions and OPEB. Lastly, leases related items for the amount of the lease receivable plus any lease payments related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

12. Interfund Eliminations

The interfund eliminations column represents entries made to eliminate interfund income and expenditure transactions between the water utility fund and the sewer utility fund for the purposes of consolidated financial statements.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

13. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

14. Capital Contributions

Contributions in aid of construction represent cash and utility plant additions contributed to the Department by property owners or developers desiring services that require capital expenditures or capacity commitment. In accordance with Governmental Accounting Standards Board Statement No. 33, the capital contributions are recorded on the Statement of Revenues, Expenses and Changes in Net position.

15. Budgetary Policies

The Department adopts an annual budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to outstanding contracts for construction and services.

16. Implementation of New Accounting Standards

During the year ended June 30, 2022, the Department implemented the following new accounting standard issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87 Leases enhances usefulness and comparability of financial statements among governments by requiring lessees and lessors to report leases using a single model. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognizes inflows or outflows of resources based on the payment provisions of the lease contracts. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

	Impact to Beginning Net Position for Fiscal Year Ending June 30, 2022
Right to Use Leased Assets	\$ 155,243
Leases Payable	(155,243)
Lease Receivable	4,191,785
Deferred Inflow Amounts From Leases	(4,191,785)
	<u>\$ -</u>

Note 2: City of San Bernardino Bankruptcy

Without reserves and facing a \$45.8 million budget deficit, in July of 2012, the City determined that it was no longer able to meet its contractual obligations and declared a fiscal emergency. On August 1, 2012, the City filed a petition under Chapter 9 of the United States Bankruptcy Code in Riverside seeking to adjust its debts. The City has since proposed a Chapter 9 plan of adjustment, and that plan of adjustment was confirmed on February 7, 2017. The City's plan of adjustment became effective on June 15, 2017. No revenues of the Department were used to pay general claims during the pendency of the City's bankruptcy case or pursuant to its confirmed plan. In addition, no general claims of the City were successfully asserted against the Department or its revenues during the pendency of the City's bankruptcy case. The plan of adjustment does not impair or affect the revenues of the Department. The Department continues to hold its revenues in segregated accounts and uses them only for the purposes provided for under state law and the City Charter.

On September 8th, U.S. Bankruptcy Judge Scott C. Clarkson issued an order discharging the City of San Bernardino's bankruptcy case, bringing an end to a process that began over ten years ago.

Note 3: Cash and Investments

Cash and investments are reported in the accompanying statement of net position as follows:

	Water Utility	Sewer Utility	Sewer Collection Utility	Total
Cash and investments	\$ 46,562,144	\$ 56,840,680	\$ 17,957,648	\$ 121,360,472
Restricted investments:				
Restricted for Consent Decree	23,589,228	-	-	23,589,228
Proceed from Bond Issuance	13,292,390	8,678,839	-	21,971,229
Total Cash and Investments	<u>\$ 83,443,762</u>	<u>\$ 65,519,519</u>	<u>\$ 17,957,648</u>	<u>\$ 166,920,929</u>

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 3: Cash and Investments (Continued)

Cash and investments at June 30, 2022, consisted of the following:

	Water Utility	Sewer Utility	Sewer Collection Utility	Total
Cash on Hand	\$ 7,000	\$ 200	\$ -	\$ 7,200
Deposits with Financial Institutions	22,814,703	22,908,397	2,103,399	47,826,499
Investments	23,740,441	33,932,083	15,854,249	73,526,773
Restricted investments	36,881,618	8,678,839	-	45,560,457
Total Cash and Investments	<u>\$ 83,443,762</u>	<u>\$ 65,519,519</u>	<u>\$ 17,957,648</u>	<u>\$ 166,920,929</u>

a. Investments Authorized by the California Government Code and the Department's Investment Policy

The table below identifies the investment types that are authorized by the Department and Consent Decree (see note 12) in accordance with the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that addresses interest rate risk, credit risk, and concentration of credit risk. Due to its long-term nature, the Consent Decree has been explicitly exempted from maximum maturity requirements of the California Government Code, which limits maturity of most investments to five years. All other aspects of the Consent Decree investment policy are consistent with the City's investment policy.

Investment Type*	Maximum Maturity		Maximum % of Portfolio	Maximum % of Portfolio
	Department	Consent Decree		
US treasury	5 years	5 years	None	None
US agency	5 years	5 years	None	None
Bankers acceptances	180 days	180 days	40%	40%
Commercial paper	270 days	270 days	25%	25%
Negotiable CDs	5 years	5 years	30%	30%
Medium-term notes	5 years	5 years	30%	30%
Money market mutual funds	N/A	N/A	20%	20%
Mortgage pass through	5 years	5 years	20%	20%
Local Agency Investment Fund	N/A	N/A	\$40,000,000	\$40,000,000
Guaranteed investment	N/A	N/A	None	None

b. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include, U.S. Treasury Obligations, U.S. Government Sponsored Enterprise Securities, the California Local Agency Investment Fund, Guaranteed Investment Contracts, Commercial Paper, Local Agency Bonds, Banker's Acceptance and Money Market Mutual Funds. There are no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except for the maturity of Banker's Acceptance which are limited to one year.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Note 3: Cash and Investments (Continued)

c. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by a state or local governmental unit by pledging securities in an undivided collateral pool held by a depository regulated under state law.

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Department's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

For investment identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

d. Investment in State Investment Pool

The Department is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Department's investment in this pool is reported in the accompanying financial statements at amounts based upon the Department's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated by a nationally recognized statistical rating organization, but as stated previously, it is regulated by the California Government Code, and is therefore exempt from rating requirements.

e. Interest Rate Risk

Interest rate risk is the possibility that fluctuations in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value will be to changes in market interest rates. One method that the Department uses to manage its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 3: Cash and Investments (Continued)

Information about the sensitivity of the fair values of the Department's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Department's investments by maturity date:

Investment Type	Maturities				Total
	Less than 12 months	13-24 months	25-60 months	More than 60 months	
U.S. Agency Securities	\$ 3,322,145	\$ 9,077,272	\$ 2,432,464	\$ -	\$ 14,831,881
U.S. Treasuries	-	7,619,454	8,112,199	-	15,731,653
Medium Term Corporate Notes	1,250,773	498,743	1,965,138	-	3,714,654
Non - U.S. Government and Supranational Bonds	-	1,030,472	1,355,452	-	2,385,924
Asset Backed Securities	-	1,244,035	1,430,189	-	2,674,224
Money Market Funds	483,164	-	-	-	483,164
Local Agency Investment Fund	33,705,273	-	-	-	33,705,273
Consent Decree:					
U.S. Treasuries	-	4,135,530	7,932,446	-	12,067,976
U.S. Agency Asset Backed Securities	-	3,078	331,842	313,504	648,424
U.S. Agency Collateralized Mortgage Obligations	-	-	-	70,761	70,761
U.S. Agency Securities	-	2,021,542	1,777,595	-	3,799,137
Corporate Notes	199,887	303,061	2,627,769	-	3,130,717
Certificates of Deposit	870,881	-	-	-	870,881
Asset Backed Securities	-	224,478	2,617,839	-	2,842,317
Money Market Funds	159,015	-	-	-	159,015
Investments with Fiscal Agent:					
Money Market Funds	21,971,229	-	-	-	21,971,229
Total Investments	\$ 61,962,367	\$ 26,157,665	\$ 30,582,933	\$ 384,265	\$ 119,087,230

a. Credit Risk

Generally, credit risk is the possibility that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Department's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Note 3: Cash and Investments (Continued)

Investment Type	Minimum Rating	Rating	Total
U.S. Agency Securities	None	AA+	\$ 14,831,881
U.S. Treasuries	Exempt	Exempt	15,731,653
Medium Term Corporate Notes	AA-	AAA	3,714,654
Non - U.S. Government and Supranational Bonds	AA	AAA	2,385,924
Asset Backed Securities	AA-	AAA	2,674,224
Money Market Funds	AA+	AAA	483,164
Local Agency Investment Fund	Not Rated	Not Rated	33,705,273
Consent Decree:			
U.S. Treasuries	No Limit	Exempt	12,067,976
U.S. Agency Asset Backed Securities	No Limit	AA+	648,424
U.S. Agency Collateralized Mortgage Obligations	AA	AA+	70,761
U.S. Agency Securities	No Limit	AA+	3,799,137
Corporate Notes	A	AA-	3,130,717
Certificates of Deposit	A	A+	870,881
Asset Backed Securities	AA	AAA	2,842,317
Money Market Funds	AA+	AA+	159,015
Investments with Fiscal Agent:			
Money Market Funds	AA+	AA+	21,971,229
Total Investments			<u>\$ 119,087,230</u>

b. Fair Value Measurement

The Department categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The Department has the following recurring fair value measurements as of June 30, 2022:

Investment Type	Fair Value Hierarchy		Total
	Level 1	Level 2	
U.S. Agency Securities	\$ -	\$ 14,831,881	\$ 14,831,881
U.S. Treasuries	-	15,731,653	15,731,653
Medium Term Corporate Notes	-	3,714,654	3,714,654
Non - U.S. Government and Supranational Bonds	-	2,385,924	2,385,924
Asset Backed Securities	-	2,674,224	2,674,224
Consent Decree:			
U.S. Treasuries	12,067,976	-	12,067,976
U.S. Agency Asset Backed Securities	-	648,424	648,424
U.S. Agency Collateralized Mortgage Obligations	-	70,761	70,761
U.S. Agency Securities	-	3,799,137	3,799,137
Corporate Notes	-	3,130,717	3,130,717
Asset Backed Securities	-	2,842,317	2,842,317
Subtotal - Investments Subject to Fair Value	<u>\$ 12,067,976</u>	<u>\$ 49,829,692</u>	61,897,668
Investments Not Subject to Fair Value			57,189,562
Total Investments			<u>\$ 119,087,230</u>

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Note 4: Capital Assets

a. Water Utility Fund

Capital asset activity for the water utility for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	Additions	Deletions/ Transfers	Balance June 30, 2022
Non-depreciable assets:				
Land and easements	\$ 5,610,559	\$ -	\$ -	\$ 5,610,559
Construction in progress	9,808,392	1,004,191	-	10,812,583
Total non-depreciable assets	15,418,951	1,004,191	-	16,423,142
Depreciable assets:				
Water rights, wells and pumping	101,989,289	-	-	101,989,289
Distribution system	159,997,230	1,671,070	-	161,668,300
Right-of-use assets	-	155,243	-	155,243
Buildings, plants, and stores	7,543,215	825,109	-	8,368,324
Field and office equipment	43,030,433	442,811	(76,505)	43,396,739
Total depreciable assets	312,560,167	3,094,233	(76,505)	315,577,895
Less: accumulated depreciation				
Water rights, wells and pumping	(46,804,879)	(1,548,760)	-	(48,353,639)
Distribution system	(56,342,133)	(2,422,818)	-	(58,764,951)
Right-of-use assets	-	(47,767)	-	(47,767)
Buildings, plants, and stores	(2,830,300)	(164,756)	-	(2,995,056)
Field and office equipment	(17,080,187)	(1,069,324)	69,502	(18,080,009)
Total accumulated depreciation	(123,057,499)	(5,253,425)	69,502	(128,241,422)
Total depreciable assets, net	189,502,668	(2,159,192)	(7,003)	187,336,473
Total capital assets, net	\$ 204,921,619	\$ (1,155,001)	\$ (7,003)	\$ 203,759,615

b. Sewer Utility Fund

Capital asset activity for the sewer utility for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	Additions	Deletions/ Transfers	Balance June 30, 2022
Non-depreciable assets:				
Land and easements	\$ 17,603,413	\$ -	\$ -	\$ 17,603,413
Construction in progress	26,024,300	5,341,156	-	31,365,456
Total non-depreciable assets	43,627,713	5,341,156	-	48,968,869
Depreciable assets:				
Pumping	4,750,002	-	(800,161)	3,949,841
Buildings, plants, and stores	143,371,367	195,890	(252,619)	143,314,638
Field and office equipment	10,542,462	117,085	(649,458)	10,010,089
Total depreciable assets	158,663,831	312,975	(1,702,238)	157,274,568
Less: accumulated depreciation				
Pumping	(3,774,982)	(290,112)	-	(4,065,094)
Buildings, plants, and stores	(108,372,920)	(3,337,647)	-	(111,710,567)
Field and office equipment	(6,210,795)	(701,419)	20,415	(6,891,799)
Total accumulated depreciation	(118,358,697)	(4,329,178)	20,415	(122,667,460)
Total depreciable assets, net	40,305,134	(4,016,203)	(1,681,823)	34,607,108
Total capital assets, net	\$ 83,932,847	\$ 1,324,953	\$ (1,681,823)	\$ 83,575,977

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 4: Capital Assets (Continued)

c. Sewer Collection Utility Fund

Capital asset activity for the sewer collection utility for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	Adjustment	Additions	Deletions/ Transfers	Balance June 30, 2022
Non-depreciable assets:					
Construction in progress	\$ 1,683,773	\$ -	\$ 195,325	\$ -	\$ 1,879,098
Total non-depreciable assets	<u>1,683,773</u>	<u>-</u>	<u>195,325</u>	<u>-</u>	<u>1,879,098</u>
Depreciable assets:					
Buildings, plants, store yards	17,251,604	-	82,977	-	17,334,581
Field and office equipment	7,378,996	-	-	-	7,378,996
Sewer Pipelines	19,112,387	-	2,041,501	-	21,153,888
Total depreciable assets	<u>43,742,987</u>	<u>-</u>	<u>2,124,478</u>	<u>-</u>	<u>45,867,465</u>
Less: accumulated depreciation					
Buildings, plants, store yards	(13,339,647)	342,768	(839,457)	-	(13,836,336)
Field and office equipment	(2,783,383)	(20,415)	(265,233)	-	(3,069,031)
Sewer Pipelines	(9,219,455)	-	(323,657)	-	(9,543,112)
Total accumulated depreciation	<u>(25,342,485)</u>	<u>322,353</u>	<u>(1,428,347)</u>	<u>-</u>	<u>(26,448,479)</u>
Total depreciable assets, net	<u>18,400,502</u>	<u>322,353</u>	<u>696,131</u>	<u>-</u>	<u>19,418,986</u>
Total capital assets, net	<u>\$ 20,084,275</u>	<u>\$ 322,353</u>	<u>\$ 891,456</u>	<u>\$ -</u>	<u>\$ 21,298,084</u>

Note 5: Long-term Liabilities

a. Water Utility Fund

Changes in long-term liabilities in the water utility fund for the year ended June 30, 2022, are as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion	Long-term Portion
Bonds Payable:						
2016 Water Revenue Bond	\$ 44,970,000	\$ -	\$ (900,000)	\$ 44,070,000	\$ 950,000	\$ 43,120,000
Bond Premium	5,006,833	-	(197,638)	4,809,195	197,638	4,611,557
Total	<u>\$ 49,976,833</u>	<u>\$ -</u>	<u>\$ (1,097,638)</u>	<u>\$ 48,879,195</u>	<u>\$ 1,147,638</u>	<u>\$ 47,731,557</u>

1. 2016 Water Revenue Bonds

On November 3, 2016, the water utility issued \$48,225,000 Water Revenue Bonds to finance the acquisition and construction of certain water system capital improvements and to refund outstanding obligations. The Water Revenue Bonds have interest rates ranging from 3% to 5% with maturities through August 2036. The bonds are secured by revenues pledged for the payment of debt service. In addition, a provision that in the event of default, the bond trustee may take whatever action, at law or in equity, as may appear necessary or desirable to collect the payments of the debt.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Note 5: Long-term Liabilities (Continued)

Debt service requirements on the 2016 Water Revenue Bond are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 950,000	\$ 2,044,138	\$ 2,994,138
2024	995,000	1,995,513	2,990,513
2025	1,050,000	1,944,388	2,994,388
2026	1,100,000	1,890,638	2,990,638
2027	1,160,000	1,834,138	2,994,138
2028-32	6,695,000	8,260,813	14,955,813
2033-37	8,265,000	6,694,281	14,959,281
2038-42	10,500,000	4,451,875	14,951,875
2043-47	13,355,000	1,601,635	14,956,635
Total	<u>\$ 44,070,000</u>	<u>\$ 30,717,419</u>	<u>\$ 74,787,419</u>

2. Debt Service Coverage

The Water Utility Fund is required to maintain net revenues adequate to cover 110% of annual debt service. Net Revenues means the Revenues for the Fiscal Year less Operation and Maintenance Costs for such Fiscal Year. Debt service coverage for the Water Utility Fund for the year ended June 30, 2022, was as follows:

Gross revenue	<u>\$ 43,150,124</u>
Operating expenses	37,626,046
Less: depreciation expense	<u>(5,253,425)</u>
Net operating expenses	<u>32,372,621</u>
Non-operating income, less gain on disposal	<u>2,332,440</u>
Net revenues	<u>\$ 13,109,943</u>
Annual debt service	<u>\$ 2,990,388</u>
Actual coverage ratio	<u>4.38</u>

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Note 5: Long-term Liabilities (Continued)

b. Sewer Utility Fund

Changes in long-term liabilities in the sewer utility fund for the year ended June 30, 2022, are as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion	Long-term Portion
Bonds Payable:						
2016 Sewer Revenue Bond	\$ 31,945,000	\$ -	\$ (700,000)	\$ 31,245,000	\$ 735,000	\$ 30,510,000
Bond Premium	162,747	-	(6,403)	156,344	6,404	149,940
Total	<u>\$ 32,107,747</u>	<u>\$ -</u>	<u>\$ (706,403)</u>	<u>\$ 31,401,344</u>	<u>\$ 741,404</u>	<u>\$ 30,659,940</u>

1. 2016 Sewer Revenue Bonds

On December 8, 2016, the sewer utility issued \$34,445,000 of Sewer Treatment Revenue Bonds to finance the acquisition and construction of additional capital improvements to the sewer utility. The Sewer Treatment Revenue Bonds have interest rates ranging from 3% to 5% with maturities through August 2033. The bonds are secured by revenues pledged for the payment of debt service. In addition, a provision that in the event of default, the bond trustee may take whatever action, at law or in equity, as may appear necessary or desirable to collect the payments of the debt.

Debt service requirements on the 2016 Sewer Revenue Bond are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 735,000	\$ 1,231,900	\$ 1,966,900
2024	770,000	1,194,275	1,964,275
2025	810,000	1,154,775	1,964,775
2026	855,000	1,113,150	1,968,150
2027	895,000	1,069,400	1,964,400
2028-32	4,990,000	4,846,022	9,836,022
2033-37	5,980,000	3,852,016	9,832,016
2038-42	7,295,000	2,535,900	9,830,900
2043-47	8,915,000	919,900	9,834,900
Total	<u>\$ 31,245,000</u>	<u>\$ 17,917,338</u>	<u>\$ 49,162,338</u>

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Note 5: Long-term Liabilities (Continued)

2. Debt Service Coverage

The Sewer Utility Fund is required to maintain net revenues adequate to cover 110% of annual debt service. Gross revenue is defined as Operating Revenue combined with non-operating revenue. Debt service coverage for the Sewer Utility Fund for the year ended June 30, 2022, was as follows:

Gross revenue	<u>\$ 34,171,160</u>
Operating expenses	26,794,390
Less: depreciation expense	<u>(4,329,178)</u>
Net operating expenses	<u>22,465,212</u>
Non-operating income(loss), less gain on disposal	<u>(1,038,291)</u>
Net revenues	<u>\$ 10,667,657</u>
Annual debt service	<u>\$ 1,967,775</u>
Actual coverage ratio	<u>5.42</u>

Note 6: Leases

The Department implemented GASB Statement No. 87 in the fiscal year ended June 30, 2022. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

a. Leases Receivable and Deferred Inflows of Resources

The Department leases land to various companies for installation of cellular towers and fiberoptic communications. The terms range from 23 months to 268 months as of the contract commencement date. The Department also leases land to Little League International to operate a sports complex. The term is 231 months as of the contract commencement date. Some leases have extension options of ranging from 6 months to 20 years. An initial lease receivable was recorded in the amount of \$4,191,785. As of June 30, 2022, the value of the lease receivable is \$4,006,475. The value of the deferred inflow of resources as of June 30, 2022, was \$3,873,891, and the Department recognized lease revenue of \$317,894 during the fiscal year. The amount of revenues recognized during the fiscal year for variable and other payments not previously included in the measurement of the lease receivable was \$132,584.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 6: Leases (Continued)

The principal and interest payments that are expected to maturity are as follows:

Principal and Interest Requirements to Maturity			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	310,949	74,921	385,870
2024	217,400	55,979	273,379
2025	211,681	52,942	264,623
2026	220,658	49,755	270,413
2027	231,942	46,412	278,354
2028 - 2032	1,327,092	175,873	1,502,965
2033 - 2037	933,394	78,293	1,011,687
2038 - 2042	479,658	23,844	503,502
2043 - 2045	73,701	968	74,669
Total	4,006,475	558,987	4,565,462

b. Leases Payable and Right to Use Leased Assets

On July 1, 2021, the Department entered into a 39-month lease as Lessee for the use of Design Space - 397 Modular office building. An initial lease liability was recorded in the amount of \$155,243. As of June 30, 2022, the value of the lease liability is \$107,614. The Department is required to make monthly fixed payments of \$4,000. The lease has an interest rate of 0.3080%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$155,243 with accumulated amortization of \$47,767 is included with Buildings on the Lease Class activities table found below.

The Department has 3 extension option(s), each for 12 months.

Right-to-use leased assets include the following at June 30, 2022:

Lease Type	Major Class of Underlying Asset	Amount of Leased Capital Assets	Accumulated Amortization
Building	Right-to-Use Lease - Building	\$ 155,243	\$ 47,767
	Total	\$ 155,243	\$ 47,767

Future principal and interest requirements to maturity for each lease liability are as follows:

Principal and Interest Requirements to Maturity			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	\$ 47,736	\$ 264	\$ 48,000
2024	47,884	116	48,000
2025	11,994	6	12,000
Total	\$ 107,614	\$ 386	\$ 108,000

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 7: Compensated Absences

Compensated absences represent the amount of the accumulated vacation, which is expected to be liquidated with future resources. The water utility fund, sewer utility fund and sewer collection fund liquidate 100 percent of the compensated absences for business-type activities. There is no fixed payment schedule for unpaid compensated absences; see Note 1 for additional information.

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion	Long-term Portion
Water Utility Fund	\$ 1,413,319	\$ 1,213,257	\$ (1,212,042)	\$ 1,414,534	\$ 1,131,627	\$ 282,907
Sewer Utility Fund	539,954	753,984	(801,812)	492,126	393,701	98,425
Sewer Collection Fund	50,100	219,363	(215,973)	53,490	42,792	10,698
Total	<u>\$ 2,003,373</u>	<u>\$ 2,186,604</u>	<u>\$ (2,229,827)</u>	<u>\$ 1,960,150</u>	<u>\$ 1,568,120</u>	<u>\$ 392,030</u>

Note 8: Pension Plan

The Department is considered to be part of the City of San Bernardino PERS pension plan, therefore all related information included in this note refers to the City as a whole unless specifically indicating otherwise. All qualified permanent and probationary employees are eligible to participate in the Department's Miscellaneous Plan, an agent multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Additional disclosures and required supplementary information regarding the City's plan can be found in the City's audited financial statements.

a. Benefits provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The Plans' provisions and benefits in effect at the measurement date, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 60
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	10%	10%
Required employer contribution rates	35%	35%

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 8: Pension Plan (Continued)

b. Employees Covered

As of the June 30, 2021 measurement date, the following employees were covered by the benefit terms of the Plan:

	City-wide	Department
Inactive employees or beneficiaries currently receiving benefits	1,769	212
Inactive employees entitled to but not yet receiving benefits	565	48
Active employees	352	223
Total	2,686	483

c. Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

d. Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ended June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability determined in the June 30, 2020 valuation. The June 30, 2021 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate:	7.15%
Inflation:	2.50%
Salary Increases:	Varies by Entry Age and Service
Mortality Rate Table ¹ :	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase:	The lesser of contract COLA or 2.5% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.5% thereafter

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Note 8: Pension Plan (Continued)

e. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹An expected inflation of 2.0% used for this period.

²An expected inflation of 2.92% used for this period.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Note 8: Pension Plan (Continued)

f. Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

g. Changes in Net Pension Liability

The following table shows the Department's proportionate share of the net pension liability of the City's plan over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2020 (VD)	\$ 219,048,159	\$ 154,946,582	\$ 64,101,577
Balance at: 6/30/2021 (MD)	224,939,597	184,195,967	40,743,630
Net Changes during 2020-21	5,891,438	29,249,385	(23,357,947)

The net pension liability of the plan is measured as of June 30, 2021, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2020 rolled forward to June 30, 2021, using standard update procedures. The proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Department's proportionate share of the net pension liability for the plan as of June 30, 2021 and 2022 was as follows:

	Miscellaneous Plan
Proportion – June 30, 2021	36%
Proportion – June 30, 2022	36%
Change – Increase (Decrease)	-

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 8: Pension Plan (Continued)

h. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability -Department Allocation (36%)	\$68,886,165	\$40,743,630	\$17,459,029

i. Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the measurement period ending June 30, 2021 is 1.9 years, which was obtained by dividing the total service years of 6,064 (the sum of remaining service lifetimes of the active employees) by 3,169 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 8: Pension Plan (Continued)

j. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2022, the Department recognized a pension expense of \$1,308,257 for the Plan.

As of June 30, 2022, the Department reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,656,656	\$ -
Differences between Expected and Actual Experience	363,659	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	17,328,533
Total	<u>\$ 7,020,315</u>	<u>\$ 17,328,533</u>

The \$6,656,656 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. That and other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2023	\$ (4,051,046)
2024	(3,998,888)
2025	(4,144,670)
2026	(4,770,270)

Note 9: Other Post-Employment Benefits (OPEB)

a. Plan Description

The Department provides health benefits to all qualifying retirees and their spouses in accordance with Memorandums of Understanding under various labor agreements. The other post-employment benefits plan is a single-employer plan administered by the Department.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 9: Other Post-Employment Benefits (OPEB) (Continued)

b. Employees Covered

Employees are eligible for retiree health benefits if they retire from the Department on or after age 50 with at least 10, 12, or 15 years of service, depending on bargaining unit, and are eligible for a PERS pension.

As of the June 30, 2021 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	197
Inactive employees or beneficiaries currently receiving benefits	159
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>356</u>

c. Contributions

The contribution requirements of plan members and the Department are established and may be amended by the Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as may be determined annually by the Board. The Department has established an irrevocable trust to which pre-funding contributions are made. For the fiscal year ended June 30, 2022, the Department's cash contributions were \$1,198,412, and the amount of contributions in the form of an implied subsidy were \$540,000.

d. Net OPEB Liability/(Asset)

The Department's net OPEB liability/(asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation dated June 30, 2020 that was rolled forward to determine the June 30, 2021, total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.75%
Mortality Rate ⁽¹⁾	CalPERS 1997-2015 Experience Study
Healthcare Trend Rate	Non-Medicare - 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076. Medicare - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**Note 9: Other Post-Employment Benefits (OPEB) (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Fixed income	40%	1.47%
Global Equity	60%	4.82%
Assumed long-term rate of inflation	-	2.75%
Expected long-term net rate of return	-	6.25%
Total	100%	

e. Discount Rate

The discount rate used to measure the total OPEB liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that Department's contributions will be made at rates equal to the actuarially determined contribution rates.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

f. Changes in the Net OPEB Liability/(Asset)

The changes in the net OPEB liability/(asset) are as follows (in thousands):

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at 6/30/21 (6/30/20 measurement date)	\$ 35,720,026	\$ 30,849,070	\$ 4,870,956
Changes for the year			
Service cost	956,228	-	956,228
Interest	2,240,570	-	2,240,570
Changes of benefit terms	-	-	-
Actual vs. expected experience	-	-	-
Assumption changes	-	-	-
Contributions - employer	-	2,737,270	(2,737,270)
Contributions - employee	-	-	-
Net investment income	-	7,886,754	(7,886,754)
Benefit payments	(1,654,270)	(1,654,270)	-
Administrative expenses	-	(10,052)	10,052
Net Changes	1,542,528	8,959,702	(7,417,174)
Balance at 6/30/22 (6/30/2021 measurement date)	\$ 37,262,554	\$ 39,808,772	\$ (2,546,218)

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 9: Other Post-Employment Benefits (OPEB) (Continued)

g. Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents the net OPEB liability/(asset) of the Department if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

	1% Decrease (5.25%)	Current Discount Rate	1% Increase (7.25%)
Net OPEB Liability/(Asset)	\$ 2,690,558	\$ (2,546,218)	\$ (6,841,044)

h. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the Department if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

	1% Decrease 6.0% Pre-Medicare 5.1% Medicare	Current Healthcare Cost Trend Rates 7.0% Pre-Medicare 6.1% Medicare	1% Increase 8.0% Pre-Medicare 7.1% Medicare
Net OPEB Liability/(Asset)	\$ (7,403,139)	\$ (2,546,218)	\$ 3,466,697

i. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments are amortized over 5 years, while all other deferred outflows and inflows are amortized over the average expected remaining service life of plan participants. For the June 30, 2021 measurement date, the average expected remaining service life is 7.0 years.

j. OPEB Income and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the Department recognized OPEB income of \$1,539,128. As of fiscal year-ended June 30, 2022, the Department reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,738,412	\$ -
Differences between expected and actual experience	196,438	4,847,126
Changes in assumptions	-	1,681,506
Net difference between projected and actual earnings on OPEB plan investments	-	4,861,754
Total	<u>\$ 1,934,850</u>	<u>\$ 11,390,386</u>

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 9: Other Post-Employment Benefits (OPEB) (Continued)

The \$1,738,412 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021, measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2023	\$ (2,595,535)
2024	(2,511,755)
2025	(2,375,841)
2026	(2,388,850)
2027	(1,201,788)
Thereafter	(120,179)
Total	<u>\$ (11,193,948)</u>

Note 10: Joint Ventures

a. Colton/San Bernardino Regional Tertiary Treatment and Water Reclamation Authority

On August 2, 1994, the City of San Bernardino, through the Department formed a joint powers authority with the City of Colton to construct, operate, use and maintain tertiary wastewater treatment, disposal and water reclamations systems, including the Regional Rapid Infiltration and Extraction Facility (RIX). This authority is governed by a separate board consisting of four members; two appointed by the City of San Bernardino through the Department's BOWC and two appointed by the City Council of the City of Colton. Construction of RIX was administered by the Santa Ana Watershed Project Authority and was substantially completed during 1996. Administration and operation was turned over at that time. The cities of San Bernardino and Colton each have a measurable equity interest in the net position of RIX in proportion to its contributions, which are based on an 80% / 20% split, respectively. Substantially all of the assets of RIX are in the form of capital assets. Annual revenues (in the form of contributions from the two member cities) are equal to annual expenses. The Department's equity interest in this joint venture has been reported as an investment in joint venture in the accompanying statement of net position. Below are the most currently available condensed audited financial statements of RIX as of June 30, 2022. The RIX complete financial statements may be obtained at City of San Bernardino Municipal Water Department at 1350 South E. Street, San Bernardino, California 92418.

	Total
Assets	\$ 28,618,282
Liabilities	<u>1,032,825</u>
Net Position	<u>\$ 27,585,457</u>
Revenues	\$ 4,805,235
Expenses	<u>5,549,463</u>
Change in Net Position	(744,228)
Net Position - Beginning of Year	<u>28,329,685</u>
Net Position - End of Year	<u>\$ 27,585,457</u>

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 10: Joint Ventures (Continued)

b. West End Water Development, Treatment and Conservation Joint Powers Authority

On August 15, 1990, the City of San Bernardino joined the West End Water Development, Treatment and Conservation Joint Powers Authority (WEJPA) as a financing vehicle for construction of water facilities. A three-member board consisting of one representative from each agency's governing body governs the WEJPA. This joint venture was formed to provide a financing vehicle for the three member agencies. This joint venture is currently inactive.

Note 11: Commitments and Contingencies

a. Risk Management

Risk management activities are recorded in all utility funds. Significant losses are covered by insurance for all major events except workers' compensation, for which the Department retains risk of loss in conjunction with the City of San Bernardino's risk management program for workers compensation. Settlement amounts have not exceeded insurance coverage for the current year or the prior three years. Insurance coverage has been increased over the past several years.

The Department records an estimated liability for workers' compensation. Claims liabilities are based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported based upon historical experience. Workers' compensation claims liability is not discounted.

The following are the changes in approximate aggregate liabilities for the year ended June 30, 2021 and June 30, 2022. During the past three fiscal (claims) years, the Department had no settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in fiscal year 2022.

Claims Liabilities	Water Utility	Sewer Utility	Sewer Collection	Total
Balance, June 30, 2020	\$ 1,153,028	\$ 540,926	\$ 84,437	\$ 1,778,391
Claims and changes in estimates	627,848	109,008	76,532	813,388
Balance, June 30, 2021	1,780,876	649,934	160,969	2,591,779
Claims and changes in estimates	2,075,000	-	275,000	2,350,000
Balance, June 30, 2022	\$ 3,855,876	\$ 649,934	\$ 435,969	\$ 4,941,779

b. Litigation

In the ordinary course of operations, the Department is subject to claims and litigation from outside parties. After consultation with legal counsel, the Department believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 11: Commitments and Contingencies (Continued)

c. Construction Commitments

The following schedule summarizes the major contractual commitments as of June 30, 2022:

Project Name	Contract Amount	Expenses to date as of June 30, 2022	Remaining Commitments
Reservoir Seismic Upgrade	\$ 1,496,451	\$ 660,332	\$ 836,119
Tertiary Treatment System	1,612,238	1,340,356	271,882
Water Reclamation Project	720,000	-	720,000
Digester "B" Replacement Project	2,625,320	994,501	1,630,819
WRP Electrical Infrastructure Project	3,049,450	2,289,068	760,383
Sewer Spot Repair Project	318,357	1,430	316,927
Water Master Plan	640,390	100,140	540,250
Consultant Construction Management and Inspection S	2,261,316	24,278	2,237,039

Note 12: Federal and State Grants

Grant funds received by the Department are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Department believes that such disallowances, if any, would not be significant. The Department produces a Single Audit that details the use of grant and Consent Decree funds (see note 13 for information on the Consent Decree).

Note 13: Consent Decree

In 1996, the City of San Bernardino filed a complaint against the United States of America, Department of the Army to recover damages, response costs and other available remedies relating to contamination alleged to have originated at a World War II army installation known as Camp Ono. In March 2005, the United States District Court, Central Division entered judgment, in the form of a consent decree, in the matter of City of San Bernardino v. United States of America. The Consent Decree settles the City's and the State's claims arising from the groundwater contamination allegedly caused by the Army. The Consent Decree contains a number of provisions obligating the City (through the Department) to operate and maintain the Newmark Groundwater Superfund Site (Site). The Site consists of two operable units, the Newmark Operable Unit and the Muscoy Operable Unit. The Newmark Operable Unit was declared operational and functional in 1998. The Muscoy Operable unit was declared operational and functional in 2007.

The Consent Decree provided for a payment of \$69 million from the Army to the City for performance of the work outlined in the Consent Decree. Upon acceptance of the Consent Decree, the Department received title to all facilities constructed by the United States Environmental Protection Agency (EPA) of the Site and agreed to operate and maintain the groundwater extraction and treatment system for a period of 50 years. The \$69 million payment consisted of \$59 million for operations and maintenance and \$10 million for the construction of certain capital facilities that would be required in the future; the funds are subject to strict limitations, contained in the Consent Decree, as to how the money may be spent.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Note 13: Consent Decree (Continued)

Pursuant to the Consent Decree, \$10 million, including interest earned, has been set aside to be used only for (i) funding construction of treatment and directly related transmission systems that expand the Department's capacity to deliver potable water and (ii) funding work performed by the Department to complete construction of the Muscoy Operable Unit extraction system. These capital facility funds may not be used for costs incurred to operate, maintain, repair or retrofit components of the site extraction of treatment systems constructed by EPA.

In March 2006, the Department entered into a Guaranteed Investment Contract with AIG Match Funding Corporation. The Department invested \$16,482,039 of excess Consent Decree funds into an interest-bearing Escrow Fund investment with an interest rate of 4.95% per annum. These funds were invested to pay costs associated with the water facilities defined in the Consent Decree for years 2035-2056. An additional \$50 million was used to purchase a blended insurance policy to provide a financial vehicle that provides cost gap coverage for the first 30 years of expenses.

The terms of the Guaranteed Investment Contract only provided the Department with the position of a secured creditor with respect to an AIG bankruptcy. As concerns arose regarding AIG's financial credibility, in October 2009, the Department negotiated and accepted a "payout" in the amount of \$18,661,876 which represented the principal and accrued interest as of that date. These funds are currently invested in a diversified portfolio managed by PFM Asset Management and present in more detail in Note 3.

Note 14: Restatement of net position

The Department restated the net position in the Sewer Collection fund in the amount of \$342,768 that arose when correcting the classification of assets and their useful lives.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ⁽¹⁾

	2022	2021	2020	2019
	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Measurement Date				
Proportion of the Net Pension Liability	36%	36%	36%	36%
Proportionate Share of the Net Pension Liability	\$ 40,743,630	\$ 64,101,577	\$ 60,531,689	\$ 56,856,346
Covered Payroll	\$ 20,103,974	\$ 18,770,894	\$ 17,169,126	\$ 15,357,635
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	203%	341%	353%	370%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82%	71%	72%	72%

Notes to Schedule of Proportionate Share of the Net Pension Liability

Benefit Changes: The figures above include any liability impact that may have resulted from voluntary benefit changes that occurred after the June 30, 2019 valuation. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the June 30, 2019 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: None in 2019, 2020 or 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

⁽¹⁾ Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only eight years are shown.

2018	2017	2016	2015
<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
36%	36%	36%	36%
\$ 58,595,075	\$ 53,652,216	\$ 44,917,863	\$ 40,932,398
\$ 14,876,739	\$ 14,177,779	\$ 14,087,004	\$ 14,017,065
394%	378%	319%	292%
71%	72%	76%	78%

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ⁽¹⁾**

	2022	2021	2020	2019
Actuarially Determined Contribution	\$ 6,656,656	\$ 6,492,199	\$ 5,814,288	\$ 5,251,737
Contribution in Relation to the Actuarially Determined Contribution	(6,656,656)	(6,492,199)	(5,814,288)	(5,251,737)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 20,821,422	\$ 20,103,974	\$ 18,770,894	\$ 17,169,126
Contributions as a Percentage of Covered Payroll	32%	32%	31%	31%

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021-22 were derived from the June 30, 2019 funding valuation report.

Actuarial Cost Method:	Entry Age Normal
Amortization Method/Period:	For details, see June 30, 2019 Funding Valuation Report.
Asset Valuation Method:	Market Value of Assets. For details, see June 30, 2019 Funding Valuation Report.
Inflation:	2.500%
Salary Increases:	Varies by Entry Age and Service
Payroll Growth:	2.750%
Investment Rate of Return:	7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age:	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period of 1997 to 2015.
Mortality:	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

⁽¹⁾ Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only eight years are shown.

2018	2017	2016	2015
\$ 4,467,847	\$ 3,886,888	\$ 3,607,950	\$ 2,979,160
(4,467,847)	(3,886,888)	(3,607,950)	(2,979,160)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,357,635	\$ 14,876,739	\$ 14,177,779	\$ 14,087,004
29%	26%	25%	21%

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ⁽¹⁾

	2022	2021	2020	2019	2018
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:					
Service cost	\$ 956,228	\$ 1,352,161	\$ 1,312,778	\$ 1,067,080	\$ 1,036,000
Interest	2,240,570	2,651,878	2,512,269	2,449,681	2,322,000
Changes of benefit terms	-	-	-	(640,849)	-
Actual vs. expected experience	-	(6,747,960)	-	523,834	-
Assumption changes	-	(1,784,735)	-	(1,065,369)	-
Benefit payments	(1,654,270)	(1,658,421)	(1,602,932)	(1,554,389)	(1,118,000)
Net changes	1,542,528	(6,187,077)	2,222,115	779,988	2,240,000
Total OPEB Liability (beginning of year)	35,720,026	41,907,103	39,684,988	38,905,000	36,665,000
Total OPEB Liability (end of year) (a)	37,262,554	35,720,026	41,907,103	39,684,988	38,905,000
Plan Fiduciary Net Position:					
Contributions - employer	2,737,270	2,602,421	2,615,932	2,673,389	2,602,000
Net investment income	7,886,756	1,564,423	2,036,956	1,848,262	2,204,000
Benefit payments	(1,654,270)	(1,658,421)	(1,602,932)	(1,554,389)	(1,118,000)
Administrative expenses	(10,052)	(8,657)	(8,061)	(7,855)	(7,000)
Net changes	8,959,704	2,499,766	3,041,895	2,959,407	3,681,000
Plan Fiduciary Net Position - beginning	30,849,068	28,349,302	25,307,407	22,348,000	18,667,000
Plan Fiduciary Net Position - ending (b)	39,808,772	30,849,068	28,349,302	25,307,407	22,348,000
Net OPEB Liability/(Assets) - ending (a) - (b)	\$ (2,546,218)	\$ 4,870,958	\$ 13,557,801	\$ 14,377,581	\$ 16,557,000
Plan fiduciary net position as a percentage of the total OPEB liability	107%	86%	68%	64%	57%
Covered-employee payroll ⁽²⁾	\$ 21,203,035	\$ 19,691,462	\$ 17,981,957	\$ 16,768,495	\$ 19,132,000
Net OPEB liability/(asset) as a percentage of covered-employee payroll	-12%	25%	75%	86%	87%

Notes to the Schedule of Changes in the Net OPEB Liability and Related Ratios

Benefit Changes: New hires after 7/1/2019 receive no Department contributions.

Changes of Assumptions: Demographic assumptions were updated to CalPERS 1997-2015 Experience Study; assumed Medical Plan in retirement updated to: (1) Participation percent at retirement lowered; (2) Kaiser Medicare trend lowered; (3) Mortality improvement scale was updated to Scale MP-2020; (4) Current medical plan assumed at retirement; (5) ACA high premium excise tax removed.

⁽¹⁾ Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

⁽²⁾ Contributions are not based on employee compensation; therefore, covered-employee payroll is used.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ⁽¹⁾

	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 1,572,000	\$ 1,652,000	\$ 2,728,000	\$ 2,760,000	\$ 2,592,000
Contribution in Relation to the Actuarially Determined Contribution	(1,738,412)	(2,737,270)	(2,602,421)	(2,615,932)	(2,673,000)
Contribution Deficiency (Excess)	<u>\$ (166,412)</u>	<u>\$ (1,085,270)</u>	<u>\$ 125,579</u>	<u>\$ 144,068</u>	<u>\$ (81,000)</u>
Covered-employee payroll	\$ 21,991,609	\$ 21,203,035	\$ 19,691,462	\$ 17,981,957	\$ 16,768,495
Contributions as a percentage of covered-employee payroll	8%	13%	13%	15%	16%

Notes to Schedule of Employer Contribution:

Methods and Assumptions for 2020/21 Actuarially Determined Contribution

Valuation Date:	June 30, 2021
Actuarial Cost Method:	Entry Age Normal, level percentage of payroll
Amortization Method:	Level % of pay
Amortization Period:	11.4-year average remaining fixed period for 2021/22.
Asset Valuation Method:	Investment gains and losses spread over 5-year rolling period.
Discount Rate:	6.25%
General Inflation:	2.75%
Medical Trend:	Non-Medicare - 7.5% for 2022, decreasing to an ultimate rate of 4.0% in 2076. Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076.
Mortality:	CalPERS 1997-2015 experience study.
Mortality Improvement:	mortality

⁽¹⁾ Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB PLAN INVESTMENT RETURNS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ⁽¹⁾

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2022	29.08%
2021	8.83%
2020	7.92%
2019	8.11%
2018	11.81%

Notes to Schedule:

⁽¹⁾ GASB Statement No. 75, which requires ten years of history for this schedule, was implemented during Fiscal Year 2017-18. Additional years will be added as they become available in the future.

STATISTICAL SECTION

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FINANCIAL TRENDS

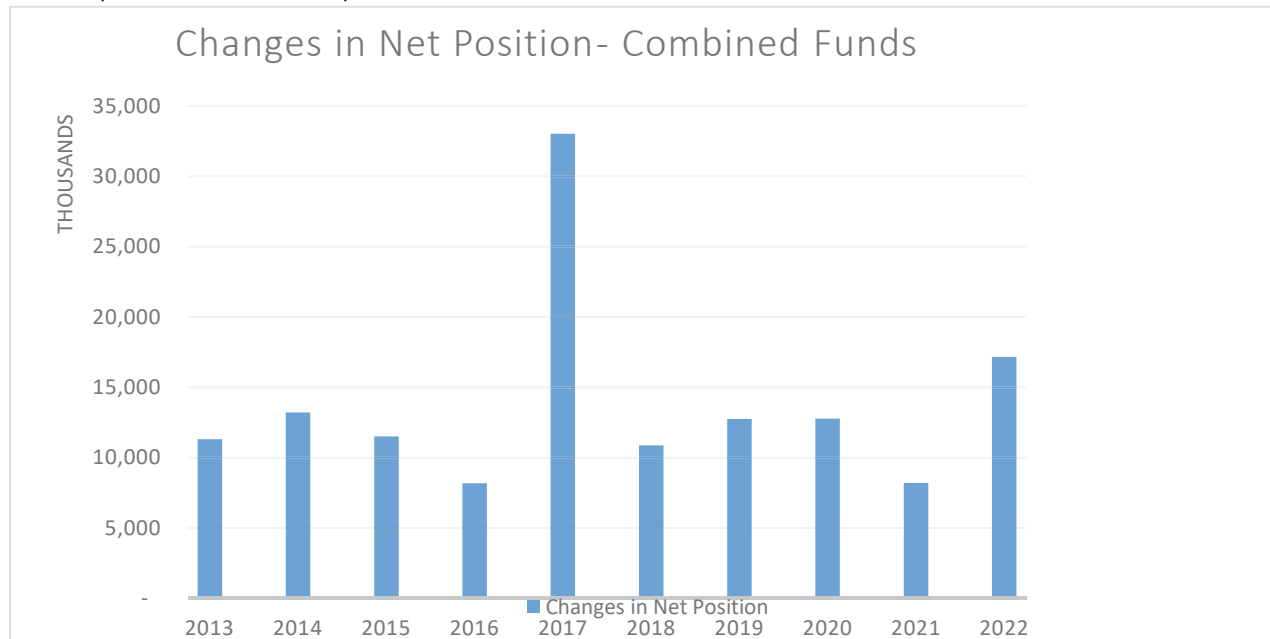
These schedules contain trend informaton to help the reader understand how the Department's financial performance and well-being have changed over time.

City of San Bernardino Municipal Water Department
Changes in Net Position
Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Total Operating Expense	Operating Income	Total Non-Operating Income (Expense)	Total Contributed Capital	Changes in Net Position
6/30/2013	61,883,615	57,327,537	4,556,078	1,861,758	4,896,921	11,314,757
6/30/2014	62,292,428	57,965,395	4,327,033	1,375,536	7,510,777	13,213,346
6/30/2015	57,805,304	55,074,661	2,730,643	3,801,830	4,977,945	11,510,418
6/30/2016	55,376,650	53,529,824	1,846,826	2,059,111	4,271,325	8,177,262
6/30/2017 *	64,488,587	61,895,872	2,592,715	8,431,207	21,995,016	33,018,938
6/30/2018	76,620,620	68,734,958	7,885,662	(1,872,712)	4,854,784	10,867,734
6/30/2019	77,094,723	66,921,125	10,173,598	(7,553,171)	10,121,344	12,741,771
6/30/2020	78,184,698	70,778,987	7,405,711	748,213	4,604,699	12,758,623
6/30/2021	80,831,467	77,247,428	3,584,039	(1,980,043)	6,605,556	8,209,552
6/30/2022	83,517,341	72,109,935	11,407,406	(2,315,279)	8,071,944	17,164,071

*Fiscal Years 2009-2016 contain only the Sewer Treatment and Water Utility Funds. The Sewer Collections Fund was transferred to the Department on May 1, 2017.

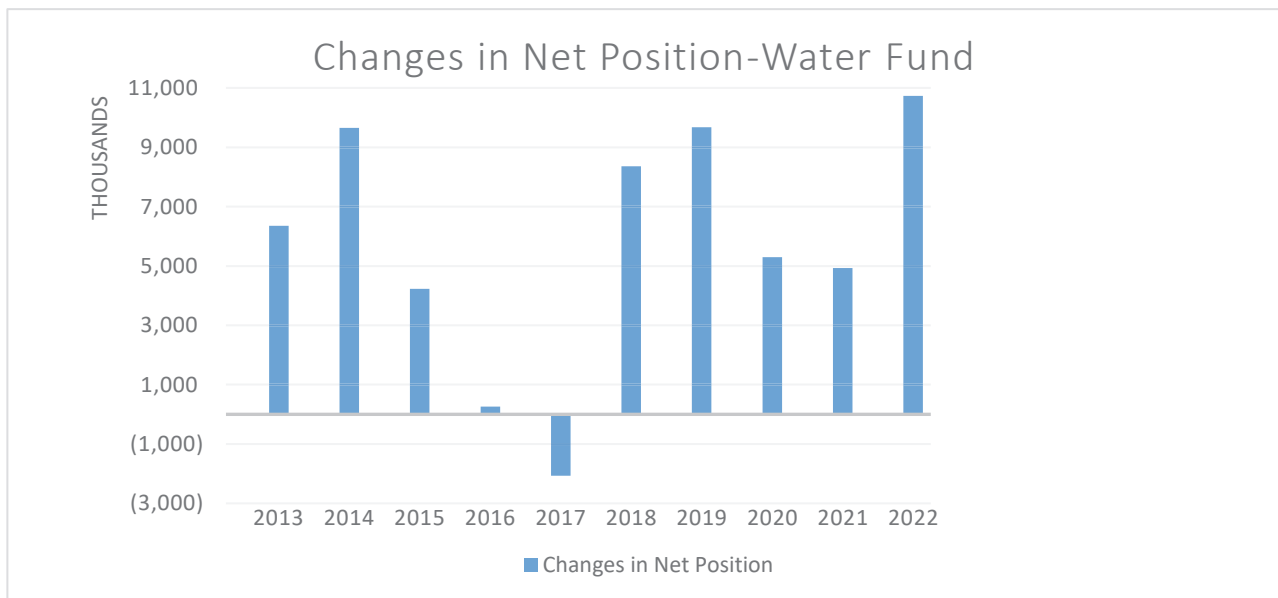
Source: Department's annual reports



City of San Bernardino Municipal Water Department
Water Fund
Changes in Net Position
Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Total Operating Expense	Operating Income	Total Non-Operating Income (Expense)	Total Contributed Capital	Changes in Net Position
6/30/2013	37,868,846	37,430,224	438,622	2,492,448	3,421,521	6,352,591
6/30/2014	36,671,903	36,041,616	630,287	2,504,705	6,521,601	9,656,593
6/30/2015	33,121,128	35,504,582	(2,383,454)	2,702,953	3,905,104	4,224,603
6/30/2016	30,001,871	34,834,362	(4,832,491)	2,283,230	2,812,192	262,931
6/30/2017	33,358,907	37,074,670	(3,715,763)	(546,280)	2,194,093	(2,067,950)
6/30/2018	38,280,016	34,446,105	3,833,911	1,198,161	3,323,031	8,355,103
6/30/2019	39,099,960	33,995,037	5,104,923	1,829,448	2,737,031	9,671,402
6/30/2020	40,267,376	38,626,151	1,641,225	1,655,628	2,002,637	5,299,490
6/30/2021	42,758,192	42,480,855	277,337	791,527	3,861,010	4,929,874
6/30/2022	43,150,124	37,626,046	5,524,078	483,961	4,718,864	10,726,903

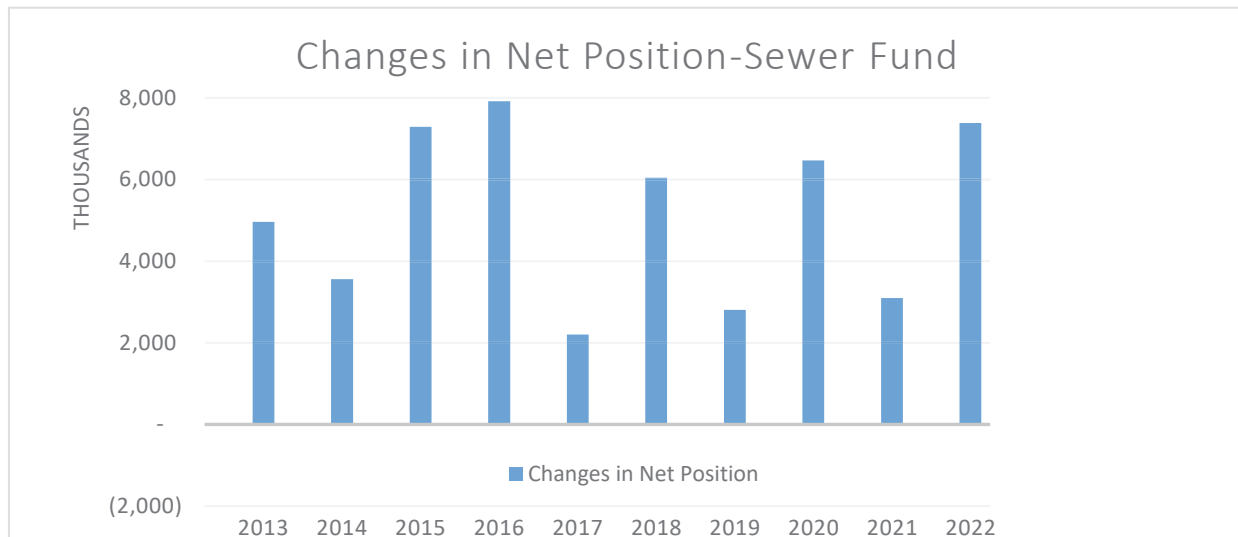
Source: Department's annual reports



City of San Bernardino Municipal Water Department
Sewer Fund
Changes in Net Position
Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Total Operating Expense	Operating Income	Total Non-Operating Income (Expense)	Total Contributed Capital	Changes in Net Position
6/30/2013	26,414,653	22,297,197	4,117,456	(630,690)	1,475,400	4,962,166
6/30/2014	25,670,774	21,974,028	3,696,746	(1,129,169)	989,176	3,556,753
6/30/2015	24,734,425	19,620,328	5,114,097	1,098,877	1,072,841	7,285,815
6/30/2016	25,410,740	18,731,423	6,679,317	(224,119)	1,459,133	7,914,331
6/30/2017	28,612,019	24,139,878	4,472,141	(3,624,658)	1,355,494	2,202,977
6/30/2018	30,733,453	22,697,491	8,035,962	(3,275,704)	1,280,280	6,040,538
6/30/2019	30,546,181	24,866,681	5,679,500	(9,967,309)	7,092,785	2,804,976
6/30/2020	30,397,092	24,648,411	5,748,681	(1,537,179)	2,257,330	6,468,832
6/30/2021	30,361,116	26,986,385	3,374,731	(2,782,481)	2,502,263	3,094,513
6/30/2022	34,171,160	26,794,390	7,376,770	(2,288,006)	2,294,541	7,383,305

Source: Department's annual reports

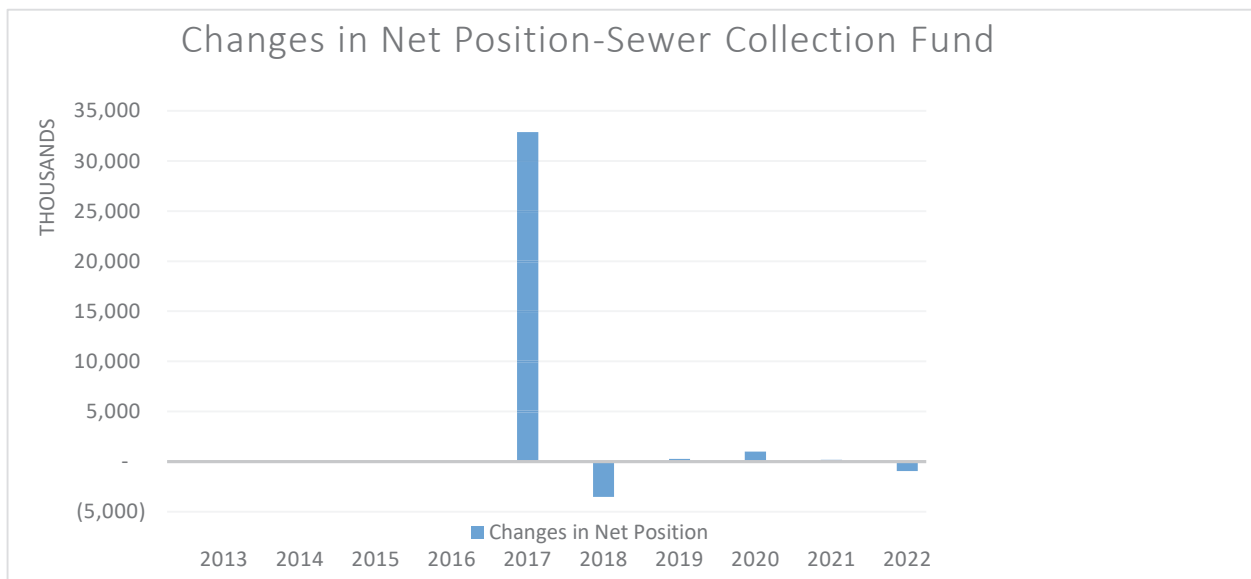


City of San Bernardino Municipal Water Department
Sewer Collection Fund
Changes in Net Position
Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Total Operating Expense	Operating Income	Total Non-Operating Income (Expense)	Total Contributed Capital	Changes in Net Position
6/30/2013	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2014	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2015	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2016	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2017 *	2,891,203	1,054,866	1,836,337	12,602,145	18,445,429	32,883,911
6/30/2018	7,682,946	11,667,157	(3,984,211)	204,831	251,473	(3,527,907)
6/30/2019	7,562,097	8,172,922	(610,825)	584,690	291,528	265,393
6/30/2020	7,666,309	7,650,504	15,805	629,764	344,732	990,301
6/30/2021	7,794,418	7,862,447	(68,029)	10,911	242,283	185,165
6/30/2022	6,394,623	7,888,065	(1,493,442)	(511,234)	1,058,539	(946,137)

* The Sewer Collection Utility was transferred to the Water Department on May 1, 2017 so prior year data is unavailable.

Source: Department's annual reports

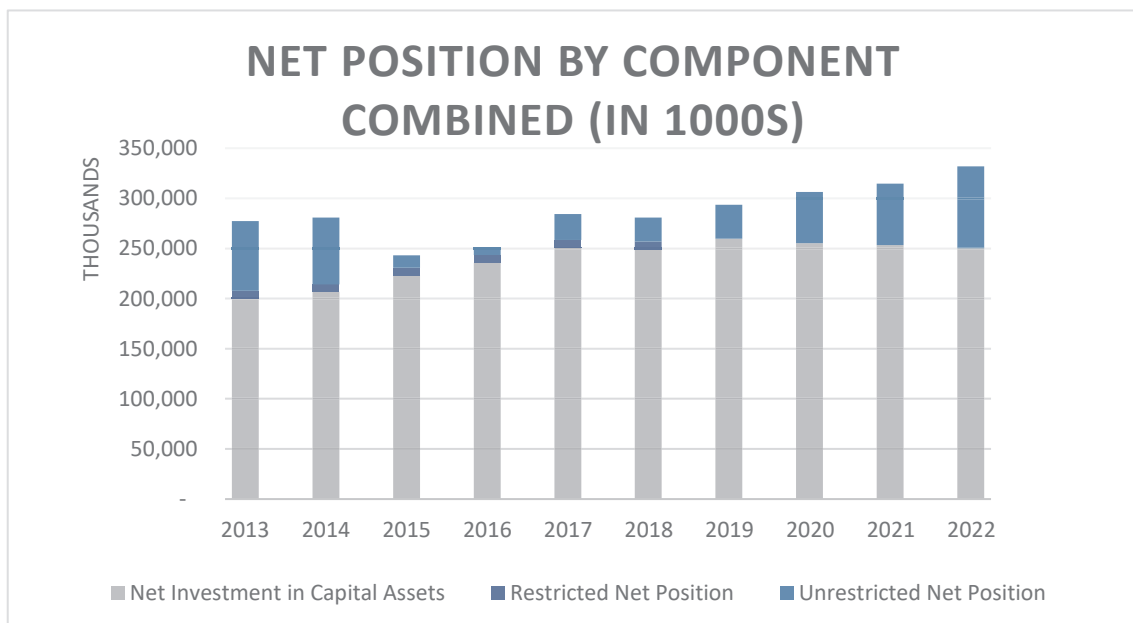


City of San Bernardino Municipal Water Department
Net Position by Component
Last Ten Fiscal Years

Fiscal Year Ended	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
6/30/2013	200,072,942	7,799,773	69,315,171	277,187,886
6/30/2014	206,663,567	7,515,658	66,524,589	280,703,814
6/30/2015	223,053,269	7,633,049	12,510,969	243,197,287
6/30/2016	235,670,073	7,814,086	7,890,390	251,374,549
6/30/2017 *	250,399,481	7,944,758	26,049,248	284,393,487
6/30/2018	248,653,963	8,363,037	23,912,311	280,929,311
6/30/2019	259,671,498	-	33,999,894	293,671,392
6/30/2020	255,270,720	-	51,158,985	306,429,705
6/30/2021	253,288,732	-	61,350,525	314,639,257
6/30/2022	250,216,752		81,804,168	332,020,920

* Fiscal Years 2009-2016 contain only Sewer Treatment and Water Utility Funds. The Sewer Collections Fund was transferred to the Department on May 1, 2017.

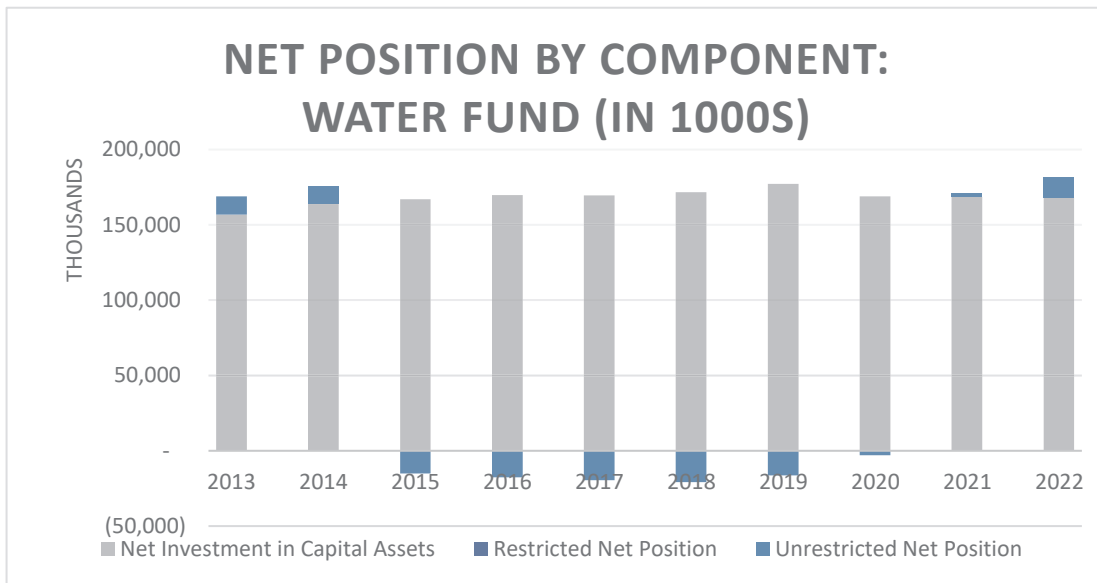
Source: Department's annual reports



City of San Bernardino Municipal Water Department
Net Position by Component - Water Fund
Last Ten Fiscal Years

Fiscal Year Ended	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
6/30/2013	156,758,127	n/a	12,133,904	168,892,031
6/30/2014	163,797,283	n/a	11,728,071	175,525,354
6/30/2015	166,963,238	n/a	(15,152,937)	151,810,301
6/30/2016	169,730,998	n/a	(17,657,766)	152,073,232
6/30/2017	169,569,746	n/a	(19,564,464)	150,005,282
6/30/2018	171,794,031	n/a	(20,699,066)	151,094,965
6/30/2019	177,158,535	n/a	(16,391,858)	160,766,677
6/30/2020	168,992,121	n/a	(2,926,264)	166,065,857
6/30/2021	168,553,917	n/a	2,441,814	170,995,731
6/30/2022	168,065,196	n/a	13,707,439	181,772,635

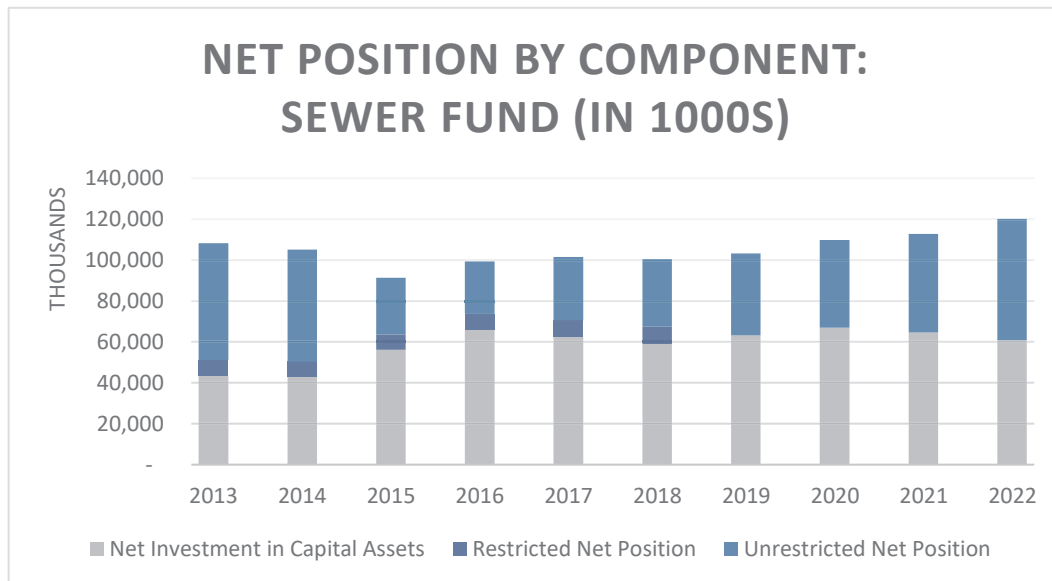
Source: Department's annual reports



City of San Bernardino Municipal Water Department
Net Position by Component - Sewer Fund
Last Ten Fiscal Years

Fiscal Year Ended	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
6/30/2013	43,314,815	7,799,733	57,181,267	108,295,815
6/30/2014	42,866,284	7,515,658	54,796,518	105,178,460
6/30/2015	56,090,031	7,633,049	27,663,906	91,386,986
6/30/2016	65,939,075	7,814,086	25,548,156	99,301,317
6/30/2017	62,633,783	7,944,758	30,925,753	101,504,294
6/30/2018	59,011,109	8,363,037	33,041,181	100,415,327
6/30/2019	63,243,033	n/a	40,040,285	103,283,318
6/30/2020	66,906,874	n/a	42,845,276	109,752,150
6/30/2021	64,650,540	n/a	48,196,123	112,846,663
6/30/2022	60,853,472	n/a	59,251,320	120,104,792

Source: Department's annual reports

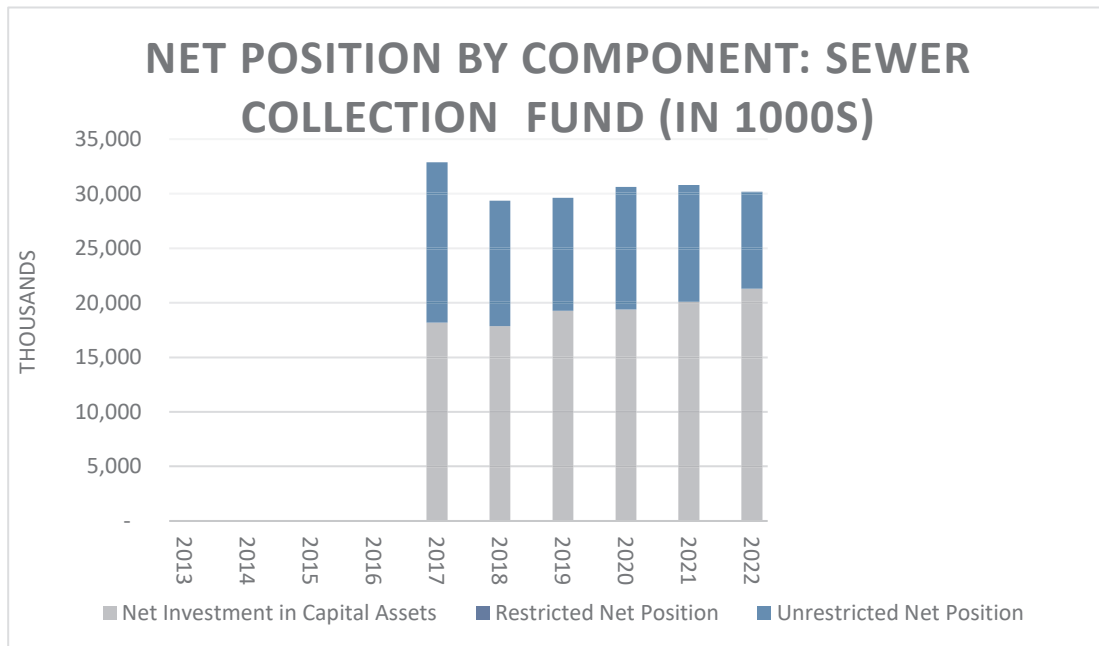


City of San Bernardino Municipal Water Department
Net Position by Component - Sewer Collection Fund
Last Ten Fiscal Years

Fiscal Year Ended	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
6/30/2013	n/a	n/a	n/a	n/a
6/30/2014	n/a	n/a	n/a	n/a
6/30/2015	n/a	n/a	n/a	n/a
6/30/2016	n/a	n/a	n/a	n/a
6/30/2017 *	18,195,952	n/a	14,687,959	32,883,911
6/30/2018	17,848,823	n/a	11,507,181	29,356,004
6/30/2019	19,269,930	n/a	10,351,467	29,621,397
6/30/2020	19,371,725	n/a	11,239,973	30,611,698
6/30/2021	20,084,275	n/a	10,712,588	30,796,863
6/30/2022	21,298,084	n/a	8,895,410	30,193,494

* The Sewer Collection Utility was transferred to the Water Department on May 1, 2017 so prior year data is unavailable.

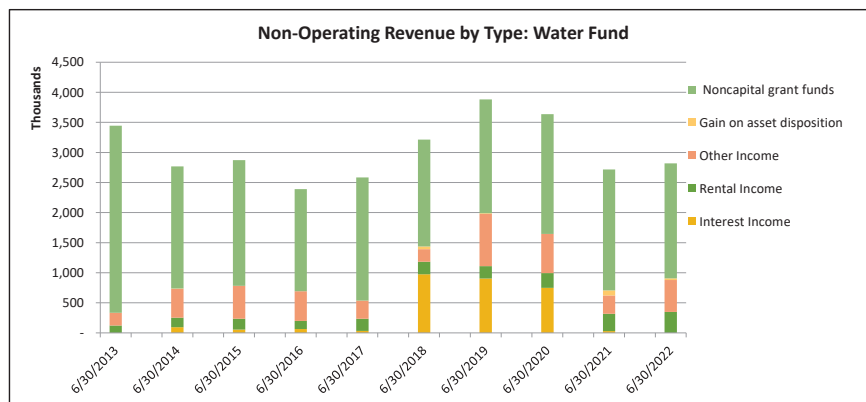
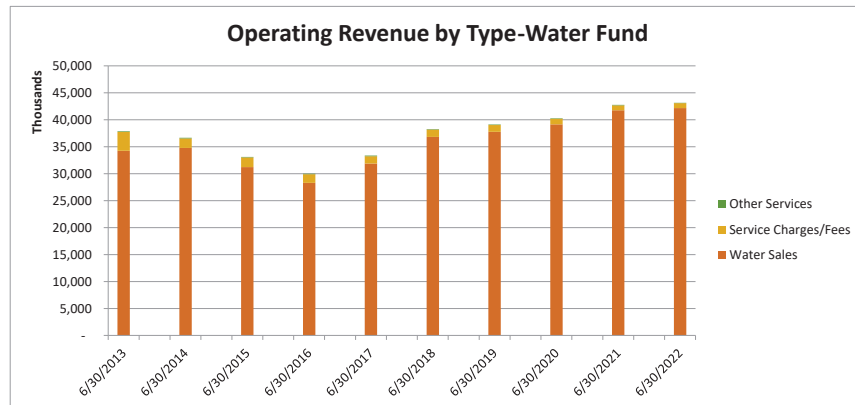
Source: Department's annual reports



City of San Bernardino Municipal Water Department
Water Fund Revenue by Type
Last Ten Fiscal Years

Fiscal Year Ended	Water Sales	Service Charges/Fees	Other Services	Total Operating Revenue	Interest Income	Rental Income	Other Income	Gain on asset disposition	Noncapital grant funds	Total Non Operating Income
6/30/2013	34,252,357	3,476,061	140,429	37,868,846	-	122,826	211,032	-	3,110,201	3,444,059
6/30/2014	34,777,112	1,754,614	140,176	36,671,903	93,428	160,089	478,512	4,446	2,030,066	2,766,541
6/30/2015	31,217,534	1,789,654	113,940	33,121,128	54,786	181,809	545,840	-	2,089,637	2,872,072
6/30/2016	28,293,790	1,604,472	103,609	30,001,871	63,566	134,845	495,298	-	1,696,219	2,389,928
6/30/2017	31,893,209	1,347,993	117,705	33,358,907	31,504	203,186	301,833	-	2,047,946	2,584,469
6/30/2018	36,825,634	1,350,623	103,753	38,280,010	975,144	208,925	206,645	46,356	1,776,883	3,213,953
6/30/2019	37,775,285	1,237,903	86,772	39,099,960	903,399	206,360	867,763	12,669	1,891,729	3,881,920
6/30/2020	39,162,485	1,020,818	84,073	40,267,376	747,477	245,784	651,031	-	1,991,747	3,636,039
6/30/2021	41,760,745	910,628	86,819	42,758,192	29,541	286,553	306,785	83,682	2,011,099	2,717,660
6/30/2022	42,175,623	905,674	68,828	43,150,124	-	347,849	530,326	28,846	1,910,435	2,817,456

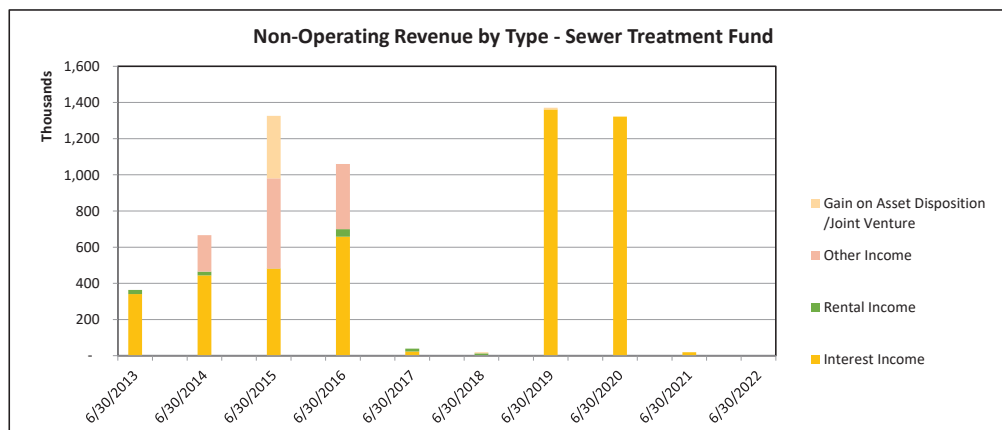
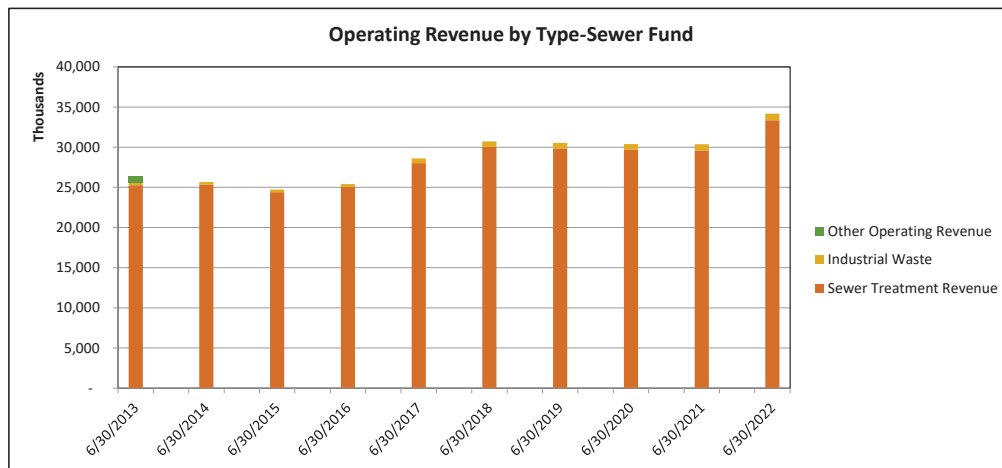
Source: Department's annual reports



City of San Bernardino Municipal Water Department
Sewer Fund Revenue by Type
Last Ten Fiscal Years

Fiscal Year Ended	Sewer Treatment Revenue	Industrial Waste	Other Operating Revenue	Total Operating Revenue	Interest Income	Rental Income	Other Income	Gain on Asset Disposition /Joint Venture	Total Non Operating Income
6/30/2013	25,261,792	296,153	856,708	26,414,654	340,689	22,574	-	-	363,263
6/30/2014	25,350,988	319,786	-	25,670,774	443,836	20,669	202,078	-	666,583
6/30/2015	24,399,415	335,010	-	24,734,425	481,211	700	498,247	345,884	1,326,042
6/30/2016	25,030,569	380,171	-	25,410,740	658,456	41,498	359,800	-	1,059,754
6/30/2017	28,022,259	589,760	-	28,612,019	23,391	15,908	-	-	39,299
6/30/2018	30,039,110	694,342	-	30,733,452	-	12,481	-	6,063	18,544
6/30/2019	29,861,192	684,989	-	30,546,181	1,361,936	-	-	9,417	1,371,353
6/30/2020	29,712,734	684,358	-	30,397,092	1,322,367	-	-	-	1,322,367
6/30/2021	29,587,597	773,519	-	30,361,116	19,472	-	-	-	19,472
6/30/2022	33,347,882	823,278	-	34,171,160	-	-	-	-	-

Source: Department's annual reports

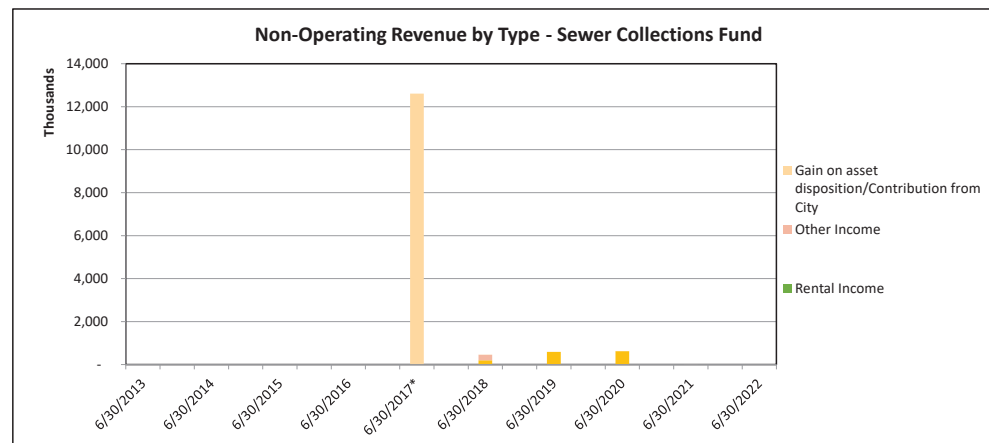
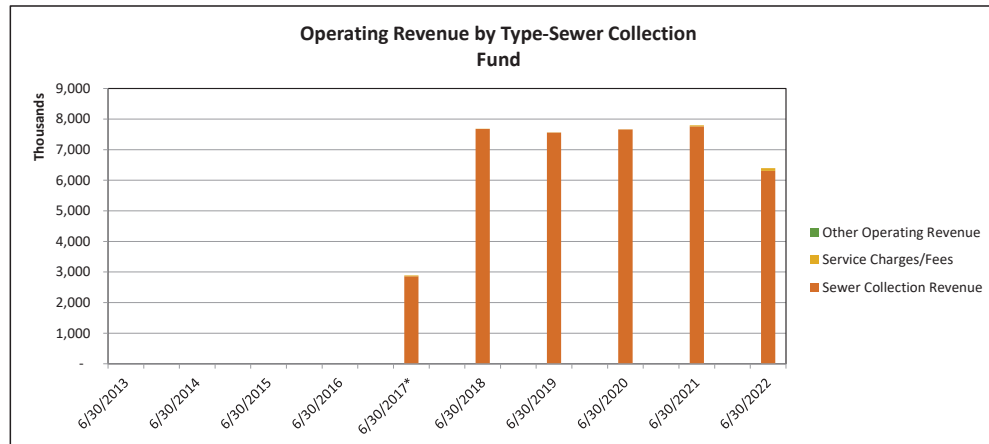


City of San Bernardino Municipal Water Department
Sewer Collection Fund Revenue by Type
Last Ten Fiscal Years

Fiscal Year Ended	Sewer Collection Revenue	Service Charges/Fees	Other Operating Revenue	Total Operating Revenue	Interest Income	Rental Income	Other Income	Gain on asset disposition/Contribution from City	Total Non Operating Income
6/30/2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2017*	2,860,627	30,576	-	2,891,203	28,315	-	-	12,580,781	12,609,096
6/30/2018	7,679,020	3,926	-	7,682,946	201,663	-	251,473	3,168	456,304
6/30/2019	7,555,960	6,137	-	7,562,097	584,685	-	5	-	584,690
6/30/2020	7,656,675	9,634	-	7,666,309	626,761	-	-	3,003	629,764
6/30/2021	7,759,318	35,100	-	7,794,418	1,605	-	9,306	-	10,911
6/30/2022	6,306,843	87,780	-	6,394,623	-	-	-	-	-

* The Sewer Collection Utility was transferred to the Water Department on May 1, 2017 so prior year data is unavailable.

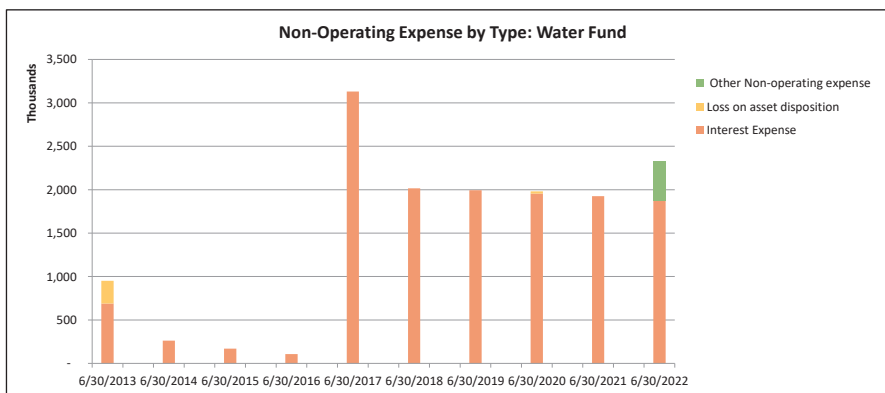
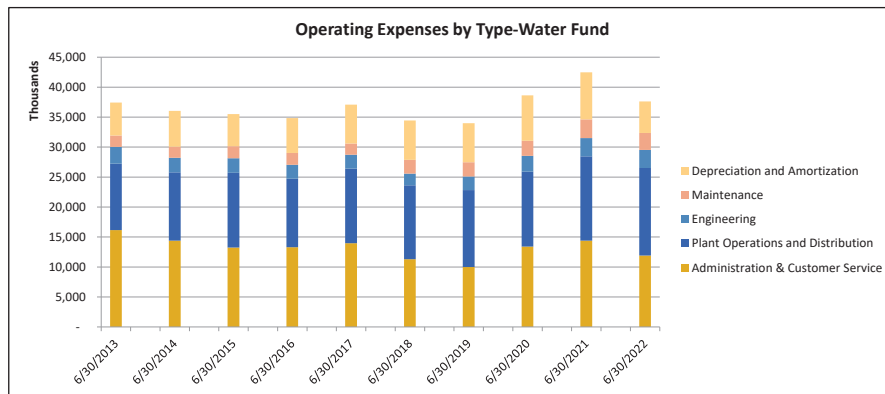
Source: Department's annual reports



City of San Bernardino Municipal Water Department
Water Fund Expenses by Type
Last Ten Fiscal Years

Fiscal Year Ended	Administration & Customer Service	Plant Operations and Distribution	Engineering	Maintenance	Depreciation and Amortization	Total Operating Expense	Interest Expense	Loss on asset disposition	Other Non-operating expense	Total Non-Operating Expense
6/30/2013	16,149,788	11,073,338	2,813,459	1,888,236	5,505,403	37,430,224	689,665	261,946	-	951,611
6/30/2014	14,410,400	11,395,305	2,426,717	1,837,556	5,971,638	36,041,616	261,836	-	-	261,836
6/30/2015	13,244,552	12,467,017	2,439,170	1,988,719	5,365,124	35,504,582	169,119	-	-	169,119
6/30/2016	13,313,085	11,406,861	2,326,551	1,978,534	5,809,331	34,834,362	106,698	-	-	106,698
6/30/2017	13,971,106	12,436,501	2,329,142	1,859,871	6,478,050	37,074,670	3,130,749	-	-	3,130,749
6/30/2018	11,300,091	12,337,763	1,943,659	2,292,625	6,571,957	34,446,095	2,015,792	-	-	2,015,792
6/30/2019	9,987,198	12,853,400	2,253,333	2,387,889	6,512,907	33,994,727	1,993,624	-	-	1,993,624
6/30/2020	13,418,886	12,472,633	2,641,641	2,528,441	7,564,550	38,626,151	1,955,317	25,094	-	1,980,411
6/30/2021	14,405,557	14,045,232	3,064,623	3,126,556	7,838,887	42,480,855	1,926,133	-	-	1,926,133
6/30/2022	11,921,394	14,603,130	3,001,100	2,846,997	5,253,425	37,626,046	1,877,325	-	456,170	2,333,495

Source: Department's annual reports

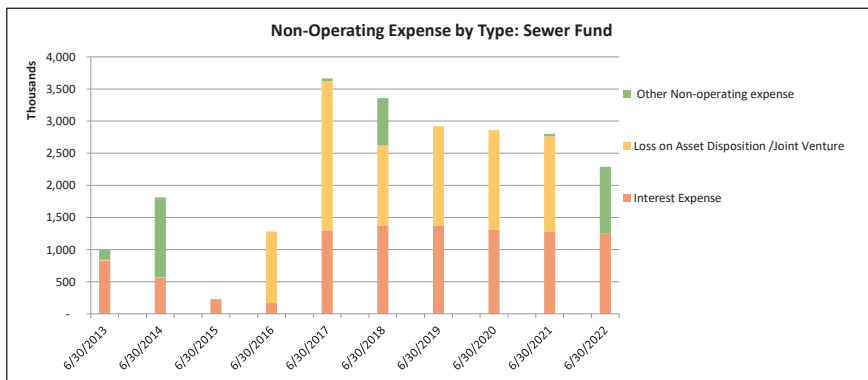
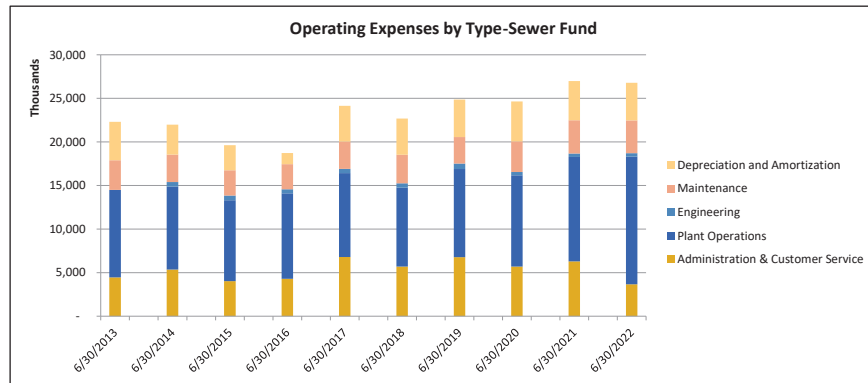


City of San Bernardino Municipal Water Department
Sewer Fund Expenses by Type
Last Ten Fiscal Years

Fiscal Year Ended	Administration & Customer Service	Plant Operations	Engineering	Maintenance	Depreciation and Amortization	Total Operating Expense	Interest Expense	Loss on Asset Disposition /Joint Venture	Other Non-operating expense	Total Non-Operating Expense
6/30/2013	4,454,713	10,040,895	-	3,392,868	4,408,721	22,297,197	828,129	11,644	154,180	993,953
6/30/2014	5,345,726	9,528,218	527,294	3,146,275	3,426,515	21,974,028	557,049	16,244	1,238,703	1,811,996
6/30/2015	4,016,198	9,292,501	534,226	2,906,853	2,870,550	19,620,328	227,165	-	-	227,165
6/30/2016	4,299,808	9,800,283	464,554	2,874,352	1,292,426	18,731,423	167,795	1,116,078	-	1,283,873
6/30/2017	6,799,639	9,620,639	480,951	3,135,686	4,102,963	24,139,878	1,300,263	2,321,485	42,209	3,663,957
6/30/2018	5,690,507	9,056,518	500,009	3,281,446	4,157,550	22,686,030	1,376,009	1,247,670	733,583	3,357,262
6/30/2019	6,775,552	10,118,506	617,855	3,041,620	4,313,147	24,866,681	1,367,375	1,553,261	-	2,920,635
6/30/2020	5,702,973	10,470,501	369,422	3,508,534	4,596,980	24,648,411	1,313,151	1,546,396	-	2,859,546
6/30/2021	6,292,313	11,986,858	387,932	3,811,413	4,507,869	26,986,385	1,283,861	1,479,729	38,363	2,801,953
6/30/2022	3,666,547	14,648,530	385,517	3,764,618	4,329,178	26,794,390	1,249,715	- *	1,038,291	2,288,006

Source: Department's annual reports

* Joint Venture expense relating to RIX operations are now classified as Operations beginning in 2022.

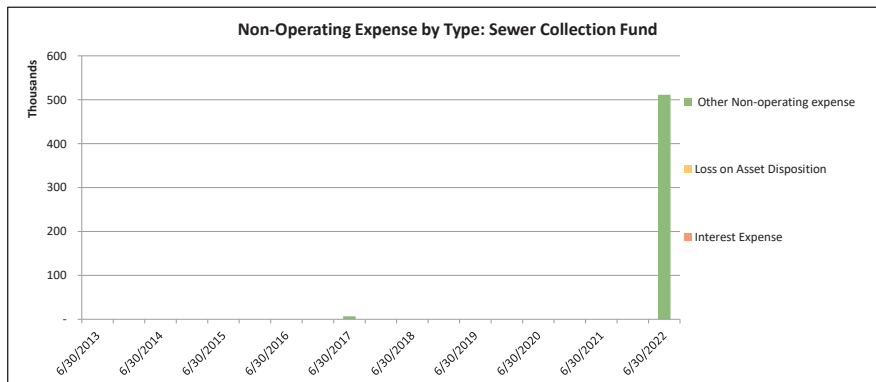
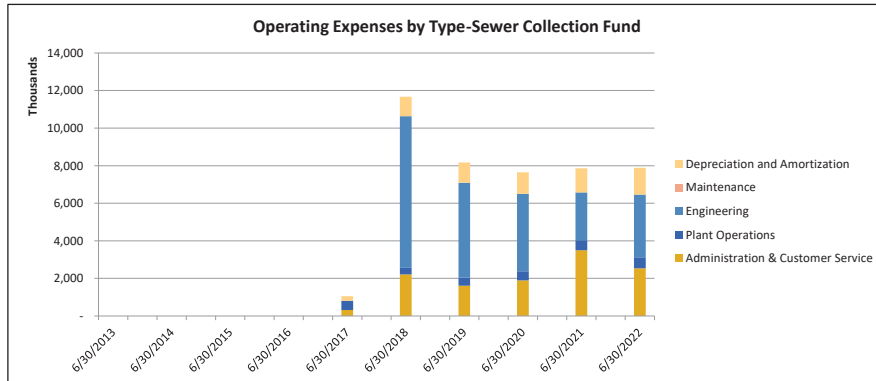


City of San Bernardino Municipal Water Department
Sewer Collection Fund Expenses by Type
Last Ten Fiscal Years

Fiscal Year Ended	Administration & Customer Service	Plant Operations	Engineering	Maintenance	Depreciation and Amortization	Total Operating Expense	Interest Expense	Loss on Asset Disposition	Other Non-operating expense	Total Non-Operating Expense
6/30/2013	-	-	-	-	-	-	-	-	-	-
6/30/2014	-	-	-	-	-	-	-	-	-	-
6/30/2015	-	-	-	-	-	-	-	-	-	-
6/30/2016	-	-	-	-	-	-	-	-	-	-
6/30/2017	314,265	492,675	-	-	247,926	1,054,866	-	-	6,951	6,951
6/30/2018	2,211,188	354,423	8,071,891	-	1,029,648	11,667,150	-	-	-	-
6/30/2019	1,608,074	439,660	5,051,773	-	1,073,415	8,172,922	-	-	-	-
6/30/2020	1,898,461	483,316	4,124,631	-	1,144,096	7,650,504	-	-	-	-
6/30/2021	3,497,969	533,619	2,549,257	-	1,281,602	7,862,447	-	-	-	-
6/30/2022	2,535,314	590,600	3,333,804	-	1,428,347	7,888,065	-	-	511,234	511,234

* The Sewer Collection Utility was transferred to the Water Department on May 1, 2017 so prior year data is unavailable.

Source: Department's annual reports



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DEBT CAPACITY INFORMATION

These schedules contain information to help the reader assess the affordability of the Department's current level of outstanding debt and ability to issue debt in the future.

City of San Bernardino Municipal Water Department
Water Fund Debt Service Coverage
Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Net Operating Expenses (Excluding Depreciation)	Net Operating Income (Loss)	Net Non-Operating Income/ (Expense)	Amount Available for Debt Service	Principal	Interest	Total Debt Service	Coverage Ratio
6/30/2013	37,868,846	31,924,821	5,944,025	2,492,448	8,436,473	1,227,491	547,616	1,775,107	4.75
6/30/2014	36,671,903	30,069,978	6,601,925	2,504,705	9,106,630	1,658,265	660,854	2,319,119	3.93
6/30/2015	33,121,128	30,139,458	2,981,670	2,702,953	5,684,623	1,748,054	570,434	2,318,488	2.45
6/30/2016	30,001,871	29,025,031	976,840	2,283,230	3,260,070	1,813,594	523,274	2,336,868	1.40
6/30/2017	33,358,907	30,596,620	2,762,287	2,584,468	5,346,755	246,887	218,819	465,706	11.48
6/30/2018	38,280,016	27,874,148	10,405,868	3,167,597	13,573,465	770,000	2,223,838	2,993,838	4.53
6/30/2019	39,099,960	27,482,130	11,617,830	3,810,403	15,428,233	795,000	2,196,388	2,991,388	5.16
6/30/2020	40,267,376	31,061,601	9,205,775	3,636,039	12,841,814	830,000	2,163,888	2,993,888	4.29
6/30/2021	42,758,192	34,641,968	8,116,224	2,633,978	10,750,202	860,000	2,130,088	2,990,088	3.60
6/30/2022	43,150,124	32,372,621	10,777,503	2,332,440	13,109,943	900,000	2,090,388	2,990,388	4.38

Source: Department's annual reports

City of San Bernardino Municipal Water Department
Sewer Fund Debt Service Coverage
Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Net Operating Expenses (Excluding Depreciation)	Net Operating Income (Loss)	Net Non-Operating Income/ (Expense)	Amount Available for Debt Service	Principal	Interest	Total Debt Service	Coverage Ratio
6/30/2013	25,670,774	18,547,513	7,123,261	(630,690)	6,492,571	4,724,227	757,010	5,481,237	1.18
6/30/2014	24,734,425	16,749,778	7,984,647	(1,129,169)	6,855,478	4,424,090	747,460	5,171,550	1.33
6/30/2015	25,410,740	16,749,778	8,660,962	1,098,877	9,759,839	4,629,425	568,888	5,198,313	1.88
6/30/2016	25,410,740	17,438,997	7,971,743	(224,119)	7,747,624	300,000	-	300,000	25.83
6/30/2017	28,612,019	20,036,916	8,575,103	39,299	8,614,402	300,000	132,659	432,659	19.91
6/30/2018	30,733,453	18,539,941	12,193,512	(721,103)	11,472,409	890,000	1,382,782	2,272,782	5.05
6/30/2019	30,546,181	20,841,699	9,704,482	1,361,935	11,066,417	910,000	1,356,125	2,266,125	4.88
6/30/2020	30,397,092	20,051,431	10,345,661	1,322,367	11,668,028	935,000	1,331,225	2,266,225	5.15
6/30/2021	30,361,116	22,478,516	7,882,600	19,472	7,902,072	665,000	1,301,900	1,966,900	4.02
6/30/2022	34,171,160	22,465,212	11,705,948	(1,021,981)	10,683,967	700,000	1,267,775	1,967,775	5.42

Source: Department's annual reports

City of San Bernardino Municipal Water Department
Ratios of Outstanding Debt by Type (In Thousands of Dollars)
Last Ten Fiscal Years

Fiscal Year Ended	Revenue Bonds	Notes/Loans Payable	Certificates of Participation	Capital Leases	Total	Percentage of Personal Income	Debt Per Capita
6/30/2013	-	29,452	12,145	-	41,597	0.6%	0.20
6/30/2014	-	26,174	9,340	-	35,514	0.5%	0.17
6/30/2015	-	22,826	6,375	-	29,201	0.4%	0.14
6/30/2016	-	20,569	-	-	20,569	0.3%	0.10
6/30/2017	88,656	900	-	-	89,556	1.0%	0.39
6/30/2018	87,092	600	-	-	87,692	1.0%	0.37
6/30/2019	85,483	300	-	-	85,783	1.0%	0.39
6/30/2020	83,814	-	-	-	83,814	1.0%	0.39
6/30/2021	82,085	-	-	-	82,085	1.1%	0.38
6/30/2022	80,221	-	-	-	80,221	1.7%	0.36

Source: Department's annual reports

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place.

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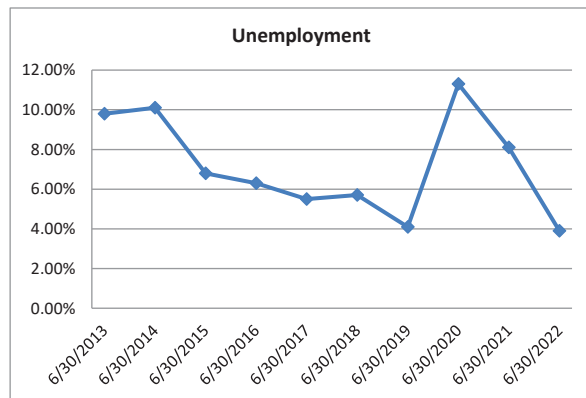
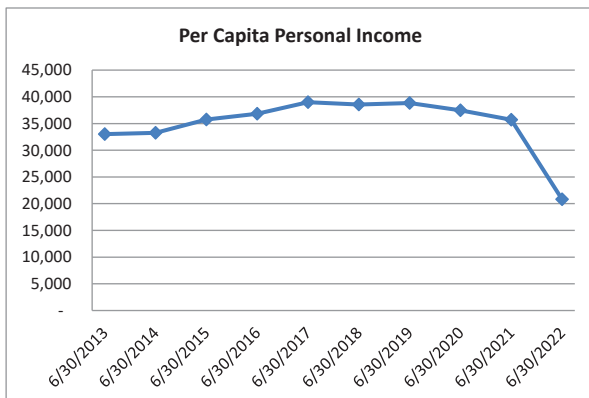
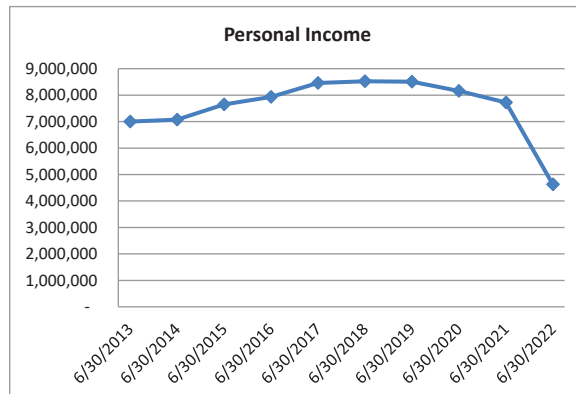
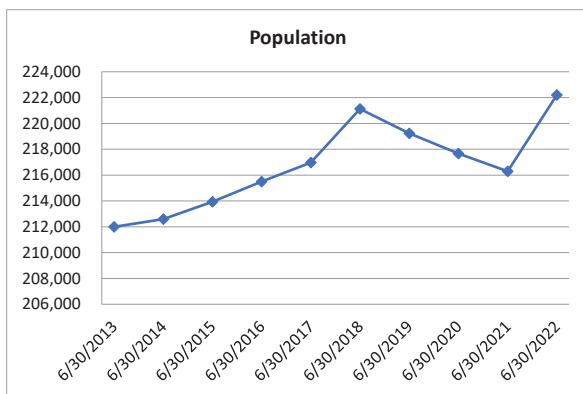
City of San Bernardino Municipal Water Department
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year Ended	Estimated Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
6/30/2013	211,994	7,001,102	33,025	9.80%
6/30/2014	212,584	7,070,119	33,258	10.10%
6/30/2015	213,933	7,645,879	35,740	6.80%
6/30/2016	215,491	7,931,577	36,807	6.30%
6/30/2017	216,972	8,459,304	38,988	5.50%
6/30/2018	221,130	8,523,677	38,546	5.70%
6/30/2019	219,233	8,509,748	38,816	4.10%
6/30/2020	217,671	8,159,289	37,485	11.30%
6/30/2021	216,291	7,723,319	35,708	8.10%
6/30/2022	222,203	4,624,489	20,812	3.90%

(1) California Department of Finance

(2) U.S. Department of Commerce, Bureau of Economic Analysis for 2006-2013 (Riverside-San Bernardino MSA)

(3) State of California, Economic Development Department; City of San Bernardino Economic Development Dept



City of San Bernardino Municipal Water Department
Major Employers
Current Year and Nine Years Ago

Employer	Ranking	Fiscal Year 2022 Number of Employees	Ranking	Fiscal Year 2013* Number of Employees
County of San Bernardino	1	22,719	9	1000+
Stater Brothers	2	18,000		
San Bernardino City Unified School District	3	6,400	5	1000+
Kaiser Permanente - Fontana Med	4	1,000-4,999		
Arrowhead regional Medical Center	5	1,000-4,999	1	1000+
Environmental Systems Research	6	1,000-4,999	10	1000+
California State University- San Bernardino	7	1,000-4,999	4	1000+
LEHP Health Services	8	1,000-4,999	2	1000+
San Bernardino County Sheriff	9	1,000-4,999	6	1000+
City of San Bernardino	10	750	3	1000+
San Bernardino County Superintendent of Schools			7	1000+
San Manuel Band of Mission Indians			8	1000+

* Actual employment figures not available

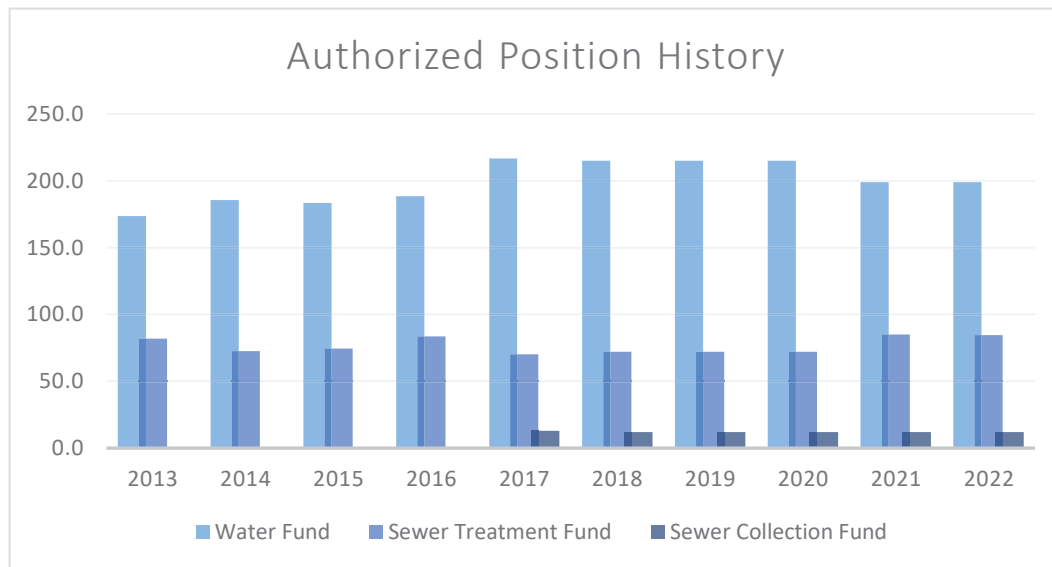
Source: Economic Development Department Labor Market Information, Agency Websites and City's Annual Financial Report.

City of San Bernardino Municipal Water Department
Authorized Positions History
Last Ten Fiscal Years

Year End	Water Fund	Sewer Treatment		Sewer Collection		Total
		Fund		Fund		
2013	173.5	82.0		0.0		255.5
2014	185.5	72.5		0.0		258.0
2015	183.5	74.5		0.0		258.0
2016	188.5	83.5		0.0		272.0
2017	216.8	70.3		13.0		300.0
2018	215.0	72.0		12.0		299.0
2019	215.0	72.0		12.0		299.0
2020	215.0	72.0		12.0		299.0
2021	199.0	85.0		12.0		296.0
2022	199.0	84.5		12.0		295.5

Source: Department's records

Note: The Sewer Collection Utility was transferred to the Department on May 1, 2017. Prior year data is unavailable.



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REVENUE CAPACITY

These schedules contain information to help the reader assess the Department's significant revenue sources.

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City of San Bernardino Municipal Water Department
Water Rates: Minimum Monthly Charge
Last Ten Fiscal Years

	(\$/month)											
Effective	1/2"	5/8"	3/4"	1"	1-1/2"	2"	3"	4"	6"	8"	10"	12"
Date												
7/1/2013	12.90	12.90	16.15	22.60	38.80	58.20	103.50	168.20	330.00	524.15	750.65	*
7/1/2014	12.90	12.90	16.15	22.60	38.80	58.20	103.50	168.20	330.00	524.15	750.65	*
7/1/2015	12.90	12.90	16.15	22.60	38.80	58.20	103.50	168.20	330.00	524.15	750.65	*
10/1/2016	16.09	16.09	20.15	28.19	48.40	72.60	129.12	197.36	411.68	653.88	936.44	*
7/1/2017	19.58	19.58	24.51	34.30	58.88	88.32	157.06	240.07	500.78	795.40	1,139.12	*
7/1/2018	23.39	23.39	29.28	40.98	70.35	105.52	187.66	286.63	598.33	950.34	1,361.01	*
7/1/2019	23.39	23.39	29.28	40.98	70.35	105.52	187.66	286.63	598.33	950.34	1,361.01	*
7/1/2020	23.39	23.39	29.28	40.98	70.35	105.52	187.66	286.63	598.33	950.34	1,361.01	*
7/1/2021	23.39	23.39	29.28	40.98	70.35	105.52	187.66	286.63	598.33	950.34	1,361.01	*
4/1/2022	20.49	20.49	28.17	43.51	81.87	127.91	388.77	772.38	1,232.72	2,153.40	4,224.92	4,224.92

* Information not reported.

Source: Department's Records

Municipal Water Department
Water Rates: Commodity Charges
Last Ten Fiscal Years

	1/1/2013	1/1/2014	10/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019
Customer Class							
Single Family Residential							
Tier 1 (0-13 HCF)	1.35	1.35	1.35	1.37	1.40	1.43	1.43
Tier 2 (14-23 HCF)	1.35	1.35	1.35	1.37	1.40	1.43	1.43
Tier 3 (24+ HCF)	1.70	1.70	1.70	1.86	1.89	1.92	1.92
Multi-Family Residential	1.35	1.35	1.35	1.37	1.40	1.43	1.43
Commercial	1.35	1.35	1.35	1.37	1.40	1.43	1.43
Irrigation	1.35	1.35	1.35	1.37	1.40	1.43	1.43
Institutional	1.35	1.35	1.35	1.37	1.40	1.43	1.43
Other	1.35	1.35	1.35	1.37	1.40	1.43	1.43

* Prior years (07/01/13 - 07/01/21) commodity charges reflect rates including conservation, replenishment and which were consolidated with the rates adopted on 04/01/22.

Municipal Water Department
Water Rates: Commodity Charges
Last Ten Fiscal Years

<u>7/1/2020</u>	<u>7/1/2021</u>	<u>4/1/2022</u>
-----------------	-----------------	-----------------

1.43	1.43	1.35
1.43	1.43	1.83
1.92	1.92	2.33
1.43	1.43	1.51
1.43	1.43	1.65
1.43	1.43	2.32
1.43	1.43	2.03
1.43	1.43	3.82

l elevation zone charges

City of San Bernardino Municipal Water Department
Water Rates: Elevation Charges \$ per HCF
Last Ten Fiscal Years

Effective Date	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6
07/01/13	0.11	0.19	0.17	0.14	0.23	0.23
07/01/14	0.11	0.19	0.17	0.14	0.23	0.23
07/01/15	0.11	0.19	0.17	0.14	0.23	0.23
10/01/16	0.11	0.19	0.17	0.14	0.23	0.23
07/01/17	0.11	0.19	0.17	0.14	0.23	0.23
07/01/18	0.11	0.19	0.17	0.14	0.23	0.23
07/01/19	0.11	0.19	0.17	0.14	0.23	0.23
07/01/20	0.11	0.19	0.17	0.14	0.23	0.23
07/01/21	0.11	0.19	0.17	0.14	0.23	0.23
4/1/2022*	N/A	N/A	N/A	N/A	N/A	N/A

* Elevation charge was eliminated in with the rate adoption on 04/01/22.

Source: Department's records

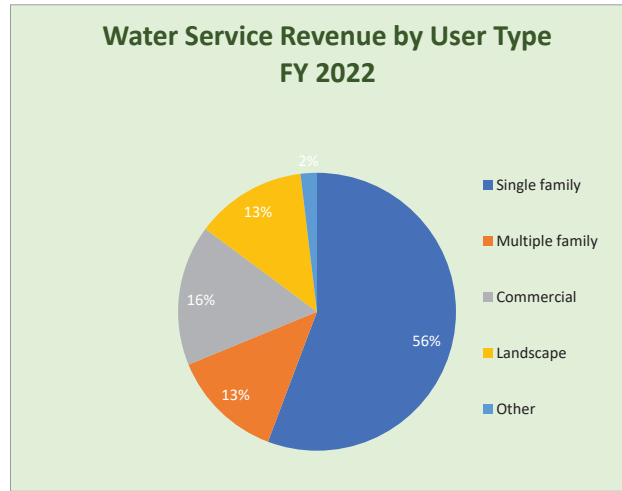
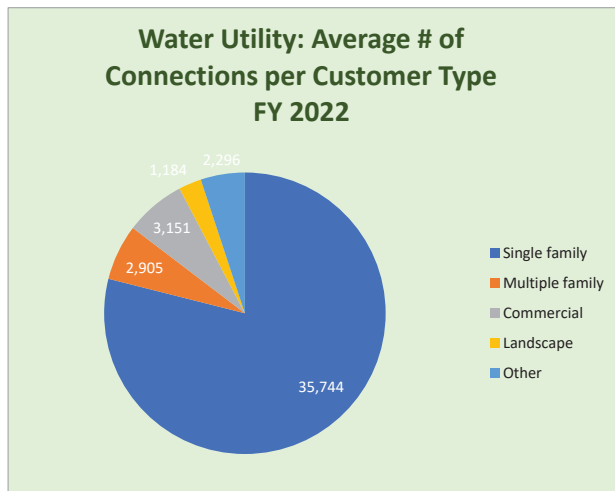
City of San Bernardino Municipal Water Department
Water Connections and Revenues by User Type
Last Ten Fiscal Years

User Type	2022		2021		2020		2019	
	Connections	Revenue	Connections	Revenue	Connections	Revenue	Connections	Revenue
Single family	35,744	\$ 23,761,145	35,995	\$ 23,875,761	36,042	\$ 22,909,054	36,006	\$ 21,579,693
Multiple family	2,905	5,562,012	2,908	5,569,436	2,907	5,222,345	2,903	5,157,997
Commercial	3,151	6,976,893	3,154	6,579,373	3,117	6,482,560	3,104	6,320,900
Landscape	1,184	5,515,046	1,192	5,277,114	1,181	4,542,108	1,150	4,256,390
Other	2,296	811,219	2,241	811,833	2,174	781,428	2,056	808,227
Total all users	45,280	\$ 42,626,315	45,490	\$ 42,113,517	45,421	\$ 39,937,495	45,220	\$ 38,123,207

User Type	2018		2017		2016		2015	
	Connections	Revenue	Connections	Revenue	Connections	Revenue	Connections	Revenue
Single family	35,824	\$ 20,476,866	35,825	\$ 17,346,414	35,729	\$ 15,688,749	35,695	\$ 16,775,834
Multiple family	2,904	4,944,978	2,899	4,449,204	2,873	4,225,832	2,869	4,349,601
Commercial	3,111	6,117,493	3,131	5,750,672	3,092	4,913,942	3,097	6,332,882
Landscape	1,159	4,694,704	1,121	3,789,527	1,129	3,203,907	1,130	3,079,610
Other	2,018	748,141	1,956	557,392	1,905	677,180	1,791	679,606
Total all users	45,016	\$ 36,982,182	44,932	\$ 31,893,209	44,728	\$ 28,709,610	44,582	\$ 31,217,533

User Type	2014		2013	
	Connections	Revenue	Connections	Revenue
Single family	35,012	\$ 18,583,708	34,913	\$ 18,741,773
Multiple family	2,824	4,591,290	2,820	4,704,384
Commercial	3,085	6,566,344	3,082	6,800,310
Landscape	1,140	3,616,135	1,104	3,591,678
Other	1,703	913,810	1,663	599,210
Total all users	43,764	\$ 34,271,287	43,582	\$ 34,437,355

Source: Department's records



City of San Bernardino Municipal Water Department
Top Ten Water Customers
Fiscal Year 2022

2022 Top 10 Customers

City of San Bernardino	\$ 1,227,583
San Bernardino County Unified School District	968,139
California State University	494,889
County of San Bernardino	281,013
Housing Authority of the County of San Bernardino	231,572
Cott Beverages	182,952
W. Dean Weidner	166,229
Rialto School District	145,792
Lido Condominiums	134,215
PAMA Management Company	130,967
Top Ten Customers Total	<u>\$ 3,963,351</u>
Total Water Revenue	<u><u>\$ 42,626,315</u></u>
Top Ten Customers Percent of Total	<u>9.30%</u>

City of San Bernardino Municipal Water Department
Sewer Treatment Rate History
Last Ten Fiscal Years

	1/1/2013	1/1/2014	10/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	4/1/2022*
<u>Residential (monthly per EDU)</u>										
Residential	18.50	18.50	20.65	22.38	23.10	23.10	23.10	23.10	23.10	37.83
Multi-Family (2 units)	37.00	37.00	41.31	44.76	46.20		66.05	66.05	66.05	75.66
Multi-family (3 units)	55.50	55.50	61.96	67.14	69.29	99.04	99.04	99.04	99.04	113.49
All Non-Residential (including multi-family (4 or more units) and mobile home parks)	2.40	2.40	3.18	3.42	3.52	6.62	6.62	6.62	6.62	16.56
Industrial	1.00	1.00	1.67	1.78	1.83	4.93	4.93	4.93	4.93	16.56

* The Sewer Collection rate was combined with the Sewer Treatment rate to become the sewer rate that was effective 04/01/22.

Source: Department's records

City of San Bernardino Municipal Water Department
Sewer Treatment Rate History
Last Ten Fiscal Years

	1/1/2013	1/1/2014	10/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	4/1/2022*
Commodity Charge (per HCF):										
<u>Low Strength Non-Residential</u>										
Laundromats	1.50	1.50	1.63	1.77	1.83	1.83	1.83	1.83	1.83	2.15
Schools, churches, nursery schools	1.10	1.10	1.19	1.29	1.33	1.33	1.33	1.33	1.33	2.15
<u>Medium Strength Non-Residential</u>										
Multi-family, mobile home parks	1.25	1.25	1.36	1.48	1.53	1.53	1.53	1.53	1.53	2.71
Retail, commercial, light industrial	2.10	2.10	2.28	2.47	2.55	2.55	2.55	2.55	2.55	2.71
Auto repair, car wash	1.30	1.30	1.41	1.53	1.58	1.58	1.58	1.58	1.58	2.71
Offices, motels (w/o restaurants)	1.50	1.50	1.63	1.77	1.83	1.83	1.83	1.83	1.83	2.71
Hospitals, convalescent homes	1.35	1.35	1.46	1.58	1.63	1.63	1.63	1.63	1.63	2.71
<u>High Strength Non-Residential</u>										
Restaurants, hotels	2.70	2.70	2.93	3.18	3.28	3.28	3.28	3.28	3.28	6.42
<u>Domestic Liquid Waste (per gallon)</u>	0.0400	0.0400	0.0430	0.0470	0.0490	0.0490	0.0490	0.0490	0.0490	0.0714
<u>Industrial:</u>										
Discharge Flow (per million gallons)	900.00	900.00	977.00	1,060.00	1,094.00	1,094.00	1,094.00	1,094.00	1,094.00	1,420.83
Biological Oxygen demand (per 1,000 lbs)	360.00	360.00	391.00	424.00	438.00	438.00	438.00	438.00	438.00	648.28
Suspended Solids (per 1,000 lbs)	640.00	640.00	694.00	753.00	778.00	778.00	778.00	778.00	778.00	648.50

* The Sewer Collection rate was combined with the Sewer Treatment rate to become the sewer rate that was effective 04/01/22.

Source: Department's records

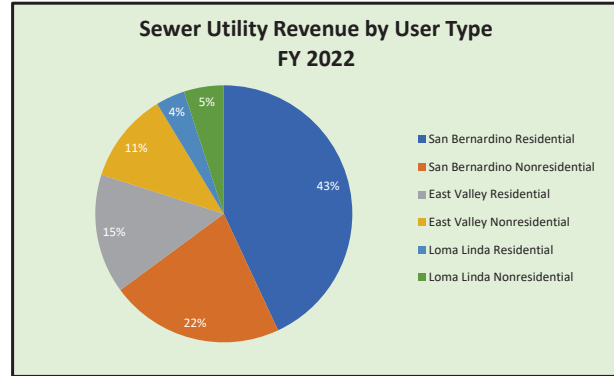
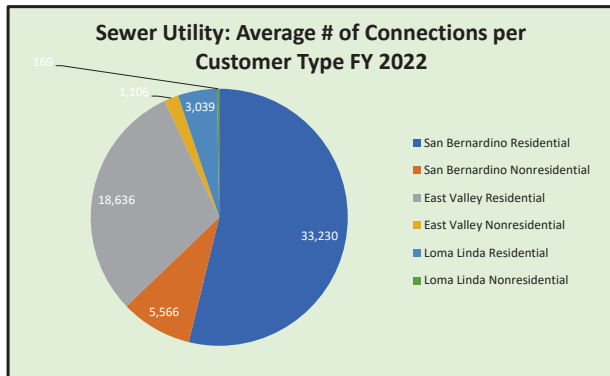
City of San Bernardino Municipal Water Department
Sewer Treatment Connections and Revenue by User Type
Last Ten Fiscal Years

User Type	2022		2021		2020		2019	
	Connections	Revenue	Connections	Revenue	Connections	Revenue	Connections	Revenue
San Bernardino Residential	33,230	\$14,359,415	32,365	\$10,165,765	31,828	\$10,191,482	33,051	\$10,146,660
San Bernardino Nonresidential	5,566	7,279,215	5,436	8,292,874	5,340	8,463,554	5,531	8,645,032
East Valley Residential	18,636	5,011,215	18,710	4,797,833	18,477	4,778,152	18,477	4,778,152
East Valley Nonresidential	1,106	3,805,558	1,087	3,456,827	1,050	3,483,724	1,050	3,550,973
Loma Linda Residential	3,039	1,219,034	3,010	1,232,048	2,856	1,163,501	2,799	1,171,706
Loma Linda Nonresidential	169	1,673,445	169	1,642,250	168	1,622,872	345	1,557,119
Total all users	61,746	\$33,347,882	60,777	\$29,587,596	59,719	\$29,703,284	61,253	\$29,849,643

	2018		2017		2016		2015	
	Connections	Revenue	Connections	Revenue	Connections	Revenue	Connections	Revenue
San Bernardino Residential	32,945	\$10,135,132	32,960	\$9,756,592	32,889	\$8,746,617	32,874	\$8,056,827
San Bernardino Nonresidential	5,526	8,834,641	5,471	8,010,240	5,377	7,125,053	5,344	7,240,533
East Valley Residential	18,477	4,765,218	18,477	4,622,944	18,477	4,008,039	18,480	4,093,625
East Valley Nonresidential	1,050	3,579,348	1,050	3,083,475	1,060	2,825,971	1,051	2,571,813
Loma Linda Residential	4,824	1,167,823	4,723	1,107,201	5,948	1,008,071	5,040	997,242
Loma Linda Nonresidential	703	1,548,574	593	1,441,807	591	1,308,474	588	1,294,612
Total all users	63,525	\$30,030,737	63,274	\$28,022,259	64,342	\$25,022,225	63,377	\$24,254,651

	2014		2013	
	Connections	Revenue	Connections	Revenue
San Bernardino Residential	32,537	\$8,111,634	32,563	\$7,922,936
San Bernardino Nonresidential	5,410	8,033,072	5,447	8,332,214
East Valley Residential	18,404	4,149,836	18,925	4,188,434
East Valley Nonresidential	1,115	2,725,075	1,126	2,434,118
Loma Linda Residential	4,656	991,387	4,663	1,063,124
Loma Linda Nonresidential	592	1,330,102	585	1,549,643
Total all users	62,714	\$25,341,106	63,309	\$25,490,469

Source: Department's records



City of San Bernardino Municipal Water Department
Top Ten Sewer Treatment Customers
Fiscal Year 2022

2022 Top 10 Customers

County of San Bernardino	\$	431,851
San Bernardino County Unified School District		245,848
Housing Authority of the County of San Bernardino		129,813
Saint Bernardine Hospital		119,611
PAMA Management Company		117,474
City of San Bernardino		111,293
Broadstone Investors LLC		91,938
Lido Condominiums		89,746
San Bernardino Community Hospital		82,609
W. Dean Weidner		76,418
Top Ten Customers Total	\$	<u>1,496,601</u>
Total Sewer Revenue	\$	<u><u>33,347,882</u></u>
Top Ten Customers Percent of Total		<u>4.49%</u>

Source: Department's records

City of San Bernardino Municipal Water Department
Sewer Collection Rate History
Last Ten Fiscal Years

	10/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	4/1/2022*
<u>Residential (monthly per EDU)</u>	9.00	9.45	9.90	9.90	9.90	9.90	9.90	N/A
<u>Multi-Family</u>								
Multi-family, 2 units	18.00	18.90	19.85	19.85	19.85	19.85	19.85	N/A
Multi-family, 3 units	27.00	28.35	29.75	29.75	29.75	29.75	29.75	N/A
Multi-family, 4 or more units, Non-res.								
Monthly Charge	2.80	2.95	3.10	3.10	3.10	3.10	3.10	N/A
Usage Charge (per HCF)	0.79	0.83	0.87	0.87	0.87	0.87	0.87	N/A

* The Sewer Collection rate was combined with the Sewer Treatment rate to become the sewer rate that was effective 04/01/22.

The Sewer Collection Utility was transferred to the Water Department on May 1, 2017 so details for prior years is unavailable.

Source: Department's records

City of San Bernardino Municipal Water Department
Sewer Collection
Connections and Revenue by User Type
Last Ten Fiscal Years

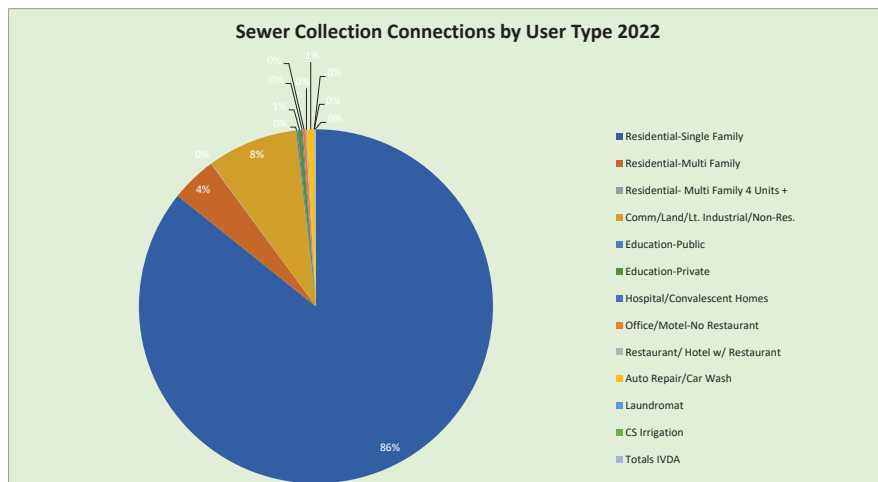
User Type	2022			2021			2020			2019		
	Connections	Consumption	Revenue	Connections	Consumption	Revenue	Connections	Consumption	Revenue	Connections	Consumption	Revenue
Residential-Single Family	27,748	0	\$3,061,513	32,418	0	\$3,997,513	31,889	\$4,054,020		33,127		\$3,927,784
Residential-Multi Family	1,345	0	356,051	1,576	0	418,545	1,555	412,095		1,606		424,665
Residential- Multi Family 4 Units +	18	78,494	68,975	19	80,400	70,647	18	63,529	55,921	17	50,331	44,420
Comm/Land/Lt. Industrial/Non-Res.	2,670	2,594,640	2,310,986	3,138	3,051,177	2,726,198	3,069	2,893,018	2,588,912	3,180	2,904,054	2,601,804
Education-Public	43	127,279	110,588	49	124,047	109,205	37	54,207	48,082	27	24,293	21,700
Education-Private	124	58,932	55,859	149	72,141	68,086	150	63,715	60,941	152	64,643	61,858
Hospital/Convalescent Homes	29	164,836	144,462	35	197,360	172,771	35	197,787	173,367	35	190,191	166,768
Office/Motel-No Restaurant	85	76,768	57,800	93	78,338	59,307	92	79,321	61,027	94	88,632	69,280
Restaurant/ Hotel w/ Restaurant	51	43,587	39,632	51	36,181	33,232	52	38,762	35,480	47	41,583	37,750
Auto Repair/Car Wash	197	78,293	75,390	226	81,945	78,971	221	75,027	73,487	229	76,587	74,854
Laundromat	4	29,232	25,587	5	28,349	24,843	5	24,821	21,771	5	26,639	23,362
CS Irrigation	0	0	0	0	0	0	21	255,400	71,571	43	423,688	115,905
Totals IVDA	49	62,340	0	48	65,559	0	48	56,072	0	50	54,387	0
Total all users	32,363	3,314,401	\$ 6,306,843	37,806	3,815,497	\$ 7,759,318	37,192	3,801,659	\$ 7,656,675	38,613	3,945,028	\$ 7,570,150

User Type	2018			2017			2016			2015		
	Connections	Consumption	Revenue	Connections	Consumption	Revenue	Connections	Consumption	Revenue	Connections	Consumption	Revenue
Residential-Single Family	32,939		\$3,916,946	32,899		\$3,719,798						
Residential-Multi Family	1,607		424,024	1,609		405,007						
Residential- Multi Family 4 Units +	16	51,092	44,945	15	45,146	41,351						
Comm/Land/Lt. Industrial/Non-Res.	3,198	2,997,422	2,668,497	3,204	2,626,645	2,467,470						
Education-Public	27	29,478	26,118	27	29,586	27,420						
Education-Private	150	72,936	67,985	150	61,381	61,779						
Hospital/Convalescent Homes	35	194,560	170,063	35	175,241	161,182						
Office/Motel-No Restaurant	94	85,397	66,015	96	71,092	58,587						
Restaurant/ Hotel w/ Restaurant	41	39,909	35,963	37	34,788	32,509						
Auto Repair/Car Wash	231	93,474	89,565	229	73,436	75,421						
Laundromat	5	26,464	23,160	5	24,091	21,824						
CS Irrigation	45	540,444	145,737	46	503,780	158,834						
Totals IVDA	49	57,057		51	54,874							
Total all users	38,438	4,188,233	\$ 7,679,020	38,402	3,700,060	\$ 7,231,183	0	0	\$0	0		\$0

User Type	2014			2013		
	Connections	Consumption	Revenue	Connections	Consumption	Revenue
Residential-Single Family						
Residential-Multi Family						
Residential- Multi Family 4 Units +						
Comm/Land/Lt. Industrial/Non-Res.						
Education-Public						
Education-Private						
Hospital/Convalescent Homes						
Office/Motel-No Restaurant						
Restaurant/ Hotel w/ Restaurant						
Auto Repair/Car Wash						
Laundromat						
CS Irrigation						
Totals IVDA						
Total all users	0	0	\$0	0		\$0

Source: Department's records

* The Sewer Collection Utility was transferred to the Water Department on May 1, 2017 so prior year data is unavailable. Data provided for 2017 represents the entire year.



City of San Bernardino Municipal Water Department
Top Ten Sewer Collection Customers
Fiscal Year 2022

2022 Top 10 Customers

San Bernardino County Unified School District	\$	120,737
County of San Bernardino		116,369
Saint Bernardine Hospital		49,388
PAMA Management Company		48,844
Housing Authority of the County of San Bernardino		45,278
City of San Bernardino		39,475
Lido Condominiums		38,257
Broadstone Investors LLC		36,685
San Bernardino Community Hospital		32,767
W. Dean Weidner		32,073
Top Ten Customers Total	\$	<u>559,873</u>
Total Sewer Collections Revenue*	\$	<u><u>6,306,843</u></u>
Top Ten Customers Percent of Total		<u>8.88%</u>

Source: Department's records

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