



BOARD PACKAGE

November 2, 2022

Regular Board Meeting – 6:00 p.m.

REGULAR BOARD MEETING AGENDA

November 2, 2022
Phelan Community Center
4128 Warbler Road, Phelan, CA 92371
& Via Conference Call (see below)

THIS MEETING WILL BE CONDUCTED IN ACCORDANCE WITH THE PROVISIONS OF ASSEMBLY BILL 361, WHICH EFFECTIVE OCTOBER 1, 2021, MODIFIED CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT WITH RESPECT TO REMOTE TELECONFERENCE BOARD MEETINGS DURING PERIODS OF STATE-DECLARED EMERGENCIES.

Pursuant to AB361, and as a precaution to our Board of Directors, District staff, and general public as a result of the ongoing COVID-19 pandemic, the Phelan Piñon Hills Community Services District will hold this meeting of its Board of Directors both in-person at the above location and via teleconference or video conference. Members of the public may watch and participate in the meeting by physical attendance or by Zoom or telephone conference via the remote instructions below.

REMOTE PARTICIPATION INFORMATION:

Dial-in

1-669-444-9171
Meeting ID: 813 1792 1090
Passcode: 053337

Zoom

<https://us06web.zoom.us/j/81317921090?pwd=YURxRVNxR012Y2dFeHlmbWwyd2s3dz09>
Meeting ID: 813 1792 1090
Passcode: 053337

One-Tap Mobile

+16694449171,,81317921090#

Remote Comment Procedure:

- You will be muted until you are called on during the public comment period.
- You will be recognized by the last 4 digits of your phone number or Zoom ID and asked if you have a comment.
 - If you do not have a comment, state “no comment.”
 - If you do have a comment, please state your name, where you live, and limit your comment to 5 minutes. After 5 minutes you may be muted so that others can comment.
- You may also email your public comment to the Board Secretary at ksevy@pphcsd.org by 6:00 p.m. on November 2, 2022. Your comment will be added to the record by the Board Secretary.

Please check the District website for updates on this meeting. We encourage you to sign up for our email notifications by emailing ksevy@pphcsd.org or by visiting our website and completing the signup form at www.pphcsd.org under the “Agendas and Minutes” tab.



Mission Statement:

The Mission of the Phelan Piñon Hills Community Services District is to efficiently provide authorized services and maximize resources for the benefit of the community.

Authorized Services:

- Water
- Parks & Recreation
- Street Lighting
- Solid Waste & Recycling

REGULAR BOARD MEETING – 6:00 P.M.

Call to Order – Pledge of Allegiance

Roll Call1) **Approval of Agenda**

2) **Public Comment** – Under this item, any member of the public wishing to directly address the Board on any item of interest that may or may not be within the subject matter jurisdiction of the Board, but not listed on the agenda, may do so at this time. However, the Board is prohibited by law from taking any action on any item not appearing on the agenda unless the action is otherwise authorized by the Brown Act. Any member of the public wishing to directly address the Board on any item listed on the agenda may do so when the item is being considered by the Board. *If you wish to address the Board, please do so by the method listed on the first page of this agenda.* Speakers are requested to be brief in their remarks. The Chair may limit each speaker to a comment period of five (5) minutes.

a) **General Public**b) **Community Reports**

- C.E.R.T.
- County Supervisor
- Fire
- Mojave Water Agency
- School District
- Sheriff

3) **Consent Items**

- a) Approval of Board Minutes
- b) Acceptance of Board Stipends/Reimbursements
- c) Approval of Contractor Payments
- d) Adoption of Resolution No. 2022-29; Authorizing Remote Teleconference Meetings for the Period of November 8, 2022, to December 8, 2022

4) **Matters Removed from Consent Items**5) **Presentations/Appointments**

- Presentation of the District's Audit Report for Fiscal Year Ended June 30, 2022
By: Chris Brown, Fedak & Brown, LLP

6) **Continued/New Agenda Items**

- a) Discussion and Possible Acceptance of the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022
- b) Discussion & Possible Action Regarding Entering into a Professional Services Agreement for the District's Water Rates Study with IB Consulting, Inc.
- c) Discussion & Possible Action Regarding Potential Financing Options for the Civic Center
- d) Discussion Regarding AB 2449 (Rubio) and AB 361 (Rivas) Related to District Meetings
- e) Update on the Proposed Civic Center & Phelan Park Expansion Projects

7) **Committee Reports/Comments**

- a) Engineering Committee (Standing)
- b) Finance Committee (Standing)
- c) Legislative Committee (Standing)
- d) Parks, Recreation & Street Lighting Committee (Standing)
- e) Waste & Recycling Committee (Standing)

8) Staff and General Manager's Report**9) Reports**

- a) Director's Report
- b) President's Report

10) Correspondence/Information**11) Review of Action Items**

- a) Prior Meeting Action Items
- b) Current Meeting Action Items

12) Set Agenda for Next Meeting

- Regular Board Meeting – November 16, 2022

13) Adjournment

Pursuant to Government Code Section 54954.2(a), any request for a disability-related modification or accommodation, including auxiliary aids or services, that is sought in order to participate in the above-agendized public meeting should be directed to the District's General Manager at (760) 868-1212 at least 24 hours prior to said meeting.

Agenda materials can be viewed online at www.pphcsd.org

Agenda Item 3a

Approval of Board Minutes

REGULAR BOARD MEETING MINUTES

October 19, 2022
Phelan Community Center
4128 Warbler Road, Phelan, CA 92371
& Remotely Via Zoom or Conference Call

Board Members Present: Rebecca Kujawa, President
Deborah Philips, Vice President
Kathy Hoffman, Director
Mark Roberts, Director

Board Members Absent: None

Staff Present: Don Bartz, General Manager
Kim Sevy, HR & Solid Waste Manager/District Clerk
George Cardenas, Engineering Manager
Sean Wright, Water Operations Manager
Chris Cummings, Assistant Water Operations Manager

District Counsel: Steve Kennedy, General Counsel (Zoom)

REGULAR BOARD MEETING – 6:00 P.M.

Call to Order

President Kujawa called the meeting to order at 6:00 p.m. and the Pledge of Allegiance was conducted.

Roll Call

All Directors were present at roll call.

1) Approval of Agenda

Vice President Philips moved to approve the Agenda. Director Hoffman seconded the motion. Motion carried 4-0.

2) Public Comment

a) General Public

None

b) Community Reports

- **County Supervisor** – Kimberly Meses, District Director for Supervisor Cook, noted that public works will be in the area for the next few months working on turn lanes at several intersections. The stop sign at Johnson and Duncan is being installed. The decision on the Joshua Tree listing was extended until February by the Fish and Game Commission.

3) Consent Items

Director Hoffman moved to approve the Consent Items. Vice President Philips seconded the motion. Motion carried 4-0.

4) Matters Removed from Consent Items

None

5) Presentations/Appointments

None

6) Continued/New Agenda Items**a) Discussion & Possible Action Regarding Extension of Well and Booster Maintenance and Repair Annual Services Agreement with General Pump**

Staff Recommendation: For the Board to approve the attached one-year extension to the existing pump and well services maintenance contract with the 7.6% labor and equipment rate increase.

Mr. Wright introduced this item.

Director Hoffman moved to approve the extension of the agreement for one year and for the agreement to go to bid next year. Vice President Philips seconded the motion. Motion carried 4-0.

b) Update on the Proposed Civic Center & Phelan Park Expansion Projects

Staff Recommendation: None

Mr. Bartz noted the decision on the Joshua tree listing has been delayed by the Department of Fish and Wildlife until next February.

No action taken; not an action item.

7) Committee Reports/Comments

a) **Engineering Committee (Standing)** – Met and reviewed the pump agreement.

b) **Finance Committee (Standing)** – Met yesterday and reviewed the audit report which will go the Board in November.

c) **Legislative Committee (Standing)** – Meets in November.

d) **Parks, Recreation & Street Lighting Committee (Standing)** – Met last week and discussed events. Santa has been secured for the Tree Lighting Ceremony. Discussed the movies and the park conflict with football games at Serrano in September.

e) **Waste & Recycling Committee (Standing)** – Met last week. Still working on a self-haul solution. Minutes are in the packet.

8) Staff and General Manager's Report

Nothing further to report.

9) Reports**a) Director's Report**

Philips – Attended ASBCSD where the Brown Act was discussed related to virtual meetings.

Hoffman – Nothing further to report.

Roberts – Nothing further to report.

b) **President’s Report** – Nothing further to report.

10) **Correspondence/Information** – The items in the packet were noted.

11) **Review of Action Items**

a) **Prior Meeting Action Items** – Bring back policy regarding prohibition of private use of the District’s logo.

b) **Current Meeting Action Items** – None

12) **Set Agenda for Next Meeting**

- Regular Board Meeting – November 2, 2022

13) **Recess to Closed Session**

With no further business before the Board, the Board recessed to closed session at 6:18 p.m.

Closed Session: Conference with Legal Counsel – Anticipated Litigation
Initiation of Litigation Pursuant to Government Code Section 54956.9(d)(4)
One Potential Case

Conference with Real Property Negotiators
Pursuant to Government Code Section 54956.8
Property: 17900 Sheep Creek Road, El Mirage, California (APN 0457-161-10)
District Negotiator: Donald J. Bartz, General Manager; Steven M. Kennedy,
General Counsel
Negotiating Party: Circle Green, Inc.
Under Negotiation: Sublease Agreement

14) **Return to Open Session** – Announcement of Reportable Action

The Board returned to open session at 7:46 p.m.

Regarding the first closed session item, the General Manager was provided Board direction. There was no other reportable action.

Regarding the second closed session item, the Board unanimously authorized the execution of a license agreement subject to revisions to the agreement at the concurrence of General Counsel and General Manager. There was no other reportable action.

15) **Adjournment**

With no further business before the Board, the meeting was adjourned at 7:47 p.m.

Agenda materials can be viewed online at www.pphcsd.org

Rebecca Kujawa, President of the Board

Date

Kim Sevy, HR Manager/Executive Secretary

Date



LICENSE AGREEMENT

THIS LICENSE AGREEMENT (“Agreement”) is made as of this 21 day of October, 2022, between **Circle Green, Inc.**, a California corporation (“**Licensor**”) and High Desert Yards, LLC, a California limited liability company (“**Licensee**”).

A. BASIC TERMS. The following terms shall have the following meaning throughout this Agreement:

1. Property: 17900 Sheep Creek Road, El Mirage, CA
2. Address of Licensor: Circle Green, Inc.
8271 Chino Avenue
Ontario, CA 91761
Attention: Kevin Sutton
Email: ksutton@circlegreeninc.com

With a copy to:

- Andrew Byrne, Esq.
1140 Highland Avenue, Ste. 250
Manhattan Beach, CA 90266
Email: Andy@ByrneLaw-LA.com
3. Address of Licensee: High Desert Yard, LLC
1040 S. Mount Vernon Avenue, Ste. G-285
Colton, CA 92324
Attn: Patrick O’Brien
Email: Pobrien1@me.com

4. Premises: That certain 10-acre portion of the Property (“**Initial Premises**”), with the right to expand up to a total of 20 acres (“**Expansion Premises**”), as shown on the attached **Exhibit A** and made a part hereof. The Initial Premises and, upon Licensee’s election to expand into the Expansion Premises, shall be referred to herein as the “**Premises**”.

- 5. Term: A period from the date the Phelan Pinon Hills Community Services District (“**District**”) gives its consent to this Agreement by signing below (the “**Commencement Date**”) and continuing until September 30, 2023 (“**Expiration Date**”), unless terminated earlier by Licensor after a default by Licensee or in the event the parties agree to replace this Agreement with a sublease agreement signed by the parties and consented to by the District upon the approval of the Revised Approved Action (“**RAA**”).
- 6. License Fee: Per separate agreement between Licensor and Licensee.
- 7. Security Deposit: \$5,000.00
- 8. Activity and Purpose: The storage of chassis as well as empty shipping containers and wheeled storage containers (“**Permitted Use**”) in accordance, and in compliance, with the Conditions of Approval Temporary Use Permit PTUP-2022-00027 attached hereto as **Exhibit B** and incorporated herein by this reference (“**Conditions of Approval**”). The Permitted Use shall be subject to the Conditions of Approval as well as any laws, rules or regulations required by any governing agency for such use, including, but not limited to, the San Bernardino County Fire Department.

B. LICENSE.

1. Initial Premises. Licensor hereby licenses to Licensee the use of the Premises for the term set forth above, unless terminated sooner in accordance herewith, subject to the terms and condition hereof.

2. Expansion Premises. Licensee’s right to expand into the Expansion Premises shall be contingent upon the following: (i) Licensee shall first deliver to Licensor and the District at least fourteen (14) days’ advance written notice of Licensee’s election to expand into the Expansion Premises; (ii) Licensee shall obtain Licensor’s prior written consent, not to be unreasonably withheld. Licensor and Licensee acknowledge and agree that Licensor’s consent shall be contingent upon Licensor’s good faith negotiations with the District which shall recognize reasonable timelines and other factors related to the District’s status as a local public agency, and agreement between Licensor and the District, as to the additional monthly fee

Licensor shall pay District, and any other matter deemed necessary by the District, in connection with Licensee's election to expand into the Expansion Premises.

C. **TERMS AND CONDITIONS.** In consideration of the license granted to Licensee herein, Licensee agrees to the following:

1. **Commencement Date.** The Commencement Date shall be the date set forth in Section A.5 above.

2. **Purpose.** Licensee shall use the Premises only for the purpose set forth in Section A.8 above, and for no other purpose.

3. **License Fee and Benefit to the District.**

(a) **License Fee.** As additional consideration for this Agreement, Licensee shall pay to Licensor the fee(s) set forth in Section A.6 above. Licensee shall pay the License Fee prior to any use of the Premises and on the first (1st) day of each month during the Term of this Agreement. Unless otherwise agreed to by the parties, all other fees and expenses incurred by Licensor in connection with this Agreement will be invoiced by Licensor and are due and payable by Licensee within ten (10) days of the date of the invoice.

(b) **Benefit to District.** Licensor and Licensee acknowledge that during the term of this Agreement, Licensor shall pay the District a portion of the License Fee paid by Licensee to Licensor for the Initial Premises in the amount of \$4,000 per month. In the event Licensee elects to expand into the Expansion Premises, Licensor and Licensee shall negotiate in good faith with respect to an additional amount to be paid by Licensor to District.

4. **Insurance.** At all times during the Term, Licensee shall maintain general liability, and automobile insurance in amounts acceptable to Licensor and the District, but in no event shall such limits be less than \$2,000,000 per occurrence. In addition, Licensee shall maintain workers compensation insurance at limits mandated by law, maintain property damage coverage for the full replacement costs of its improvements, and loss of income and extra expense insurance in amounts as will reimburse Licensor for direct or indirect loss of the license fee attributable to all perils commonly insured against by prudent lessees in the business of Licensee or attributable to prevention of access to the Premises as a result of such perils. In addition, Licensee shall carry site specific Pollution Liability insurance with limits of no less than Five Million Dollars (\$5,000,000) covering Licensee's use of the Premises. Licensor, the District, and Licensor's lender, if any, and any property management company of Licensor for the Premises, if any, shall be named as additional insureds on a form approved by Licensor under all of the policies required by this Section. Said policies shall be primary and noncontributory. The policies required under this Section shall provide for severability of interest and a waiver of rights of subrogation. The insurance policies provided by the Licensee shall (1) contain a waiver of subrogation against the Licensor and the District, and each of their respective directors, officers, employees and agents for any claims arising out of this Agreement, or (2) allow the Licensee to waive subrogation, in writing, before any loss, in which case this

provision shall be deemed to be the Licensee's written waiver of subrogation against the Licensor and the District for any and all losses covered by any and all insurance policies required hereunder.

5. Indemnity. Licensee shall indemnify, protect, defend (by counsel acceptable to Licensor and the District) and hold harmless Licensor and the District, and each of their respective affiliated entities, and each of their respective members, managers, partners, directors, officers, employees, shareholders, lenders, agents, contractors, successors and assigns from and against any and all claims, judgments, causes of action, damages, penalties, costs, liabilities, and expenses, including all costs, attorneys' fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon, arising at any time during or after the Term as a result (directly or indirectly) of or in connection with (i) any default in the performance of any obligation on Licensee's part to be performed under the terms of this Agreement, (ii) Licensee's use of the Premises, the conduct of Licensee's business or any activity, work or things done, permitted or suffered by Licensee or any Licensee Party in or about the Premises, the improvements thereon, the Common Areas or other portions of the Property, except for claims caused solely by Licensor's gross negligence or willful misconduct, or (iii) the noncompliance with any of the Conditions of Approval, including, but not limited to any fees, expenses, or other obligations resulting from said noncompliance. Notwithstanding anything in this Paragraph 5 to the contrary, it is the intention of the Parties that Licensee be solely responsible for satisfying, and being in compliance with, the Conditions of Approval, even those conditions of approval that place obligations on the District as the owner of the Premises. The obligations of Licensee under this Section shall survive the termination of this Agreement with respect to any claims or liability arising and/or accruing prior to such termination. Licensee agrees to make clear to the public and its customers that there is no relationship between Licensee and Licensor other than that of Licensor and Licensee.

6. Costs of Litigation. If Licensor or the District, or each of its respective members, partners, officers, director, employees or agents shall without fault on their part be made a party to any litigation arising out of any act or omission of Licensee, Licensee shall pay all costs and expenses, including reasonable attorneys' fees, incurred by said parties on account of said litigation. Licensee shall also reimburse Licensor and the District for all cost and expenses incurred by said parties, including reasonable attorneys' fees, in enforcing the provisions of this Agreement.

7. Early Termination. Licensor may terminate the license granted Licensee herein effective immediately upon delivery of written notice from Licensor to Licensee upon (i) the occurrence of a violation by Licensee of any Condition of Approval; (ii) a breach of this Agreement by Licensee or any provision hereof. In both (i) and (ii) Licensee shall remain liable for all License Fees due until the Expiration Date. Notwithstanding the foregoing, this Agreement shall also be subject to early termination, effective immediately upon notice delivered by Licensor to Licensee, in the event that either Licensor or the District withdraws its respective consent, which Licensor and/or the District may exercise at any time in their respective sole and absolute discretion.

8. Removal of Property: Holding Over. By the end of the Term of this Agreement, or earlier termination pursuant to the terms herein, and unless Licensor and Licensee

enter into a sublease agreement that is approved by the District, Licensee shall have removed all containers, chassis, and other property (whether owned by Licensee or a third party) from the Premises and shall leave the Premises in a clean condition and in as good or better condition as when Licensee took possession of the Premises. Any and all damage to the Premises and/or the Property, including damage to landscaping, lighting, parking stops or curbs, shall be the responsibility of Licensee at Licensee's sole cost and expense. For each day or part of a day after the end of the Term that Licensee shall have failed to do the foregoing, Licensee shall pay Licensor any expenses incurred by Licensor as a result thereof.

9. Assignment and Subleasing. Licensee shall not assign or in any other manner transfer or encumber this Agreement.

10. Impossibility of Performance. Neither Licensor nor Licensee shall be bound to the terms and conditions of this contract if failure to perform pursuant to this Agreement is due to fire, flood, strike, storms, disasters, or the acts of God, or any other cause beyond the control of the parties.

11. Non-Waiver. Licensor's decision not to enforce any provision of this Agreement, including any exhibit, shall not mean that Licensor has waived its rights to do so at any time.

12. Notices. Except as otherwise in this Agreement provided, notice or communication which Licensor may desire or be required to give to Licensee shall be deemed sufficiently given or rendered if, in writing, delivered to Licensee personally, sent by registered or certified mail, or by a national overnight delivery carrier (such as FedEx or UPS), addressed to Licensee at the address set forth in Sections A.2 and A.3 or at the last known address or business address of Licensee at the time of the giving of such notice or communication and shall be deemed to be at the time when the same is delivered to Licensee, mailed, or left at the Premises as herein provided. Notice by email shall be sufficient provided the recipient acknowledges receipt of the email. Any notice by Licensee to Licensor must be served by registered or certified mail addressed to Licensor at the address set forth below or at such other address as Licensor shall designate by written notice.

13. Binding Agreement. Each party hereto represents and warrants to the other that this Agreement is duly executed by such party and is a valid, binding obligation of each such party.

14. No Amendments. This Agreement, including all attachments and exhibits hereto sets forth the entire understanding between the parties and may not be altered or amended except by another writing executed by both parties and consented to by the District.

15. No Representations. Licensee acknowledges and agrees that the Premises is being delivered to Licensee and Licensee will accept the Premises in its "As-Is" condition as of the commencement of the Term of this Agreement. Licensor has not made, nor does Licensor make, any representations or promises with respect to the Premises and Licensee agrees that Licensor does not have any obligation to perform any work or otherwise prepare the Premises for Licensee's use.

16. Alterations. Following the Commencement Date, Licensee will not make or cause to be made any alterations, installations, improvements, additions or other physical changes in or about the Premises without obtaining the prior written consent of Licensor and the District thereto.

17. Requirements of Law. Licensee, at its sole cost and expense, will comply with all present and future laws, rules, orders, ordinances, regulations, statutes, requirements, codes and executive orders, extraordinary as well as ordinary, of all governmental authorities now existing or hereafter created, and of any and all of their departments and bureaus, affecting the Premises, or any street, avenue or sidewalk comprising a part of or in front thereof, or affecting the maintenance, use or occupation of the Premises, which is applicable to the Premises and/or the use thereof. Without limiting the generality of the foregoing, Licensee shall not transport, use, store, maintain, generate, manufacture, handle, dispose, release or discharge any hazardous material (as defined by any applicable law) upon or about the Premises, nor permit Licensee's employees, invitees or licensees or other occupants of the Premises to engage in such activities upon or about the Premises. If any hazardous material is released, discharged or disposed of by Licensee, Licensee's employees, invitees or licensees or any other occupant of the Premises, on or about the Premises, Licensee shall immediately, properly and in compliance with applicable laws clean up and remove the hazardous material from the Premises and any other affected property and clean or replace any affected personal property (whether or not owned by Licensor), at Licensee's expense. Such clean up and removal work shall be subject to Licensor's prior written approval (except in emergencies), and shall include, without limitation, any testing, investigation, and the preparation and implementation of any remedial action plan required by any governmental body having jurisdiction or reasonably required by Licensor. If Licensee shall fail to comply with the provisions of this Section within five (5) days after written notice by Licensor, or such shorter time as may be required by applicable law or in order to minimize any hazard to persons or property, Licensor may (but shall not be obligated to) arrange for such compliance directly or as Licensee's agent through contractors or other parties selected by Licensor, at Licensee's expense (without limiting Licensor's other remedies under this Agreement or applicable law).

18. License and Not a Lease. This Agreement is not to be construed as in any way granting to Licensee any leasehold or other real property interest in the Premises, it being intended that this Agreement merely grants to Licensee this Agreement to enter upon and use the Premises during the Term in accordance with the terms and conditions hereof and shall not be deemed to grant to Licensee a leasehold or other real property interest in the Premises.

19. Partial Invalidity. If any term, provision or condition contained in this Agreement shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Agreement shall be valid and enforceable to the fullest extent possible permitted by law.

20. No Warranty. In executing and delivering this Agreement, Licensee has not relied on any representation or any warranty or any statement of Licensor which is not set forth herein or in one or more of the exhibits attached hereto.

21. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

22. Brokers. Licensor and Licensee hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Agreement, and that they know of no real estate broker or agent who is entitled to a commission in connection with this Agreement. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent.

23. No Liens. Licensee has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Licensee, operation of law or otherwise, to attach to or be placed upon the Property or Premises, and any and all liens and encumbrances created by Licensee shall attach to Licensee's interest only. Licensor shall have the right at all times to post and keep posted on the Premises any notice which it deems necessary for protection from such liens. Licensee covenants and agrees not to suffer or permit any lien of mechanics or materialmen or others to be placed against the Property or the Premises with respect to work or services claimed to have been performed for or materials claimed to have been furnished to Licensee or the Premises, and, in case of any such lien attaching or notice of any lien, Licensee covenants and agrees to cause it to be immediately released and removed of record. Notwithstanding anything to the contrary set forth in this Agreement, in the event that such lien is not released and removed on or before the date notice of such lien is delivered by Licensor to Licensee, Licensor, at its sole option, may immediately take all action necessary to release and remove such lien, without any duty to investigate the validity thereof, and all sums, costs and expenses, including reasonable attorneys' fees and costs, incurred by Licensor in connection with such lien shall be deemed immediately due and payable by Licensee.

24. Entire Agreement. Except for that certain Agreement between Licensor and Licensee dated August 28, 2022, as amended by that certain First Amendment to Agreement dated October 10, 2022, it is understood and acknowledged that there are no oral agreements between Licensor and Licensee hereto affecting this Agreement and this Agreement supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between Licensor and Licensee or displayed by Licensor to Licensee with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Agreement. This Agreement and the above referenced separate agreement contain all of the terms, covenants, conditions, warranties and agreements as between Licensor and Licensee relating in any manner to the rental, use and occupancy of the Premises, shall be considered to be the only agreement between Licensor and Licensee and their representatives and agents. Nothing contained in this Paragraph 24 shall in any way abrogate Licensor's obligations to the District pursuant to that certain lease agreement between Licensor and the District.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

LICENSEE:

High Desert Yards, LLC,
a California limited liability company

By: ~~Patrick O'Brien~~
Its: Manager

Date: October 21, 2022

LICENSOR:

Circle Green, Inc., a California corporation

Kevin Sutton
By: Kevin Sutton
Its: President

Date: October 21, 2022

CONSENT BY DISTRICT

The District's consent herein shall not be deemed a waiver and/or estoppel to assert any other rights or remedies available to the District as the fee owner of the Premises, including but not limited to the imposition of such other conditions deemed necessary by the District in the exercise of its sole and absolute discretion to protect its property interests and/or the public health, safety, or welfare.

Phelan Pinon Hills Community Services District



By:

Its:

Date: October 21, 2022

EXHIBIT B

APN: 0457-161-84
Transtech
PTUP-2022-00027 Temporary Use Permit
September 19, 2022

PAGE 1 OF 9
Effective: September 30, 2022
Expiration: September 30, 2023

CONDITIONS OF APPROVAL

Temporary Use Permit PTUP-2022-00027

GENERAL REQUIREMENTS Conditions of Operation and Procedure

LAND USE SERVICES DEPARTMENT– Planning Division (909) 387-8311

1. Project Description Approval. This Temporary Use Permit (TUP) is approved for twelve (12) months, subject to full compliance with all Conditions of Approval stated herein. The approved request is a Temporary Use Permit to provide for the temporary utilization of a 20-acre expansion area for container and chassis storage at the approved Green Waste Composting Facility, Circle Green.
2. This Project is approved to be constructed and operated in compliance with the San Bernardino County Code (SBCC) and the Service Commercial (CS) land use designation, the California Building Codes (CBC), the California Fire Code (CFC), the Conditions of Approval, contained herein, and the approved site plan dated October 7, 2019.
3. Project Location. The proposed activities for this Temporary Use Activity are located at 17900 Sheep Creek Road, El Mirage.
4. Effective Date and Expiration. The procedures and requirements in Chapter 86.06 (Time Limitations), and those related to appeals and revocation in Division 6 (Development Code Administration), shall apply following the TUP approval. **This project permit approval is effective on September 30, 2022 and shall expire and become void on September 30, 2023.** The permit may be extended by the director if a written request for extension is submitted in accordance with SBCC §83.15.080.
5. Indemnification. In compliance with SBCC §81.01.070, the developer shall agree to defend, indemnify and hold harmless the County or its “indemnitees” (herein collectively the County’s elected officials, appointed officials [including Planning Commissioners], Zoning Administrator, agents, officers, employees, volunteers, advisory agencies or committees, appeal boards or legislative body) from any claim, action or proceeding against the County or its indemnitees to attack, set aside, void or annul an approval of the County by an indemnitee concerning the map or permit or any other action relating to or arising out of County approval, including the acts, errors or omissions of any person and for any costs or expenses incurred by the indemnitees on account of any claim, except where such indemnification is prohibited by law. In the alternative, the developer may agree to relinquish such approval.

Any condition of approval imposed in compliance with the County Development Code or County General Plan shall include a requirement that the County acts reasonably to promptly notify the developer of any claim, action, or proceeding and that the County cooperates fully in the defense. The developer shall reimburse the County and its indemnitees for all expenses resulting from such actions, including any court costs and attorney fees, which the County or its indemnitees may be required by a court to pay because of such action.

At its sole discretion, the County may participate at its own expense in the defense of any such action, but such participation shall not relieve the developer of their obligations under this condition to reimburse the County or its indemnitees for all such expenses.

This indemnification provision shall apply regardless of the existence or degree of fault of indemnitees. The developer’s indemnification obligation applies to the indemnitee’s “passive” negligence but does not apply to

-
- the indemnitee's "sole" or "active" negligence" or "willful misconduct" within the meaning of Civil Code Section 2782.
6. Continuing Conditions. All conditions of this TUP are continuing conditions. Failure of the applicant and/or operator to comply with any or all of said conditions at any time shall result in the revocation of the permit granted to use the property.
 7. Additional Permits. The applicant shall ascertain and comply with requirements of all Federal, State, County, and Local Agencies as are applicable to the proposed use and the project area. They may include, but are not limited to: State: Fire Marshall, Mojave Desert Air Quality Management District; County: Public Health Department - Environmental Health Services Division, Local Enforcement Agency (LEA); Land Use Services Department - Building & Safety Division, Code Enforcement Division; Public Works Department; Fire Department.
 8. Continuous Maintenance. The Project property owner shall continually maintain the property so that it is visually attractive and not dangerous to the health, safety and general welfare of both on-site users (e.g. employees) and surrounding properties. The property owner shall ensure that all facets of the development are regularly inspected, maintained and that any defects are timely repaired. Among the elements to be maintained, include but are not limited to.
 - Maintenance and Repair. The developer shall conduct inspections for any structures, fencing/walls, driveways, and signs to assure proper structural, electrical, and mechanical safety.
 - Graffiti and Debris. The developer shall remove graffiti and debris immediately through weekly maintenance.
 - Erosion Control. The developer shall maintain erosion control measures to reduce water runoff, siltation, and promote slope stability.
 9. Enforcement. If any County enforcement activities are required to enforce compliance with the TUP conditions of approval, the County shall charge the applicant and/or property owner for such enforcement activities in accordance with the San Bernardino County Code Schedule of Fees.
 10. Unobstructed Access. The access road to the facility shall remain unobstructed at all times, except an access gate at the front driveway that the applicant may close after normal working hours.
 11. Circulation. The applicant shall maintain parking and on-site circulation requirements in good condition at all times.
 12. Signs. The applicant must apply for any sign. It must comply with the SBCC Sign Regulations found in Chapter 83.13, §83.13.030.
 13. Lighting. All lighting on-site shall reflect away from public thoroughfares and any adjacent residences and shall comply with the SBCC, Chapter 83.07 (Glare and Outdoor Lighting).
 14. Noise Levels. The applicant must maintain noise levels at or below County Standards, SBCC §83.01.080. For specific information, call DEHS at (800) 442-2283.
 15. Site Remediation. At the time of termination of the operation for any reason, the applicant shall remove all equipment and refuse associated with the operation from the site, and mitigate all hazards.
 16. Construction Yards (On-Site). On-site contractor's construction yards, for an approved construction project. The construction yard shall be removed immediately upon completion of the construction project, or the expiration of the Building Permit authorizing the construction project, whichever first occurs.
 17. Additional Permits. The applicant shall ascertain and comply with requirements of all Federal, State, County, and Local Agencies as are applicable to the proposed use and the project area. They may include, but are not limited to: County: Land Use Services Department-Planning, Building & Safety and Code Enforcement, Department of Public Works, San Bernardino County Fire Department, San Bernardino County.

DEPARTMENT OF PUBLIC WORKS – Traffic Division 909 387-8186

18. Back out. Project vehicles shall not back up into the project site nor shall they back out into the public roadway.
19. Access. The access point to the facility shall remain unobstructed at all times, except a driveway access gate which may be closed after normal working hours.

PUBLIC HEALTH - Environmental Health Services (800) 442-2283

20. Refuse Storage and Disposal: All refuse generated at the premises shall at all times be stored in approved containers and shall be placed in a manner so that environmental public health nuisances are minimized. All refuse not containing garbage shall be removed from the premises at least 1 time per week, or as often as necessary to minimize public health nuisances. Refuse containing garbage shall be removed from the premises at least 2 times per week, or as often if necessary to minimize public health nuisances, by a permitted hauler to an approved solid waste facility in conformance with San Bernardino County Code Chapter 8, Section 33.0830 et. seq.
21. Noise Levels: Noise level shall be maintained at or below County Standards, Development Code Section 83.01.080.
22. OWTS Maintenance: The onsite wastewater treatment system shall be maintained so as not to create a public nuisance and shall be serviced by an EHS permitted pumper

COUNTY FIRE DEPARTMENT–Community Safety Division (760)995-8190/(909)386-8465/LOCAL FIRE JURISDICTION

23. Standard G-1 ORGANIC PRODUCT STORAGE: This standard applies to the indoor or outdoor bulk storage of miscellaneous organic products, such as yard or tree trimmings, manure, organic compost, wood chips, peat moss, sawdust, or any other piled finely divided materials that can accumulate heat and present a spontaneous combustion hazard.

Standard B-1 PREMISE AND BUILDING IDENTIFICATION AND ADDRESSING: This standard applies to the marking of all buildings with address numbers for identification.

Standard W-2 ONSITE FIRE PROTECTION WATER SYSTEMS: This standard establishes minimum requirements for installation and maintenance of all private fire hydrants and appliances related to an onsite fire protection system.
24. Fire Jurisdiction. The referenced project is protected by the County Fire Department. Prior to construction occurring on any parcel, the applicant shall contact the fire department for verification of current fire protection development requirements. All new construction shall comply with the existing California Fire Code and all applicable statutes, codes, ordinances, or standards regarding fire safety as adopted by the County of San Bernardino or State of California.
25. Fuel Modification Zone : A Fuel Modification Zone (FMZ) plan designed specifically for the subject project is required and shall be designed by a consultant approved by the Fire Department. The FMZ plan shall be submitted to the Fire Department for review and approval in compliance with County standards.

26. Additional Requirements: In addition to the Fire requirements stated herein, other onsite and offsite improvements may be required which cannot be determined from tentative plans at this time and would have to be reviewed after more complete improvement plans and profiles have been submitted to this office.
27. Access – 150+ feet : Roadways exceeding one hundred fifty (150) feet in length shall be approved by the Fire Department. These shall be extended to within one hundred fifty (150) feet of and shall give reasonable access to all portions of the exterior walls of the first story of any building.

Land Use Services Department – Land Development Division – Drainage Section (909) 387-8311

28. Tributary Drainage. Adequate provisions should be made to intercept and conduct the tributary off-site and on-site 100-year drainage flows around and through the site in a manner that will not adversely affect adjacent or downstream properties at the time the site is developed.
29. Natural Drainage. The natural drainage courses traversing the site shall not be occupied or obstructed.
30. Drainage Setback. In order to maintain flow paths and patterns for the area, a minimum setback of 100 feet from the southerly property line for any fill placed on the site to allow for the tributary offsite flows to be accepted onto the site and not deflected onto the adjacent property. The windrows trucks/trailers/chassis are to be situated parallel to the flow path (north to south direction) to prevent blockage of flows and a minimum of 50 percent flow through area shall be maintained throughout the project
31. Site is within 100-year DWR floodplain. The site is located within a special flood hazard area for the 100-year floodplain shown on the Awareness Maps prepared by the Department of Water Resources (DWR) as a tributary to El Mirage Lake, which is a natural occurring depression. Awareness floodplains identify the 100-year flood hazard areas using approximate assessment procedures. These floodplains will be shown simply as flood prone areas without specific depths and other flood hazard data.
32. Floodproofing Measures. The site could be subjected to flooding even during minor storm events, which could damage existing structures. All future structures on the proposed lots shall be floodproofed by constructing the finished floor a minimum of 12 inches above the water surface elevation for the 100-year floodplain or a minimum of 24 inches above the surrounding ground, whichever is higher.

**PRIOR TO RECORDATION
The Following Shall Be Completed**

COUNTY FIRE DEPARTMENT–Community Safety Division (760)995-8190/(909)386-8465/LOCAL FIRE JURISDICTION

33. Access: The development shall have a minimum of two points of vehicular access. These are for fire/emergency equipment access and for evacuation routes. a. Single Story Road Access Width. All buildings shall have access provided by approved roads, alleys and private drives with a minimum twenty-six (26) foot unobstructed width and vertically to fourteen (14) feet six (6) inches in height. Other recognized standards may be more restrictive by requiring wider access provisions. b. Multi-Story Road

Access Width. Buildings three (3) stories in height or more shall have a minimum access of thirty (30) feet unobstructed width and vertically to fourteen (14) feet six (6) inches in height.

**PRIOR TO ISSUANCE OF GRADING PERMITS
OR LAND DISTURBING ACTIVITIES**

The Following Shall Be Completed

PUBLIC HEALTH - Environmental Health Services (800) 442-2283

34. Vector Control Requirement: The project area has a high probability of containing vectors. A vector survey shall be conducted to determine the need for any required control programs. A vector clearance application shall be submitted to the appropriate Mosquito & Vector Control Program. For information, contact EHS Mosquito & Vector Control Program at (800) 442-2283 or West Valley Mosquito & Vector at (909) 635-0307.

Land Use Services Department – Land Development Division – Drainage Section (909) 387-8311

35. FEMA Flood Zone. The project is located within Flood Zone D according to FEMA Panel Number 06071C5775H dated 8/28/2008. Flood Hazards are undetermined in this area but possible. The requirements may change based on the recommendations of a drainage study accepted by the Land Development Division and the most current Flood Map prior to issuance of grading permit. However, the site is located within a special flood hazard area for the 100-year floodplain shown on the Awareness Maps prepared by the Department of Water Resources (DWR) as a tributary to El Mirage Lake, which is a natural occurring depression. Awareness floodplains identify the 100-year flood hazard areas using approximate assessment procedures. These floodplains will be shown simply as flood prone areas without specific depths and other flood hazard data.
36. Grading Plans. Grading and erosion control plans shall be submitted for review and approval obtained prior to construction. Fees for grading plans will be collected upon submittal to the Land Development Division and are determined based on the amounts of cubic yards of cut and fill. Fee amounts are subject to change in accordance with the latest approved fee schedule.
37. NPDES Permit: An NPDES permit - Notice of Intent (NOI) - is required on all grading of one (1) acre or more prior to issuance of a grading/construction permit. Contact your Regional Water Quality Control Board for specifics. www.swrcb.ca.gov.
38. Regional Board Permit: Construction projects involving one or more acres must be accompanied by Regional Board permit WDID #. Construction activity includes clearing, grading, or excavation that results in the disturbance of at least one (1) acre of land total.
39. On-site Flows. On-site flows need to be directed to the nearest County maintained road or drainage facilities unless a drainage acceptance letter is secured from the adjacent property owners and provided to Land Development.
40. Compact Fill Requires a Grading Permit. a grading permit will be required to be obtained with movement of 100 cubic yards or more of material. A grading plan along with any associated calculations shall be submitted and approved prior to the issuance of the grading permit. The site is impacted by sheet flow type runoff from the south. The placement of any permanent/compacted fill will require an analysis by a registered civil engineer could prove the fill will not block stormwater runoff and adversely impact surrounding properties in the 100-year event.

41. Additional Drainage Requirements. In addition to drainage requirements stated herein, other "onsite" and/or "off-site" improvements may be required which cannot be determined from tentative plans at this time and would have to be reviewed after more complete improvement plans and profiles have been submitted to this office.
42. Erosion Control Installation. Erosion control devices must be installed and maintained at all perimeter openings and slopes throughout the construction of the project. No sediment is to leave the job site.
43. Drainage Improvements. All required drainage improvements shall be completed by the applicant. The private Registered Civil Engineer (RCE) shall inspect improvements outside the County right-of-way and certify that these improvements have been completed according to the approved plans. Certification letter shall be submitted to Land Development.

**PRIOR TO ISSUANCE OF BUILDING PERMITS
The Following Shall Be Completed:**

Land Use Services Department – Land Development Division – Road Section (909) 387-8311

44. Road Dedication/Improvements. The developer shall submit for review and obtain approval from the Land Use Services Department the following dedications and plans for the listed required improvements, designed by a Registered Civil Engineer (RCE) licensed in the State of California:

Sheep Creek Road (Major Highway – 104')

- Driveway Approach. Design driveway approach per San Bernardino County Standard 129B and located per San Bernardino County Standard 130.
45. Construction Permits. Prior to installation of road and drainage improvements, a construction permit is required from the County Department of Public Works, Permits/Operations Support Division, Transportation Permits Section (909) 387-1863 as well as other agencies prior to work within their jurisdiction. Submittal shall include a materials report and pavement section design in support of the section shown on the plans. Applicant shall conduct classification counts and compute a Traffic Index (TI) Value in support of the pavement section design.
 46. Encroachment Permits. Prior to installation of driveways, sidewalks, etc., an encroachment permit is required from the County Department of Public Works, Permits/Operations Support Division, Transportation Permits Section (909) 387-1863 as well as other agencies prior to work within their jurisdiction.
 47. Soils Testing. Any grading within the road right-of-way prior to the signing of the improvement plans shall be accomplished under the direction of a soils testing engineer. Compaction tests of embankment construction, trench back fill, and all sub-grades shall be performed at no cost to the County and a written report shall be submitted to the Permits/Operations Support Division, Transportation Permits Section of the County Department of Public Works prior to any placement of base materials and/or paving.

COUNTY FIRE DEPARTMENT–Community Safety Division (760)995-8190/(909)386-8465/LOCAL FIRE JURISDICTION

48. Combustible Protection: Prior to combustibles being placed on the project site an approved all-weather fire apparatus access surface and operable fire hydrants with acceptable fire flow shall be installed. The topcoat of asphalt does not have to be installed until final inspection and occupancy.
49. Building Plans: Building plans shall be submitted to the Fire Department for review and approval.
50. Fire Flow Test : Your submittal did not include a flow test report to establish whether the public water supply is capable of meeting your project fire flow demand. You will be required to produce a current flow test report from your water purveyor demonstrating that the fire flow demand is satisfied. This requirement shall be completed prior to combination inspection by Building and Safety.
51. Primary Access Paved: Prior to building permits being issued to any new structure, the primary access road shall be paved or an all-weather surface and shall be installed as specified in the General Requirement conditions, including width, vertical clearance and turnouts.
52. Surface: Fire apparatus access roads shall be designed and maintained to support the imposed loads of fire apparatus and shall be surfaced so as to provide all-weather driving capabilities. Road surface shall meet the approval of the Fire Chief prior to installation. All roads shall be designed to 85% compaction and/or paving and hold the weight of Fire Apparatus at a minimum of 80 thousand pounds.
53. Turnaround: Turnaround. An approved turnaround shall be provided at the end of each roadway one hundred and fifty (150) feet or more in length. Cul-de-sac length shall not exceed six hundred (600) feet; all roadways shall not exceed a 12 % grade and have a minimum of forty-five (45) foot radius for all turns. In the Fire Safety Overlay District areas, there are additional requirements.
54. Water System: Prior to any land disturbance, the water systems shall be designed to meet the required fire flow for this development and shall be approved by the Fire Department. The required fire flow shall be determined by using California Fire Code. The Fire Flow for this project shall be: 1500 GPM for a 2 hour duration at 20 psi residual operating pressure.
55. Water System Certification: The applicant shall provide the Fire Department with a letter from the serving water company, certifying that the required water improvements have been made or that the existing fire hydrants and water system will meet distance and fire flow requirements. Fire flow water supply shall be in place prior to placing combustible materials on the job site.

LAND USE SERVICES DEPARTMENT – Building and Safety Division (909) 387-8311

56. Construction Plans: Any building, sign, or structure to be added to, altered (including change of occupancy/use), constructed, or located on site, will require professionally prepared plans based on the most current adopted County and California Building Codes, submitted for review and approval by the Building and Safety Division.

PUBLIC HEALTH - Environmental Health Services (800) 442-2283

57. Preliminary Acoustical Information: Submit preliminary acoustical information demonstrating that the proposed project maintains noise levels at or below San Bernardino County Noise Standard(s), San Bernardino Development Code Section 83.01.080. The purpose is to evaluate potential future on-site 26

and/or adjacent off-site noise sources. If the preliminary information cannot demonstrate compliance to noise standards, a project specific acoustical analysis shall be required. Submit information/analysis to the EHS for review and approval. For information and acoustical checklist, contact EHS at (800) 442-2283.

58. Existing OWTS: Existing onsite wastewater treatment system can be used if applicant provides an EHS approved certification that indicates the system functions properly, meets code, has the capacity required for the proposed project, and meets LAMP requirements.
59. Sewage Disposal: Method of sewage disposal shall be an EHS approved onsite wastewater treatment system(OWTS) that conforms to the Local Agency Management Program (LAMP).
60. Existing Wells: If wells are found on-site, evidence shall be provided that all wells are: (1) properly destroyed, by an approved C57 contractor and under permit from the County OR (2) constructed to EHS standards, properly sealed and certified as inactive OR (3) constructed to EHS standards and meet the quality standards for the proposed use of the water (industrial and/or domestic). Evidence, such as a well certification, shall be submitted to EHS for approval.
61. Water Service Verification Letter: Applicant shall procure a verification letter from the water service provider. This letter shall state whether or not water connection and service shall be made available the project by the water provider. This letter shall reference the File Index Number and Assessor's Parcel Number(s). For projects with current active water connections, a copy of water bill with project address may suffice.
62. Water Purveyor: Water purveyor shall be Phelan Pinon Hills CSD or EHS approved.

PRIOR TO OCCUPANCY
The Following shall Be Completed

SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT/HAZ MAT 909 386-8401

63. Hazardous Waste Prior to Occupancy a business or facility that handles hazardous materials in quantities at or exceeding 55 gallons, 500 pounds, or 200 cubic feet (compressed gas) at any one time or generates any amount of hazardous waste shall obtain hazardous material permits from this department. Prior to occupancy the business operator shall apply for permits (Hazardous Material Permit, Hazardous Waste Permit, Aboveground Storage Tank Permit, Underground Storage Tank Permit) or apply for exemption from permitting requirements.
64. Business Plan. Prior to Occupancy an application for one or more of these permits shall occur by submitting a hazardous materials business plan using the California Environmental Reporting System (CERS) <http://cers.calepa.ca.gov/>
65. Prior to Occupancy a businesses or facilities handling greater than 1320 gallons of petroleum products in aboveground storage tanks (shell capacity) shall prepare and implement a Spill Prevention, Control, and Countermeasures Plan (SPCC) in accordance with 40 CFR 1 112.3 and CHSC 25270.4.5(a). The SPCC plan shall be maintained on site.
66. "Hazardous Material" means any material that because of its quantity, concentration, physical characteristics or chemical characteristics poses a significant present or potential hazard to human health and safety or to the environment if released into the workplace. Hazardous Materials include but are not limited to, hazardous substances, hazardous waste, or any material which the administering agency has a reasonable basis for

believing would be injurious to human health or the environment. Additional information can be found at <http://www.sbctfire.org/ofm/Hazmat/PoliciesProcedures.aspx> or you may contact The Office of the Fire Marshal, Hazardous Materials Division at (909) 386-8401.

Land Use Services Department – Land Development Division – Drainage Section (909) 387-8311

67. Drainage Improvements: All required drainage improvements shall be completed by the applicant. The private Registered Civil Engineer (RCE) shall inspect improvements outside the County right-of-way and certify that these improvements have been completed according to the approved plans.

Land Use Services Department – Land Development Division – Road Section (909) 387-8311

68. LDD Requirements. All LDD requirements shall be completed by the applicant prior to occupancy.
69. Road Improvements. All required on-site and off-site improvements shall be completed by the and inspected/approved by the County Department of Public Works.

COUNTY FIRE DEPARTMENT–Community Safety Division (760)995-8190/(909)386-8465/LOCAL FIRE JURISDICTION

70. Vegetation: Combustible vegetation shall be removed as follows: a. Where the average slope of the site is less than 15% - Combustible vegetation shall be removed a minimum distance of thirty (30) feet from all structures or to the property line, whichever is less. b. Where the average slope of the site is 15% or greater - Combustible vegetation shall be removed a minimum one hundred (100) feet from all structures or to the property line, whichever is less.
71. Hydrant Marking : Blue reflective pavement markers indicating fire hydrant locations shall be installed as specified by the Fire Department. In areas where snow removal occurs or non-paved roads exist, the blue reflective hydrant marker shall be posted on an approved post along the side of the road, no more than three (3) feet from the hydrant and at least six (6) feet high above the adjacent road.

END OF CONDITIONS

Agenda Item 3b

Acceptance of Board
Stipends/Reimbursements

Agenda Item 3c

Approval of Contractor
Payments

Date: 10/20/2022

Name of Vendor: Lilburn Corporation

Description of work: Civic Center Park Environmental Project

Purchase Order # PO-04593

Date of Board Approval June 1, 2021

| | |
|---------------------------|-------------------|
| Original Approved Amount: | |
| Amount Approved C/O #1 | \$ 59,000.00 |
| Amount Approved C/O #2 | <u>\$9,840.00</u> |
| | <u>\$4,800.00</u> |

Total Contract Amount \$ 73,640.00

% Completed to Date 66%

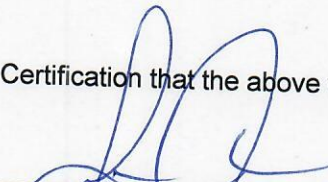
Total Invoiced to Date \$ 48,339.50

Amount Paid to Date 47,397.00

Total Due this Invoice \$942.50

Total Contract Amount After Invoice: \$ 25,300.50

Certification that the above work is completed as reflected on the invoice.



 Engineering Manager 10/20/22
Date



 General Manager 10/24/22
Date

Approved by Board of Directors:

 Date

LILBURN CORPORATION

1905 Business Center Drive
 San Bernardino, California 92408
 (909) 890-1818 (909) 890-1809 (fax)

INVOICE

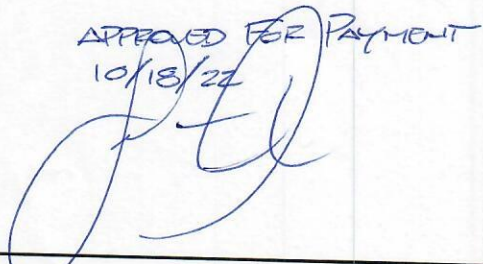
No. 22-1014

TO: Phelan Pinon Hills Community Services
 Attn: George Cardenas
 4176 Warbler Road
 Phelan, CA 92371
 email: gcardenas@pphcsd.org
 aromero@pphcsd.org

Invoice Date: October 13, 2022
 Project No.: 1443
 Auth. No.: PO-04593, PO-04712
 PO-04851

Due: November 12, 2022*

| PHELAN CIVIC CENTER & COMMUNITY PARK PROJECT NO. C0078 | | | |
|-------------------------------------------------------------------|-------------|----------------------|------------------|
| Invoice Period: September 12 - October 9, 2022 | | | |
| <i>Professional Services:</i> | Hours | Rate | Total |
| Task 2: Project Description | | | |
| Principal | 1.25 | \$210.00 | \$ 262.50 |
| | | Task 2 Total | \$ 262.50 |
| Task 6: Energy Assessment | | | |
| | | Task 6 Total | \$ - |
| Task 11: Supplement for 2 Reports | | | |
| Environmental Analyst | 8.00 | \$85.00 | \$ 680.00 |
| | | Task 11 Total | \$ 680.00 |
| CONTRACT SUMMARY | | | |
| Contract Amount | \$59,000.00 | | |
| CO #1 & #2 | \$14,640.00 | | |
| Prior Billed | \$47,397.00 | | |
| This Invoice | \$942.50 | | |
| Total Billed | \$48,339.50 | | |
| Remaining | \$25,300.50 | | |
| TOTAL AMOUNT DUE | | | \$ 942.50 |

APPROVED FOR PAYMENT
 10/18/22


*This invoice is payable according to the above terms. An interest of 0.833% per month will be payable on any amounts not paid within the specific number of days. In the event it becomes necessary to resolve a dispute concerning the terms of payment or fees for services, the prevailing party shall be entitled to reasonable attorney's fees, costs, and other necessary and proper expenses incurred therein.



PHELAN PIÑON HILLS COMMUNITY SERVICES DISTRICT
 P.O. Box 294049
 Phelan, CA 92329-4049
 (760) 868-1212

PURCHASE ORDER

PO Number: PO-04593

Date: 06/03/2021

Request #: PO-04593

Vendor #: LILBURN

ISSUED TO: Lilburn Corp.
 1905 Business Center Drive
 San Bernardino, CA 92408-

SHIP TO: Phelan Pinon Hills Community Services Distric
 4176 Warbler Road
 Phelan, CA 92371

| ITEM | UNITS | DESCRIPTION | PROJECT | PRICE | GL ACCOUNT # | GL ACCOUNT NAM | AMOUNT |
|------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-------|--------------|-------------------|-----------|
| 1 | | Civic Center-Park Environmental Civic Cetner / Community Buidling and Park Expansion w/ Lilburn Corporation BIologocial Assessment, Joshua Tree Survey, Permitting Traffic Study and VTM Screening Noise Study Air Quality / Greenhouse Gas Energy Assessment CEQA IS / Public Notices \$59,000 | C0078 | | 22-2-0-17000 | CIP - Parks & Rec | 59,000.00 |

Requested By: George Cardenas

Date: 6/3/2021

| | |
|-------------------|-----------|
| SUBTOTAL: | 59,000.00 |
| TOTAL TAX: | 0.00 |
| SHIPPING: | 0.00 |
| TOTAL | 59,000.00 |

PPHCSD (760) 868-1212 Fax (760) 868-2323

Agenda Item 3d

Adoption of Resolution No. 2022-29; Authorizing Remote Teleconference Meetings for the Period of November 8, 2022, to December 8, 2022

RESOLUTION NO. 2022-29

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT RE-RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY GOVERNOR NEWSOM, DECLARING THAT LOCAL EMERGENCY CONDITIONS PERSIST, AND RE-AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE BOARD OF DIRECTORS AND ITS STANDING COMMITTEES FOR THE PERIOD NOVEMBER 8, 2022, TO DECEMBER 8, 2022, PURSUANT TO BROWN ACT PROVISIONS

WHEREAS, the Phelan Pinon Hills Community Services District (the “District”) is committed to preserving and nurturing public access and participation in meetings of its Board of Directors; and

WHEREAS, all meetings of the District’s Board of Directors (the “Board”) and its standing committees are open and public, as required by the Ralph M. Brown Act (California Government Code Sections 54950-54963), so that any member of the public may attend, participate, and watch those bodies conduct their business; and

WHEREAS, the Brown Act, in Government Code Section 54953(e), makes provision for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code Section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition for application of Government Code Section 54953(e) is that a state of emergency is declared by the Governor pursuant to Government Code Section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the State caused by conditions as described in Government Code Section 8558; and

WHEREAS, a proclamation is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the jurisdictions that are within the District’s boundaries, caused by natural, technological, or human-caused disasters; and

WHEREAS, on March 4, 2020, Governor Gavin Newsom proclaimed a state of emergency to exist in California as a result of the threat of COVID-19, and such proclamation has not yet been lifted; and

WHEREAS, it is further required under Government Code Section 54953(e) that state or local officials have imposed or recommended measures to promote social distancing or that the legislative body meeting in person would present imminent risks to the health and safety of attendees; and

WHEREAS, the Board previously adopted Resolution No. 2022-28 on October 5, 2022, finding that the requisite conditions exist for the Board and its standing committees to conduct remote teleconference meetings without compliance with Government Code Section 54953(b)(3); and

WHEREAS, as a condition of extending the use of the provisions set forth in Government Code Section 54953(e), the Board must reconsider the circumstances of the state of emergency that exists within the District, and the Board has done so; and

WHEREAS, emergency conditions persist within the District, specifically COVID-19 and its Delta variant, remain highly contagious and, therefore, a threat to the health, safety, and well-being of the District's employees, directors, vendors, contractors, customers, visitors, and residents; and

WHEREAS, directions from the San Bernardino County Department of Public Health and regulations from the State of California impose various social distancing restrictions and provide guidance on best practices with respect to actions to reduce the spread of COVID-19; and

WHEREAS, the Board does hereby find that a state of emergency continues to exist within the District's service area as a result of the continuing presence of COVID-19, which has caused, and will continue to cause, conditions of imminent risk to attendees of Board meetings, and has resulted in local, State, and federal social distancing orders and related guidance, and which has caused, and will continue to cause, conditions of peril to the safety of persons within the District that are likely to be beyond the control of services, personnel, equipment, and facilities of the District, and the Board desires to re-affirm that a local emergency exists and re-ratify the proclamation of state of emergency by the Governor of the State of California; and

WHEREAS, as a consequence of the local emergency persisting, the Board does hereby find that the Board and all standing committees thereof shall continue to conduct their meetings without compliance with paragraph (3) of subdivision (b) of Government Code Section 54953, as authorized by subdivision (e) of Government Code Section 54953, and that such legislative bodies shall continue to comply with the requirements to provide the public with access to the meetings as prescribed in paragraph (2) of subdivision (e) of Government Code Section 54953; and

WHEREAS, the District will continue to provide proper notice to the public regarding all Board and standing committee meetings in accordance with Government Code Section 54953(e)(2) and shall continue to provide notice to the public of how they may access any such meeting via call-in number and/or internet link.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Affirmation that Local Emergency Persists. The Board hereby considers the conditions of the state of emergency within the District and proclaims that a local emergency persists throughout the District as a result of the continuing presence of COVID-19, which continues to cause conditions of imminent risk to

attendees of the District's Board and standing committee meetings, and which have resulted in local, State, and federal social distancing orders and guidance, and that continuing to conduct the District's Board and standing committee meetings virtually will minimize the possible spread COVID-19 and any variant thereof.

Section 3. Re-Ratification of Governor's Proclamation of a State of Emergency. The Board hereby re-ratifies the Governor of the State of California's Proclamation of State of Emergency regarding COVID-19, dated March 4, 2020.

Section 4. Remote Teleconference Meetings. The District's General Manager, or his or her designee, and the Board and standing committees of the District are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution, including but not limited to continuing to conduct open and public meetings in accordance with Government Code Section 54953(e) and other applicable provisions of the Brown Act.

Section 5. Effective Date of Resolution. This Resolution shall take effect on November 8, 2022, and shall be effective until the earlier of (i) the expiration of thirty (30) days from the date thereof, or (ii) such time as the Board adopts a subsequent resolution in accordance with Government Code Section 54953(e)(3) to extend the time during which the Board and standing committees of the District may continue to teleconference without compliance with paragraph (3) of subdivision (b) of Government Code Section 54953.

PASSED AND ADOPTED by the Board of Directors of the Phelan Pinon Hills Community Services District this 2nd day of November, 2022, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

Agenda Item 4

Matters Removed from
Consent Items

Agenda Item 5

Presentations/Appointments

- Presentation of the District's Audit Report for Fiscal Year Ended June 30, 2022

By: Chris Brown, Fedak & Brown, LLP

Agenda Item 6a

Discussion and Possible
Acceptance of the Annual
Comprehensive Financial Report
for the Fiscal Year Ended June
30, 2022



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MEMORANDUM

DATE: November 2, 2022

TO: Board of Directors

FROM: Don Bartz, General Manager
By: Lori Lowrance, Assistant General Manager/CFO

SUBJECT: Discussion and Possible Acceptance of the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022

STAFF RECOMMENDATION

Staff recommends for the Board accept the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2022, as presented by Fedak & Brown, LLP.

BACKGROUND

Periodic audits can help elected officials and agency managers make sure public resources are properly used. Audits of agency functions are a way local agencies can underscore their commitment to ethics and help to ensure that any misuse of public resources is detected and investigated.

Per District policy, the Board will retain and periodically review the work of an auditor as an independent contractor of the District (other than the Assistant General Manager/CFO), who will report to the Board on an annual basis the results of an audit of the District's books, records, and financial affairs.

Utilizing guidelines set forth by the Governmental Accounting Standards Board, District staff prepared this financial report, which includes the Independent Audit Report prepared by Fedak & Brown, LLP., who determined the data presented to be accurate in all material respects. The unmodified Independent Auditor's Report appears in the Financial Section of the attached CAFR.

The 2021/2022 draft ACFR was presented to staff and the Finance Committee where it was reviewed. The final draft ACFR was presented to the full Board earlier this evening and is now being presented to the Board for discussion and possible acceptance.

FISCAL IMPACT

None

ATTACHMENT(S)

ACFR & Management Letter



**Phelan Piñon Hills Community Services District
Phelan, California**

Annual Comprehensive Financial Report

For the Fiscal Year Ended

June 30, 2022



4176 Warbler Road | Phelan, CA



**Phelan Piñon Hills Community Services District
Phelan, California**

Annual Comprehensive Financial Report

For the Fiscal Year Ended

June 30, 2022

Draft for Board Approval

Prepared by:

Lori Lowrance, Administrative Services Manager

**Phelan Piñon Hills Community Services District
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022**

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**Phelan Piñon Hills Community Services District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2022**

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Introductory Section

Draft for Board Approval

Draft for Board Approval



November 2, 2022

The Board of Directors of the
Phelan Piñon Hills Community Services District
Phelan, California

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the Phelan Piñon Hills Community Services District (District) for the fiscal year ended June 30, 2022. District staff, following guidelines set forth by the Governmental Accounting Standards Board (GASB), prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

State Law and District by-laws require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditor's Report.

District Profile

History

In February 2008, the citizens of Phelan and Piñon Hills overwhelmingly voted to separate the Water, Parks and Recreation, and Street Lighting Districts from the County of San Bernardino and create a Community Services District. The Phelan Piñon Hills Community Service District was established through an election on February 5, 2008. With an 81% approval rating, the voters approved the formation of the District as a consolidation of three Special Districts, Zone-L70 Water, CSA-9 Phelan Parks and Street Lighting and CSA56-F1 Piñon Hills Parks. This consolidation enabled the communities to establish a form of self-governance while maintaining their individual rural integrity. The 128 square mile District is the largest Community Service District in San Bernardino County. In March 2008, the Phelan Piñon Hills Community Services District was formed (LAFCO Resolution 2994), with a five-member Board of Directors elected to govern the District.

District Profile, continued

History, continued

Between March 2008 and June 30, 2008, during the early stages of the transition, the District continued to be operated and maintained by County of San Bernardino Special Districts. From July 1, 2008, through October 2008, the Directors outsourced the operations and maintenance of the District and began the recruitment process. In August, a General Manager was hired and in October through November 2008, the majority of the remaining staff was employed.

On November 16, 2011, LAFCO held a hearing on proposal 3167, and adopted resolution 3153 approving the activation of solid waste and recycling function and services for the District. On January 24, 2012, the Certificate of Completion was processed, formalizing the change in organization.

Governance

The District is governed by an elected, five-member Board of Directors. Board members are elected to a four-year term, participating in the election process, formerly during odd years, effective 2017 (per SB415) changed to even year election cycles. For the currently seated Board, three Directors were elected in November of 2018 and two Directors were elected in November of 2020. The elected Directors set the policies of the District and provide guidance and leadership to the management and staff of the District.

The Board of Directors' regularly scheduled meetings are on the first and third Wednesdays of each month at 6pm in the Phelan Community Center. Additionally, the Directors are assigned to at least two standing committees and some serve on ad hoc committees as needed. The committees have regularly scheduled monthly meetings for Engineering, and quarterly meetings for Parks, Recreation and Street Lighting, Solid Waste and Recycling, Legislative, and Finance. These meetings are open to the Public who are encouraged to attend.

Resolution 2022-01, Section 1.1 states: The Board shall govern the District. The Board shall establish policies, direction, procedures, and oversight for the operation of the District. The Board shall provide for the implementation of those policies which is the responsibility of the District's General Manager.

The elected Board members delegate management responsibility of the day-to-day operations of the District to an appointed General Manager who, in turn, employs all personnel at the District, including department managers and supervisors. As of June 30, 2022, the District engages twenty-six full-time. The District's General Manager, General Counsel, and external Auditor report directly to the Board of Directors.

District Services

As outlined by San Bernardino County LAFCO 3167 Staff Report, the District provides the following within its service area:

Water: Supply water for any beneficial use as outlined in the Municipal Water District law of 1911 (commencing with Section 71000) of the Water Code.

Park and Recreation: Acquire, construct, improve, maintain and operate recreation facilities, including, but not limited to, parks and open space in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code.

Street lighting: Acquire, construct, improve, maintain, and operate street lighting and landscaping on public property, public right-of-way, and public easements.

District Profile, continued

District Services, continued

Solid Waste and Recycling: Collect, transfer, and dispose of solid waste and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with Section 41821.2 of the Public Resources Code.

Water

The primary component of the District is water service. Being efficient in every aspect is essential and will help in improving fiscal responsibility, as well as system integrity. Developing relationships with neighboring water companies, agencies, and resources will enable the community to be more responsible and efficient; therefore, the District is looking at joint ventures whenever it is viable.

The District operates and maintains a considerable infrastructure to provide safe, good tasting water to 7,189 service connections within an approximate 128 square mile service area. The water service area is almost entirely single-family residential which comprises approximately 99 percent of total water service connections.

The water infrastructure consists of 14 wells (approximately 1,000 feet deep) in six well fields, 35 reservoirs with a combined capacity of approximately 12,000,000 gallons, 4 de-sanding tanks, 25 booster stations, 69 booster pumps, and 32 pressure reducing stations in 17 pressure zones, with approximately 353 miles of pipeline ranging from 4-inch to 16-inch in diameter.

The District obtains its water supply from the local groundwater aquifer which is managed by two water authorities: Mojave Water Agency (MWA) and Antelope Valley Watermaster (AVW). If the District produces more than its allowance of groundwater in the MWA basins, the District may purchase replacement water from MWA, who replenishes the groundwater primarily with imported water from the State Water Project. If the District pumps any water out of the AVW basin, the District must pay the per unit fee, which changes annually.

The District encourages water conservation and offers incentive programs in partnership with Alliance for Water Awareness and Conservation (AWAC), through the Mojave Water Agency, plus resource material to promote desert landscape. The District is also focused on providing service now, and for future generations.

Parks and Recreation

The District operates and maintains community centers with senior centers and two parks. The District continues to expand and improve these facilities to promote use. The District partners with the seniors at the two facilities and throughout the District to create programs that are beneficial to the community at large. The District also partners with local sports organizations to create sports programs and activities in the community.

Parks and recreation are a vital component to any community. It not only adds beauty but provides safe areas for activities of individuals, families, and groups. As part of the District, there are two community centers. These centers are utilized for a wide range of activities and are available for private party rental for a small fee. The District currently offers several events and activities and continues to explore various recreation ideas for the community.

Adjacent to the centers, the parks have picnic tables, playgrounds, basketball courts and other activities. They are available from morning until dusk. The District is looking to develop a large park facility that will have athletic fields, as well as standard park integrity. The District owns vacant parcels throughout the District for future park and recreation facilities.

District Profile, continued

Street lighting

Street light service is primarily located in the business district of Phelan. The District also has some lights at strategic intersections to help in providing safety to the community. The District considers expansion of the street lighting to other intersections based upon a safety need, but the District does respect the San Bernardino County “Dark Sky” ordinance and encourages residents to do the same.

Solid Waste

The District administers solid waste and recycling programs. The District is responsible for compliance with state and federal mandates regarding solid waste and recycling and coordinates various programs and provides a variety of solid waste and recycling events within the community. The District works closely with the contractual hauler, CR&R to help accomplish these tasks.

Local Economy

The District is located in Phelan and Piñon Hills, California, two unincorporated communities within San Bernardino County. During the first several years, San Bernardino County had witnessed a decrease in property values due to the downturn in economic activity. Recent activity within the region, however, suggests a strengthening in home sale median prices and increased commercial activity. The past several years, increased home sales and new building throughout the Inland Empire has provided an upward trend in housing costs.

Financial Planning

Since the District’s formation in 2008, the District has continued to look for cost saving measures and efficiencies. The District was able to decrease expenses considerably over the County’s cost of providing services. Despite the Board’s efforts to maintain rates and fees, revenues decreased and the cost of operating the District continued to rise. Due to the economic downturn and housing vacancies within the District, water revenue decreased by over 15% between 2009 and 2012. The economy also caused a reduction in property tax values resulting in a loss of almost 40% of property tax revenue between 2008 and 2012. The cost of pumping water out of the ground, the District’s only water source, increased by 18% in 2013, 14% in 2014, 5% in 2015, by another 5% in 2016 and continues to increase annually, including a 9% increase in 2020 and 15% in 2021, due to the Southern California Edison rate changes. These increases, along with the impacts of the conservation mandates, negated the rate increases that were adopted in 2013 and implemented each year thereafter, thus requiring a water rate study in 2015, 2020 and again in 2021 due to agricultural impacts. The rate study outlined recommended rate changes, which the District adopted accordingly. The cost of operations continues to rise, including costs of producing and delivering water, and providing clean, safe parks and community centers with programs and activities for the community.

The District continues to look for alternative ways to increase revenue and decrease expenses in an effort to minimize rate changes to customers. In 2012 and 2015, the District purchased water rights which will result in a savings of reduced water rights fees. Even after repaying the \$7.5 million loan, this purchase is estimated to save the District \$18.6 million over the next thirty years. In 2016, the District installed a solar project that results in credits against the District’s most costly (currently over \$1,200,000 per year) expense: electricity. After loan repayment, the estimated savings due to the solar project were projected to be up to \$8.3 million over thirty years. The combined results of these two measures are savings estimated to exceed \$26.9 million over the next thirty years.

Financial Planning, continued

Current Financial Plans

In 2012, the District conducted the first water rate and fee study. The study was completed over a six-month period with several public workshops held throughout the process to garner public involvement and input. On February 20, 2013, after exceeding notification and meeting requirements of Proposition 218 (now Articles XII C & D of the California Constitution), the Board held a public hearing on the proposed multi-year rate change and adopted the rate schedule.

In 2015, after state mandated orders were issued to address the drought conditions in the state and state water quality mandates necessitated the plan for a \$17 million blending project, the District completed a second water rate study. The District again exceeded the requirements of Proposition 218 by notification of customers, holding workshops, and conducting public outreach meetings. In January 2016, rate changes were approved that include increased charges to recover the lost revenues and additional costs to the District resulting from the state mandated conservation programs as well as a surcharge to cover the costs to blend water in order to meet the state mandated water quality changes. In 2020, the scheduled rate study was completed. However, in 2021 due to unforeseen agricultural demand on the system the District completed the most recent rate study. The Board of Directors reviews the approved rate changes each year to verify the necessity of the rate change, and to determine if the change can be reduced as a result of District efforts to lower expenses and obtain additional revenues to help mitigate the costs of operations.

The Chromium-6 mitigation project was implemented in response to requirements by the State of California which lowered the acceptable levels of Chromium-6 that can be detected in drinking water from 50 parts per billion (ppb) to 10 ppb. While the levels found in the District's water supply (at certain sources) remain significantly below the federal standards (100 ppb) and the former state standards (50 ppb), it slightly exceeded the state standards established on July 1, 2014 of 10 ppb. After significant review and consideration, it was determined that blending the District's water with water from a new source would meet the mandated water quality standards. The cost of the facilities that would enable blending was projected to be \$17 million. The District was seeking grants and low interest loans to help reduce the impact to the customers. The District was in the process of implementing its compliance project when the State Water Resources Control Board reversed its ruling, changing the maximum contaminant levels (MCL) back to 50 ppb. It is expected that the MCL will be reduced again, however the revised MCL is unknown at this time. The District has spent approximately \$4.5 million toward the compliance project and has approved an additional \$6.6 million in projects to meet the state mandates. The total of approximately \$11.1 million for the revised projects is \$5.9 million dollars less than the original estimate of \$17 million. The District will continue to collect the surcharge from customers to recover the funds expended.

In 2015/2016, the District completed installation of a 1.16 megawatt solar project, which is projected to save the District more than \$8.3 million over a thirty year period. The District receives credits for electricity produced from the solar project that to help offset the considerable electric costs.

Long-Term Financial Plans

The District has developed a 10-year plan for infrastructure repair, replacement, and additions. The additional facilities for the Water Fund are projected based on the District's Water Master Plan as growth occurs. A Parks Master Plan was completed in 2019 outlining long range plans and priorities. Parks and Recreation and Solid Waste and Recycling plans are developed by staff and the Committees. The repairs and replacements for all funds are based on estimated useful life of District facilities. These plans are updated and reviewed by the Board of Directors each year.

Financial Planning, continued

District Strategic Plan

The District updated and adopted the Strategic Plan in 2021/2022. The plan was developed by BHI Management Consulting. BHI had numerous meetings with the Board of Directors, management, staff, and the public, to bring forth a comprehensive plan that will help to focus development of the District. The plan is available on the District's website and is sited throughout this document in reference to goals and plans for the coming year.

Relevant Financial Policies and Controls

Phelan Piñon Hills Community Services District financial policies include many of the District's financial management practices that are used by District staff as guidelines for operational and strategic decision making related to current and future financial matters. The purpose of establishing these policies is to set parameters in which the District can operate to best serve its constituents. Some policies are flexible when they are utilized by District staff as management tools to monitor the District's finances, while others are restrictive to emphasize accountability.

These policies are drafted as living documents to maintain their effectiveness in order to accommodate changes. District staff and Board Members review these policies periodically to accommodate minor changes to the existing policy or major changes in financial priorities as approved by the Board of Directors at its sole discretion.

The District's primary financial policies encompass the following areas:

- Budget Policy
- Investment Policy
- Reserves Policy
- Revenue Policy
- Purchasing Policy

Budget Policy (Resolution 2019-05)

The Budget Policy formally documents the budget goals and practices. The budget policy addresses legal requirements, balanced budget definition and goals, periodic reporting requirements, and assumption guidelines. The District considers a budget as balanced if there are sufficient net revenues to cover the cost of operations and debt service. Adjustments to the budget may be made in compliance with section 1122.08 of this policy.

Investment Policy (Resolution 2020-01)

The investment policy provides guidelines for ensuring the safety of funds invested while maximizing investment interest income to the District. The policy and procedures are written to be in accordance with California Government Code Sections 53600 et seq. and 53635 et seq. The three principle investment factors of safety, liquidity, and yield are to be taken into consideration, in the specific order listed when making any and all investment decisions.

Reserves Policy (Resolution 2020-02)

The District reserves policy was established to protect the District's customers, taxpayers, investments in various assets and commitments under numerous financial, regulatory, and contractual obligations. The efficient management of these reserves, when combined with their appropriate fortification, add additional assurance that current levels of safety, service reliability, and quality will continue into the future.

Relevant Financial Policies and Controls, continued

Reserves Policy (Resolution 2016-04), continued

Reserves are broken down into three areas, Operations, Property Plant and Equipment Replacement, and Disaster Response.

- Operating reserves has a goal of six months and no less than three months of operating expenses, based on the current budget, and includes a debt service reserve, as required by debt covenants.
- Property, Plant and Equipment (PPE) Reserves has a goal of two times, not to exceed four times, of the total annual depreciation. This is to assure there is adequate funding available to make major repairs (extending the useful life of the asset), and replace PPE as is necessary.
- Disaster Response reserves has a goal of 10% of total assets (excluding Land and Water Rights). This is to help ensure that, in the event of disaster, the District will have the funds necessary to repair and/or replace assets that are damaged.
- Rate Stabilization Reserves has a goal of 5% to 10% of water revenues. This is to help smooth out revenue variability resulting from various factors .

Revenue Policy (Resolution 2021-20)

The purpose of this policy is to establish the District's basic policies and procedures concerning revenues received by the District. The Policy shall include guidelines to design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support District services, in accordance with GAAP, and State and Federal laws.

Revenues received by the District shall be utilized in accordance with this policy. Revenue received for specific funds within the District shall be utilized for expenses and obligations incurred by that fund. Revenue received into the Governmental Fund will be distributed in accordance with the Budget and the policies and approved by the Board of Directors.

Purchasing Policy (2022-05)

The purpose of the policy is to standardize the purchasing procedures of the District, thereby securing advantages of a centralized and uniform purchasing policy, saving the taxpayers money and increasing public confidence in the procedures for District purchasing; to promote the fair and equitable treatment of all customers and suppliers, and to set forth the duties and responsibilities of the General Manager and District staff. The purchasing policy is reviewed periodically and updated as deemed appropriate by the Board of Directors.

- Less than \$5,000 Managed by rules of procedures established by the General Manager
- \$5,000 – \$15,000 Requires three quotations and approval of the General Manager
- \$15,000 – \$25,000 Requires price quotations and informal or formal bids and approval of the General Manager
- Exceeding \$25,000 Requires Board approval

Government Fund Balance Policy

The District adopted fund balance policy based on the published Governmental Accounting Standards Board (GASB) Statement No. 54, which established accounting and financial reporting standards for all governments that report governmental funds. This statement divides the fund balance into five classifications: (1) non-spendable, (2) restricted, (3) committed, (4) assigned, and (5) unassigned.

Relevant Financial Policies and Controls, continued

Internal Control

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District 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 District'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.

Budgetary Control

The Board of Directors adopts the Phelan Piñon Hills Community Services District (District) annual budget, after public hearing(s), by June 30 of each year. The budget is in effect from July 1 of the current year to June 30 of the following year. The Board may modify the budget at any time with majority approval.

The General Manager is authorized to implement the programs as approved in the adopted budget. It is the responsibility of the General Manager to establish adequate controls to ensure expenditures do not exceed the approved budget. The Purchasing Policy provides the standards and approval levels by which purchases can be made. Additionally, rules of the procedures are established by the General Manager to ensure against abuse of public interest.

The Board reviews the budget versus actual revenues and expenses at committee level and financials are also presented to the Board on a quarterly basis for consideration. Budget adjustments may be authorized by the Board of Directors.

Accounting and Financial Practices

The Districts accounting and budgetary records are maintained using an accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as unbilled but utilized utility services recorded at year end.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Funds are organized into two major categories: Governmental and Enterprise (or proprietary) categories:

Governmental Funds – General, Parks and Recreation, Street Lighting, and Solid Waste and Recycling.

Enterprise Fund – Water

Major Initiatives by Department

Administration and Finance

Administration and Finance is responsible for general administration and fiscal support to the Board, Management, Supervisors, and all departments within the District. These duties include complete financial and accounting support for all departments, providing great service to customers and staff, administrative duties to the Board, risk management, Human Resources, document management, public relations, facilities reservations, accounting, accounts payable, accounts receivable, payroll, debt service, water billing, and revenue collection.

Major Initiatives by Department, continued

Administration and Finance, continued

Projects in Progress and/or Completed in 2021/2022:

- Received ACFR Award from GFOA (Government Finance Officers Association)
- Received Budget Award from GFOA and CSMFO
- Maintained Transparency Certification from California Special District Association (CSDA)
- Provided outstanding customer service
- Explore and implement treasury options
- Update policies and procedures
- Cross-training program
- Develop Succession and Retention Planning Program
- Update Employee Personnel Manual
- Implement key CIP projects
- Maintain and update maintenance measures
- Completed Water Rate and Fee Study
- Implement new meter reading software and customer service portal

Engineering

The Engineering Department provides professional planning and engineering services to our customers (both internal and external). Further, it is charged with overseeing, planning, designing, and implementing numerous projects outlined by the District's adopted Water Master Plan and integrating and coordinating those projects in conjunction with outside programs and agencies. Additionally, it provides for quality development through customer service and timely and effective management of development and compliance processes.

Projects in Progress and/or Completed in 2021/2022:

- Expand GIS application and field data to include links to as-built, easements, etc.
- Civic Center Complex – Consultants/County coordination
- Phelan Park Expansion Project – Planning; Consultants/County
- Pressure Zone 7 Expansion (Tank 6A capacity mitigation) pipeline projects
- Expand GIS platform – transfer to a server-based system
- Thermal Imagery leak detection program
- Chromium-6 Mitigation Project – Engineering Study of potential revised mandates
- 2020 Water Master Plan (WMP) – Review, manage
- Smithson Springs – Tank and Pipeline Study/Design
- Water meter replacement AMI GIS integration
- Deployment of single sign-on (SSO) GIS Portal/Enterprise server
- Phase II update to Azure Active Directory & Microsoft 365
- Wilson Ranch Road grading plan design
- Well equipping and pipeline design
- Sheep Creek Water Company consolidation management coordination and projects
- Public Water Line Map located in District website
- Vehicle Safety and Fuel Portal mobile application
- Expand GIS Applications to include Production Analytics, CIP tracking, and Incident Reporting

Major Initiatives by Department, continued

Water Operations

Water Operations is responsible for the production, treatment, and distribution of reliable high-quality groundwater to the District's customers in an efficient manner. Water Operations personnel focus on reliability and accountability in the operation and maintenance of a vast array of production, conveyance, and distribution facilities, processes and systems to protect public health and to maintain high quality water consistent with all regulations. Water Operations personnel also perform monitoring, implement processes, and conduct analysis to ensure the water delivered to the customers meets and exceeds all regulatory requirements.

Projects in Progress and/or Completed in 2020/2021:

Valve Maintenance and Exercising Program - 2,200 a year goal
Hydrant Maintenance and Flushing Program 600 a year goal
Dead-end Flushing Program all flushed yearly no exceptions
Service Line Replacement Program 150 a year goal
Cross Connection Prevention Program
Air-Vac Maintenance and Flushing Program 150 a year goal
Monthly tank inspections and annual overflows to ensure good sanitary practices
Sand testing of District wells and boosters
PRV Maintenance and Repair Program
Provide training and education to all staff in OSHA regulations
Adhere to strict and accurate inventory standards
Perform annual pump efficiency at District wells and boosters
Perform annual meter certifications at all District wells
Systematic and thorough cleaning of selected District reservoirs
Train all staff on SCADA system
Drop section water mains per the 10-year maintenance plan
Interior coating of reservoirs per the 10-year maintenance plan
Phase 2 of 5 of the meter change-out program
Develop additional water production supply plan

Parks and Recreation

Parks and Recreation manages and maintains District-owned parks and recreation facilities to provide quality, safe, facilities to meet the needs of the community. It provides planning for facility development and improvement projects. Additionally, it provides development of projects and events for recreation, programs and activities of the District.

Projects in Progress and/or Completed in 2021/2022:

Phelan Park expansion project
Improve park operations
Provide additional training for staff
Pursue additional recreation programs in partnership with businesses, clubs, and local sports associations
Pursue additional recreational programs to meet community needs
Repair or replace approved equipment and facilities from the 10-year maintenance plan
Use the parks master plan information for all parks and recreation planning

Major Initiatives by Department, continued

Street Lighting

Street light service is primarily located in the business district of Phelan; there are some at strategic intersections to help in providing safety to the community. The District considers expansion of the street lighting to other intersections based upon a safety need, but the District does respect the San Bernardino County “Dark Sky” ordinance and encourages residents to do the same.

Projects in Progress and/or Completed in 2021/2022:

There were no requests for street lights in 2021/2022.

Solid Waste

The District administers solid waste and recycling programs. The solid waste, recycling, and organics collection services are contracted with CR&R. The District works closely with CR&R to coordinate various programs and provide a variety of recycling events within the community.

Projects in Progress and/or Completed in 2021/2022:

Two Community Clean Up Days
Tire Recycling Program
School Outreach Program
Adopt Ordinance for Uniform Residential and Commercial Solid Waste, Recycling, and Organics Collection
Earth Day Contest
Implementation of Organic Waste collection for required businesses
Expand voluntary residential collection participation
Develop new programs
Develop/expand new partnerships
Amend Franchise Agreement with CR&R

Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Phelan Piñon Hills Community Services District’s fiscal policies.

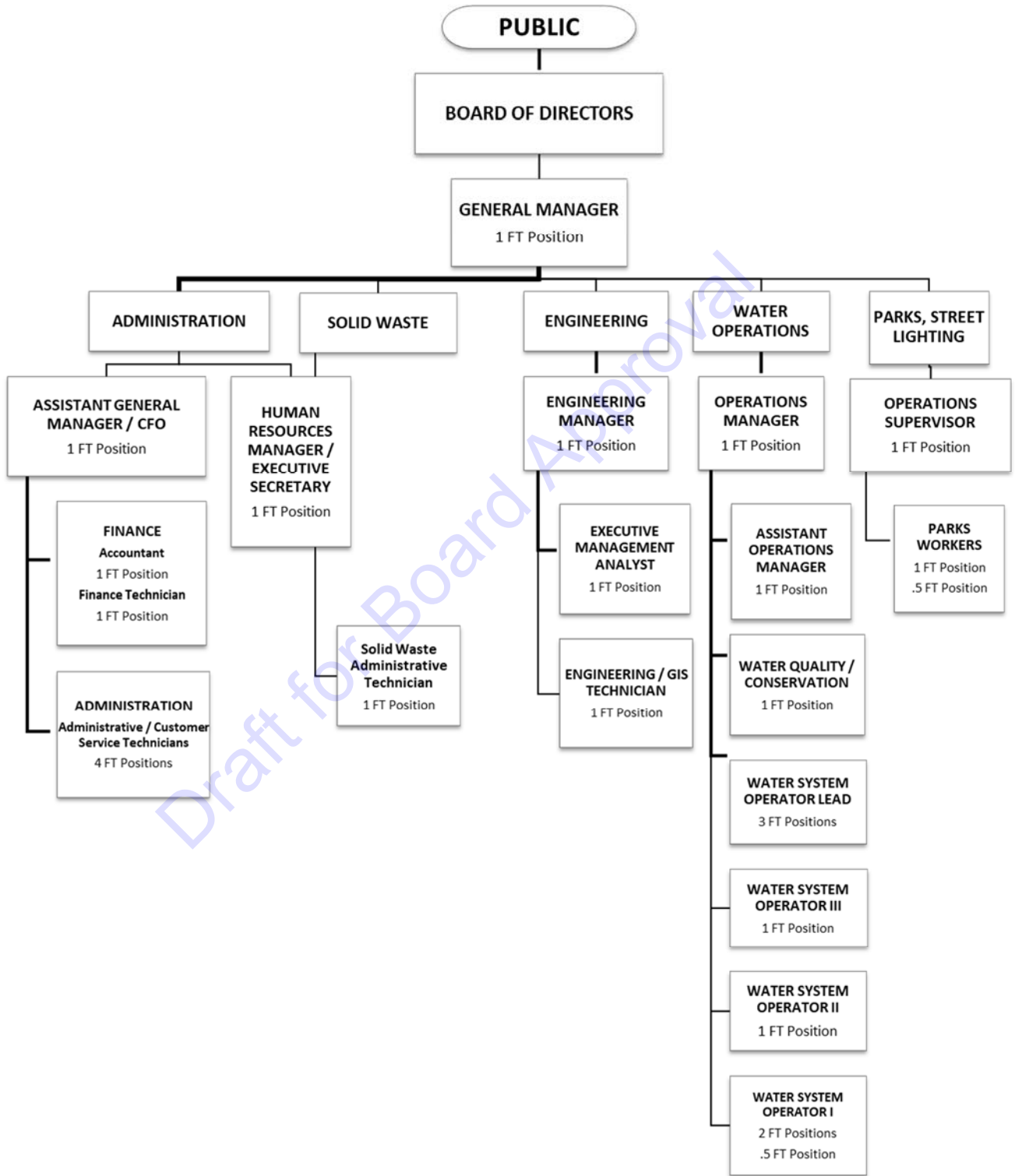
Respectfully submitted,



Don Bartz, General Manager

Organizational Chart

As of June 30, 2022



FT = 26 Full Time

Phelan Piñon Hills Community Services District

Our Mission Statement

“The Mission of the Phelan Piñon Hills Community Services District is to efficiently provide authorized services and maximize resources for the benefit of the community.”

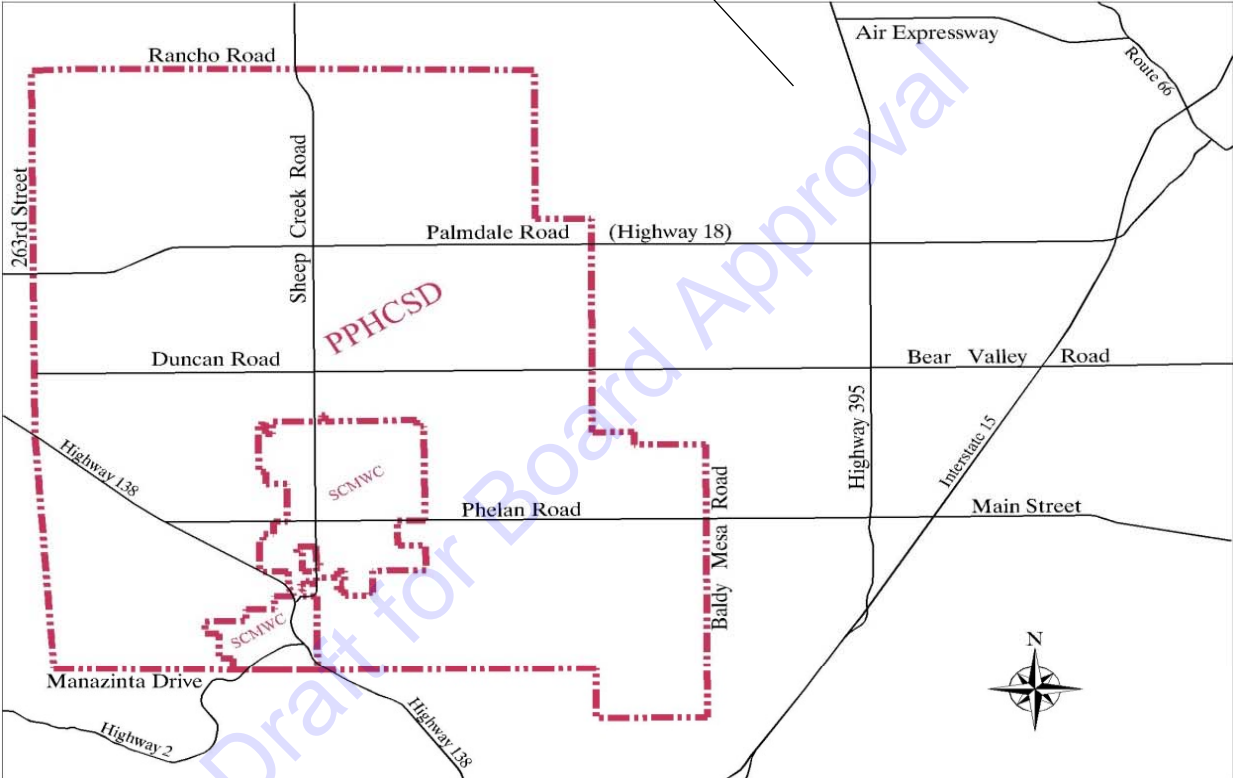
| <u>Name</u> | <u>Title</u> | <u>Elected/ Appointed</u> | <u>Term Expires</u> |
|-----------------|----------------|-------------------------------|-------------------------|
| Rebecca Kujawa | President | Elected | 2024 |
| Deborah Philips | Vice President | Elected | 2022 |
| Kathy Hoffman | Director | Elected | 2022 |
| Charlie Johnson | Director | Elected | 2022 |
| Mark Roberts | Director | Elected | 2024 |

District Management

| | |
|-----------------|---------------------------------------------|
| Donald Bartz | General Manager |
| Lori Lowrance | Assistant General Manager / CFO |
| Kim Ward | Human Resources Manager/Executive Secretary |
| George Cardenas | Engineering Manager |
| Sean Wright | Water Operations Manager |

Phelan Piñon Hills Community Services District
4176 Warbler Road
Phelan, CA 92371
(760) 868-1212

District Service Area





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Phelan Pinon Hills Community Services District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



Draft for Board Approval

Financial Section

Draft for Board Approval

Draft for Board Approval

Independent Auditor's Report

Board of Directors
Phelan Piñon Hills Community Services District
Phelan, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Phelan Piñon Hills Community Services District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District'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 the governmental activities, the business-type activities, and each major fund of the District, as of June 30, 2022, and the respective changes in financial position and, where applicable, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility 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; this includes 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 District'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.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits 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 District'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 District'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.

Emphasis of Matter

As discussed in Note 10 of the financial statements, adjustments were recognized for the District's lessor agreements. The District has recorded a lease receivable, a deferred inflow of resources, reclassified a portion of its rental income to interest income, and has recorded a prior period adjustment to restate net position as of July 1, 2020 and 2021. Our opinion is not modified with respect to this matter.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 23 and the required supplementary information on pages 63 through 69 be presented to supplement the basic financial statements. Such information, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages 1 through 15 and statistical section on pages 70 through 87 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2022, on our consideration of the District'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 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 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 District's internal control over financial reporting and compliance. That report can be found on pages 88 and 89.

Fedak & Brown LLP
Cypress, California
November 2, 2022

Phelan Piñon Hills Community Services District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The following Management’s Discussion and Analysis (MD&A) of activities and financial performance of the Phelan Piñon Hills Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2022, the District’s net position increased by 6.14% or \$3,096,412 to \$53,520,611 as a result of ongoing operations.
- In 2022, the District’s total revenues increased 5.90% or \$640,267 to \$11,493,429.
- In 2022, the District’s total expenses decreased by 10.87% or \$1,024,573 to \$8,397,017.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District’s investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year’s revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the District’s operations over the past year and can be used to determine the District’s profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District’s finances is, “Is the District better off or worse off as a result of this year’s activities?” The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District’s *net position* and changes in it. Think of the District’s net position – assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District’s financial health, or *financial position*. Over time, *increases or decreases* in the District’s net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in the District’s property tax base and the types of grants the District applies for to assess the *overall financial health* of the District.

**Phelan Piñon Hills Community Services District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022**

Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 32 through 62.

Government-wide Financial Analysis

Statements of Net Position

The following table is a summary of the statement of net position at June 30, 2022.

| | Condensed Statements of Net Position | | | | | |
|---------------------------------------|---------------------------------------------|-----------------------------|---------------------------------|-------------------|-----------------------|-----------------------------|
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total District</u> | |
| | <u>2022</u> | <u>As Restated 2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>As Restated 2021</u> |
| Assets: | | | | | | |
| Current assets | \$ 8,525,081 | 7,673,451 | 14,261,106 | 15,205,198 | 22,786,187 | 22,878,649 |
| Non-current assets | 288,471 | 402,834 | 485,261 | 18,670 | 773,732 | 421,504 |
| Capital assets, net | 3,932,315 | 3,888,889 | 37,633,893 | 38,092,571 | 41,566,208 | 41,981,460 |
| Total assets | <u>12,745,867</u> | <u>11,965,174</u> | <u>52,380,260</u> | <u>53,316,439</u> | <u>65,126,127</u> | <u>65,281,613</u> |
| Deferred outflows of resources | <u>100,590</u> | <u>37,826</u> | <u>905,311</u> | <u>340,423</u> | <u>1,005,901</u> | <u>378,249</u> |
| Liabilities: | | | | | | |
| Current liabilities | 106,542 | 118,337 | 1,615,860 | 3,457,649 | 1,722,402 | 3,575,986 |
| Non-current liabilities | 9,271 | 8,770 | 10,440,460 | 11,053,988 | 10,449,731 | 11,062,758 |
| Total liabilities | <u>115,813</u> | <u>127,107</u> | <u>12,056,320</u> | <u>14,511,637</u> | <u>12,172,133</u> | <u>14,638,744</u> |
| Deferred inflows of resources | <u>384,867</u> | <u>(210,124)</u> | <u>54,417</u> | <u>49,401</u> | <u>439,284</u> | <u>(160,723)</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 3,932,315 | 3,888,889 | 26,668,410 | 26,472,413 | 30,600,725 | 30,361,302 |
| Unrestricted | 8,413,462 | 7,439,486 | 14,506,424 | 12,623,411 | 22,919,886 | 20,062,897 |
| Total net position | <u>\$ 12,345,777</u> | <u>11,328,375</u> | <u>41,174,834</u> | <u>39,095,824</u> | <u>53,520,611</u> | <u>50,424,199</u> |

**Phelan Piñon Hills Community Services District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022**

Government-wide Financial Analysis, continued

Statements of Net Position, continued

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,520,611 as of June 30, 2022. The District's total net position is made-up of two components: (1) net investment in capital assets and (2) unrestricted net position.

Statements of Activities

The following table is a summary of the statement of activities for the year ended June 30, 2022.

| | Condensed Statements of Activities | | | | | |
|-----------------------------------------------------------|-------------------------------------------|-----------------------------|---------------------------------|-------------------|-----------------------|-----------------------------|
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total District</u> | |
| | <u>2022</u> | <u>As Restated 2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>As Restated 2021</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 239,518 | 181,104 | 8,799,614 | 8,472,683 | 9,039,132 | 8,653,787 |
| General revenues: | | | | | | |
| Property taxes | 1,494,147 | 1,387,911 | 22,612 | 17,825 | 1,516,759 | 1,405,736 |
| Interest earnings, net | - | 53,388 | - | - | - | 53,388 |
| Other | 342,798 | 304,347 | 594,740 | 435,904 | 937,538 | 740,251 |
| Total revenues | <u>2,076,463</u> | <u>1,926,750</u> | <u>9,416,966</u> | <u>8,926,412</u> | <u>11,493,429</u> | <u>10,853,162</u> |
| Expenses: | | | | | | |
| General | 28,752 | 4,953 | - | - | 28,752 | 4,953 |
| Parks and recreation | 437,980 | 491,166 | - | - | 437,980 | 491,166 |
| Street lighting | 16,563 | 15,840 | - | - | 16,563 | 15,840 |
| Solid waste | 63,491 | 20,387 | - | - | 63,491 | 20,387 |
| Water | - | - | 7,510,341 | 8,889,244 | 7,510,341 | 8,889,244 |
| Interest expense – investments, net | 75,411 | - | 264,479 | - | 339,890 | - |
| Total expenses | <u>622,197</u> | <u>532,346</u> | <u>7,774,820</u> | <u>8,889,244</u> | <u>8,397,017</u> | <u>9,421,590</u> |
| Excess before transfers | 1,454,266 | 1,394,404 | 1,642,146 | 37,168 | 3,096,412 | 1,431,572 |
| Transfers from(to) other funds | <u>(436,864)</u> | <u>(440,000)</u> | <u>436,864</u> | <u>440,000</u> | <u>-</u> | <u>-</u> |
| Change in net position | 1,017,402 | 954,404 | 2,079,010 | 477,168 | 3,096,412 | 1,431,572 |
| Net position, beginning of period, as restated | <u>11,328,375</u> | <u>10,373,971</u> | <u>39,095,824</u> | <u>38,618,656</u> | <u>50,424,199</u> | <u>48,992,627</u> |
| Net position, end of period | <u>\$ 12,345,777</u> | <u>11,328,375</u> | <u>41,174,834</u> | <u>39,095,824</u> | <u>53,520,611</u> | <u>50,424,199</u> |

Compared to prior year, net position of the District increased 6.14% or \$3,096,412 to \$53,520,611 as a result of ongoing operations.

Total revenues increased 5.90% or \$640,267 to \$11,493,429. The District's program revenues increased by \$385,345, due primarily to increases of \$347,961 in monthly meter service charge, \$251,198 in water consumption sales, which were offset by a decrease of \$279,309 in other charges for services. The District's general revenues increased by \$254,922, due primarily to increases of \$197,287 in other income, \$111,023 in property taxes, which were offset by a decrease of \$53,388 in interest earnings due to year-end fair value adjustments.

**Phelan Piñon Hills Community Services District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022**

Government-wide Financial Analysis, continued

Statements of Activities, continued

Total expenses decreased by 10.87% or \$1,024,573 to \$8,397,017 due primarily to decreases of \$609,944 in general and administrative, \$150,653 in pumping – utilities, net of solar credits, \$264,479 in interest expense related to long-term debt, and \$132,430 in interest expense related to investments, net of fair value, which were offset by an increase of \$189,017 in transmission and distribution.

Changes in Fund Balance – Governmental Funds

The following table is a summary of the changes in fund balance for all governmental funds for the year ended June 30, 2022.

Condensed Changes in Fund Balance - Governmental Funds

| | <u>General</u> | <u>Parks and Recreation</u> | <u>Street Lighting</u> | <u>Solid Waste</u> | <u>Total Governmental Activities</u> |
|---------------------------------|---------------------|-------------------------------------|----------------------------|------------------------|----------------------------------------------|
| Fund balance, beginning of year | \$ 2,630,438 | 4,659,100 | 22,800 | 94,783 | 7,407,121 |
| Change in fund balance | 540,117 | 311,699 | (384) | 3,050 | 854,482 |
| Fund balance, end of year | <u>\$ 3,170,555</u> | <u>4,970,799</u> | <u>22,416</u> | <u>97,833</u> | <u>8,261,603</u> |

In 2022, total fund balance increased by 11.54% or \$854,482 to \$8,261,603. The General fund increased by 20.53% or \$540,117 to \$3,170,555 due primarily to revenues exceeding expenditures and transfers out. The Parks and Recreation fund increased by 6.69% or \$311,699 to \$4,970,799 due primarily to revenues exceeding expenditures and transfers in. The Street Lighting fund decreased 1.68% or \$384 to \$22,416, and the solid waste fund increased by 3.22% or \$3,050 to \$97,833.

Capital Asset Administration

Capital Assets

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total District</u> | |
|----------------------------------|--------------------------------|--------------------|---------------------------------|---------------------|-----------------------|---------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Capital assets: | | | | | | |
| Non-depreciable assets | \$ 3,370,541 | 3,278,756 | 18,766,947 | 19,273,599 | 22,137,488 | 22,552,355 |
| Depreciable assets | <u>2,140,729</u> | <u>2,098,500</u> | <u>50,350,432</u> | <u>48,960,124</u> | <u>52,491,161</u> | <u>51,058,624</u> |
| Total capital assets | 5,511,270 | 5,377,256 | 69,117,379 | 68,233,723 | 74,628,649 | 73,610,979 |
| Accumulated depreciation | <u>(1,578,955)</u> | <u>(1,488,367)</u> | <u>(31,483,486)</u> | <u>(30,141,152)</u> | <u>(33,062,441)</u> | <u>(31,629,519)</u> |
| Total capital assets, net | <u>\$ 3,932,315</u> | <u>3,888,889</u> | <u>37,633,893</u> | <u>38,092,571</u> | <u>41,566,208</u> | <u>41,981,460</u> |

At the end of fiscal year 2022, the District's capital assets (net of accumulated depreciation) amounted to \$41,566,208. Capital assets includes land, buildings, building improvements, furnishings and equipment, collection and distribution systems, tanks, wells, water transmission and distribution systems, and construction-in-process. The capital assets of the District are more fully analyzed in Note 4 to the basic financial statements.

**Phelan Piñon Hills Community Services District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022**

Long-Term Debt Administration

| | | Long-term Debt | | | | | |
|-----------------------------|-----------|--------------------------------|-------------|---------------------------------|-------------------|-------------------|-------------------|
| | | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
| | | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Long-term debt: | | | | | | | |
| Long-term debt | \$ | - | - | 10,965,483 | 11,620,158 | 10,965,483 | 11,620,158 |
| Total long-term debt | \$ | - | - | 10,965,483 | 11,620,158 | 10,965,483 | 11,620,158 |

Long-term debt decreased by 5.63% or \$654,675 to \$10,965,483 in 2022 primarily due to regular debt service payments. The long-term debt position of the District is more fully analyzed in Note 6 to the basic financial statements.

Conditions Affecting Current Financial Position

The COVID-19 pandemic in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. Consequently, the related financial impact on the District and the duration cannot be estimated at this time.

Management is unaware of any other conditions, which could have a significant impact on the District’s current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the District’s present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District’s finances and to demonstrate the District’s accountability with an overview of the District’s financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District’s Assistant General Manager/CFO, Lori Lowrance, at Phelan Pinon Hills Community Services District, 4176 Warbler Road, Phelan, California, 92371 or (760) 868-1212.



Draft for Board Approval

Basic Financial Statements

Draft for Board Approval

Phelan Piñon Hills Community Services District
Statement of Net Position
June 30, 2022

| | Governmental Activities | Business-type Activities | Total |
|----------------------------------------------------|------------------------------------|-------------------------------------|-------------------|
| Current assets: | | | |
| Cash and cash equivalents (note 2) | \$ 8,268,490 | 12,515,435 | 20,783,925 |
| Accrued interest receivable | - | 38,714 | 38,714 |
| Accounts receivable – water sales and services | - | 888,445 | 888,445 |
| Accounts receivable – other | 43,415 | 46,703 | 90,118 |
| Leases receivable (note 3) | 166,207 | - | 166,207 |
| Property taxes and assessments receivable | 46,969 | 125,272 | 172,241 |
| Materials and supplies inventory | - | 312,378 | 312,378 |
| Prepays and other assets | - | 334,159 | 334,159 |
| Total current assets | <u>8,525,081</u> | <u>14,261,106</u> | <u>22,786,187</u> |
| Non-current assets: | | | |
| Leases receivable (note 3) | 234,551 | - | 234,551 |
| Capital assets – not being depreciated (note 4) | 3,370,541 | 18,766,947 | 22,137,488 |
| Capital assets – being depreciated, net (note 4) | 561,774 | 18,866,946 | 19,428,720 |
| Net pension asset (note 7) | 53,920 | 485,261 | 539,181 |
| Total non-current assets | <u>4,220,786</u> | <u>38,119,154</u> | <u>42,339,940</u> |
| Total assets | <u>12,745,867</u> | <u>52,380,260</u> | <u>65,126,127</u> |
| Deferred outflows of resources: | | | |
| Deferred pension outflows (note 7) | <u>100,590</u> | <u>905,311</u> | <u>1,005,901</u> |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 67,566 | 557,344 | 624,910 |
| Accrued salaries and related payables | 12,114 | 127,868 | 139,982 |
| Customer deposits and unearned revenue | 17,591 | 97,084 | 114,675 |
| Accrued interest on long-term debt | - | 107,685 | 107,685 |
| Long-term liabilities – due within one year: | | | |
| Compensated absences (note 5) | 9,271 | 100,428 | 109,699 |
| Long-term debt (note 6) | - | 625,451 | 625,451 |
| Total current liabilities | <u>106,542</u> | <u>1,615,860</u> | <u>1,722,402</u> |
| Non-current liabilities: | | | |
| Long-term liabilities – due in more than one year: | | | |
| Compensated absences (note 5) | 9,271 | 100,428 | 109,699 |
| Long-term debt (note 6) | - | 10,340,032 | 10,340,032 |
| Total non-current liabilities | <u>9,271</u> | <u>10,440,460</u> | <u>10,449,731</u> |
| Total liabilities | <u>115,813</u> | <u>12,056,320</u> | <u>12,172,133</u> |
| Deferred inflows of resources: | | | |
| Deferred pension inflows (note 7) | 6,046 | 54,417 | 60,463 |
| Deferred lease inflows (note 3) | 378,821 | - | 378,821 |
| Total deferred inflows of resources | <u>384,867</u> | <u>54,417</u> | <u>439,284</u> |
| Net position (note 8): | | | |
| Net investment in capital assets | 3,932,315 | 26,668,410 | 30,600,725 |
| Unrestricted | 8,413,462 | 14,506,424 | 22,919,886 |
| Total net position | <u>\$ 12,345,777</u> | <u>41,174,834</u> | <u>53,520,611</u> |

See accompanying notes to the basic financial statements

Phelan Piñon Hills Community Services District
Statement of Activities
For the Fiscal Year Ended June 30, 2022

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
|----------------------------------------------------------------|---------------------|----------------------|----------------------------------|---------------------------------------------------|--------------------------|-------------------|
| | | Charges for Services | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | |
| General | \$ 28,752 | 227,963 | - | 199,211 | - | 199,211 |
| Parks and recreation | 437,980 | 11,555 | - | (426,425) | - | (426,425) |
| Street lighting | 16,563 | - | - | (16,563) | - | (16,563) |
| Solid waste | 63,491 | - | - | (63,491) | - | (63,491) |
| Total governmental activities | 546,786 | 239,518 | - | (307,268) | - | (307,268) |
| Business-type activities: | | | | | | |
| Water | 7,510,341 | 8,799,614 | - | - | 1,289,273 | 1,289,273 |
| Total business-type activities | 7,510,341 | 8,799,614 | - | - | 1,289,273 | 1,289,273 |
| Total | \$ 8,057,127 | 9,039,132 | - | (307,268) | 1,289,273 | 982,005 |
| General revenues(expense): | | | | | | |
| Property taxes | | | | \$ 1,494,147 | 22,612 | 1,516,759 |
| Interest expense – investments, net | | | | (75,411) | (264,479) | (339,890) |
| Other | | | | 342,798 | 594,740 | 937,538 |
| Total general revenues, net | | | | 1,761,534 | 352,873 | 2,114,407 |
| Transfers (to)from other funds (note 9) | | | | (436,864) | 436,864 | - |
| Change in net position | | | | 1,017,402 | 2,079,010 | 3,096,412 |
| Net position, beginning of year – as restated (note 10) | | | | 11,328,375 | 39,095,824 | 50,424,199 |
| Net position, end of year | | | | \$ 12,345,777 | 41,174,834 | 53,520,611 |

See accompanying notes to the basic financial statements

Phelan Piñon Hills Community Services District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

| | <u>General</u> | <u>Parks and Recreation</u> | <u>Street Lighting</u> | <u>Solid Waste</u> | <u>Total Governmental Funds</u> |
|-------------------------------------------|---------------------|-------------------------------------|----------------------------|------------------------|-----------------------------------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 3,120,467 | 5,036,742 | 31,186 | 80,095 | 8,268,490 |
| Accounts receivable – services | 20,757 | 480 | - | 22,178 | 43,415 |
| Property taxes and assessments receivable | 46,969 | - | - | - | 46,969 |
| Total assets | \$ 3,188,193 | 5,037,222 | 31,186 | 102,273 | 8,358,874 |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 137 | 56,853 | 8,770 | 1,806 | 67,566 |
| Accrued salaries and related payables | - | 9,480 | - | 2,634 | 12,114 |
| Customer deposits and unearned revenue | 17,501 | 90 | - | - | 17,591 |
| Total liabilities | 17,638 | 66,423 | 8,770 | 4,440 | 97,271 |
| Fund balance (note 11): | | | | | |
| Assigned | - | 4,970,799 | 22,416 | 97,833 | 5,091,048 |
| Unassigned | 3,170,555 | - | - | - | 3,170,555 |
| Total fund balance | 3,170,555 | 4,970,799 | 22,416 | 97,833 | 8,261,603 |
| Total liabilities and fund balance | \$ 3,188,193 | 5,037,222 | 31,186 | 102,273 | 8,358,874 |

Reconciliation:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Fund balance of total governmental funds | \$ 8,261,603 |
| Amounts reported for governmental funding in the statement of net position is different because: | |
| Certain assets used in governmental funding are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. All assets both current and non-current are reported in the Statement of Net Position as follows: | |
| Leases receivable | 400,758 |
| Capital assets | 3,932,315 |
| Net pension asset | 53,920 |
| Pension contributions made during the fiscal year after the measurement date are reported as expenditures in governmental funds and as deferred outflows of resources in the government-wide financial statements. | \$ 33,666 |
| Recognized portion due to net differences between the actual employer contribution and the proportionate share of contribution are reported as deferred outflows of resources in the government-wide financial statements. | 12,886 |
| Recognized net difference between projected and actual earnings on pension plan investments are reported as deferred outflows of resources in the government-wide financial statements. | 47,068 |
| Recognized portion due to net differences in proportions are reported as deferred outflows of resources in the government-wide financial statements. | 6,970 |
| Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position as follows: | |
| Compensated absences | (18,542) |
| Recognized portion due to net differences between the expected and actual experience are reported as deferred inflows of resources in the government-wide financial statements. | (6,046) |
| Recognized portion due to lessor agreements are reported as deferred inflows of resources in the government-wide financial statements. | (378,821) |
| Net position of governmental activities | \$ 12,345,777 |

See accompanying notes to the basic financial statements

Phelan Piñon Hills Community Services District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

| | <u>General</u> | <u>Parks and Recreation</u> | <u>Street Lighting</u> | <u>Solid Waste</u> | <u>Total Governmental Funds</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------------|----------------------------|------------------------|-----------------------------------------|
| Revenues: | | | | | |
| Property taxes | \$ 777,641 | 700,327 | 16,179 | - | 1,494,147 |
| Charges for services | 227,963 | 11,555 | - | - | 239,518 |
| Other | 129 | 128 | - | 342,541 | 342,798 |
| Total revenues | <u>1,005,733</u> | <u>712,010</u> | <u>16,179</u> | <u>342,541</u> | <u>2,076,463</u> |
| Expenditures: | | | | | |
| General | 10,505 | - | - | - | 10,505 |
| Parks and recreation | - | 485,741 | - | - | 485,741 |
| Street lighting | - | - | 16,181 | - | 16,181 |
| Solid waste | - | - | - | 63,265 | 63,265 |
| Interest expense – investments, net | 18,247 | 56,556 | 382 | 226 | 75,411 |
| Capital outlay | - | 134,014 | - | - | 134,014 |
| Total expenditures | <u>28,752</u> | <u>676,311</u> | <u>16,563</u> | <u>63,491</u> | <u>785,117</u> |
| Excess(deficiency) of revenues over expenditures | <u>976,981</u> | <u>35,699</u> | <u>(384)</u> | <u>279,050</u> | <u>1,291,346</u> |
| Other financing sources(uses) (note 9): | | | | | |
| Transfers in – operational | - | 276,000 | - | - | 276,000 |
| Transfers (out) – operational | (436,864) | - | - | (276,000) | (712,864) |
| Total other financing sources(uses) | <u>(436,864)</u> | <u>276,000</u> | <u>-</u> | <u>(276,000)</u> | <u>(436,864)</u> |
| Change in fund balance | 540,117 | 311,699 | (384) | 3,050 | 854,482 |
| Fund balance, beginning of year | <u>2,630,438</u> | <u>4,659,100</u> | <u>22,800</u> | <u>94,783</u> | <u>7,407,121</u> |
| Fund balance, end of year | <u>\$ 3,170,555</u> | <u>4,970,799</u> | <u>22,416</u> | <u>97,833</u> | <u>8,261,603</u> |
| Reconciliation: | | | | | |
| Net change in fund balance of total governmental funds | | | | \$ | 854,482 |
| Amounts reported for governmental activities in the statement of activities are different because: | | | | | |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows: | | | | | |
| Capital outlay expense | | | | | 134,014 |
| Depreciation expense | | | | | (90,588) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows: | | | | | |
| Net change in compensated absences for the current period | | | | | (1,002) |
| Net change in pension obligations for the current period | | | | | <u>129,525</u> |
| Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds as follows: | | | | | |
| Net change in lease receivables for the current period | | | | | <u>(9,029)</u> |
| Change in net position of governmental activities | | | | \$ | <u>1,017,402</u> |

See accompanying notes to the basic financial statements

Phelan Piñon Hills Community Services District
Statement of Net Position – Enterprise Fund
June 30, 2022

| | Water Enterprise |
|----------------------------------------------------|-----------------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 12,515,435 |
| Accrued interest receivable | 38,714 |
| Accounts receivable – water sales and services | 888,445 |
| Accounts receivable – other | 46,703 |
| Property taxes and assessments receivable | 125,272 |
| Materials and supplies inventory | 312,378 |
| Prepays and other assets | 334,159 |
| Total current assets | 14,261,106 |
| Non-current assets: | |
| Capital assets – not being depreciated | 18,766,947 |
| Capital assets – being depreciated, net | 18,866,946 |
| Net pension asset (note 6) | 485,261 |
| Total non-current assets | 38,119,154 |
| Total assets | 52,380,260 |
| Deferred outflows of resources: | |
| Deferred pension outflows | 905,311 |
| Current liabilities: | |
| Accounts payable and accrued expenses | 557,344 |
| Accrued salaries and related payables | 127,868 |
| Customer deposits and deferred revenue | 97,084 |
| Accrued interest on long-term debt | 107,685 |
| Long-term liabilities – due within one year: | |
| Compensated absences | 100,428 |
| Long-term debt | 625,451 |
| Total current liabilities | 1,615,860 |
| Non-current liabilities: | |
| Long-term liabilities – due in more than one year: | |
| Compensated absences | 100,428 |
| Long-term debt | 10,340,032 |
| Total non-current liabilities | 10,440,460 |
| Total liabilities | 12,056,320 |
| Deferred inflows of resources: | |
| Deferred pension inflows | 54,417 |
| Net position: | |
| Net investment in capital assets | 26,668,410 |
| Unrestricted | 14,506,424 |
| Total net position | \$ 41,174,834 |

See accompanying notes to the basic financial statements

Phelan Piñon Hills Community Services District
Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Fund
For the Fiscal Year Ended June 30, 2022

| | Water Enterprise |
|--------------------------------------------------------|-----------------------------|
| Operating revenues: | |
| Water consumption sales | \$ 4,067,062 |
| Monthly meter service charge | 2,780,977 |
| Chromium-6 surcharge (note 12) | 834,553 |
| Special assessment | 287,748 |
| Other charges and services | 829,274 |
| Total operating revenues | 8,799,614 |
| Operating expenses: | |
| Source of supply – water related purchases | 15,089 |
| Pumping – utilities | 1,537,723 |
| Pumping – solar credits | (577,786) |
| Transmission and distribution | 1,473,907 |
| General and administrative | 3,114,810 |
| Total operating expenses | 5,563,743 |
| Operating income before depreciation | 3,235,871 |
| Depreciation | (1,796,263) |
| Operating income | 1,439,608 |
| Non-operating revenues (expenses): | |
| Property taxes | 22,612 |
| Interest expense – long-term debt | (132,430) |
| Interest expense – investments, net | (264,479) |
| Source of supply – settlement (note 13) | 44,473 |
| Water pipeline location service charges | 11,292 |
| Solar electricity credits, net of charges – prior year | 255,666 |
| Other non-operating revenues | 283,309 |
| Other non-operating expenses | (17,905) |
| Total non-operating revenues, net | 202,538 |
| Net income before transfers | 1,642,146 |
| Transfers from other funds | 436,864 |
| Change in net position | 2,079,010 |
| Net position, beginning of year | 39,095,824 |
| Net position, end of year | \$ 41,174,834 |

See accompanying notes to the basic financial statements

Phelan Piñon Hills Community Services District
Statement of Cash Flows – Enterprise Fund
For the Fiscal Year Ended June 30, 2022

| | <u>Water Enterprise</u> |
|------------------------------------------------------------------|-----------------------------|
| Cash flows from operating activities: | |
| Cash receipts from customers | \$ 9,299,748 |
| Cash paid to employees | (2,338,161) |
| Cash paid to vendors and suppliers | <u>(5,882,826)</u> |
| Net cash provided by operating activities | <u>1,078,761</u> |
| Cash flows from non-capital financing activities: | |
| Proceeds from property taxes | 16,038 |
| Transfer of property tax revenue from General fund | 436,864 |
| Proceeds from water pipeline location service charges | <u>11,292</u> |
| Net cash provided by non-capital financing activities | <u>464,194</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | (1,337,585) |
| Principal payments on long-term debt | (654,675) |
| Interest payments on long-term debt | <u>(225,304)</u> |
| Net cash used in capital and financing activities | <u>(2,217,564)</u> |
| Cash flows from investing activities: | |
| Interest earnings | <u>(156,253)</u> |
| Net cash used in investing activities | <u>(156,253)</u> |
| Net decrease in cash and cash equivalents | <u>(830,862)</u> |
| Cash and cash equivalents, beginning of year | <u>13,346,297</u> |
| Cash and cash equivalents, end of year | <u>\$ 12,515,435</u> |

Continued on next page

See accompanying notes to the basic financial statements

**Phelan Piñon Hills Community Services District
Statement of Cash Flows – Enterprise Fund, continued
For the Fiscal Year Ended June 30, 2022**

| | <u>Water Enterprise</u> |
|--------------------------------------------------------------------------------------------------------------|-----------------------------|
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ <u>1,439,608</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 1,796,263 |
| Source of supply – settlement | 44,473 |
| Solar electricity credits, net of charges – prior year | 255,666 |
| Other non-operating revenues | 283,309 |
| Other non-operating expenses | (17,905) |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources | |
| (Increase) decrease in assets and deferred outflows: | |
| Accounts receivable – water sales and services | 171,571 |
| Accounts receivable – other | 17,603 |
| Materials and supplies inventory | (11,093) |
| Prepays and other assets | (34,454) |
| Net pension asset | (466,591) |
| Deferred outflows of resources | (564,888) |
| Increase (decrease) in liabilities and deferred inflows: | |
| Accounts payable and accrued expenses | (1,332,392) |
| Accrued salaries and related payables | 25,499 |
| Customer deposits and deferred revenue | 27,651 |
| Due to other agency | (584,541) |
| Compensated absences | 23,966 |
| Deferred inflows of resources | <u>5,016</u> |
| Total adjustments | <u>(360,847)</u> |
| Net cash provided by operating activities | \$ <u>1,078,761</u> |
| Non-cash investing, capital and financing transactions: | |
| Change in fair value of investments | \$ <u>(268,771)</u> |

See accompanying notes to the basic financial statements

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements
June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Phelan Piñon Hills Community Service District (District) was established through an election on February 5, 2008. With an 81% approval rating, the voters approved the formation of the District as a consolidation of three San Bernardino County Special District Service Areas of: Zone-L70 Water, CSA-9 Phelan Parks and Street Lighting, and CSA56-F1 Piñon Hills Parks. The San Bernardino County Special District Service Areas named above transferred \$31,439,131 in net assets to form the District.

This consolidation enabled the communities of Phelan and Piñon Hills to establish a form of self-governance while maintaining their individual rural integrity. The 128 square mile District is the largest Community Service District in San Bernardino County.

The primary component of the District is water service to over 7,100 connections. Parks and recreation are a vital component to any community. As part of the District there are two community centers. These centers are utilized for a wide range of activities and are available to the community for a nominal fee. Adjacent to the centers are two parks that have picnic tables, playgrounds, and two basketball courts. They are available from morning until dusk. The street lights serve primarily the business district of the District. The street lights are not owned by the District, but the District pays for the electricity use costs for the street lights.

The District normally conducts two monthly general meetings of the Board of Directors which are held on the first and third Wednesdays of the month in the Phelan Community Center.

B. Basis of Accounting and Measurement Focus

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the District's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services are recorded at year end. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the District are charges for services directly related to the operations of the District. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes, operating grants, and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The accrual basis of accounting is followed by the proprietary enterprise funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as unbilled but utilized utility services recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. 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 flows take place. Operating revenues and expenses, such as water sales and purchases of water, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) The entity has determined that a fund is important to the financial statement user.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Parks and Recreation – This fund is used to account for all parks and recreation activities within the District.

Street Lighting – This fund is used to account for all street lighting activities within the District.

Solid Waste – This fund is used to account for sanitation collection and recycling activities within the District.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Enterprise Fund

Water – This fund accounts for the water transmission and distribution operations of the District.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncements in the current year:

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of Annual Comprehensive Financial Report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for Annual Comprehensive Financial Report sounds like a profoundly objectionable racial slur. This Statement’s introduction of the new term is founded on a commitment to promoting inclusiveness.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District’s cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments

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 or sale of investments.

- State of California Local Area Investment Fund (LAIF)

LAIF is regulated by California Government Code (Code) Section 16429 and is under the management of the State of California Treasurer’s Office with oversight provided by the Local Agency Investment Advisory Board.

LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. The fair value of the District’s position in the LAIF is the same as the value of its pooled share. Investments in securities of the U.S. government or its agencies are carried at fair value based on quoted market prices. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the District’s deposits with the bank in accordance with the Code.

4. Accounts Receivable – Water Sales and Services

The District extends credit to customers in the normal course of operations. Management views all accounts receivable as collectible.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

5. Property Taxes and Assessments

The San Bernardino County Assessor's Office assesses all real and personal property within the County each year. The San Bernardino County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The San Bernardino County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by the San Bernardino County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

| | |
|------------------|---------------------------|
| Lien date | March 1 |
| Levy date | July 1 |
| Due dates | November 1 and February 1 |
| Collection dates | December 10 and April 10 |

6. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipe, and pipe fittings for construction and repair to the District's water transmission and distribution system. 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.

7. Prepaids

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

8. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Governmental Activities

- Infrastructure, street lighting – 30 to 40 years
- Vehicles and equipment – 5 to 10 years

Business-Type Activities

- Facility and systems – 10 to 40 years
- Vehicles and equipment – 5 to 10 years

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

9. Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets applicable to future periods and, therefore, will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following pension related items that qualify for reporting in this category:

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension asset. This amount will be amortized-in-full against the net pension asset in the next fiscal year.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over a 5 year period.
- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in actual and proportionate share of employer contribution, which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

10. Compensated Absences

Accrued Vacation – For each full time, (30 hours per week) employee, vacation days shall be earned per biweekly pay period. From year 1 through 4 years of employment, 80 vacation hours are earned, from year 5 through year 9, 120 vacation hours are earned, from year 10 through year 20, 160 vacation hours are earned, and after 20 years, 200 vacation hours are earned.

Part-time regular employees shall earn vacation prorated on actual hours worked. Exempt positions will, at the time of hire, begin at two (2) weeks per year. Vacation time may be accumulated up to a maximum of 160 hours (4 weeks). An employee may, at the discretion of the District, receive pay on their anniversary date for a maximum of forty (40) hours of his or her earned vacation instead of taking time off. New employees will not be authorized vacation time off until completion of one (1) year of continuous employment. If employment is terminated for any reason, the earned vacation will be paid through the last day of employment.

Accrued Sick Leave – Beginning with the date of employment, sick leave (at 3.69 hours per pay period) shall be credited to the employee. The biweekly pay record will reflect the current sick leave accumulation for each employee. Sick leave is not considered to be vacation and is to be used only during illness or injury. If sick leave is used up due to illness or injury, vacation can be used. An employee with no sick leave or vacation credit shall not receive compensation for days not worked due to illness or injury. Abuse of sick leave is grounds for discipline, up to and including dismissal.

Sick leave may be accumulated up to a maximum of 120 hours. After 120 hours are accumulated, an employee will receive, in December, 100% of the value of the unused sick leave, which exceeds the 120 hours maximum. At the end of each year's employment (anniversary date), 10% of the total accumulated sick leave shall vest in and become the property of the employee subject only to the employee's leaving the District under any condition other than discharge for cause. Upon retirement or resignation from the District, the employee shall be paid 10% for each year of service of the accumulated sick leave.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

11. Pensions

For purposes of measuring the net pension asset and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when 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: June 30, 2020
- Measurement Date: June 30, 2021
- Measurement Period: July 1, 2020 to June 30, 2021

12. Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of net assets applicable to future periods and, therefore, will *not* be recognized as an inflow of resources (revenue) until that time. The District has the following pension related items that qualify for reporting in this category:

- Deferred inflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

13. Net Position

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

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

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

14. Fund Balance

The financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

15. Water Sales and Services

Water sales are billed on a monthly basis. Estimated unbilled water revenue through June 30 has been accrued at year-end for the enterprise funds.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

16. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital connection expenditures or capacity commitment.

17. Reclassification

The District has reclassified certain prior year information to conform to current year presentations.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30 are classified as follows:

| | 2022 |
|---------------------------------|---------------|
| Governmental activity funds: | |
| General fund | \$ 3,120,467 |
| Parks and recreation fund | 5,036,742 |
| Street lighting fund | 31,186 |
| Solid waste fund | 80,095 |
| Total | 8,268,490 |
| Business-type activity funds: | |
| Water fund | 12,515,435 |
| Total cash and cash equivalents | \$ 20,783,925 |

Cash and cash equivalents as of June 30 consisted of the following:

| | 2022 |
|-------------------------------------------------------------------|---------------|
| Cash on hand | \$ 2,000 |
| Deposits held with financial institutions | 169,617 |
| Deposits held with San Bernardino County Treasurer | 5,015 |
| Deposits held with California Local Agency Investment Fund (LAIF) | 20,607,293 |
| Total | \$ 20,783,925 |

As of June 30 the District's authorized deposits had the following maturities:

| | 2022 |
|-------------------------------------------------------------------|-------------|
| Deposits held with California Local Agency Investment Fund (LAIF) | 311 days |

Authorized Deposits and Investments

The District's investment policy authorizes investments in certificates-of-deposit and the California Local Agency Investment Fund (LAIF). The District's investment policy does contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(2) Cash and Cash Equivalents, continued

Investment in the California State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District'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. Amounts held with LAIF are highly liquid, as deposits can be converted to cash within a twenty-four-hour period without loss of accrued interest. LAIF detail may be obtained from the State of California Treasurer's website at www.treasurer.ca.gov/pmia-laif/index.asp.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of 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 California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the District's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the code.

The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) 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 Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(2) Cash and Cash Equivalents, continued

Credit Risk

Generally, credit risk is the risk 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; however, LAIF is not rated.

Concentration of Credit Risk

The District’s investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District’s deposit portfolio with a government-sponsored agency, LAIF, is 99% of the District’s total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5.0% or more of the District’s total investments.

(3) Leases Receivable

Governmental Activities:

Changes in leases receivable at June 30 were as follows:

| | Restated Balance 2021 | Additions | Principal Payments | Balance 2022 | Deferred Inflows |
|---------------------------|--------------------------------------|------------------|-------------------------------|-------------------------|-----------------------------|
| C & G Partners | \$ 409,113 | - | (111,523) | \$ 297,590 | \$ (281,348) |
| Circle Green | 148,408 | - | (45,240) | 103,168 | (97,473) |
| Total leases receivable | 557,521 | - | (156,763) | 400,758 | \$ (378,821) |
| Less: current portion | (156,763) | | | (166,207) | |
| Total non-current portion | \$ 400,758 | | | \$ 234,551 | |

C & G Partners

On November 7, 2018, the District entered into a lease agreement with C & G Partners LLC (C&G), whereby C&G has agreed to pay the District for approximately 106 acres of real property known as “Home Field” and approximately 160 acres of real property known as “George’s Field” for the purpose of developing the property to operate various types of emerging green technologies, including; composting, food waste digestion, organic farming, and possibly green power generation. The terms of the agreement require C&G to pay the District in monthly installments through November 2024. Monthly installments are adjusted annually at 3.00% following the anniversary of the lease commencement date

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 2.70%. The deferred lease inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2022, deferred lease inflows were reported at \$281,348.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(3) Leases Receivable, continued

Governmental Activities, continued:

C & G Partners, continued

Future payments to be received and deferred inflows as of June 30, 2022, are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Deferred Inflows</u> |
|-----------------------|-------------------|-----------------|----------------|-------------------------|
| 2023 | \$ 118,252 | 6,590 | 124,842 | \$ (116,420) |
| 2024 | 125,277 | 3,311 | 128,588 | (116,420) |
| 2025 | <u>54,061</u> | <u>367</u> | <u>54,428</u> | <u>(48,508)</u> |
| Totals | 297,590 | <u>10,268</u> | <u>307,858</u> | <u>\$ (281,348)</u> |
| Less: current portion | <u>(118,252)</u> | | | |
| Total non-current | <u>\$ 179,338</u> | | | |

Circle Green

On July 18, 2018, the District entered into a lease agreement with Circle Green Inc. (Circle Green), whereby Circle Green has agreed to pay the District for approximately 157 acres of real property at 17900 Sheep Creek Road for the purpose of site management, composting, and other related activities. The terms of the agreement require Circle Green to pay the District in monthly installments through July 2024. Monthly installments are adjusted annually at 3.00% following the anniversary of the lease commencement date

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 2.70%. The deferred lease inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2022, deferred lease inflows were reported at \$97,473.

Future payments to be received and deferred inflows as of June 30, 2022, are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Deferred Inflows</u> |
|-----------------------|------------------|-----------------|----------------|-------------------------|
| 2023 | \$ 47,955 | 2,195 | 50,150 | \$ (46,787) |
| 2024 | 50,789 | 865 | 51,654 | (46,787) |
| 2025 | <u>4,424</u> | <u>10</u> | <u>4,434</u> | <u>(3,899)</u> |
| Totals | 103,168 | <u>3,070</u> | <u>106,238</u> | <u>\$ (97,473)</u> |
| Less: current portion | <u>(47,955)</u> | | | |
| Total non-current | <u>\$ 55,213</u> | | | |

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(4) Capital Assets

Governmental Activities:

Changes in capital assets at June 30 were as follows:

| | <u>Balance 2021</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance 2022</u> |
|--------------------------------|-------------------------|------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 2,947,622 | - | - | 2,947,622 |
| Construction in progress | 331,134 | 91,785 | - | 422,919 |
| Total non-depreciable assets | <u>3,278,756</u> | <u>91,785</u> | <u>-</u> | <u>3,370,541</u> |
| Depreciable assets: | | | | |
| Building | 540,000 | - | - | 540,000 |
| Land improvements | 1,401,575 | - | - | 1,401,575 |
| Wells | 24,840 | - | - | 24,840 |
| Planning and development | 119,240 | - | - | 119,240 |
| Equipment | 12,845 | 42,229 | - | 55,074 |
| Total depreciable assets | <u>2,098,500</u> | <u>42,229</u> | <u>-</u> | <u>2,140,729</u> |
| Accumulated depreciation: | | | | |
| Building | (481,201) | (5,150) | - | (486,351) |
| Land improvements | (893,032) | (73,374) | - | (966,406) |
| Wells | (24,840) | - | - | (24,840) |
| Planning and development | (80,249) | (5,086) | - | (85,335) |
| Equipment | (9,045) | (6,978) | - | (16,023) |
| Total accumulated depreciation | <u>(1,488,367)</u> | <u>(90,588)</u> | <u>-</u> | <u>(1,578,955)</u> |
| Total depreciable assets, net | <u>610,133</u> | <u>(48,359)</u> | <u>-</u> | <u>561,774</u> |
| Total capital assets, net | <u>\$ 3,888,889</u> | <u>43,426</u> | <u>-</u> | <u>3,932,315</u> |

Major governmental fund capital asset additions during fiscal year 2022, include additions to construction in progress of \$91,785 that is comprised of Phelan park expansion capital project additions: Additions to depreciable assets include \$42,229 added to equipment. There were no disposals during the fiscal year.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(4) Capital Assets, continued

Business-type Activities:

Changes in capital assets at June 30, were as follows:

| | <u>Balance 2021</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance 2022</u> |
|-------------------------------------|-------------------------|--------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 1,722,399 | 32,877 | - | 1,755,276 |
| Water rights | 16,371,783 | - | - | 16,371,783 |
| Construction in progress | 1,179,417 | 1,173,088 | (1,712,617) | 639,888 |
| Total non-depreciable assets | <u>19,273,599</u> | <u>1,205,965</u> | <u>(1,712,617)</u> | <u>18,766,947</u> |
| Depreciable assets: | | | | |
| Building | 6,155,176 | 131,488 | - | 6,286,664 |
| Transmission and distribution mains | 18,570,562 | - | - | 18,570,562 |
| Reservoirs | 4,187,496 | - | - | 4,187,496 |
| Pumping Station | 4,114,808 | - | - | 4,114,808 |
| Wells | 5,277,695 | 645,734 | - | 5,923,429 |
| Tanks | 2,281,723 | - | - | 2,281,723 |
| Hydrants and telemetry control | 191,670 | - | - | 191,670 |
| Meters | 2,064,367 | 404,549 | (384,229) | 2,084,687 |
| Planning and development | 3,719,487 | 131,028 | - | 3,850,515 |
| Vehicles and equipment | 2,397,140 | 531,438 | (69,700) | 2,858,878 |
| Total depreciable assets | <u>48,960,124</u> | <u>1,844,237</u> | <u>(453,929)</u> | <u>50,350,432</u> |
| Accumulated depreciation: | | | | |
| Building | (282,108) | (39,788) | - | (321,896) |
| Transmission and distribution mains | (13,621,930) | (353,222) | - | (13,975,152) |
| Reservoirs | (3,214,099) | (154,322) | - | (3,368,421) |
| Pumping Station | (3,242,745) | (95,479) | - | (3,338,224) |
| Wells | (2,275,733) | (189,944) | - | (2,465,677) |
| Tanks | (814,601) | (67,313) | - | (881,914) |
| Hydrants and telemetry control | (191,670) | - | - | (191,670) |
| Meters | (1,549,851) | (35,081) | 384,229 | (1,200,703) |
| Planning and development | (1,893,779) | (447,550) | - | (2,341,329) |
| Vehicles and equipment | (3,054,636) | (413,564) | 69,700 | (3,398,500) |
| Total accumulated depreciation | <u>(30,141,152)</u> | <u>(1,796,263)</u> | <u>453,929</u> | <u>(31,483,486)</u> |
| Total depreciable assets, net | <u>18,818,972</u> | <u>47,974</u> | <u>-</u> | <u>18,866,946</u> |
| Total capital assets, net | <u>\$ 38,092,571</u> | <u>1,253,939</u> | <u>(1,712,617)</u> | <u>37,633,893</u> |

Major enterprise fund capital asset additions during fiscal year 2022, include additions to land of \$32,877 and construction in progress of \$1,173,088 that is comprised of the following capital project additions: Meters & installation of \$394,965, generators of \$175,426, Well 6A pneumatic tank project of \$149,494, administrative property of \$142,267, and various miscellaneous projects totaling \$310,975. Additions to depreciable assets sourcing from construction-in-progress include \$645,734 added to wells, \$531,438 added to vehicles and equipment, \$404,549 added to meters, \$131,488 added to building, and \$131,028 added to planning and development. Disposals included a meter replacement and partial disposal of \$384,229 and three vehicle dispositions of \$69,700.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(4) Capital Assets, continued

Depreciation expense was charged to various functions for the year ended June 30 as follows:

| | 2022 |
|--------------------------------|--------------|
| Governmental activities: | |
| General government | \$ 5,150 |
| Parks and Recreation | 85,438 |
| Total governmental activities | 90,588 |
| Business type activities: | |
| Water Fund | 1,796,263 |
| Total business-type activities | 1,796,263 |
| Total depreciation expense | \$ 1,886,851 |

(5) Compensated Absences

Compensated absences comprise unpaid vacation leave that accrue when benefits are fully vested and are determined annually. Compensated absences for governmental funds will generally be liquidated through the general fund. The balance in the proprietary fund will be liquidated through the water fund.

The change to compensated absence balances at June 30 were as follows:

Governmental:

| | Balance 2021 | Earned | Taken | Balance 2022 | Due Within One Year | Due in more than one year |
|----|-------------------------|---------------|--------------|-------------------------|--------------------------------|--------------------------------------|
| \$ | 17,540 | 18,832 | (17,830) | 18,542 | 9,271 | 9,271 |

Enterprise:

| | Balance 2021 | Earned | Taken | Balance 2022 | Due Within One Year | Due in more than one year |
|----|-------------------------|---------------|--------------|-------------------------|--------------------------------|--------------------------------------|
| \$ | 176,890 | 269,601 | (245,635) | 200,856 | 100,428 | 100,428 |

(6) Long-term Debt

Changes in long-term debt at June 30 were as follows:

| | Balance 2021 | Additions | Payments | Balance 2022 |
|--------------------------------------------|-------------------------|------------------|-----------------|-------------------------|
| State Dept of Transportation – 22784-00 \$ | 84,643 | - | (25,778) | 58,865 |
| CIEDB – 14-101 | 5,968,414 | - | (211,698) | 5,756,716 |
| MFC – 21-002 | 5,567,101 | - | (417,199) | 5,149,902 |
| Total loan payable | 11,620,158 | - | (654,675) | 10,965,483 |
| Less: current portion | (654,615) | | | (625,451) |
| Total non-current portion | \$ 10,965,543 | | | 10,340,032 |

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(6) Long-term Debt, continued

State Department of Transportation – 22784-00 Utility Agreement

In 2014, the State of California (State), acting by and through the Department of Transportation, proposed a project to widen roads to 4 lanes from SR-18 to I-15 and construct a 14ft wide Median Buffer that affected a portion of the District’s facilities. Thus, the District was ordered by the State to relocate identified facilities to avoid conflict with the State’s widening project to accommodate the State’s project. Total estimated costs of the State project amounted to \$710,829.

The State agreed to advance the District the sum of \$252,633, in accordance with Section 706 of the Streets and Highways Code, to cover the District’s portion of the cost of the work to be undertaken by the State. The interest rate shall be the rate of earnings of the Surplus Money Investment Fund and computation shall be in accordance with Section 1268.350 of the Code of Civil Procedure. The current annual interest rate for the amount advanced of \$252,633 is 0.912%. The term of the agreement is ten years from October 2014. Principal and interest payments are due quarterly during the year at January 1st, April 1st, July 1st, and October 1st.

| <u>Fiscal Year</u> | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------|----|------------------|-----------------|--------------|
| 2023 | \$ | 26,013 | 448 | 26,461 |
| 2024 | | 26,252 | 210 | 26,462 |
| 2025 | | 6,600 | 15 | 6,615 |
| Totals | | 58,865 | 673 | 59,538 |
| Less: current portion | | (26,013) | | |
| Total non-current | | \$ 32,852 | | |

California Infrastructure & Economic Development Bank – 14-101 (previously 12-101) Installment Sale Agreement

In 2013, the District entered into an agreement for loan number 12-101 with the California Infrastructure and Economic Development Bank (CIEDB) to fund the purchase of water rights in the amount of \$7,500,000 with an interest rate of 2.29%. The term of the agreement is thirty years from December 2013. In March 2014, the loan was rewritten under number 14-101 with a reduced interest rate of 2.04%. Interest only payments are due each February 1st, with principal and interest payments due each August 1st.

| <u>Fiscal Year</u> | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------|----|------------------|-----------------|--------------|
| 2023 | \$ | 216,546 | 115,228 | 331,774 |
| 2024 | | 221,504 | 110,760 | 332,264 |
| 2025 | | 226,577 | 106,190 | 332,767 |
| 2026 | | 231,766 | 101,515 | 333,281 |
| 2027 | | 237,073 | 96,732 | 333,805 |
| 2028-3032 | | 1,269,330 | 408,008 | 1,677,338 |
| 2033-2037 | | 1,421,479 | 270,917 | 1,692,396 |
| 2038-2042 | | 1,591,865 | 117,394 | 1,709,259 |
| 2043 | | 340,576 | 3,474 | 344,050 |
| Totals | | 5,756,716 | 1,330,218 | 7,086,934 |
| Less: current portion | | (216,546) | | |
| Total non-current | | \$ 5,540,170 | | |

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(6) Long-term Debt, continued

Municipal Finance Corporation – 21-002 Refinancing of CIEDB – 02-033 and MFC – 14-003

In 2021, the District entered into an agreement for loan number 21-002 with Municipal Finance Corporation (MFC) to refinance loan number 02-033 with CIEDB and loan number 14-003 with MFC to take advantage of lower interest rates. The District borrowed \$5,567,101 from MFC for the purpose of defeasance of the CIEDB – 02-033 loan balance of \$1,746,964 and the MFC – 14-033 loan balance of \$3,820,137. The loan matures on August 1, 2034 and has an interest rate of 2.80%. Interest only payments are due each February 1st, with principal and interest payments due each August 1st.

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------|------------------|-----------------|--------------|
| 2023 | \$ 382,892 | 139,330 | 522,222 |
| 2024 | 393,377 | 128,845 | 522,222 |
| 2025 | 404,149 | 118,073 | 522,222 |
| 2026 | 415,217 | 107,005 | 522,222 |
| 2027 | 426,588 | 95,634 | 522,222 |
| 2028-2032 | 2,314,729 | 296,382 | 2,611,111 |
| 2033-2034 | 812,950 | 34,460 | 847,410 |
| Totals | 5,149,902 | 919,729 | 6,069,631 |
| Less: current portion | (382,892) | | |
| Total non-current | \$ 4,767,010 | | |

(7) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District’s resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

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. Classic and PEPRA members with five years of total service are eligible to retire at age 50 or age 52 with statutorily reduced benefits, respectively. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(7) Defined Benefit Pension Plan, continued

Benefits Provided, continued

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The legislation closed the District's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired prior to January 1, 2013, who are current members of CalPERS or a reciprocal agency as of December 31, 2012 and have not been separated from service from such agency for more than six months, the retirement benefit is 2.5% @ 55 years of age; highest single year of compensation. All other employees hired on or after January 1, 2013, the retirement benefit is 2.0% @ 52 years of age; 3-year final compensation.

The Plans' provision and benefits in effect at June 30, 2022 are summarized as follows:

| | Miscellaneous Plan | | |
|---------------------------------------------------|-----------------------------|----------------------------------------------------------|--------------------------------|
| | Classic | New Classic | PEPRA |
| Hire date | Prior to January 1, 2011 | On or after January 1, 2011 - December 31, 2012 | On or after January 1, 2013 |
| Benefit formula | 2.5% @ 55 | 2.0% @ 60 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 50 - 63 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.1% to 2.4% | 1.0% to 2.5% |
| Required employee contribution rates | 8.00% | 7.00% | 6.75% |
| Required employer contribution rates | 11.59% | 8.65% | 7.59% |

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal year ended June 30, 2022 the contributions for the Plan were as follows:

| | Miscellaneous Plan |
|---------------------------------------------|-------------------------------|
| Contributions – employer | \$ 336,660 |
| Contributions – employee (paid by employer) | 86,183 |
| Total employer paid contributions | \$ <u>422,843</u> |

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(7) Defined Benefit Pension Plan, continued

Net Pension Asset

As of the fiscal year ended June 30, 2022, the District reported a net pension asset for its proportionate share of the Plan as follows:

| | Proportionate Share of Net Pension Asset | | |
|-----------------------|-------------------------------------------------|------------|---------|
| | Governmental | Enterprise | Total |
| Miscellaneous plan \$ | 53,920 | 485,261 | 539,181 |

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

The District's proportionate share of the pension asset for the Plan as of the measurement date June 30, 2021, was as follows:

| | Miscellaneous |
|-----------------------------|----------------------|
| Proportion – June 30, 2021 | -0.00019% |
| Proportion – June 30, 2022 | -0.00997% |
| Change – (Increase)Decrease | -0.00978% |

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Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(7) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

For the fiscal year ended June 30, 2022, the District recognized pension income of \$803,855.

At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Pension contributions subsequent to the measurement date | \$ 336,660 | - |
| Net difference between actual and expected experience | - | (60,463) |
| Net change in assumptions | - | - |
| Net difference between projected and actual earnings on plan investments | 470,676 | - |
| Net difference between actual contribution and proportionate share of contribution | 128,864 | - |
| Net adjustment due to differences in proportions of net pension liability | 69,701 | - |
| Total | <u>\$ 1,005,901</u> | <u>(60,463)</u> |

As of June 30, 2022, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$336,660 will be recognized as an addition to the net pension asset for the fiscal year ended June 30, 2023.

At June 30, 2022, the District recognized other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension, which will be recognized as pension expense as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Deferred Net Outflows/(Inflows) of Resources</u> |
|--------------------------------------------|-------------------------------------------------------------|
| 2023 | \$ 194,719 |
| 2024 | 168,778 |
| 2025 | 134,266 |
| 2026 | 111,015 |

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(7) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation report was determined using the following actuarial assumptions:

| | |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date | June 30, 2020 |
| Measurement date | June 30, 2021 |
| Actuarial cost method | Entry age normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial assumptions: | |
| Discount rate | 7.15% |
| Inflation | 2.50% |
| Salary increases | Varies by entry age and service |
| Investment rate of return | 7.50 % net of pension plan investment and administrative expenses; includes inflation |
| Mortality rate table* | Derived using CalPERS' membership data for all funds contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter |
| Post retirement benefit | |

* The mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension asset was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(7) Defined Benefit Pension Plan, continued

Discount Rate, continued

The table below reflects the 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.

| Asset Class | New Strategic Allocation | Real Return Years 1–10* | Real Return Year 11+** |
|---------------------|---------------------------------|--------------------------------|-------------------------------|
| 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% |
| Total | <u>100.00%</u> | | |

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the District’s proportionate share of the net position asset for the Plan, calculated using the discount rate, as well as what the District’s proportional share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

At June 30, 2022, the discount rate comparison was as follows:

| | Discount Rate - 1% | Current Discount Rate | Discount Rate + 1% |
|-----------------------------------------------|---------------------------|------------------------------|---------------------------|
| | <u>6.15%</u> | <u>7.15%</u> | <u>8.15%</u> |
| District's net pension liability(asset) \$ | <u>(46,259)</u> | <u>(539,181)</u> | <u>(946,672)</u> |

Payable to the Pension Plan

At June 30, 2022, the District did not have an outstanding amount of contributions payable to the pension plan.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in separately issued CalPERS financial reports. See pages 68 and 69 for the Required Supplementary Schedules.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(8) Net Position

Net investment in capital assets is calculated as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|-----------------------------------------|------------------------------------|-------------------------------------|---------------------|
| Capital assets – not being depreciated | \$ 3,370,541 | 18,766,947 | 22,137,488 |
| Capital assets – being depreciated, net | 561,774 | 18,866,946 | 19,428,720 |
| Long-term debt – current portion | - | (625,451) | (625,451) |
| Long-term debt – long-term portion | - | <u>(10,340,032)</u> | <u>(10,340,032)</u> |
| Total | <u>\$ 3,932,315</u> | <u>26,668,410</u> | <u>30,600,725</u> |

Unrestricted net position is designated as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------------|------------------------------------|-------------------------------------|-------------------|
| General | \$ 3,322,414 | - | 3,322,414 |
| Parks and recreation | 4,970,799 | - | 4,970,799 |
| Street lighting | 22,416 | - | 22,416 |
| Solid waste | 97,833 | - | 97,833 |
| Materials and supplies inventory | - | 312,378 | 312,378 |
| Prepaid expenses and other assets | - | 334,159 | 334,159 |
| Water operations and capital replacement | - | <u>13,859,887</u> | <u>13,859,887</u> |
| Total | <u>\$ 8,413,462</u> | <u>14,506,424</u> | <u>22,919,886</u> |

(9) Internal Balances

Interfund Transfers

Interfund transfers consist of the following for the year ended June 30, 2022:

| <u>Transfer from</u> | <u>Transfer to</u> | <u>Purpose</u> | <u>Amount</u> |
|------------------------------------------------|------------------------|-----------------|-------------------|
| <i>Interfund Operational Transfers:</i> | | | |
| General | Water | Operations | \$ 436,864 |
| Solid Waste | Parks & Rec | Operations | <u>276,000</u> |
| | | Total transfers | <u>\$ 712,864</u> |

Interfund Operational Transfers

During the fiscal year ended June 30, 2022, interfund transfers between the General and Water funds were designated by the Board to utilize resources from General fund revenue to help balance the Water fund budget. The funds were transferred accordingly.

During the fiscal year ended June 30, 2022, interfund transfers between the Parks and Recreation and Solid Waste funds were designated by the Board to transfer any funds remaining from current fiscal years operations from Solid Waste fund to assist in funding operations of the Parks and Recreation fund. The funds were transferred accordingly.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(10) Adjustment to Net Position

In fiscal year 2022, the District implemented *GASB Statement No. 87* to recognize its lessor arrangements. The District did not have any lessee arrangements which required restatement. As a result of the implementation, the District recognized the lease receivables and deferred inflows of resources and recorded a prior period adjustment, an increase to net position, of \$15,493 at June 30, 2021.

The adjustment to net position is as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|----------------------------------------------------------|------------------------------------|-------------------------------------|-------------------|
| Net position at July 1, 2020, as previously stated | \$ 10,373,971 | 38,618,656 | 48,992,627 |
| Effect of adjustment to reverse recorded rental revenue | (164,947) | - | (164,947) |
| Effect of adjustment to record rental revenue (GASB 87) | 163,207 | - | 163,207 |
| Effect of adjustment to record interest income (GASB 87) | 17,233 | - | 17,233 |
| Total adjustments | <u>15,493</u> | <u>-</u> | <u>15,493</u> |
| Change in net position previously reported | 938,911 | 477,168 | 1,416,079 |
| Net position at June 30, 2021, as restated | <u>\$ 11,328,375</u> | <u>39,095,824</u> | <u>50,424,199</u> |

(11) Fund Balance

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.14 for a description of these categories). Fund balances and their funding composition at June 30, 2022 is as follows:

| <u>Fund Balance Category</u> | |
|------------------------------|---------------------|
| Assigned: | |
| Parks and recreation | \$ 4,970,799 |
| Street lighting | 22,416 |
| Solid waste | <u>97,833</u> |
| Total assigned fund balance | <u>5,091,048</u> |
| Unassigned fund balance: | |
| General fund | <u>3,170,555</u> |
| Total fund balance | <u>\$ 8,261,603</u> |

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(12) Chromium-6 Surcharge

The District's water wells have traces of naturally occurring Chromium-6, which exceed the maximum contaminant levels (MCL) under new state regulations and must reduce the MCL to meet state goals. The District decided to blend its water supply with water that does not contain Chromium-6 to reduce the levels of Chromium-6. The District estimated the cost to comply with the new regulations to be approximately \$17 million. The District was seeking grants and low interest loans to help reduce the impact to the customers. The District was in the process of implementing its compliance project when the State Water Resources Control Board reversed its ruling, changing the MCL back to previous levels. It is expected that the MCL will be reduced again soon. The District spent approximately \$4.5 million toward the compliance project and has approved an additional \$6.6 million in projects to meet the state mandates. The total of approximately \$11.1 million for the revised projects is less than the original estimate of \$17 million. The District will continue to collect the surcharge from customers to recover the funds expended. At June 30, 2022, the Chromium-6 surcharge amounted to \$834,553 for the fiscal year.

(13) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2022, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, personal injury and property damage, public officials' and employees' errors and omissions, up to \$2,500,000 for each wrongful act, subject to a \$500 deductible per occurrence for third party general liability property damage and \$1,000 per occurrence for third party auto liability property damage. 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met, as provided in the Memorandum of Coverage's.

In addition to the above, the District also has the following insurance coverage:

- Employee and Public officials' dishonesty coverage up to \$1,000,000 per loss includes public employee or officials' dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined member (pool) total of \$1.0 Billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence, unless otherwise specified.
- Public officials' personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per elected/appointed official to which this coverage applies, subject to the terms and a \$1,000 deductible per claim.
- Comprehensive and Collision: on selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected; ACV limits; fully self-funded by SDRMA.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(13) Risk Management, continued

- Workers compensation insurance with statutory limits per occurrence and employer's liability coverage up to \$5.0 million, subject to the terms, conditions, and exclusions as provided in the Memorandum of Coverage's.

Settled claims have not exceeded any of the coverage amounts in the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no material IBNR claim payables as of June 30, 2022.

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2022, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 92, continued

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 99, continued

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Phelan Piñon Hills Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2022

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 101, continued

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(13) Commitments and Contingencies

Grant Awards

Grant funds received by the District 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 District believes that such disallowances, if any, would not be significant.

Source of Supply Settlement

During the fiscal year ended June 30, 2020, the District settled a long-standing litigation with Antelope Valley Water Agency (AVWA) over the adjudication of a water basin near one of the District wells. The AVWA has billed the District for replacement water for the periods 2016 through 2020 totaling \$1,245,498. In 2021 the District accrued an additional \$327,655 totaling \$1,573,153. In 2022, the District completed its settlement payments and reversed prior year accruals of \$79,790.

Litigation

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

(14) Subsequent Event

Subsequent to fiscal year ended June 30, 2022, the District determined to cancel the Sheep Creek Water Company consolidation management coordination and other related projects. This is deemed to have no material fiscal impact on the District.

Events occurring after June 30, 2022 have been evaluated for possible adjustment to the financial statements or disclosure as of November 2, 2022, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.



Draft for Board Approval

Required Supplementary Information

Draft for Board Approval

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Phelan Pinon Hills Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
For the Year Ended June 30, 2022

| | <u>Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------------|---------------------------------------|---------------------------|---------------------------------------------|
| Revenues: | | | |
| Property taxes | \$ 759,737 | 777,641 | 17,904 |
| Charges for services | 180,614 | 227,963 | 47,349 |
| Investment earnings | 12,100 | - | (12,100) |
| Other | - | 129 | 129 |
| Total revenues | <u>952,451</u> | <u>1,005,733</u> | <u>53,282</u> |
| Expenditures: | | | |
| Salaries and benefits | 183 | 373 | (190) |
| Materials and services | 9,944 | 10,132 | (188) |
| Interest expense – investments | - | 18,247 | (18,247) |
| Total expenditures | <u>10,127</u> | <u>28,752</u> | <u>(18,625)</u> |
| Excess of revenues over expenditures | <u>942,324</u> | <u>976,981</u> | <u>34,657</u> |
| Other financing sources(uses): | | | |
| Transfers out | (208,000) | (436,864) | (228,864) |
| Total other financing sources | <u>(208,000)</u> | <u>(436,864)</u> | <u>(228,864)</u> |
| Net change in fund balance | 734,324 | 540,117 | \$ <u>(194,207)</u> |
| Fund balance – beginning of period | <u>2,630,438</u> | <u>2,630,438</u> | |
| Fund balance – end of period | <u>\$ 3,364,762</u> | <u>3,170,555</u> | |

Pinon Hills Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Parks and Recreation Fund
For the Year Ended June 30, 2022

| | Final Budgeted Amounts | Actual Amounts | Variance Positive (Negative) |
|---------------------------------------------|---------------------------------------|---------------------------|---------------------------------------------|
| Revenues: | | | |
| Property taxes | \$ 590,000 | 700,327 | 110,327 |
| Charges for services | 16,000 | 11,555 | (4,445) |
| Investment earnings | 26,750 | - | (26,750) |
| Other | - | 128 | 128 |
| Total revenues | 632,750 | 712,010 | 79,260 |
| Expenditures: | | | |
| Salaries and benefits | 285,935 | 281,052 | 4,883 |
| Materials and services | 342,362 | 177,681 | 164,681 |
| Utilities | 3,630 | 27,008 | (23,378) |
| Interest expense – investments | - | 56,556 | (56,556) |
| Capital outlay | - | 134,014 | (134,014) |
| Total expenditures | 631,927 | 676,311 | (44,384) |
| Excess of revenues over expenditures | 823 | 35,699 | 34,876 |
| Other financing sources(uses): | | | |
| Transfers in | - | 276,000 | 276,000 |
| Total other financing sources | - | 276,000 | 276,000 |
| Net change in fund balance | 823 | 311,699 | \$ 310,876 |
| Fund balance – beginning of period | 4,659,100 | 4,659,100 | |
| Fund balance – end of period | \$ 4,659,923 | 4,970,799 | |

**Pinon Hills Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Street Lighting Fund
For the Year Ended June 30, 2022**

| | Final Budgeted Amounts | Actual Amounts | Variance Positive (Negative) |
|-------------------------------------------------------------|---------------------------------------|---------------------------|---------------------------------------------|
| Revenues: | | | |
| Property taxes | \$ 12,000 | 16,179 | (4,179) |
| Total revenues | 12,000 | 16,179 | (4,179) |
| Expenditures: | | | |
| Utilities | 8,568 | 16,181 | (7,613) |
| Interest expense – investments | - | 382 | (382) |
| Total expenditures | 8,568 | 16,563 | (7,995) |
| Excess(deficiency) of revenues over expenditures | 3,432 | (384) | 3,816 |
| Net change in fund balance | 3,432 | (384) | \$ 3,816 |
| Fund balance – beginning of period | 22,800 | 22,800 | |
| Fund balance – end of period | \$ 26,232 | 22,416 | |

Draft for Board Approval

Pinon Hills Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Solid Waste Fund
For the Year Ended June 30, 2022

| | <u>Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------------|---------------------------------------|---------------------------|---------------------------------------------|
| Revenues: | | | |
| Investment earnings | \$ 31 | - | (31) |
| Franchise fees | 251,813 | 342,541 | 90,728 |
| Total revenues | <u>251,844</u> | <u>342,541</u> | <u>90,697</u> |
| Expenditures: | | | |
| Salaries and benefits | 6,404 | 44,246 | (37,842) |
| Materials and services | 56,980 | 19,019 | 37,961 |
| Interest expense – investments | - | 226 | (226) |
| Total expenditures | <u>63,384</u> | <u>63,491</u> | <u>(107)</u> |
| Excess of revenues over expenditures | <u>188,460</u> | <u>279,050</u> | <u>90,590</u> |
| Other financing sources(uses): | | | |
| Transfers out | - | (276,000) | (276,000) |
| Total other financing sources | <u>-</u> | <u>(276,000)</u> | <u>-</u> |
| Net change in fund balance | 188,460 | 3,050 | \$ <u>90,590</u> |
| Fund balance – beginning of period | <u>94,783</u> | <u>94,783</u> | |
| Fund balance – end of period | <u>\$ 283,243</u> | <u>97,833</u> | |

Phelan Pinon Hills Community Service District
Notes to the Required Supplementary Information
June 30, 2022

Basis of Budgeting

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the District's General Manager and Administrative Services Manager prepare and submit a capital and operating budget to the Board of Directors and adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government and proprietary funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types and accrual basis for the proprietary fund. The adopted budget becomes operative on July 1.

The Board of Directors must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the General, Parks and Recreation, Street Lighting, and Solid Waste Funds.

Draft for Board Approval

Phelan Pinon Hills Community Service District
Schedules of the District's Proportionate Share of the Net Pension Liability (Asset) (CalPERS)
As of June 30, 2022
Last Ten Years*

| | Measurement Date | | | | | | | |
|---------------------------------------------------------------------------------------------------------|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| District's proportion of the net pension liability(asset) | -0.00997% | -0.00997% | -0.00019% | 0.00067% | 0.00085% | 0.00034% | -0.00064% | -0.00059% |
| District's proportionate share of the net pension liability(asset) \$ | (539,181) | (20,746) | 124,704 | 64,920 | 84,343 | 29,638 | (43,699) | (36,475) |
| District's covered payroll \$ | 1,808,252 | 1,581,807 | 1,492,311 | 1,356,824 | 1,501,918 | 1,260,143 | 1,184,091 | 1,106,270 |
| District's proportionate share of the net pension liability as a as a percentage of its covered payroll | -29.82% | -1.31% | 8.36% | 4.78% | 5.62% | 2.35% | -3.69% | -3.30% |
| District's fiduciary net position as a percentage of the Plan's total pension liability | 127.83% | 100.69% | 95.18% | 97.00% | 95.74% | 98.20% | 103.19% | 103.43% |
| District's proportionate share of aggregate employer contributions \$ | 168,046 | 135,846 | 102,066 | 80,076 | 71,772 | 60,285 | 48,918 | - |

Notes to schedule:

There were no changes in benefits.

Changes in assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

**Phelan Pinon Hills Community Service District
Schedules of Pension Plan Contributions (CalPERS)
As of June 30, 2022
Last Ten Years***

| | Fiscal Year | | | | | | | |
|----------------------------------------------------------------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------------------------|
| | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| Actuarially determined contribution | \$ 175,294 | 166,072 | 142,468 | 143,791 | 120,744 | 119,964 | 115,218 | 118,081 |
| Contributions in relation to the actuarially determined contribution | (175,294) | (166,072) | (142,468) | (143,791) | (120,744) | (119,964) | (115,218) | (118,081) |
| Contribution deficiency(excess) | \$ - | - | - | - | - | - | - | - |
| Covered payroll | \$ 1,951,328 | 1,808,252 | 1,581,807 | 1,492,311 | 1,356,824 | 1,501,918 | 1,260,143 | 1,184,091 |
| Contribution's as a percentage of covered payroll | 9.69% | 9.18% | 9.01% | 9.64% | 8.90% | 7.99% | 9.14% | 9.97% |
| Notes to schedule: | | | | | | | | |
| Valuation date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Methods and assumptions used to determine contribution rates: | | | | | | | | |
| Actuarial cost method | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age |
| Amortization method | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Asset valuation method | Market Value | Market Value | Market Value | Market Value | Market Value | Market Value | Market Value | 15 year Smoothed Market Method |
| Inflation | 2.50% | 2.63% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Salary increases | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) |
| Investment rate of return | 7.00% (3) | 7.25% (3) | 7.375% (3) | 7.50% (3) | 7.50% (3) | 7.50% (3) | 7.50% (3) | 7.50% (3) |
| Retirement age | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) |
| Mortality | (5) | (5) | (5) | (5) | (5) | (5) | (5) | (5) |

(1) Level of percentage payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 fo all plans with exception of 52 for Miscellaneous 2% @ 62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Statistical Section

Draft for Board Approval

Draft for Board Approval

**Phelan Pinon Hills Community Service District
Statistical Section**

This part of the District’s Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

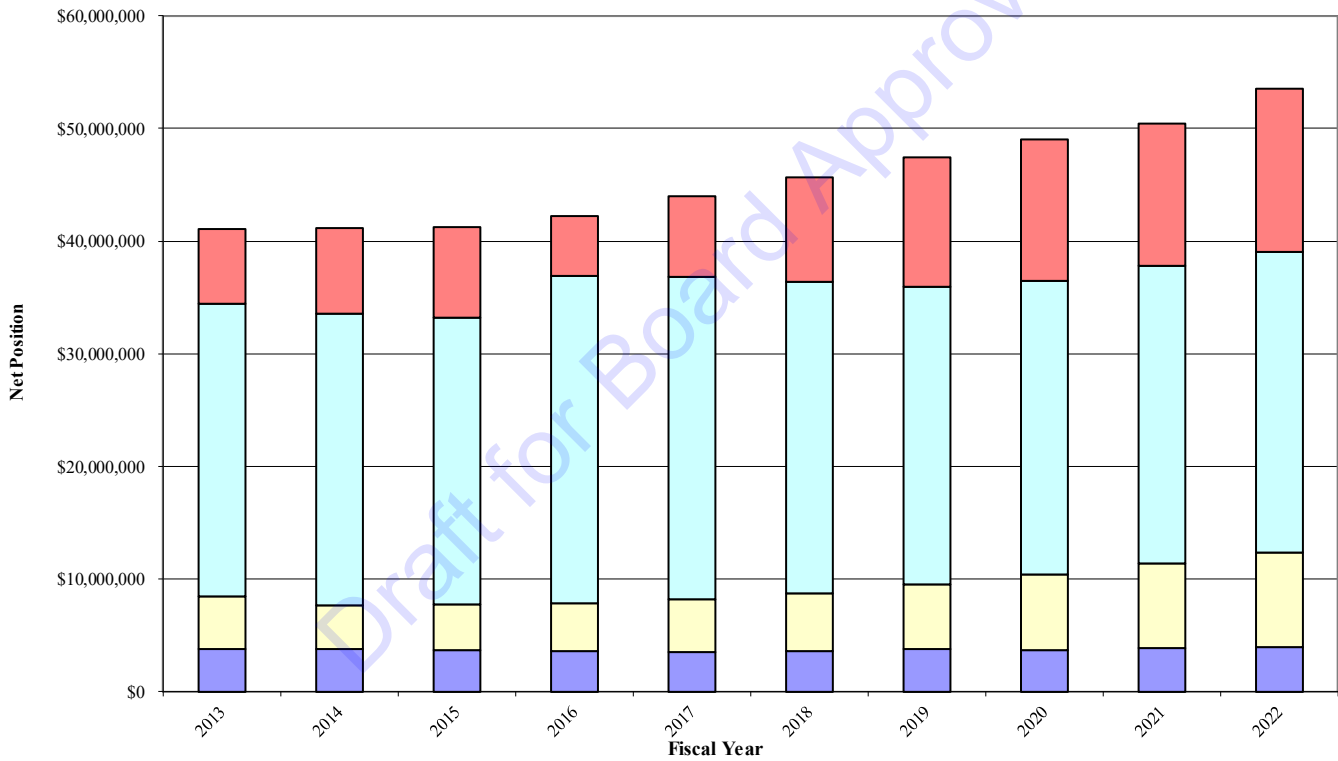
The following statistical information reflects the last ten full years of operations.

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| Revenue Capacity These schedules contain information to help the reader assess the District’s most significant own-source revenue, water sales. | 80 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future. | 83 |
| Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place. | 85 |
| Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides. | 86 |

**Phelan Pinon Hills Community Services District
Net Position by Component
Last Ten Fiscal Years**

| | | Fiscal Year | | | | | |
|----------------------------------------------------|----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Governmental activities | | | | | | | |
| Invested in capital assets, net of related debt | \$ | 3,799,590 | 3,770,219 | 3,694,550 | 3,579,586 | 3,528,938 | 3,552,883 |
| Unrestricted | | 4,652,758 | 3,853,719 | 4,092,530 | 4,219,715 | 4,659,965 | 5,178,587 |
| Total governmental activities net position | | 8,452,348 | 7,623,938 | 7,787,080 | 7,799,301 | 8,188,903 | 8,731,470 |
| Business-type activities | | | | | | | |
| Invested in capital assets, net of related debt | \$ | 26,019,217 | 25,906,040 | 25,401,202 | 29,120,934 | 28,643,010 | 27,628,901 |
| Unrestricted | | 6,568,039 | 7,600,621 | 8,052,114 | 5,331,237 | 7,127,390 | 9,277,089 |
| Total business-type activities net position | | 32,587,256 | 33,506,661 | 33,453,316 | 34,452,171 | 35,770,400 | 36,905,990 |
| Primary government | | | | | | | |
| Invested in capital assets, net of related debt | \$ | 29,818,807 | 29,676,259 | 29,095,752 | 32,700,520 | 32,171,948 | 31,181,784 |
| Unrestricted | | 11,220,797 | 11,454,340 | 12,144,644 | 9,550,952 | 11,787,355 | 14,455,676 |
| Total primary government net position | \$ | 41,039,604 | 41,130,599 | 41,240,396 | 42,251,472 | 43,959,303 | 45,637,460 |



Source: Phelan Pinon Hills Community Service District audited financial statements

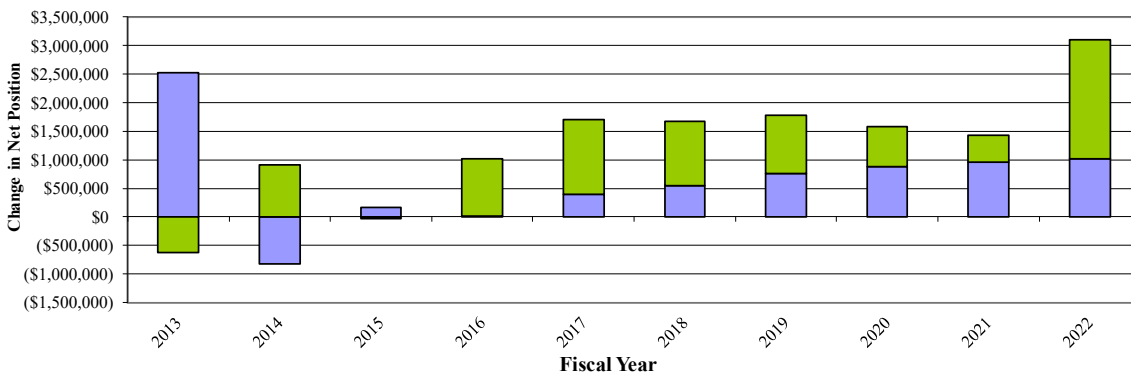
**Phelan Pinon Hills Community Services District
Net Position by Component
Last Ten Fiscal Years**

| Fiscal Year | | | |
|-------------------|-------------------|---------------------|-------------------|
| 2019 | 2020 | As Restated 2021 | 2022 |
| 3,726,239 | 3,663,363 | 3,888,889 | 3,932,315 |
| 5,758,804 | 6,710,608 | 7,439,486 | 8,413,462 |
| <u>9,485,043</u> | <u>10,373,971</u> | <u>11,328,375</u> | <u>12,345,777</u> |
| 26,460,380 | 26,133,427 | 26,472,413 | 26,668,410 |
| 11,471,614 | 12,485,229 | 12,623,411 | 14,506,424 |
| <u>37,931,994</u> | <u>38,618,656</u> | <u>39,095,824</u> | <u>41,174,834</u> |
| 30,186,619 | 29,796,790 | 30,361,302 | 30,600,725 |
| 17,230,418 | 19,195,837 | 20,062,897 | 22,919,886 |
| <u>47,417,037</u> | <u>48,992,627</u> | <u>50,424,199</u> | <u>53,520,611</u> |

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Phelan Pinon Hills Community Services District Change in Net Position Last Ten Fiscal Years

| | Fiscal Year | | | | | |
|------------------------------------------------------------|---------------------|--------------------|--------------------|------------------|------------------|------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Expenses: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ - | 73,381 | 56,457 | 53,281 | 57,367 | 19,600 |
| Parks and Recreation | 1,259,421 | 433,697 | 396,400 | 380,024 | 424,872 | 459,355 |
| Street Lighting | 13,643 | 13,489 | 13,804 | 13,679 | 12,956 | 13,077 |
| Solid Waste | 450 | 2,173 | 9,377 | 10,133 | 35,209 | 37,840 |
| Interest expense – investments | - | - | - | - | - | - |
| Total governmental activities expenses | 1,273,514 | 522,740 | 476,038 | 457,117 | 530,404 | 529,872 |
| Business-type activities: | | | | | | |
| Water enterprise | 5,032,281 | 5,121,970 | 5,481,342 | 5,394,700 | 5,547,014 | 6,345,754 |
| Total primary government expenses | 6,305,795 | 5,644,710 | 5,957,380 | 5,851,817 | 6,077,418 | 6,875,626 |
| Program Revenues: | | | | | | |
| Governmental activities: | | | | | | |
| Charges for services: | | | | | | |
| General government | - | - | - | - | - | - |
| Parks and Recreation | 25,199 | 13,065 | 19,758 | 21,488 | 24,220 | 25,098 |
| Capital grants and contributions | 2,772,000 | - | - | - | - | - |
| Total governmental activities program revenues | 2,797,199 | 13,065 | 19,758 | 21,488 | 24,220 | 25,098 |
| Business-type activities: | | | | | | |
| Charges for services – water enterprise | 3,862,480 | 3,975,482 | 4,375,271 | 4,521,209 | 5,707,335 | 6,253,646 |
| Assessments | 303,841 | 299,818 | 295,257 | 309,682 | 299,385 | 296,438 |
| Capital grants and contributions | - | - | - | 436,492 | 125,902 | - |
| Total business-type activities program revenues | 4,166,321 | 4,275,300 | 4,670,528 | 5,267,383 | 6,132,622 | 6,550,084 |
| Net (Expense)/Revenue: | | | | | | |
| Governmental activities | 1,523,685 | (509,675) | (456,280) | (435,629) | (506,184) | (504,774) |
| Business-type activities | (865,960) | (846,670) | (810,814) | (127,317) | 585,608 | 204,330 |
| Total primary government net expense | 657,725 | (1,356,345) | (1,267,094) | (562,946) | 79,424 | (300,444) |
| General Revenues and Other Changes in Net Position: | | | | | | |
| Governmental activities: | | | | | | |
| Property taxes | 845,706 | 895,649 | 930,801 | 1,003,264 | 1,062,550 | 1,127,118 |
| Investment income | 16,555 | 11,667 | 13,607 | 15,827 | 33,106 | 56,933 |
| Other income | 144,527 | 294,734 | 205,275 | 197,710 | 248,130 | 266,490 |
| Transfers in (out) | (1,385) | (1,520,785) | (527,170) | (768,951) | (448,000) | (403,200) |
| Total governmental activities | 1,005,403 | (318,735) | 622,513 | 447,850 | 895,786 | 1,047,341 |
| Business-type activities: | | | | | | |
| Property taxes | - | 41,295 | 21,180 | 21,907 | 19,845 | 24,707 |
| Investment income | 29,110 | 13,924 | 37,455 | 23,862 | 27,612 | 74,493 |
| Other income | 209,846 | 190,071 | 199,483 | 311,452 | 237,164 | 428,860 |
| Transfers in (out) | 1,385 | 1,520,785 | 527,170 | 768,951 | 448,000 | 403,200 |
| Total business-type activities | 240,341 | 1,766,075 | 785,288 | 1,126,172 | 732,621 | 931,260 |
| Total primary government | 1,245,744 | 1,447,340 | 1,407,801 | 1,574,022 | 1,628,407 | 1,978,601 |
| Changes in Net Position: | | | | | | |
| Governmental activities | 2,529,088 | (828,410) | 166,233 | 12,221 | 389,602 | 542,567 |
| Business-type activities | (625,619) | 919,405 | (25,526) | 998,855 | 1,318,229 | 1,135,590 |
| Total primary government | \$ 1,903,469 | 90,995 | 140,707 | 1,011,076 | 1,707,831 | 1,678,157 |



Source: Phelan Pinon Hills Community Service District audited financial statements

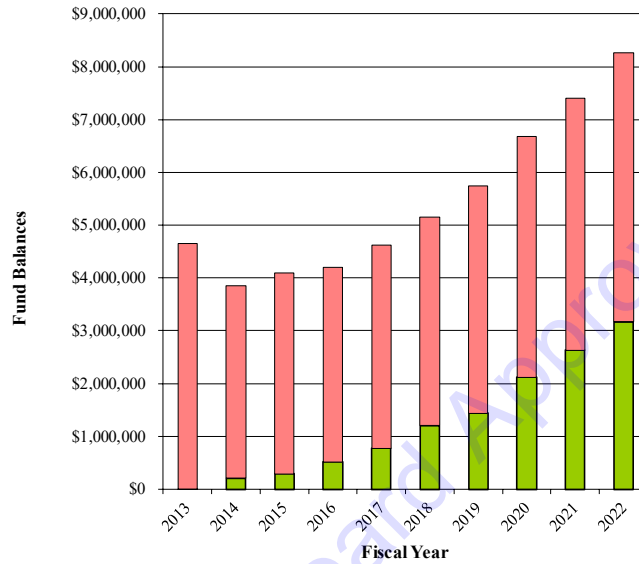
**Phelan Pinon Hills Community Services District
Change in Net Position
Last Ten Fiscal Years**

| Fiscal Year | | | |
|------------------|--------------------|---------------------|------------------|
| 2019 | 2020 | As Restated 2021 | 2022 |
| 12,239 | 8,165 | 4,953 | 28,752 |
| 455,646 | 457,238 | 491,166 | 437,980 |
| 12,437 | 14,466 | 15,840 | 16,563 |
| 51,323 | 39,307 | 20,387 | 63,491 |
| - | - | - | 75,411 |
| <u>531,645</u> | <u>519,176</u> | <u>532,346</u> | <u>622,197</u> |
| | | | |
| <u>6,921,131</u> | <u>8,666,424</u> | <u>8,889,244</u> | <u>7,730,347</u> |
| <u>7,452,776</u> | <u>9,185,600</u> | <u>9,421,590</u> | <u>8,352,544</u> |
| | | | |
| - | - | 179,283 | 227,963 |
| 23,105 | 17,143 | 1,821 | 11,555 |
| - | - | - | - |
| <u>23,105</u> | <u>17,143</u> | <u>181,104</u> | <u>239,518</u> |
| | | | |
| 6,415,471 | 6,988,852 | 8,180,843 | 8,511,866 |
| 290,188 | 288,222 | 291,840 | 287,748 |
| - | - | - | - |
| <u>6,705,659</u> | <u>7,277,074</u> | <u>8,472,683</u> | <u>8,799,614</u> |
| | | | |
| (508,540) | (502,033) | (351,242) | (382,679) |
| (215,472) | (1,389,350) | (416,561) | 1,069,267 |
| <u>(724,012)</u> | <u>(1,891,383)</u> | <u>(767,803)</u> | <u>686,588</u> |
| | | | |
| 1,206,628 | 1,281,699 | 1,387,911 | 1,494,147 |
| 143,109 | 135,202 | 53,388 | - |
| 366,645 | 427,169 | 304,347 | 342,798 |
| (454,269) | (453,109) | (440,000) | (436,864) |
| <u>1,262,113</u> | <u>1,390,961</u> | <u>1,305,646</u> | <u>1,400,081</u> |
| | | | |
| 16,399 | 16,235 | 17,825 | 22,612 |
| 282,611 | 309,495 | - | - |
| 488,197 | 1,297,173 | 435,904 | 550,267 |
| 454,269 | 453,109 | 440,000 | 436,864 |
| <u>1,241,476</u> | <u>2,076,012</u> | <u>893,729</u> | <u>1,009,743</u> |
| <u>2,503,589</u> | <u>3,466,973</u> | <u>2,199,375</u> | <u>2,409,824</u> |
| | | | |
| 753,573 | 888,928 | 954,404 | 1,017,402 |
| 1,026,004 | 686,662 | 477,168 | 2,079,010 |
| <u>1,779,577</u> | <u>1,575,590</u> | <u>1,431,572</u> | <u>3,096,412</u> |

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Phelan Pinon Hills Community Services District Fund Balances, Governmental Funds Last Ten Fiscal Years

| | | Fiscal Year | | | | | | | | | |
|-----------------------------------|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| General Fund: ** | | | | | | | | | | | |
| Assigned | \$ | - | - | - | - | - | - | - | - | - | - |
| Unassigned | | - | 204,907 | 288,875 | 516,149 | 773,776 | 1,204,949 | 1,440,024 | 2,117,702 | 2,630,438 | 3,170,555 |
| Total general fund | \$ | - | 204,907 | 288,875 | 516,149 | 773,776 | 1,204,949 | 1,440,024 | 2,117,702 | 2,630,438 | 3,170,555 |
| All Other Governmental Funds: | | | | | | | | | | | |
| Assigned | \$ | 4,658,680 | 3,655,592 | 3,812,880 | 3,690,087 | 3,856,038 | 3,952,427 | 4,302,299 | 4,561,330 | 4,776,683 | 5,091,048 |
| Unassigned | | - | - | - | - | - | - | - | - | - | - |
| Total all other government | \$ | 4,658,680 | 3,655,592 | 3,812,880 | 3,690,087 | 3,856,038 | 3,952,427 | 4,302,299 | 4,561,330 | 4,776,683 | 5,091,048 |

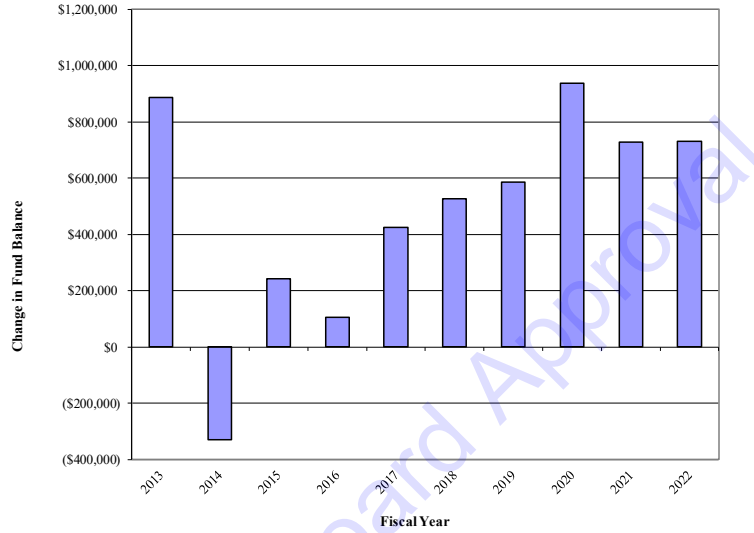


Note: * Governmental Accounting Standards Board No. 54 - *Fund Balance Reporting and Governmental Fund Type Definition* was adopted in 2011.
 ** Reporting for the General Fund was initiated in fiscal year 2014.

Source: Phelan Pinon Hills Community Service District audited financial statements

Phelan Pinon Hills Community Services District Changes in Fund Balances - Governmental Funds Last Ten Fiscal Years

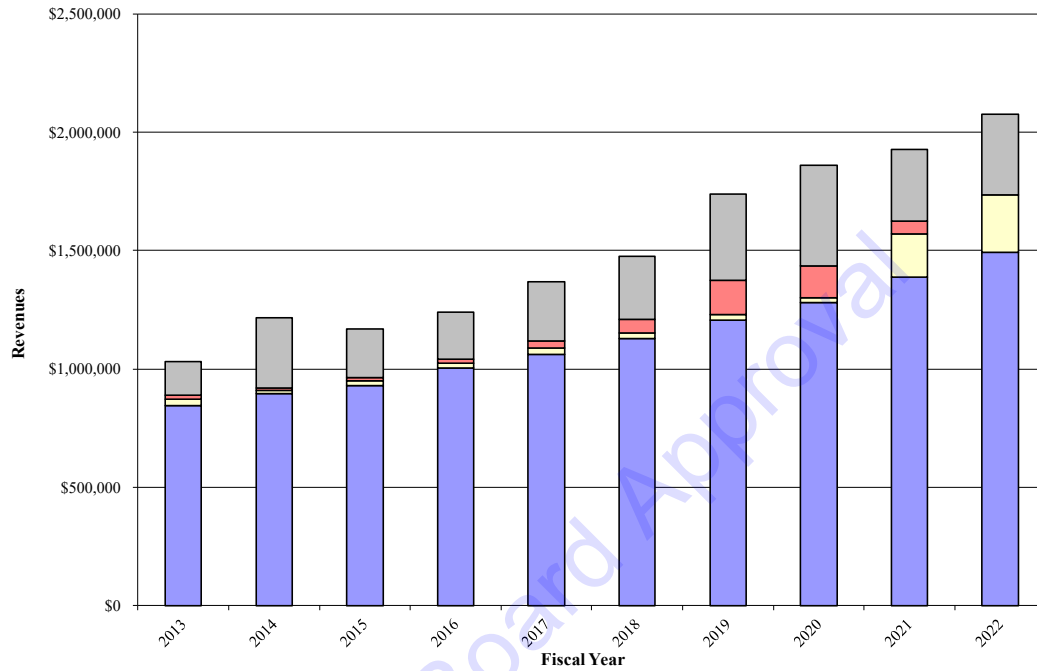
| | Fiscal Year | | | | | | | | | |
|----------------------------------------------|-------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Revenues | \$ 1,031,987 | 1,215,115 | 1,169,441 | 1,238,289 | 1,368,006 | 1,475,639 | 1,739,487 | 1,861,212 | 1,911,257 | 2,076,463 |
| Expenditures | 145,631 | 492,511 | 401,015 | 364,857 | 496,428 | 544,877 | 700,271 | 471,394 | 743,168 | 785,117 |
| Excess of revenues over (under) expenditures | 886,356 | 722,604 | 768,426 | 873,432 | 871,578 | 930,762 | 1,039,216 | 1,389,818 | 1,168,089 | 1,168,089 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Proceeds from long-term debt | - | - | - | - | - | - | - | - | - | - |
| Operating transfers in | - | - | 7,055 | 322,141 | 287,998 | 167,712 | 130,000 | 200,000 | 275,000 | 276,000 |
| Operating transfers out | (1,385) | (1,052,785) | (534,225) | (1,091,092) | (735,998) | (570,912) | (584,269) | (653,109) | (715,000) | (712,864) |
| Total Other Financing Sources (Uses) | (1,385) | (1,052,785) | (527,170) | (768,951) | (448,000) | (403,200) | (454,269) | (453,109) | (440,000) | (436,864) |
| Net change in fund balances | \$ 884,971 | (330,181) | 241,256 | 104,481 | 423,578 | 527,562 | 584,947 | 936,709 | 728,089 | 731,225 |



Source: Phelan Pinon Hills Community Service District audited financial statements

Phelan Pinon Hills Community Services District Governmental Fund Revenues Last Ten Fiscal Years

| | | Fiscal Year | | | | | | | | | |
|------------------------------------|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|------------------|
| | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | As Restated 2021 | 2022 |
| Property taxes | \$ | 845,706 | 895,649 | 930,801 | 1,003,264 | 1,062,550 | 1,127,118 | 1,206,628 | 1,281,699 | 1,387,911 | 1,494,147 |
| Charges for services | | 25,199 | 13,065 | 19,758 | 21,488 | 24,220 | 25,098 | 23,105 | 17,142 | 181,104 | 239,518 |
| Interest | | 16,555 | 11,667 | 13,607 | 15,827 | 33,106 | 56,933 | 143,109 | 135,202 | 53,388 | - |
| Other | | 144,527 | 294,734 | 205,275 | 197,710 | 248,130 | 266,490 | 366,645 | 427,169 | 304,347 | 342,798 |
| Total governmental revenues | \$ | 1,031,987 | 1,215,115 | 1,169,441 | 1,238,289 | 1,368,006 | 1,475,639 | 1,739,487 | 1,861,212 | 1,911,257 | 2,076,463 |

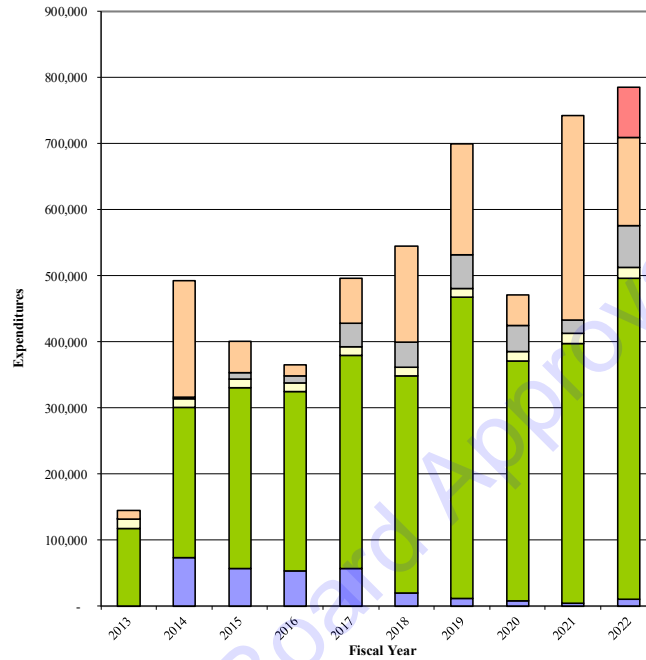


Source: Phelan Pinon Hills Community Service District audited financial statements

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Phelan Pinon Hills Community Services District Governmental Fund Expenditures Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|----------------------------------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| General government * | \$ - | 73,381 | 56,457 | 53,281 | 57,367 | 19,600 | 12,239 | 8,165 | 4,953 | 10,505 |
| Parks and Recreation | 117,895 | 227,373 | 273,906 | 271,147 | 322,514 | 328,981 | 455,646 | 363,072 | 392,210 | 485,741 |
| Street Lighting | 13,643 | 13,489 | 13,804 | 13,679 | 12,956 | 13,077 | 12,437 | 14,466 | 15,840 | 16,181 |
| Solid Waste ** | 450 | 2,173 | 9,377 | 10,133 | 35,209 | 37,840 | 51,323 | 39,307 | 20,387 | 63,265 |
| Capital outlay | 13,643 | 176,095 | 47,471 | 16,617 | 68,382 | 145,379 | 168,626 | 46,384 | 309,778 | 134,014 |
| Interest expense - investments | - | - | - | - | - | - | - | - | - | 75,411 |
| Total governmental expenditures | \$ 145,631 | 492,511 | 401,015 | 364,857 | 496,428 | 544,877 | 700,271 | 471,394 | 743,168 | 785,117 |



Note: * Reporting for the General Fund was initiated in fiscal year 2014.
 ** Reporting for the Solid Waste Fund started in fiscal year 2013.

Source: Phelan Pinon Hills Community Service District audited financial statements

**Phelan Pinon Hills Community Services District
Assessed Valuations – San Bernardino County
Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Secured San Bernardino County</u> | <u>Unsecured San Bernardino County</u> | <u>Totals</u> | <u>Total Direct Tax Rate</u> |
|------------------------|----------------------------------------------|------------------------------------------------|---------------|----------------------------------|
| 2013 | \$ 1,263,174,951 | 12,969,370 | 1,276,144,321 | 1.000000% |
| 2014 | 1,291,389,085 | 13,060,922 | 1,304,450,007 | 1.000000% |
| 2015 | 1,348,979,703 | 13,974,369 | 1,362,954,072 | 1.000000% |
| 2016 | 1,424,385,527 | 12,009,283 | 1,436,394,810 | 1.000000% |
| 2017 | 1,471,330,134 | 13,123,355 | 1,484,453,489 | 1.000000% |
| 2018 | 1,546,141,340 | 12,545,948 | 1,558,687,288 | 1.000000% |
| 2019 | 1,625,020,213 | 14,567,365 | 1,639,587,578 | 1.000000% |
| 2020 | 1,734,047,294 | 14,232,824 | 1,748,280,118 | 1.000000% |
| 2021 | 1,826,847,318 | 14,356,852 | 1,841,204,170 | 1.000000% |
| 2022 | 1,927,000,757 | 14,775,406 | 1,941,776,163 | 1.000000% |

Note: Property in San Bernardino County is reassessed each year. Property is assessed at actual value, therefore, the assessed values are equal to the actual values.

Source: San Bernardino County Assessor offices

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**Phelan Pinon Hills Community Services District
Water Sales Revenue and Water Production
Last Ten Fiscal Years**

| Fiscal Year | Water Sales Revenue | | | | Quantity of Water Sold (HCF*) | | | |
|-------------|---------------------|------------|------------|-----------|-------------------------------|------------|------------|-----------|
| | Residential | Commercial | Industrial | Total | Residential | Commercial | Industrial | Total |
| 2013 | \$ 3,625,890 | 157,581 | 15,225 | 3,798,696 | 1,150,776 | 68,000 | 397 | 1,219,173 |
| 2014 | 3,745,316 | 144,093 | 12,995 | 3,902,404 | 1,136,271 | 60,273 | 6,277 | 1,202,821 |
| 2015 | 3,991,657 | 196,573 | 25,860 | 4,214,090 | 1,088,662 | 75,237 | 7,963 | 1,171,862 |
| 2016 | 4,090,260 | 240,168 | 7,577 | 4,338,006 | 837,199 | 71,340 | 7,577 | 916,116 |
| 2017 | 4,312,101 | 298,476 | 52,395 | 4,662,972 | 895,380 | 90,471 | 6,755 | 992,606 |
| 2018 | 4,659,051 | 352,203 | 59,405 | 5,070,659 | 921,663 | 103,318 | 6,725 | 1,031,706 |
| 2019 | 4,648,826 | 364,211 | 32,263 | 5,045,300 | 886,294 | 102,579 | 3,842 | 992,715 |
| 2020 | 5,014,750 | 354,476 | 69,643 | 5,438,870 | 910,164 | 96,086 | 10,349 | 1,016,599 |
| 2021 | 5,651,311 | 419,900 | 177,669 | 6,248,880 | 1,041,855 | 112,035 | 27,724 | 1,181,614 |
| 2022 | 6,164,063 | 461,884 | 222,092 | 6,848,039 | 1,014,109 | 106,597 | 19,338 | 1,140,044 |

Note: * Hundred Cubic Feet (HCF) = 748 gallons.

Source: Phelan Pinon Hills Community Service District audited financial statements and billing records

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Phelan Pinon Hills Community Services District Water Rates Last Ten Fiscal Years

| Commodity Charge | | | March 1, 2013 | January 1, 2014 | January 1, 2015 | January 1, 2016 | February 1, 2016 | July 1, 2016 | July 1, 2017 | July 1, 2018 | July 1, 2019 | February 1, 2021 | July 1, 2021 | January 1, 2022 |
|------------------|------------|----|---------------|-----------------|-----------------|-----------------|------------------|--------------|--------------|--------------|--------------|------------------|--------------|-----------------|
| Tiered | Tier (HCF) | | | | | | | | | | | | | |
| Tier 1 | 0-25 | \$ | 1.69 | 1.89 | 2.02 | 2.17 | 2.50 | 2.22 | 2.35 | 2.39 | 2.53 | 2.64 | 2.80 | na |
| Tier 2 | 25.01+ | | 1.95 | 2.18 | 2.33 | 2.50 | 3.95 | 3.51 | 3.71 | 3.77 | 4.00 | 4.01 | 4.26 | na |
| Tier 1 | 0-9 | | na | na | na | na | na | na | na | na | na | na | na | 2.73 |
| Tier 2 | 9.01-29 | | na | na | na | na | na | na | na | na | na | na | na | 3.12 |
| Tier 3 | 29.01+ | | na | na | na | na | na | na | na | na | na | na | na | 7.53 |

| | Bi-Monthly | | | | | | Monthly | | | | | |
|--------------|---------------|-----------------|-----------------|-----------------|------------------|--------------|--------------|--------------|--------------|------------------|--------------|-----------------|
| Meter Charge | March 1, 2013 | January 1, 2014 | January 1, 2015 | January 1, 2016 | February 1, 2016 | July 1, 2016 | July 1, 2017 | July 1, 2018 | July 1, 2019 | February 1, 2021 | July 1, 2021 | January 1, 2022 |
| 3/4" | \$ 31.37 | 33.75 | 35.77 | 18.96 | 18.96 | 16.97 | 17.90 | 18.16 | 19.16 | 22.28 | 23.62 | 22.80 |
| 1" | 41.65 | 44.81 | 47.49 | 25.17 | 29.22 | 25.91 | 27.46 | 27.89 | 29.56 | 32.06 | 33.99 | 34.50 |
| 1.5" | 67.35 | 72.45 | 76.80 | 40.70 | 54.87 | 48.24 | 51.34 | 52.21 | 55.54 | 56.51 | 59.91 | 63.75 |
| 2" | 98.19 | 105.63 | 111.97 | 59.34 | 85.65 | 75.04 | 80.00 | 81.39 | 86.72 | 85.85 | 91.01 | 98.85 |
| 3" | 170.14 | 183.05 | 194.03 | 102.83 | 157.47 | 137.57 | 146.87 | 149.47 | 159.47 | 178.76 | 189.49 | 210.00 |
| 4" | 272.94 | 293.64 | 311.26 | 164.96 | 260.07 | 226.91 | 242.41 | 246.74 | 263.41 | 315.68 | 334.63 | 373.80 |
| 6" | 529.93 | 570.12 | 604.32 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 8" | 838.32 | 901.90 | 956.01 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Source: Phelan Pinon Hills Community Service District billing records

Note: July 1, 2020 rate increase was deferred until February 1, 2021 due to COVID

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**Phelan Pinon Hills Community Services District
Water Customer Demographics
Last Ten Fiscal Years**

Customer by Type

| Connection Type | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Residential | 6,714 | 6,719 | 6,735 | 6,753 | 6,780 | 6,800 | 6,847 | 6,925 | 7,013 | 7,088 |
| Commercial | 51 | 51 | 51 | 49 | 42 | 67 | 71 | 74 | 77 | 80 |
| Industrial | 3 | 4 | 4 | 4 | 7 | 4 | 7 | 11 | 14 | 21 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total | 6,768 | 6,774 | 6,790 | 6,806 | 6,806 | 6,871 | 6,925 | 7,010 | 7,104 | 7,189 |

Ten Largest System Users

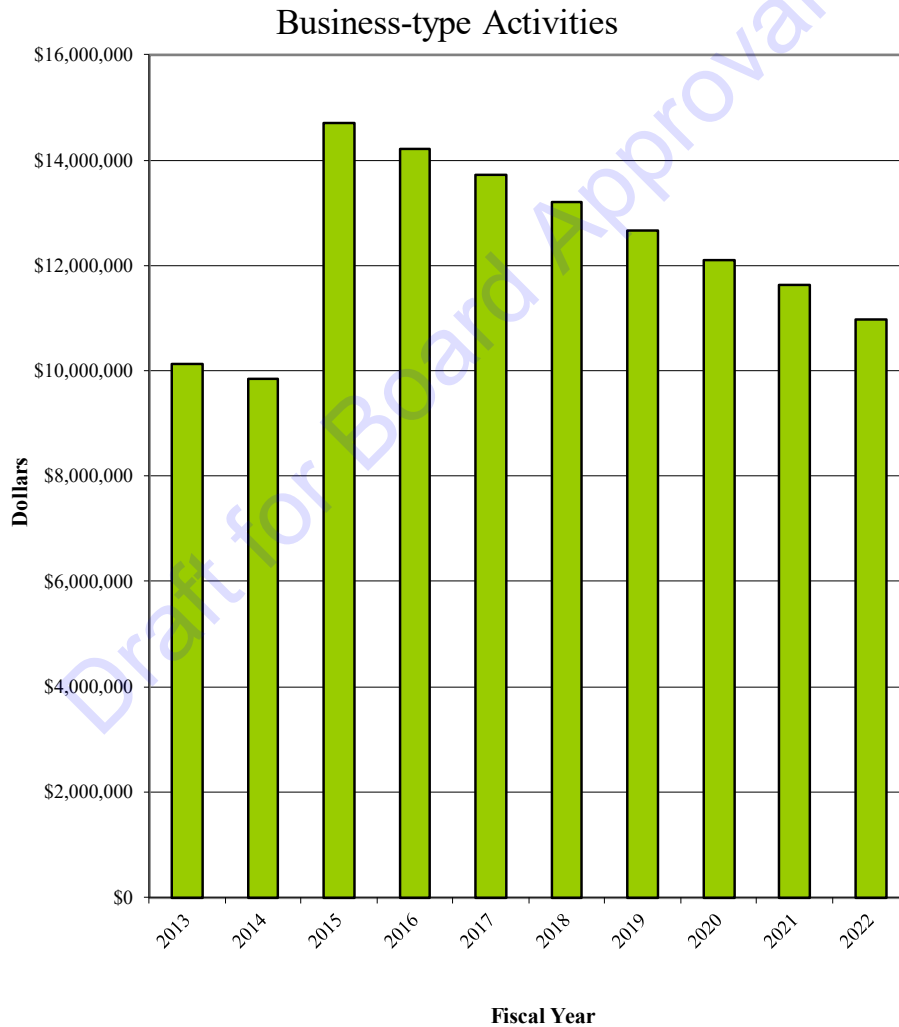
| Customer | Percent of System Use | Percent of System Revenues | Customer Type |
|-----------------------------|------------------------------|-----------------------------------|----------------------|
| Snowline JUSD | 8.23% | 4.92% | Institutional |
| Wendy's Water Truck Company | 0.86% | 0.85% | Commercial |
| Boaming Huang | 0.35% | 0.24% | Commercial |
| LBJ Trucking | 0.34% | 0.36% | Residential |
| Francisco Barragan | 0.28% | 0.19% | Residential |
| Myog Cha (Grace) Pak | 0.27% | 0.19% | Residential |
| Jikai Liang | 0.25% | 0.17% | Residential |
| CMC Investments LLC | 0.24% | 0.18% | Residential |
| Daniel & Karla Betcher | 0.22% | 0.15% | Residential |
| Pacific Water Trucks | 0.20% | 0.21% | Residential |
| Totals | 11.24% | 7.46% | |

Source: Phelan Pinon Hills Community Service District billing records

Draft for Board Approval

**Phelan Pinon Hills Community Services District
Ratios of Outstanding Debt
Last Ten Fiscal Years**

| Fiscal Year | Business-type Activities | Total Debt | Per Capita | As a Share of Personal Income | |
|-------------|--------------------------|------------|------------|-------------------------------|--------------------------|
| | | | | Total | Business-type Activities |
| 2013 | \$ 10,121,499 | 10,121,499 | 421.03 | 1.40% | 1.40% |
| 2014 | 9,845,414 | 9,845,414 | 409.24 | 1.43% | 1.43% |
| 2015 | 14,711,230 | 14,711,230 | 610.25 | 2.14% | 2.14% |
| 2016 | 14,219,582 | 14,219,582 | 588.46 | 1.80% | 1.80% |
| 2017 | 13,715,100 | 13,715,100 | 566.15 | 1.55% | 1.55% |
| 2018 | 13,194,348 | 13,194,348 | 541.82 | 1.45% | 1.45% |
| 2019 | 12,657,814 | 12,657,814 | 516.31 | 1.33% | 1.33% |
| 2020 | 12,104,985 | 12,104,985 | 489.58 | 1.21% | 1.21% |
| 2021 | 11,620,158 | 11,620,158 | 463.73 | 1.03% | 1.03% |
| 2022 | 10,965,483 | 10,965,483 | 433.14 | 0.88% | 0.88% |



Source: Phelan Pinon Hills Community Service District audited financial statements

**Phelan Pinon Hills Community Services District
Debt Service Ratio
Last Ten Fiscal Years**

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Gross Revenues: | | | | | | | | | | |
| Water Fund Revenues | \$ 4,405,277 | 4,479,295 | 4,908,496 | 5,188,112 | 6,291,341 | 6,550,084 | 6,705,659 | 7,277,074 | 8,472,683 | 8,799,614 |
| Total Revenue | 4,405,277 | 4,479,295 | 4,908,496 | 5,188,112 | 6,291,341 | 6,550,084 | 6,705,659 | 7,277,074 | 8,472,683 | 8,799,614 |
| Operating Expenses: | | | | | | | | | | |
| Water Fund Expenses | (5,032,281) | (4,862,383) | (5,104,683) | (4,120,250) | (4,070,611) | (4,016,927) | (4,521,993) | (5,069,095) | (6,137,875) | (5,563,743) |
| Less Depreciation | 1,214,772 | 1,229,221 | 1,257,916 | 1,274,450 | 1,476,403 | 1,924,171 | 2,010,956 | 1,980,658 | 1,885,592 | 1,796,263 |
| Total Water Fund Expenses | (3,817,509) | (3,633,162) | (3,846,767) | (2,845,800) | (2,594,208) | (2,092,756) | (2,511,037) | (3,088,437) | (4,252,283) | (3,767,480) |
| Net Revenues Water Fund | 587,768 | 846,133 | 1,061,730 | 2,342,312 | 3,697,133 | 4,457,328 | 4,194,622 | 4,188,637 | 4,220,400 | 5,032,134 |
| Senior and Parity Debt Service | | | | | | | | | | |
| 2002 Water Facilities | 199,366 | 199,077 | 198,779 | 198,470 | 198,151 | 197,820 | 189,146 | 188,999 | - | - |
| 2012 Water Rights Acquisition | 26,240 | 268,852 | 351,719 | 350,061 | 349,925 | 349,787 | 327,651 | 330,825 | 331,294 | 331,774 |
| 2014 Solar Project | - | - | 150,150 | 357,591 | 357,591 | 357,591 | 329,919 | 357,592 | - | - |
| 2014 Hwy 138 | - | - | 13,231 | 26,462 | 35,943 | 26,461 | 26,461 | 26,462 | 26,462 | 26,461 |
| 2021 Loan Refinance | - | - | - | - | - | - | - | - | 522,222 | 522,222 |
| Combined Total Annual Debt \$ | 225,606 | 467,929 | 713,879 | 932,584 | 941,610 | 931,659 | 873,177 | 903,878 | 879,978 | 880,457 |
| Debt Service Coverage (times) | 2.61 | 1.81 | 1.49 | 2.51 | 3.93 | 4.78 | 4.80 | 4.63 | 4.80 | 5.72 |

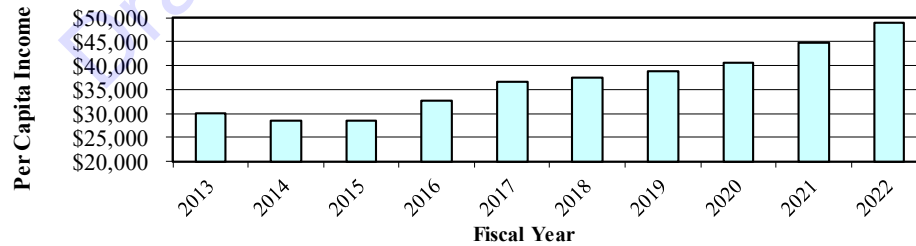
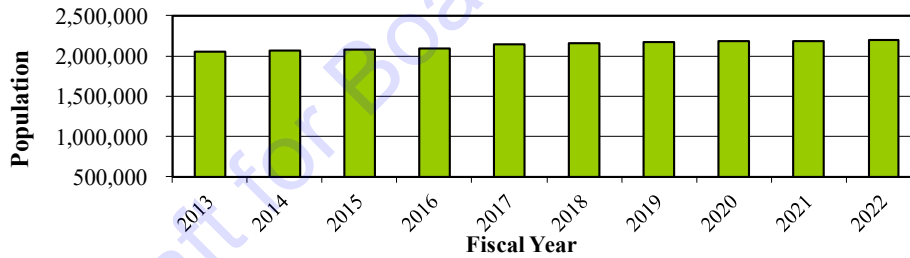
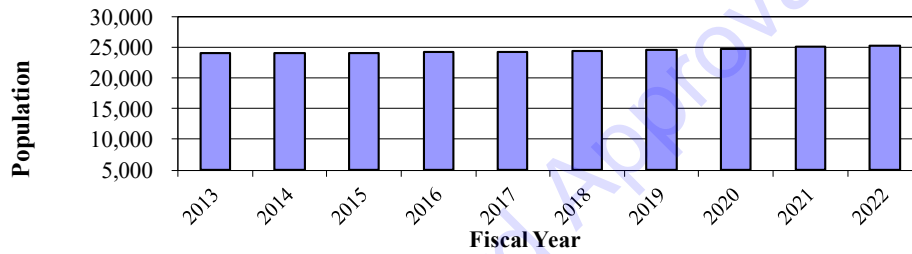
Source: Phelan Pinon Hills Community Service District audited financial statements

Draft for Board Approval

Phelan Pinon Hills Community Services District Demographic and Economic Statistics Last Ten Fiscal Years

County of San Bernardino⁽²⁾

| Year | Phelan & Piñon Hills Population (1) | Unemployment Rate | Population | Median Single-Family Home Price | Personal Income per Capita/ Median Household Income |
|------|-------------------------------------|-------------------|------------|---------------------------------|--------------------------------------------------------|
| 2013 | 24,040 | 12.6% | 2,059,699 | 145,710 | 30,081 |
| 2014 | 24,058 | 9.9% | 2,068,610 | 180,270 | 28,583 |
| 2015 | 24,107 | 8.1% | 2,085,669 | 216,570 | 28,454 |
| 2016 | 24,164 | 5.8% | 2,088,371 | 230,180 | 32,747 |
| 2017 | 24,225 | 6.2% | 2,140,096 | 248,000 | 36,578 |
| 2018 | 24,352 | 5.8% | 2,160,256 | 266,250 | 37,477 |
| 2019 | 24,516 | 4.2% | 2,174,938 | 290,000 | 38,781 |
| 2020 | 24,725 | 3.9% | 2,180,085 | 315,000 | 40,537 |
| 2021 | 25,058 | 9.2% | 2,181,654 | 350,000 | 44,831 |
| 2022 | 25,316 | 5.0% | 2,194,710 | 401,000 | 48,950 |



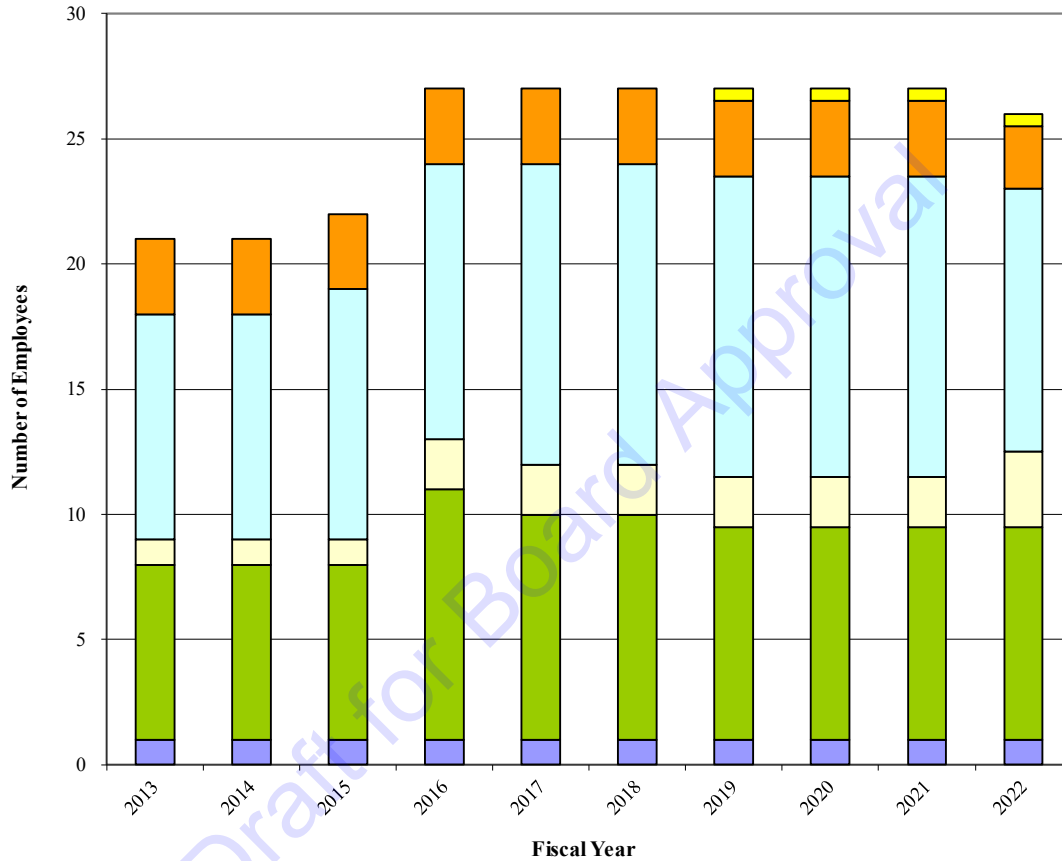
Sources: California Department of Finance and California Labor Market Info

Notes:

- (1) Data is derived from the 2010 census and adjusted for the average population per meter connection. The District has chosen to use this methodology since the District believes that it provides the best approximation of area population.
- (2) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District: Website for State of California, Employment Development Department, San Bernardino County Profile

Phelan Pinon Hills Community Services District Operating and Capacity Indicators – By Function Last Ten Fiscal Years

| Department | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------|------|------|------|------|------|------|------|------|------|------|
| General Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Administration | 7 | 7 | 7 | 10 | 9 | 9 | 8.5 | 8.5 | 8.5 | 8.5 |
| Engineering | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 3 |
| Water Operations | 9 | 9 | 10 | 11 | 12 | 12 | 12 | 12 | 12 | 10.5 |
| Parks & Recreation | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2.5 |
| Street Lighting | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Solid Waste | 0 | 0 | 0 | 0 | 0 | 0 | 0.5 | 0.5 | 0.5 | 0.5 |
| | 21 | 21 | 22 | 27 | 27 | 27 | 27 | 27 | 27 | 26 |



Source: Phelan Pinon Hills Community Services District Records

**Phelan Pinon Hills Community Services District
Miscellaneous Statistics
June 30, 2022**

Water System:

| | |
|------------------------------|-------|
| Number of Pressure Zones | 17 |
| Miles of Water Main | 353 |
| Reservoirs | 35 |
| Wells | 14 |
| Booster Stations | 25 |
| Booster Pumps | 69 |
| Pressure Reducing Stations | 32 |
| Service Connections (Meters) | 7,189 |

Parks and Recreation Facilities:

| | |
|-----------------------------|---|
| Number of Parks | 2 |
| Number of Community Centers | 2 |
| Number of Senior Centers | 2 |

Street Lighting:

| | |
|----------------------------------|----|
| Number of Street Lights | 92 |
| Number of Lights at RR Crossings | 1 |

Solid Waste and Recycling:

| | |
|---------------------------------|-------|
| Number of Residential Customers | 4,909 |
| Number of Commercial Customers | 116 |

Misc. Statistical Information

| | |
|----------------------------------|----------------------|
| Population | 25,058 |
| Service Area | 128 square miles |
| Employees | 26 Full-time, 1 Temp |
| Enterprise Fund Budget 2021/2022 | 9,459,996 |
| Government Fund Budget 2021/2022 | 920,157 |
| Capital Budget 2021/2022 | 305,300 |

Source: Phelan Pinon Hills Community Services District Records

Report on Internal Controls and Compliance

Draft for Board Approval

Draft for Board Approval

**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Phelan Piñon Hills Community Services District
Phelan, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Phelan Piñon Hills Community Services District (District), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor’s Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, continued**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP
Cypress, California
November 2, 2022

Draft for Board Approval

**Phelan Piñon Hills
Community Services District**

Management Report

June 30, 2022

Board Draft for Review

Phelan Piñon Hills Community Services District

Management Report

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| Schedule of Audit Adjusting Journal Entries | 5-8 |

Board Draft for Review

CONFIDENTIAL

Board of Directors
Phelan Piñon Hills Community Services District
Phelan, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the Phelan Piñon Hills Community Services District (District) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Current Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

The District has reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system.

Prior Year Comment and Recommendation

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

The District has reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system.

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Fedak & Brown LLP
Cypress, California
November 2, 2022

APPENDIX

**Phelan Piñon Hills
Community Services District**

Audit/Finance Committee Letter

June 30, 2022

Board Draft for Review

Board of Directors
Phelan Piñon Hills Community Services District
Phelan, California

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Phelan Piñon Hills Community Services District (District) for the year ended June 30, 2022, and have issued our report thereon dated November 2, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 16, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated November 2, 2022.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are as follows:

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the defined benefit pension plan's net pension liability, deferred outflows/inflows of resources, and pension expense are based on an actuarial valuation conducted by a third-party actuary. We evaluated the actuarial methods and assumptions used by the actuary to calculate these amounts for the District to determine that they are reasonable in relation to the financial statements taken as a whole.

Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the basic financial statements are:

The disclosure of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 4 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's defined benefit pension plan in Note 7 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management:

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Corrected and Uncorrected Misstatements

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 2, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual, Schedules of District's Proportionate Share of the Net Pension Liability, and Schedules of Pension Plan Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Introductory and Statistical Sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the District's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Restriction on Use

We appreciate the cooperation extended us by Don Bartz, General Manager, and Lori Lowrance, Administrative Services Manager, in the performance of our audit testwork. We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

This information is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Fedak & Brown LLP
Cypress, California
November 2, 2022

Board Draft for Review

*Phelan Pinon Hills Community Services District
Schedule of Audit Adjusting Journal Entries
June 30, 2022*

| Account | Description | Debit | Credit |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------|--------------------------|
| Adjusting Journal Entries | | | |
| Adjusting Journal Entries JE # 1 | | | |
| AJE - To adjust net position Government and Enterprise fund balance differences between PY issued CAFR and Net Position G/L. | | | |
| 01-1-6-59310 | Other Operating Expenses | 1,014.00 | |
| 20-0-0-32000 | Unrestricted Net Assets | 2.00 | |
| 22-2-2-54530 | Office Supplies | 164.00 | |
| 23-3-2-58210 | Utilities - Street Lights | 2.00 | |
| 25-5-1-54530 | Office Supplies | 1.00 | |
| 01-0-0-32000 | Unrestricted Net Assets | | 1,014.00 |
| 20-0-1-88170 | Other Income | | 2.00 |
| 22-2-0-32000 | Unrestricted Net Assets | | 164.00 |
| 23-3-0-32000 | Unrestricted Net Assets | | 2.00 |
| 25-5-0-32000 | Unrestricted Net Assets | | 1.00 |
| Total | | <u>1,183.00</u> | <u>1,183.00</u> |
| Adjusting Journal Entries JE # 2 | | | |
| CPE - To allocate FMV adjustment between funds. | | | |
| 01-0-0-11000 | Cash in Bank | 108,326.14 | |
| 01-0-1-95010 | Net Incr/Decr in Fair Value | 160,444.53 | |
| 20-0-1-95010 | Net Incr/Decr in Fair Value | 6,804.51 | |
| 22-0-1-95010 | Net Incr/Decr in Fair Value | 66,061.48 | |
| 23-0-1-95010 | Net Incr/Decr in Fair Value | 408.57 | |
| 24-0-1-95010 | Net Incr/Decr in Fair Value | 34,054.55 | |
| 25-0-1-95010 | Net Incr/Decr in Fair Value | 997.03 | |
| 01-0-1-95010 | Net Incr/Decr in Fair Value | | 268,770.67 |
| 20-0-0-11000 | Cash in Bank | | 6,804.51 |
| 22-2-0-11000 | Cash in Bank | | 66,061.48 |
| 23-3-0-11000 | Cash in Bank | | 408.57 |
| 24-4-0-11000 | Cash in Bank | | 34,054.55 |
| 25-5-0-11000 | Cash in Bank | | 997.03 |
| Total | | <u>377,096.81</u> | <u>377,096.81</u> |
| Adjusting Journal Entries JE # 3 | | | |
| GASB 68 Entry #1 - To reclassify 2021 contributions to NPL at June 30, 2022. | | | |
| 01-0-1-29850 | Net Pension Liability | 161,894.00 | |
| 22-2-1-29850 | Net Pension Liability | 17,988.00 | |
| 01-0-1-14300 | Deferred Outflows of Resources | | 161,894.00 |
| 22-2-1-14300 | Deferred Outflows of Resources | | 17,988.00 |
| Total | | <u>179,882.00</u> | <u>179,882.00</u> |
| Adjusting Journal Entries JE # 4 | | | |
| GASB 68 Entry #2 - To reclassify 2022 contributions to Deferred Outflows of Resources at June 30, 2022. | | | |
| 01-0-1-14300 | Deferred Outflows of Resources | 302,994.00 | |
| 20-0-0-11000 | Cash in Bank | 505.00 | |
| 22-2-1-14300 | Deferred Outflows of Resources | 33,666.00 | |
| 25-5-0-11000 | Cash in Bank | 1,178.00 | |
| 01-0-1-51295 | Contra Retirement GASB68 | | 302,994.00 |
| 20-0-1-51295 | Contra Retirement GASB68 | | 505.00 |
| 22-2-0-11000 | Cash in Bank | | 1,683.00 |
| 22-2-1-51295 | Contra Retirement GASB68 | | 31,983.00 |
| 25-5-1-51295 | Contra Retirement GASB68 | | 1,178.00 |
| Total | | <u>338,343.00</u> | <u>338,343.00</u> |

*Phelan Pinon Hills Community Services District
Schedule of Audit Adjusting Journal Entries
June 30, 2022*

| Account | Description | Debit | Credit |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------|----------------------------|
| Adjusting Journal Entries JE # 5 | | | |
| GASB 68 Entry #3 - To record changes in pension liability during FY20/21 at June 30, 2022. | | | |
| 01-0-1-14300 | Deferred Outflows of Resources | 602,903.00 | |
| 01-0-1-29850 | Net Pension Liability | 304,697.00 | |
| 20-0-0-11000 | Cash in Bank | 1,475.00 | |
| 22-2-1-14300 | Deferred Outflows of Resources | 66,988.00 | |
| 22-2-1-29850 | Net Pension Liability | 33,856.00 | |
| 25-5-0-11000 | Cash in Bank | 3,442.00 | |
| 01-0-1-25500 | Deferred Inflows of Resources | | 22,513.00 |
| 01-0-1-51295 | Contra Retirement GASB68 | | 885,087.00 |
| 20-0-1-51295 | Contra Retirement GASB68 | | 1,475.00 |
| 22-2-0-11000 | Cash in Bank | | 4,917.00 |
| 22-2-1-25500 | Deferred Inflows of Resources | | 2,501.00 |
| 22-2-1-51295 | Contra Retirement GASB68 | | 93,426.00 |
| 25-5-1-51295 | Contra Retirement GASB68 | | 3,442.00 |
| Total | | <u>1,013,361.00</u> | <u>1,013,361.00</u> |
| Adjusting Journal Entries JE # 6 | | | |
| GASB 68 Entry #4 - To record changes in the deferred outflows and deferred inflows (amortization) during FY20/21 at June 30, 2022. | | | |
| 01-0-1-25500 | Deferred Inflows of Resources | 17,497.00 | |
| 01-0-1-51295 | Contra Retirement GASB68 | 161,618.00 | |
| 20-0-1-51295 | Contra Retirement GASB68 | 269.00 | |
| 22-2-0-11000 | Cash in Bank | 897.00 | |
| 22-2-1-25500 | Deferred Inflows of Resources | 1,945.00 | |
| 22-2-1-51295 | Contra Retirement GASB68 | 17,060.00 | |
| 25-5-1-51295 | Contra Retirement GASB68 | 628.00 | |
| 01-0-1-14300 | Deferred Outflows of Resources | | 179,115.00 |
| 20-0-0-11000 | Cash in Bank | | 269.00 |
| 22-2-1-14300 | Deferred Outflows of Resources | | 19,902.00 |
| 25-5-0-11000 | Cash in Bank | | 628.00 |
| Total | | <u>199,914.00</u> | <u>199,914.00</u> |
| Adjusting Journal Entries JE # 7 | | | |
| CPE - To reclass voided check from account 22140 to 21100 to eliminate payable (invoices 14598 and 14813) vendor Infrastructure Engineering Corporation. | | | |
| 01-0-0-21100 | Accounts Payable - Trade | 5,045.00 | |
| 01-0-0-22140 | Accrued Payable | | 5,045.00 |
| Total | | <u>5,045.00</u> | <u>5,045.00</u> |
| Adjusting Journal Entries JE # 8 | | | |
| CPE - Per inquiry with David Noland, Accountant, the \$79,790 was an AVWM accrual made by the District for 2021 water purchases. The District paid the invoice of \$121K directly to the expense account without reversing the accrual for the \$79K. | | | |
| 01-0-0-21130 | Accounts Payable - Other | 79,790.00 | |
| 01-1-3-50030 | MWA/AVW Replacement Water | | 79,790.00 |
| Total | | <u>79,790.00</u> | <u>79,790.00</u> |

*Phelan Pinon Hills Community Services District
Schedule of Audit Adjusting Journal Entries
June 30, 2022*

| Account | Description | Debit | Credit |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|----------------------------|
| Adjusting Journal Entries JE # 9 | | | |
| CPE - To reclassify utility charges and credits determined by SCE in the current year which pertain to prior years operations. | | | |
| 01-1-3-58111 | Utilities - PY Charges | 404,084.58 | |
| 01-1-3-58115 | Utilities - Solar Credits | 659,751.04 | |
| 01-1-3-58110 | Utilities | | 404,084.58 |
| 01-1-3-58116 | Utilities - PY Credits | | 659,751.04 |
| Total | | <u>1,063,835.62</u> | <u>1,063,835.62</u> |
| Adjusting Journal Entries JE # 10 | | | |
| CPE - To reclassify meters and antennas installed during FY21/22 to fixed assets. Project 84. | | | |
| 01-0-0-17000 | CIP Enterprise Funds | 203,248.06 | |
| 01-0-0-17000 | CIP Enterprise Funds | 154,025.55 | |
| 01-1-0-15480 | Meters | 404,549.31 | |
| 01-1-0-19470 | Accm. Depreciation - Meters | 384,229.16 | |
| 01-1-6-54620 | Repair & Maintenance | 10,775.45 | |
| 01-0-0-17000 | CIP Enterprise Funds | | 404,549.31 |
| 01-1-0-13010 | Inventory - Water Field Parts | | 154,025.55 |
| 01-1-0-13010 | Inventory - Water Field Parts | | 10,775.45 |
| 01-1-0-15480 | Meters | | 384,229.16 |
| 01-1-6-54620 | Repair & Maintenance | | 203,248.06 |
| Total | | <u>1,156,827.53</u> | <u>1,156,827.53</u> |
| Adjusting Journal Entries JE # 11 | | | |
| PPA - To record initial lease receivable and deferred inflow for Circle Green lease at July 1, 2020. | | | |
| 20-0-1-12750 | Lease Receivable - Circle Green | 191,046.15 | |
| 20-0-1-25510 | Deferred Inflow Lease - Circle Green | | 191,046.15 |
| Total | | <u>191,046.15</u> | <u>191,046.15</u> |
| Adjusting Journal Entries JE # 12 | | | |
| PPA - To record FY20/21 adjustment to lease receivable and deferred inflow for Circle Green lease at June 30, 2021. | | | |
| 20-0-1-25510 | Deferred Inflow Lease - Circle Green | 46,786.81 | |
| 20-0-1-88179 | Prior Period Adjustment - Lease Revenue | 47,271.36 | |
| 20-0-1-12750 | Lease Receivable - Circle Green | | 42,638.19 |
| 20-0-1-88179 | Prior Period Adjustment - Lease Revenue | | 46,786.81 |
| 20-0-1-88179 | Prior Period Adjustment - Lease Revenue | | 4,633.17 |
| Total | | <u>94,058.17</u> | <u>94,058.17</u> |
| Adjusting Journal Entries JE # 13 | | | |
| CPE - To record FY21/22 adjustment to lease receivable and deferred inflow for Circle Green lease at June 30, 2022. | | | |
| 20-0-1-25510 | Deferred Inflow Lease - Circle Green | 46,786.81 | |
| 20-0-1-88175 | Property Rental Income | 48,689.52 | |
| 20-0-1-12750 | Lease Receivable - Circle Green | | 45,239.62 |
| 20-0-1-88110 | Interest Income | | 3,449.90 |
| 20-0-1-88175 | Property Rental Income | | 46,786.81 |
| Total | | <u>95,476.33</u> | <u>95,476.33</u> |

*Phelan Pinon Hills Community Services District
Schedule of Audit Adjusting Journal Entries
June 30, 2022*

| Account | Description | Debit | Credit |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|----------------------------|
| Adjusting Journal Entries JE # 14 | | | |
| PPA - To record initial lease receivable and deferred inflow for C&G lease at July 1, 2020. | | | |
| 20-0-1-12751 | Lease Receivable - C&G | 514,188.61 | |
| 20-0-1-25511 | Deferred Inflow Lease - C&G | | 514,188.61 |
| Total | | <u>514,188.61</u> | <u>514,188.61</u> |
| Adjusting Journal Entries JE # 15 | | | |
| PPA - To record FY20/21 adjustment to lease receivable and deferred inflow for C&G lease at June 30, 2021. | | | |
| 20-0-1-25511 | Deferred Inflow Lease - C&G | 116,420.06 | |
| 20-0-1-88179 | Prior Period Adjustment - Lease Revenue | 117,675.60 | |
| 20-0-1-12751 | Lease Receivable - C&G | | 105,076.11 |
| 20-0-1-88179 | Prior Period Adjustment - Lease Revenue | | 12,599.49 |
| 20-0-1-88179 | Prior Period Adjustment - Lease Revenue | | 116,420.06 |
| Total | | <u>234,095.66</u> | <u>234,095.66</u> |
| Adjusting Journal Entries JE # 16 | | | |
| CPE - To record FY21/22 adjustment to lease receivable and deferred inflow for C&G lease at June 30, 2022. | | | |
| 20-0-1-25511 | Deferred Inflow Lease - C&G | 116,420.06 | |
| 20-0-1-88175 | Property Rental Income | 121,205.84 | |
| 20-0-1-12751 | Lease Receivable - C&G | | 111,522.47 |
| 20-0-1-88110 | Interest Income | | 9,683.37 |
| 20-0-1-88175 | Property Rental Income | | 116,420.06 |
| Total | | <u>237,625.90</u> | <u>237,625.90</u> |
| Total Adjusting Journal Entries | | <u>5,781,768.78</u> | <u>5,781,768.78</u> |
| Proposed Journal Entries | | | |
| Proposed Journal Entries JE # 100 | | | |
| PAJE - To adjust inventory per G/I to agree with inventory listing at June 30, 2022. | | | |
| 01-1-0-13010 | Inventory - Water Field Parts | 4,177.41 | |
| 01-1-2-54620 | Repair & Maintenance | | 4,177.41 |
| Total | | <u>4,177.41</u> | <u>4,177.41</u> |
| Total Proposed Journal Entries | | <u>4,177.41</u> | <u>4,177.41</u> |
| Total All Journal Entries | | <u>5,785,946.19</u> | <u>5,785,946.19</u> |

Legend

| | |
|---------------|-----------------------------------------------|
| AJE | Audit Adjusting Journal Entry |
| CPE | Client Provided Audit Adjusting Journal Entry |
| GASB 68 Entry | GASB 68 Adjusting Journal Entry |
| PPA | Prior Period Adjusting Journal Entry |
| PAJE | Proposed Adjusting Journal Entry (Not Posted) |

Agenda Item 6b

Discussion & Possible Action
Regarding Entering into a
Professional Services Agreement
for the District's Water Rates
Study with IB Consulting, Inc.

MEMORANDUM

DATE: November 2, 2022

TO: Board of Directors

FROM: Don Bartz, General Manager
By: Lori Lowrance, Assistant General Manager/CFO

SUBJECT: Discussion & Possible Action Regarding Entering into a Professional Services Agreement (PSA) for the District's Water Rates Study with IB Consulting, Inc.

STAFF RECOMMENDATION

Staff recommends for the Board to approve entering into a PSA with IB Consulting, Inc. to prepare the District's Water Rate Study.

BACKGROUND

The purpose of the Water Rate Study is to develop a financial plan, with associated rates and charges, designed to provide revenues sufficient to fund the ongoing operating and capital costs necessary to operate the water department, while meeting the financial requirements and goals set forth by the District. As the District has experienced significant impacts to the cost of providing water service, due to increased costs of goods and services, and the District has halted talks with Sheep Creek about a potential merger, impacting the District CIP schedule, it is necessary to perform a water rate study.

In November of 2019/20 IB Consulting Inc., prepared the District's Water Rate Study for a five-year period ending June 30, 2025. In 2021, the IB Consulting conducted a cost-of-service study for water rates in response to high water user impacts to the District. The District anticipated the need for a rate study in 2022/2023 due to impacts resulting from the recent increases to costs of goods and services well as the possible Sheep Creek Merger. Staff requested a quote from IB Consulting, Inc.

As per Section 4209 of Resolution No. 2022-05, Establishing Purchasing Procedures, the District is exempt from competitive bidding, notwithstanding the basis policy that procurement of Services and supplies shall be on a competitive bidding basis to the maximum practical extent, purchases may be negotiated (4209.5) "when the purchase is for professional service". As such, entering into a PSA with IB Consulting Inc. to prepare the District's Water Rate Study is an appropriate course of action.

The District worked with IB Consulting Inc., on numerous projects, including several previous water rate studies. Additionally, the District has worked with Mr. Isaac on the District's annual water standby engineer's report for the past several years. Due to Mr. Isaac's in-depth knowledge of the District's water operations, staff requested a proposal from IB Consulting to perform the District's Water Rates and Fee Study.

FISCAL IMPACT

\$43,640 (2022/23 Budget includes \$60,000 for a rate study)

ATTACHED

IB Consulting Proposal



Solutions through Collaboration

Phelan Pinon Hills CSD
FY 2023 Cost of Service Study

Submittal Date:

October 21, 2022

Scope of Services

Phelan Pinon Hills CSD (CSD) requested services to update the CSD's long-term financial plan and corresponding water rates. The detailed scope below describes each task and sets forth how we envision working through this engagement.

TASK 1: DATA COLLECTION AND KICK-OFF MEETING

As part of the project initiation, we will meet with staff to discuss updated cost drivers, including the increase in costs of the CSD's new administrative/civic center building. We will also discuss milestones for deliverables with a Public Hearing date in June. To ensure a productive kick-off meeting, we will first provide a data request of the items required for updating the financial plan, cost of service analyses, and corresponding rates. Ideally, the kick-off meeting will be scheduled two weeks after providing the data request to allow ample time to compile and review the data. During our meeting, we will discuss the following items:

1. Current financial position
2. Capital needs with funding options
3. Cost components
4. Reserve policies and if any adjustments should be made

The kick-off meeting will conclude with an initial framework of the study, clear lines of communication between us and CSD staff, and specific dates for scheduled meetings.

Meetings: One (1) kick-off meeting with staff.

Deliverable: Data request, agenda for kick-off discussion, and meeting minutes.

TASK 2: FINANCIAL PLAN UPDATE

Financial planning incorporates numerous considerations besides projecting operating expenses. Utilities need to account for changes in water demand driven by variations in usage. In addition, system reinvestment, reserves, and debt compliance also influence revenue needs in future years. Therefore, a comprehensive financial plan reviews various aspects of a utility.



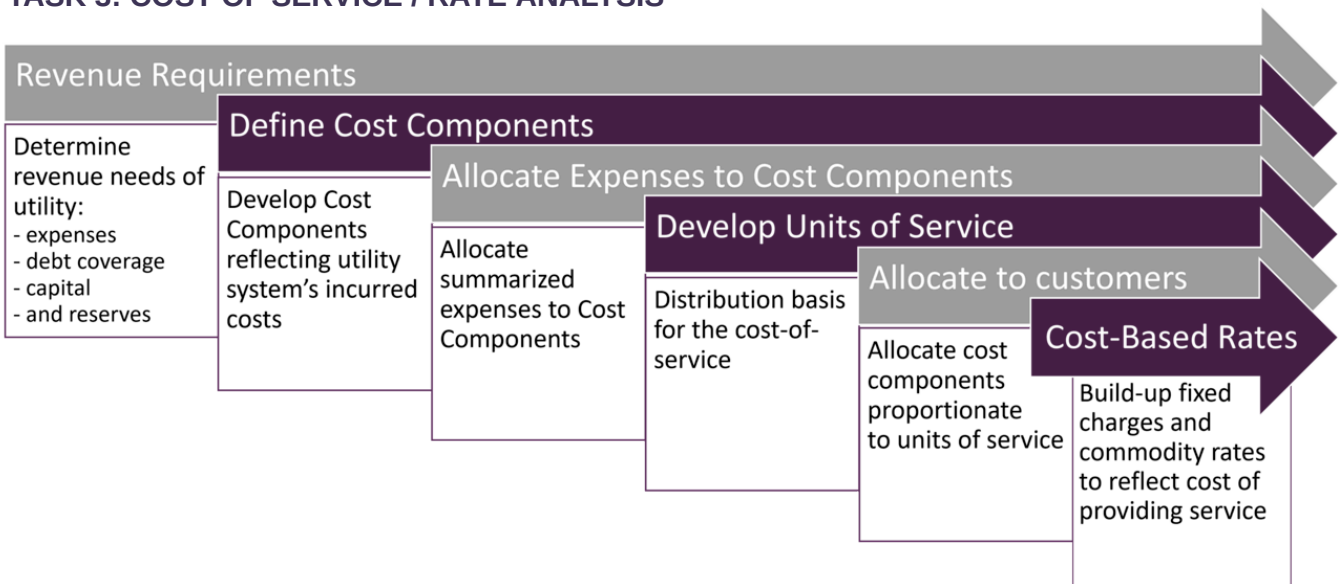
We will review the CSD revenue requirements to ensure all costs are captured, including debt coverage and reserve funding. We will update the previous financial plan model with FY 2022 actuals and FY 2023 adopted budget. We will incorporate the CSD's capital plans with options to generate different scenarios that may vary by how capital projects are scheduled. With various capital plan scenarios developed, our models include the ability to select a different capital plan scenario to determine annual revenue recovery, the use of debt financing, identify remaining fund balances, and smooth out rates over multiple years.

Expenses will also be projected over the planning period and will incorporate separate inflationary categories including, but not limited to, salaries, benefits, PERS/OPEB, energy, and purchased water costs. We will also calculate existing rate revenue using the raw billing data and compare it to actual revenues within the latest audited financials. Doing so will provide an initial quality assurance check that the raw billing data and units of service driving the updated models are fundamentally sound for forecasting future revenue needs. This will also allow us to model "what-if" scenarios with changes to water demand and projected usage between customer classes. As part of this task, we will also model existing reserve policies and identify any recommended adjustments to reserves based on the CSD's projected expenses and financial needs.

Meetings: Webinars as needed to review updated financial plan.

Deliverable: Updated Financial Plan model including total accounts by customer classes, consumption analysis by class and tier, and current fixed/variable revenue profile.

TASK 3: COST OF SERVICE / RATE ANALYSIS



The cost of service analysis is a critical component of any rate study and directly ties to how rates will adjust, which ultimately impacts customer bills and provides a sound nexus between costs incurred and proposed rates. We will update tiered rates, confirm current breakpoints between tiers are still appropriate based on recent usage trends and available water supplies, 2) identify costs associated with each tier to ensure rates are based on the cost incurred, and 3) determine revenue recovery between tiers while minimizing the amount of fixed costs within the highest tier. A consumption analysis will be conducted to capture new units of service and growth projections through the financial plan and rate model. We will dive into these issues as we design new rates that are cost-based through a systematic approach.

With tiered water rates, we will identify which costs are within each tier and ensure avoidable costs are within the higher tiers. Structuring tiers in this manner will minimize deficit shortfalls when water sales reduce because these costs will be avoided. Expenses will be summarized based on functional categories which would then be allocated to cost components to show the make-up of the proposed fixed charges and commodity rates. The end result will clearly and succinctly show the cost components that make up the rates and their percentage of total charges.

Meetings: Webinars as needed to review the cost-of-service and rate analysis and 1 in-person meeting to finalize proposed rates for a rate workshop.

Deliverable: Rate model including consumption analysis based on changes to the rate structure, pro forma reflecting new revenue recovery profile between fixed and variable, including tiers.

TASK 4: RATE WORKSHOPS

With the proposed rates completed and thoroughly discussed through the model development with staff, a rate workshop will be conducted with the CSD Board and the public. The updated Financial Plan and corresponding rates will be discussed as well as impacts on customer bills across different usage levels.

Meetings: Webinars with CSD staff to review presentation material and in-person rate workshop with CSD Board and the public.

Deliverable: Presentation material and rate model.

TASK 5: RATE STUDY REPORT

Once the analysis is completed and rates finalized, we will draft a Rate Study Report in compliance with Proposition 218 to serve as part of the administrative record. Our Report will document assumptions, describe the methodology, and walk the reader through the underlying calculations that derive the updated water rates. We will also include an Executive Summary highlighting the primary drivers of any necessary revenue adjustments, financial plan review, and corresponding rates.

Meetings: Conference calls as needed to finalize Report.

Deliverable: Preliminary Report and Final Report.

TASK 6: NOTICE AND PUBLIC HEARING

We will assist the CSD with drafting the Proposition 218 Notice by reviewing the notice to ensure it ties to our analysis and Report. We will provide any required tables and incorporate graphics showing customer impacts. We will also attend the Public Hearing to answer technical questions.

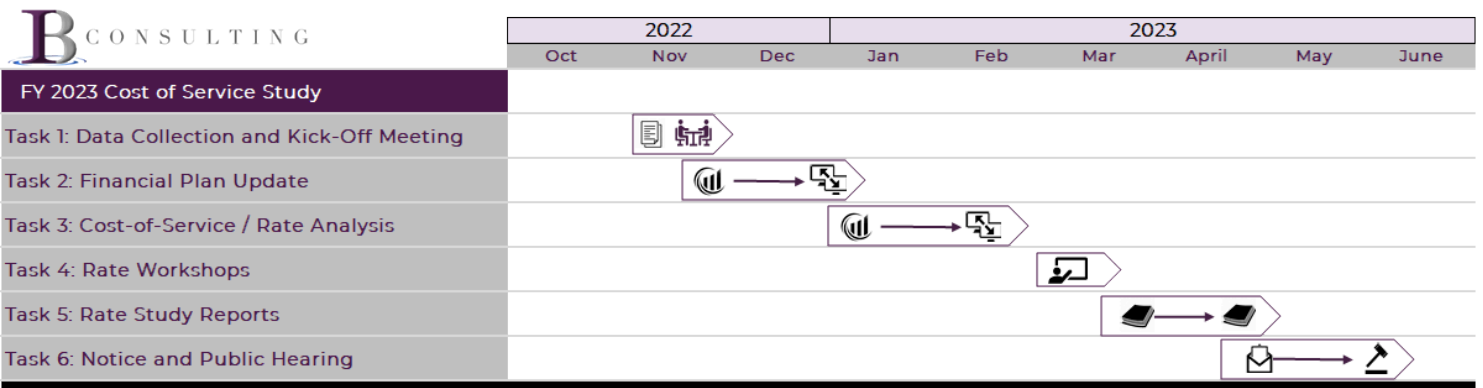
Meetings: 1 meeting to attend Public Hearing.

Deliverable: PowerPoint for Public Hearing, if requested.

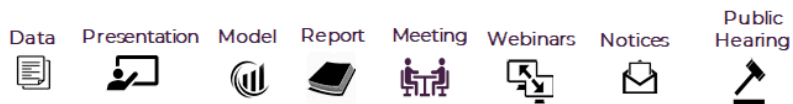


Project Schedule

Below is our recommended timeline for the completion of the cost-of-service study with a proposed public hearing by June 2023. We will update the schedule with specific dates as part of our kick-off meeting with CSD staff.



Timeline Legend



Budget

Our Project Budget includes a not-to-exceed amount based on our all-inclusive billable rate of \$225/hour. We identify the number of hours by personnel for each task. Any adjustments to our fee will be based on changes requested to the proposed scope.

| Tasks | Description | H. Isaac | A. Boehling | L. Demine | Estimated Hours | Total Cost |
|--------------|--------------------------------------|--------------------|--------------------|-------------------------|-----------------|-----------------|
| | | Principal \$225 | Principal \$225 | Sr. Consultant \$190 | | |
| 1 | Data Collection and Kick-Off Meeting | 8 | 8 | 6 | 22 | \$4,740 |
| 2 | Financial Plan Update | 12 | 32 | 8 | 52 | \$11,420 |
| 3 | Cost-of-Service / Rate Analysis | 24 | 16 | 8 | 48 | \$10,520 |
| 4 | Rate Workshops | 12 | 8 | - | 20 | \$4,500 |
| 5 | Rate Study Report | 32 | 8 | 4 | 44 | \$9,760 |
| 6 | Notice and Public Hearing | 8 | 4 | - | 12 | \$2,700 |
| Total | | 96 | 76 | 26 | 198 | \$43,640 |

| FY 2023 Hourly Rate Schedule | | \$ |
|------------------------------|--|------------|
| Principal | | \$225 / Hr |
| Sr. Consultant | | \$190 / Hr |



**AGREEMENT FOR SERVICES
BETWEEN
PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT
AND
IB CONSULTING, INC. FOR A COST OF SERVICE STUDY**

THIS AGREEMENT is made this 2nd day of November 2022 (hereinafter referred to as the “Effective Date”), by and between PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT, a public agency organized and operating pursuant to California **Government Code Section 61000 et seq. (hereinafter referred to as the “DISTRICT”), and IB CONSULTING, INC., a financial services firm, (hereinafter referred to as “CONSULTANT”).** DISTRICT and CONSULTANT may individually be referred to as “Party” or collectively as “Parties” in this Agreement.

RECITALS

WHEREAS, the DISTRICT desires to contract with CONSULTANT to provide financial services to the DISTRICT for the DISTRICT’s **cost of service study (also known as a water rate study)**, (hereinafter referred to as “Project”); and

WHEREAS, CONSULTANT is willing to contract with the DISTRICT to provide such services for the Project; and

WHEREAS, CONSULTANT holds itself as duly licensed, qualified, and capable of performing said services for the Project, and that CONSULTANT is customarily engaged in an independently established trade, occupation, and/or business of the same nature as the work to be performed herein; and

WHEREAS, this Agreement establishes the terms and conditions for the DISTRICT to retain CONSULTANT to provide the services described herein for the Project.

COVENANTS

NOW, THEREFORE, in consideration of the faithful performance of the terms and conditions set forth herein, the Parties hereto agree as follows:

**ARTICLE I
ENGAGEMENT OF CONSULTANT
AND AUTHORIZATION TO PROCEED**

1.1 **ENGAGEMENT:** The DISTRICT hereby engages CONSULTANT, and CONSULTANT hereby accepts the engagement, to perform the Project services described in Section 2.1 of this Agreement for the term set forth in Section 5.1 of this Agreement.

1.2 AUTHORIZATION TO PROCEED: Authorization for CONSULTANT to proceed with all or a portion of the Project services described in Section 2.1 of this Agreement will be granted in writing by the DISTRICT as soon as both Parties sign the Agreement and all applicable insurance and other security documents required pursuant to Section 6.3 of this Agreement are received and approved by the DISTRICT. CONSULTANT shall not proceed with said Project services until so authorized by the DISTRICT, and shall commence work immediately upon receipt of the Notice to Proceed.

1.3 NO EMPLOYEE RELATIONSHIP: The Project services to be provided by CONSULTANT are outside the usual course of the DISTRICT's business. CONSULTANT shall perform the Project services provided for herein as an independent contractor, and not as an employee of the DISTRICT. CONSULTANT is not to be considered an agent or employee of the DISTRICT for any purpose, and shall not be entitled to participate in any pension plans, insurance coverage, bonus, stock, or similar benefits that the DISTRICT provides for its employees. CONSULTANT shall indemnify the DISTRICT for any tax, retirement contribution, social security, overtime payment, or workers' compensation payment which the DISTRICT may be required to make on behalf of CONSULTANT or any agent or employee of CONSULTANT for work performed under this Agreement.

ARTICLE II SERVICES OF CONSULTANT

2.1 SCOPE OF SERVICES: The Project services to be performed by the CONSULTANT under this Agreement are described in the proposal attached hereto as Exhibit "A" and incorporated herein by this reference (hereinafter referred to as the "Scope of Work"), and shall, where not specifically addressed, include all related services ordinarily provided by the CONSULTANT under same or similar circumstances and/or otherwise necessary to satisfy the requirements of Section 3.3 of this Agreement. In case of conflict between the terms of this Agreement and the provisions of the Scope of Work, this Agreement shall govern.

2.2 PREVAILING WAGES: In accordance with the provisions of the California Labor Code, CONSULTANT shall secure the payment of compensation to employees. To the extent required by the California Labor Code, CONSULTANT shall pay not less than the prevailing rate of per diem wages as determined by the Director, Department of Industrial Relations, State of California. Copies of such prevailing rate of per diem wages are on file at the DISTRICT's office, which copies will be made available to any interested party upon request. CONSULTANT shall post a copy of such determination at each job site. If applicable, CONSULTANT shall forfeit to the DISTRICT the amount of the penalty set forth in California Labor Code Section 1777.7(b), or any subsequent amendments thereto, for each calendar day, or portion thereof, for each worker paid less than the specified prevailing rates for such work or craft in which such worker is employed, whether paid by CONSULTANT or by any subcontractor.

2.3 HOURS AND WORKING CONDITIONS: The DISTRICT is a public entity in the State of California and is subject to the provisions of the Government Code and the Labor Code of the State. It is stipulated and agreed that all provisions of law applicable to public

contracts are a part of this Agreement to the same extent as though set forth herein and will be complied with by CONSULTANT. CONSULTANT shall comply with all applicable provisions of the California Labor Code relating to working hours and the employment of apprentices on public works projects. CONSULTANT shall, as a penalty to the DISTRICT, forfeit \$25.00 for each worker employed in the execution of this Agreement by CONSULTANT or by any subcontractor, for each calendar day during which such worker is required or permitted to work more than 8 hours in any one calendar day and 40 hours in any one calendar week, unless such worker received compensation for all hours worked in excess of 8 hours at not less than 1½ times the basic rate of pay.

ARTICLE III RESPONSIBILITIES OF THE DISTRICT AND OF CONSULTANT

3.1 DUTIES OF THE DISTRICT: The DISTRICT, without cost to CONSULTANT, will provide all pertinent information necessary for CONSULTANT's performance of its obligations under this Agreement that is reasonably available to the DISTRICT unless otherwise specified in the Scope of Work, in which case the CONSULTANT is to acquire such information. The DISTRICT does not guarantee or ensure the accuracy of any reports, information, and/or data so provided. To the extent that any reports, information, and/or other data so provided was supplied to the DISTRICT by persons who are not employees of the DISTRICT, any liability resulting from inaccuracies and/or omissions contained in said information shall be limited to liability on behalf of the party who prepared the information for the DISTRICT.

3.2 REPRESENTATIVE OF DISTRICT: The DISTRICT designates Don Bartz, General Manager, or his designee, as the person to act as the DISTRICT's representative with respect to the work to be performed under this Agreement. Such person will have complete authority to receive information and interpret and define the DISTRICT's policies pertinent to the work, although such person will not control or direct CONSULTANT's work. In the event the DISTRICT wishes to make a change in the DISTRICT's representative, the DISTRICT shall notify the CONSULTANT of the change in writing.

3.3 DUTIES OF CONSULTANT: CONSULTANT shall perform the Project work in such a manner as to fully comply with all applicable professional standards of care, including professional quality, technical accuracy, timely completion, and other services furnished and/or work undertaken by CONSULTANT pursuant to this Agreement. The CONSULTANT shall cause all work and deliverables to conform to all applicable federal, state, and local laws and regulations.

3.4 APPROVAL OF WORK: The DISTRICT's approval of work or materials furnished hereunder shall not in any way relieve CONSULTANT of responsibility for the technical adequacy of its work. Neither the DISTRICT's review, approval or acceptance of, nor payment for any of the services shall be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement. Where approval by the DISTRICT is indicated in this Agreement, it is understood to be conceptual approval only and does not relieve the CONSULTANT of responsibility for complying with all

laws, codes, industry standards, and liability for damages caused by negligent acts, errors, omissions, noncompliance with industry standards, or the willful misconduct of the CONSULTANT or its subcontractors. CONSULTANT's obligation to defend, indemnify, and hold harmless the DISTRICT, and its directors, officers, employees and agents as set forth in Section 6.9 of this Agreement also applies to the actions or omissions of the CONSULTANT or its subcontractors as set forth above in this paragraph.

ARTICLE IV PAYMENTS TO CONSULTANT

4.1 **PROJECT COSTS:** During the Term of this Agreement, the DISTRICT will pay CONSULTANT for services performed in accordance with the rates and estimated hours and costs set forth in the Scope of Work. The amounts set forth in the Scope of Work constitute the maximum compensation to which CONSULTANT may be entitled for the performance of services for the Project, unless this Agreement and/or the Scope of Work are changed in writing by the DISTRICT in advance of the services to be performed hereunder. Adjustments in the payment amount shall only be allowed pursuant to Section 6.4 of this Agreement.

4.2 **INVOICES:** Payment will be made by the DISTRICT within thirty (30) calendar days after receipt of an invoice from CONSULTANT, provided that all invoices are complete and CONSULTANT's work product and services are provided and performed in compliance with the terms and conditions of this Agreement. CONSULTANT shall invoice DISTRICT monthly for services performed under this Agreement. In the event that a payment dispute arises between the Parties, CONSULTANT shall provide to the DISTRICT full and complete access to CONSULTANT's labor cost records and other direct cost data, and copies thereof if requested by the DISTRICT.

4.3 **COST FOR REWORK:** CONSULTANT shall, at no cost to the DISTRICT, prepare any necessary rework occasioned by CONSULTANT's negligent act or omission or otherwise due substantially to CONSULTANT's fault.

ARTICLE V COMPLETION SCHEDULE

5.1 **TERM:** The Term of this Agreement shall begin on the Effective Date, and shall continue until the scope of work in this Agreement is completed, unless this Agreement is earlier terminated pursuant to the provisions of Section 6.7 below. Notwithstanding the above, the provisions of Sections 1.3, 2.2, 2.3, 3.3 and 3.4 and Articles IV, V, and VI herein shall survive the expiration and/or termination of this Agreement.

5.2 **TIME OF ESSENCE:** CONSULTANT shall perform all services required by this Agreement in a prompt, timely, and professional manner. Time is of the essence in this Agreement.

ARTICLE VI GENERAL PROVISIONS

6.1 COMPLIANCE WITH FEDERAL, STATE, AND LOCAL LAWS: CONSULTANT shall at all times observe all applicable provisions of Federal, State, and Local laws and regulations including, but not limited to, those related to Equal Opportunity Employment.

6.2 SUBCONTRACTORS AND OUTSIDE CONSULTANTS: No subcontract shall be awarded by CONSULTANT unless prior written approval thereof is obtained from the DISTRICT. CONSULTANT shall be responsible for payment to subcontractors used by them to perform the services under this Agreement. If CONSULTANT subcontracts any of the work to be performed, CONSULTANT shall be as fully responsible to the DISTRICT for the performance of the work, including errors and omissions of CONSULTANT's subcontractors and of the persons employed by the subcontractor, as CONSULTANT is for the acts and omissions of persons directly employed by the CONSULTANT. Nothing contained in this Agreement shall create any contractual relationship between any subcontractor of CONSULTANT and the DISTRICT. CONSULTANT shall bind every subcontractor and every subcontractor of a subcontractor to the terms of this Agreement that are applicable to CONSULTANT's work unless specifically noted to the contrary in the subcontract in question and approved in writing by the DISTRICT.

6.3 INSURANCE: CONSULTANT shall secure and maintain in full force and effect, until the satisfactory completion and acceptance of the Project by DISTRICT, such insurance as will protect it and the DISTRICT in such a manner and in such amounts as set forth below. The premiums for said insurance coverage shall be paid by the CONSULTANT. The failure to comply with these insurance requirements may constitute a material breach of this Agreement, at the sole discretion of the DISTRICT.

- (a) Certificates of Insurance: Prior to commencing services under this Agreement, and in any event no later than ten (10) calendar days after execution of this Agreement, CONSULTANT shall furnish DISTRICT with Certificates of Insurance and endorsements verifying the insurance coverage required by this Agreement is in full force and effect. The DISTRICT reserves the right to require complete and accurate copies of all insurance policies required under this Agreement.
- (b) Required Provisions: The insurance policies required by this Agreement shall include the following provisions or have them incorporated by endorsement(s):
 - (1) Primary Coverage: The insurance policies provided by CONSULTANT shall be primary insurance and any self-insured retention and/or insurance carried by or available to the DISTRICT or its employees shall be excess and non-contributory coverage so that any self-insured retention and/or insurance carried by or available to the DISTRICT shall not contribute to any loss or expense under CONSULTANT's insurance.
 - (2) Additional Insured: The policies of insurance provided by CONSULTANT, except Workers' Compensation and Professional Liability, shall include as additional insureds: the DISTRICT, its

directors, officers, employees, and agents when acting in their capacity as such in conjunction with the performance of this Agreement. Such policies shall contain a "severability of interests" provision, also known as "Cross liability" or "separation of insured".

- (3) Cancellation: Each certificate of insurance and insurance policy shall provide that the policy may not be non-renewed, canceled (for reasons other than non-payment of premium) or materially changed without first giving thirty (30) days advance written notice to the DISTRICT, or ten (10) days advance written notice in the event of cancellation due to non-payment of premium.
 - (4) Waiver of Subrogation: The insurance policies provided by CONSULTANT shall contain a waiver of subrogation against DISTRICT, its directors, officers, employees and agents for any claims arising out of the services performed under this Agreement by CONSULTANT.
 - (5) Claim Reporting: CONSULTANT shall not fail to comply with the claim reporting provisions or cause any breach of a policy condition or warranty of the insurance policies required by this Agreement that would affect the coverage afforded under the policies to the DISTRICT.
 - (6) Deductible/Retention: If the insurance policies provided by CONSULTANT contain deductibles or self-insured retentions, any such deductible or self-insured retention shall not be applicable with respect to the coverage provided to DISTRICT under such policies. CONSULTANT shall be solely responsible for any such deductible or self-insured retention and the DISTRICT, in its sole discretion, may require CONSULTANT to secure the payment of any such deductible or self-insured retention by a surety bond or an irrevocable and unconditional letter of credit.
 - (7) Sub-Contractors: CONSULTANT shall include all sub-contractors as additional insureds under the insurance policies required by this Agreement to the same extent as the DISTRICT or shall furnish separate certificates of insurance and policy endorsements for each sub-contractor verifying that the insurance for each sub-contractor complies with the same insurance requirements applicable to CONSULTANT under this Agreement.
- (c) Insurance Company Requirements: CONSULTANT shall provide insurance coverage through insurers that have at least an "A" Financial Strength Rating and a "VII" Financial Size Category in accordance with the current ratings by the A. M. Best Company, Inc. as published in *Best's Key Rating Guide* or on said company's web site. In addition, any and all insurers must be admitted and authorized to conduct business in the State of California and be a participant in the California Insurance Guaranty Association, as evidenced by a listing in the appropriate publication of the California Department of Insurance.
- (d) Policy Requirements: The insurance required under this Agreement shall meet or exceed the minimum requirements as set forth below:
- (1) Workers' Compensation: CONSULTANT shall maintain Workers' Compensation insurance as required by law in the State of California to

cover CONSULTANT's obligations as imposed by federal and state law having jurisdiction over CONSULTANT's employees and Employers' Liability insurance, including disease coverage, of not less than \$1,000,000.

- (2) General Liability: CONSULTANT shall maintain Comprehensive General Liability insurance with a combined single limit of not less than \$1,000,000 per occurrence or claim and \$1,000,000 aggregate. The policy shall include, but not be limited to, coverage for bodily injury, property damage, personal injury, products, completed operations and blanket contractual to cover, but not be limited to, the liability assumed under the indemnification provisions of this Agreement. In the event the Comprehensive General Liability insurance policy is written on a "claims made" basis, coverage shall extend for two years after the satisfactory completion and acceptance of the Project by DISTRICT.
- (3) Automobile Liability: CONSULTANT shall maintain Commercial Automobile Liability insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000 each occurrence for any owned, hired, or non-owned vehicles.
- (4) Professional Liability: CONSULTANT shall maintain Professional Liability insurance covering errors and omissions arising out of the services performed by the CONSULTANT or any person employed by him, with a limit of not less than \$1,000,000 per occurrence or claim and \$1,000,000 aggregate. In the event the insurance policy is written on a "Claims made" basis, coverage shall extend for two years after the satisfactory completion and acceptance of the Project by DISTRICT.
- (5) Property Coverage – Valuable Papers: Property coverage on an all-risk, replacement cost form with Valuable Papers insurance sufficient to assure the restoration of any documents, memoranda, reports, plans or other similar data, whether in hard copy or electronic form, relating to the services provided by CONSULTANT under this Agreement.

6.4 CHANGES: If the DISTRICT requests a change in the Scope of Work, an equitable adjustment shall be made and this Agreement shall be modified in writing accordingly. CONSULTANT must assert any claim for adjustment under this clause in writing within thirty (30) calendar days from the date of receipt from CONSULTANT of the notification of change unless the DISTRICT grants a further period of time before the date of final payment under this Agreement.

6.5 NOTICES: All notices to either Party by the other shall be made in writing and delivered or mailed to such Party at their respective addresses as follows, or to other such address as either Party may designate, and said notices shall be deemed to have been made when delivered or, if mailed, five (5) days after mailing.

To DISTRICT: Phelan Pinon Hills Community Services District
4176 Warbler Road
P.O. Box 294049
Phelan, CA 92329-4049
Attn: General Manager

To CONSULTANT: IB CONSULTING, INC.
31938 Temecula Parkway
Suite A #350
Temecula, CA 92592
Attn: Habib Isaac

6.6 CONSULTANT'S ASSIGNED PERSONNEL: CONSULTANT designates **Habib Isaac and Andrea Boehling** to have immediate responsibility for the performance of the work for the Project and for all matters relating to performance under this Agreement. Substitution of any assigned personnel shall require the prior written approval of the DISTRICT. If the DISTRICT determines that a proposed substitution is not acceptable, then, at the request of the DISTRICT, CONSULTANT shall substitute with a person acceptable to the DISTRICT.

6.7 TERMINATION:

- (a) The DISTRICT may terminate this Agreement or abandon any portion of the Project, with or without cause, upon written notice thereof to CONSULTANT. CONSULTANT may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days written notice only in the event of substantial failure by the DISTRICT to perform in accordance with the terms of this Agreement through no fault of the CONSULTANT.
- (b) In the event of termination of this Agreement, or abandonment of any portion of the Project by the DISTRICT, the DISTRICT shall be immediately given title to all original drawings and other documents developed for the Project, and the sole right and remedy of CONSULTANT shall be to receive payment for all amounts due and not previously paid to CONSULTANT for services completed or in progress in accordance with the Agreement prior to such date of termination. If termination occurs prior to completion of any task for which payment has not been made, the fee for services performed during such task shall be based on an amount mutually agreed to by the DISTRICT and CONSULTANT. Such payments available to the CONSULTANT under this paragraph shall not include costs related to lost profit associated with the expected completion of the work or other such payments relating to the benefit of this Agreement.

6.8 ATTORNEYS' FEES: In the event that either the DISTRICT or CONSULTANT brings an action or proceeding for damages for an alleged breach of any provision of this Agreement, to interpret this Agreement or determine the rights of and duties of either Party in relation thereto, the prevailing Party shall be entitled to recover as part of such action or proceeding all litigation, arbitration, mediation and collection expenses, including witness fees, court costs, and reasonable attorneys' fees. Such fees shall be determined by the Court in such

litigation or in a separate action brought for that purpose. Mediation will be attempted if both Parties mutually agree before, during, or after any such action or proceeding has begun.

6.9 INDEMNITY:

- (a) CONSULTANT shall defend, indemnify and hold DISTRICT, including its directors, officers, employees and agents, harmless from and against any and all claims, demands, causes of action, suits, debts, obligations, liabilities, losses, damages, costs, expenses, attorney's fees, awards, fines, settlements, judgments or losses of whatever nature, character, and description, that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of CONSULTANT and/or any of CONSULTANT's subcontractors, including their respective directors, officers, employees, agents and assigns, excepting only such matters arising from the sole negligence or willful misconduct of the DISTRICT.
- (b) CONSULTANT shall defend, indemnify and hold DISTRICT, including its directors, officers, employees and agents, harmless from and against any and all claims, demands, causes of action, suits, debts, obligations, liabilities, losses, damages, costs, expenses, attorney's fees, awards, fines, settlements, judgments or losses of whatever nature, character, and description, with respect to or arising out of any infringement or alleged infringement of any patent, copyright or trademark and arising out of the use of any equipment or materials furnished under this Agreement by the CONSULTANT or CONSULTANT's subcontractors, including their respective directors, officers, employees, agents and assigns, or out of the processes or actions employed by, or on behalf of, the CONSULTANT or CONSULTANT's subcontractors, including their respective directors, officers, employees, agents and assigns, in connection with the performance of services under this Agreement. CONSULTANT shall have the right, in order to avoid such claims or actions, to substitute at its expense non-infringing equipment, materials or processes, or to modify at its expense such infringing equipment, materials, and processes so they become non-infringing, provided that such substituted and modified equipment, materials, and processes shall meet all the requirements and be subject to all the provisions of this Agreement.
- (c) CONSULTANT shall defend, indemnify and hold DISTRICT, including its directors, officers, employees and agents, harmless from and against any and all claims, demands, causes of action, suits, debts, obligations, liabilities, losses, damages, costs, expenses, attorney's fees, awards, fines, settlements, judgments or losses of whatever nature, character, and description, with respect to or arising out of any breach by CONSULTANT or CONSULTANT's subcontractors, including their respective directors, officers, employees, agents and assigns, of the aforesaid obligations and covenants, and any other provision or covenant of this Agreement.
- (d) It is the intent of the Parties to this Agreement that the defense, indemnity and hold harmless obligation of CONSULTANT under this Agreement shall be as broad and inclusive as may be allowed under *California Civil Code* §§ 2778 through 2784.5, or other similar state or federal law.

6.10 SAFETY: CONSULTANT shall perform the work in full compliance with applicable State and Federal safety requirements including, but not limited to, Occupational Safety and Health Administration requirements.

- (a) CONSULTANT shall take all precautions necessary for the safety of, and prevention of damage to, property on or adjacent to the Project site, and for the safety of, and prevention of injury to, persons, including DISTRICT's employees, CONSULTANT's employees, and third persons. All work shall be performed entirely at CONSULTANT's risk. CONSULTANT shall comply with the insurance requirements set forth in Section 6.3 of this Agreement.
- (b) CONSULTANT shall also furnish the DISTRICT with a copy of any injury prevention program established for the CONSULTANT's employees pursuant to California Labor Code Section 6401.7, including any necessary documentation regarding implementation of the program. CONSULTANT hereby certifies that its employees have been trained in the program, and procedures are in place to train employees whenever new substances, processes, procedures, or equipment are introduced. CONSULTANT shall demonstrate compliance with California Labor Code Section 6401.7 by maintaining a copy of its Injury and Illness Prevention Plan at the Project site and making it available to the DISTRICT.

6.11 EXAMINATION OF RECORDS: All original drawings, specifications, reports, calculations, and other documents or electronic data developed by CONSULTANT for the Project shall be furnished to and become the property of the DISTRICT. CONSULTANT agrees that the DISTRICT will have access to and the right to examine any directly pertinent books, documents, papers, and records of any and all of the transactions relating to this Agreement.

6.12 OWNERSHIP OF SOFTWARE:

- (a) Subject to payment of all compensation due under this Agreement and all other terms and conditions herein, CONSULTANT hereby grants DISTRICT a nonexclusive, transferable, royalty-free license to use the Software furnished to DISTRICT by CONSULTANT under this Agreement. The license granted herein shall authorize DISTRICT to:
 - (1) Install the Software on computer systems owned, leased or otherwise controlled by DISTRICT;
 - (2) Utilize the Software for its internal data-processing purposes; and
 - (3) Copy the Software and distribute as desired to exercise the rights granted herein.
- (b) CONSULTANT retains its entire right, title and interest in the Software developed under this Agreement. DISTRICT acknowledges that CONSULTANT owns or holds a license to use and sublicense various pre-existing development tools, routines, subroutines and other programs, data and materials that CONSULTANT may include in the Software developed under this Agreement. This material shall be referred to hereafter as "Background Technology."
- (c) DISTRICT agrees that CONSULTANT shall retain any and all rights CONSULTANT may have in the Background Technology. CONSULTANT grants DISTRICT an unrestricted, nonexclusive, perpetual, fully paid-up worldwide license to use the Background Technology in the Software developed

and delivered to DISTRICT under this Agreement, and all updates and revisions thereto. However, DISTRICT shall make no other commercial use of the Background Technology without CONSULTANT's written consent.

6.13 INTEGRATION AND AMENDMENT: This Agreement contains the entire understanding between the DISTRICT and CONSULTANT as to those matters contained herein. No other representations, covenants, undertakings or other prior or contemporaneous agreements, oral or written, respecting those matters, which are not specifically incorporated herein, may be deemed in any way to exist or to bind any of the Parties hereto. Each Party acknowledges that it has not executed this Agreement in reliance on any promise, representation or warranty not set forth herein. This Agreement may not be amended except by a writing signed by all Parties hereto.

6.14 ASSIGNMENT: Neither Party shall assign or transfer its interest in this Agreement without written consent of the other Party. All terms, conditions, and provisions of this Agreement shall inure to and shall bind each of the Parties hereto, and each of their respective heirs, executors, administrators, successors, and assigns.

6.15 GOVERNING LAW: This Agreement shall be construed as if it was jointly prepared by both Parties hereto, and any uncertainty or ambiguity contained herein shall not be interpreted against the Party drafting same. In the event of a conflict between the provisions of this Agreement and the Scope of Work, the provisions of this Agreement shall control. This Agreement shall be enforced and governed by the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state court situated in the County of San Bernardino, State of California, or in a federal court with jurisdiction in the County of San Bernardino, State of California.

6.16 HEADINGS: Article and Section headings in this Agreement are for convenience only and are not intended to be used in interpreting or construing the terms, covenants, and conditions of this Agreement.

6.17 PARTIAL INVALIDITY: If any term, covenant, condition, or provision of this Agreement is found by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect, and shall in no way be affected, impaired, or invalidated thereby.

6.18 EFFECT OF DISTRICT'S WAIVER: Any failure by the DISTRICT to enforce any provision of this Agreement, or any waiver thereof by the DISTRICT, shall not constitute a waiver of its right to enforce subsequent violations of the same or any other terms or conditions herein.

6.19 AUTHORITY: The individuals executing this Agreement represent and warrant that they have the legal capacity and authority to sign this Agreement on behalf of and to so bind their respective legal entities.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

CONSULTANT

DISTRICT

By: _____
Habib Isaac, Principal
IB CONSULTING, INC.

By: _____
President, Board of Directors
Phelan Pinon Hills Community Services
District

Agenda Item 6c

Discussion & Possible Action
Regarding Potential Financing
Options for the Civic Center

MEMORANDUM

DATE: November 2, 2022

TO: Board of Directors

FROM: Don Bartz, General Manager
By: Lori Lowrance, Assistant General Manager/CFO

SUBJECT: Discussion & Possible Action Regarding Potential Financing Options for Civic Center

STAFF RECOMMENDATION

For the Board to review and discuss possible financing options for the Civic Center Building (Phase I of the Civic Center Project) and give staff direction to pursue the financing process.

BACKGROUND

The Board has tasked staff with seeking potential financing for the Civic Center Building (Phase I of the Civic Plaza Project). Staff received financing option estimates from the California Infrastructure and Economic Development Bank (IBank) and Municipal Finance Corporation (Muni). Attached is a spreadsheet showing possible options.

Staff is recommending the Board authorize staff to pursue 20-year financing of the Civic Center Building Phase I. As the interest rate market continues to be unstable, the prepayment terms are an important consideration to enable the District to refinance if the market provides a better opportunity. If Muni can provide terms to include a prepayment (purchase) option less than 10-years, staff recommends selecting the Muni option. If not, staff recommends selecting the IBank option. As of October 26, 2022, we have not received word from Muni on this matter. We will likely have a decision by the time of the Board meeting.

Upon direction, staff will work with IBank or Muni to submit the necessary applications, and develop the necessary documents, including resolutions and loan/lease agreement, to be brought back to the Board for approval.

FISCAL IMPACT

Possible \$6,000,000 - \$6,060,000 financing plus applicable interest and fees

ATTACHMENT(S)

Loan Option Estimates

**Phelan Piñon Hills Community Services District - Civic Center Building
Financing Option Estimates**

| | Ibank | Ibank | Muni |
|---------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| Financing Amount | 6,060,000.00 | 6,060,000.00 | 6,040,000.00 |
| Origination/Advisor/Legal Fees | 60,000.00 | 60,000.00 | 40,000.00 |
| Annual Fees (over life of loan) | 344,691.68 | 218,269.64 | |
| Interest (over life of loan) | 5,609,400.18 | 3,419,557.60 | 3,183,654.00 |
| Annual Fees each year | .03% of Principal Balance | .03% of Principal Balance | |
| Rate | 4.89% | 4.7% | 4.5% |
| Term | 30 yr Installment Sale Agreement | 20 yr Installment Sale Agreement | 20 yr Lease-Purchase |
| Processing time to fund | 60 -90 Days | 60 -90 Days | 60 Days |
| Prepayment Options? | Yes. Prepayment any time | Yes. Prepayment any time | Yes. Purchase Option after *10 years |
| Total Annual Payments | 407,462.48 | 492,157.88 | 461,182.72 |
| Total Interest and Fees | 6,014,091.86 | 3,697,827.24 | 3,223,654.00 |
| Total Repayment | 12,014,091.86 | 9,697,827.24 | 9,223,654.00 |

*Muni is checking to see if they can get the purchase option down to 7 or 5 years.

ESTIMATED CONSTRUCTION COSTS:

| | |
|-------------------------------------------|------------------------|
| Construct 14,024 SF Civic Center Building | \$5,192,547.00 |
| Onsite Work/Site Furnishings/Signage | \$2,462,246.00 |
| Off Site Work | \$337,496.00 |
| Interior Furnishings Allowance | \$195,000.00 |
| General Conditions | \$681,300.00 |
| General Liability Insurance | \$100,000.00 |
| Payment and Performance Bond | \$100,000.00 |
| Contractor's Fee (10%) | \$906,858.90 |
| Contingency (10%) | \$997,544.79 |
| Escalation | \$300,000.00 |
| TOTAL ESTIMATED CONSTRUCTION COST: | \$11,272,992.69 |

| Sources of Financing | Ibank (repaid by Enterprise Fund) | Enterprise Fund** | Government Funds** | Federal Grant | Total |
|----------------------------------|-----------------------------------|---------------------|---------------------|---------------------|----------------------|
| Total Est. Construction Costs | 6,000,000.00 | 500,000.00 | 2,772,992.69 | 2,000,000.00 | 11,272,992.69 |
| Loan Origination Fees | 60,000.00 | | | | 60,000.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| Total by Financing Source | 6,060,000.00 | 500,000.00 | 2,772,992.69 | 2,000,000.00 | 11,332,992.69 |
| Total by District Funds | | 6,560,000.00 | 2,772,992.69 | 2,000,000.00 | |
| % of Total | | 58% | 24% | 18% | |

****Internal Funding Detail:**

| | Enterprise Fund | Government Funds | |
|--------------------------------------------------|-----------------|------------------|--------------|
| | Water | Parks | General |
| Cash in Bank 09/30/2022 (not including Reserves) | 1,081,081.79 | 4,419,345.81 | 2,680,404.48 |
| Amount to be used for Civic Bldg Phase I | 500,000.00 | 772,992.69 | 2,000,000.00 |

Agenda Item 6d

Discussion Regarding AB 2449
(Rubio) and AB 361 (Rivas)
Related to District Meetings

MEMORANDUM

DATE: November 2, 2022

TO: Board of Directors

FROM: Don Bartz, General Manager
By: Kim Sevy, HR & Solid Waste Manager/District Clerk

SUBJECT: Discussion Regarding AB 2449 (Rubio) and AB 361 (Rivas) Related to District Meetings

STAFF RECOMMENDATION

None

BACKGROUND

On March 17, 2020, Governor Newsom issued Executive Order N-29-20 to implement social distancing in response to the COVID-19 pandemic, which waived all of the legislative requirements in the Brown Act expressly or impliedly requiring the physical presence of Board members, District staff, or the public as a condition of participation in, or a quorum for a public meeting. The remote meeting rules of Executive Order N-29-20 expired on September 30, 2021, pursuant to the Governor's issuance of Executive Order N-15-21.

Beginning October 1, 2021, Assembly Bill ("AB") 361 amended the Brown Act by adding Government Code Section 54953(e) to allow local agencies to meeting virtually without complying with the above requirements under the following rules:

1. Declared State of Emergency. The Governor must have declared a state of emergency regarding which either (a) State or local officials have imposed or recommended measures to promote social distancing or (b) the legislative body determines, by majority vote, that meeting in person would present imminent risks to the health or safety of attendees due to the emergency.
2. Public Comment Opportunities in Real Time. A legislative body that meets virtually pursuant to AB 361 must allow members of the public to access the meeting via a call-in option or an internet-based service option, and the agenda for the remote meeting must provide an opportunity for members of the public to directly address the body in real time. A legislative body cannot require public comments to be submitted in advance of the meeting.
3. No Action During Disruptions. In the event of a disruption that prevents the local agency from broadcasting the virtual meeting, or in the event or a disruption within the local agency's control that prevents members of the public from offering public comments using the call-in option or internet-based option, the legislative body is prohibited from

taking any further action on items appearing on the meeting agenda until public access to the meeting via the call-in or internet-based option is restored.

4. Periodic Findings. Every 30 days, starting when it first meets virtually under AB 361, the legislative body must find, by majority vote, that it has reconsidered the circumstances or the state of emergency, and either (a) the state of emergency continues to directly impact the ability of the members to meet safely in person or (b) State or local officials continue to impose or recommend measures to promote social distancing.

The District has utilized this legislation to allow the public and directors to participate remotely in meetings. The Governor has indicated the state of emergency will expire at the end of February 2023, which will eliminate the ability to utilize AB 361 for the purposes of conducting remote meetings.

Various bills have been introduced before the State Legislature to extend teleconferencing options beyond the sunset date of AB 361 and/or independent of a proclamation from the Governor of a statewide state of emergency and the need for an ongoing 30-day local recertification that such emergency restricts the ability of agencies to safely meet in person.

However, only one of those bills, AB 2449, sponsored by Three Valleys Municipal Water District as successfully enacted into the Brown Act. Attached is full text AB 2449. On September 13, 2022, AB 2449, better known as the "Steve Kennedy Law," went into effect immediately. This law allows for remote participation by the public and directors, however several conditions apply which limit usage. Additionally, this law sunsets January 1, 2026.

The Ralph M. Brown Act, Government Code Sections 54950-54963 ("Brown Act"), is a California "Sunshine" law that sets forth the requirements for public access to meetings of local governmental agencies. Under the Brown Act, legislative bodies of local agencies may conduct meetings via teleconference subject to the following conditions set forth in Government Code Section 54953(b):

- (i) A quorum of the body must participate from location within the local agency's jurisdiction, but other members may participate from outside the jurisdiction;
- (ii) The remote location(s) must be connected to the main meeting location by telephone, video, or both;
- (iii) The notice and agenda for the meeting must identify the remote location(s);
- (iv) The remote location(s) must be posted and accessible to the public;
- (v) All votes must be by roll call; and
- (vi) The meeting must otherwise comply with the Brown Act, which includes allowing participation by members of the public present in remote location(s).

The District's Legal Counsel will provide a presentation on the differences between the Brown Act, AB 361, and AB 2449, and lead a discussion on the options available to the Board once AB 361 expires and normal Brown Act teleconference requirements resume.

FISCAL IMPACT: None

ATTACHMENT(S): Bill text of AB 2449

Assembly Bill No. 2449

CHAPTER 285

An act to amend, repeal, and add Sections 54953 and 54954.2 of the Government Code, relating to local government.

[Approved by Governor September 13, 2022. Filed with
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LEGISLATIVE COUNSEL'S DIGEST

AB 2449, Blanca Rubio. Open meetings: local agencies: teleconferences.

Existing law, the Ralph M. Brown Act, requires, with specified exceptions, that all meetings of a legislative body of a local agency, as those terms are defined, be open and public and that all persons be permitted to attend and participate. The act generally requires posting an agenda at least 72 hours before a regular meeting that contains a brief general description of each item of business to be transacted or discussed at the meeting, and prohibits any action or discussion from being undertaken on any item not appearing on the posted agenda. The act authorizes a legislative body to take action on items of business not appearing on the posted agenda under specified conditions. The act contains specified provisions regarding providing for the ability of the public to observe and provide comment. The act allows for meetings to occur via teleconferencing subject to certain requirements, particularly that the legislative body notice each teleconference location of each member that will be participating in the public meeting, that each teleconference location be accessible to the public, that members of the public be allowed to address the legislative body at each teleconference location, that the legislative body post an agenda at each teleconference location, and that at least a quorum of the legislative body participate from locations within the boundaries of the local agency's jurisdiction. The act provides an exemption to the jurisdictional requirement for health authorities, as defined.

Existing law, until January 1, 2024, authorizes a local agency to use teleconferencing without complying with those specified teleconferencing requirements in specified circumstances when a declared state of emergency is in effect, or in other situations related to public health.

This bill would revise and recast those teleconferencing provisions and, until January 1, 2026, would authorize a local agency to use teleconferencing without complying with the teleconferencing requirements that each teleconference location be identified in the notice and agenda and that each teleconference location be accessible to the public if at least a quorum of the members of the legislative body participates in person from a singular physical location clearly identified on the agenda that is open to the public and situated within the local agency's jurisdiction. Under this exception,

the bill would authorize a member to participate remotely under specified circumstances, including participating remotely for just cause or due to emergency circumstances. The emergency circumstances basis for remote participation would be contingent on a request to, and action by, the legislative body, as prescribed. The bill, until January 1, 2026, would authorize a legislative body to consider and take action on a request from a member to participate in a meeting remotely due to emergency circumstances if the request does not allow sufficient time to place the proposed action on the posted agenda for the meeting for which the request is made. The bill would define terms for purposes of these teleconferencing provisions.

This bill would impose prescribed requirements for this exception relating to notice, agendas, the means and manner of access, and procedures for disruptions. The bill would require the legislative body to implement a procedure for receiving and swiftly resolving requests for reasonable accommodation for individuals with disabilities, consistent with federal law.

Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

The California Constitution requires local agencies, for the purpose of ensuring public access to the meetings of public bodies and the writings of public officials and agencies, to comply with a statutory enactment that amends or enacts laws relating to public records or open meetings and contains findings demonstrating that the enactment furthers the constitutional requirements relating to this purpose.

This bill would make legislative findings to that effect.

The people of the State of California do enact as follows:

SECTION 1. Section 54953 of the Government Code, as amended by Section 3 of Chapter 165 of the Statutes of 2021, is amended to read:

54953. (a) All meetings of the legislative body of a local agency shall be open and public, and all persons shall be permitted to attend any meeting of the legislative body of a local agency, except as otherwise provided in this chapter.

(b) (1) Notwithstanding any other provision of law, the legislative body of a local agency may use teleconferencing for the benefit of the public and the legislative body of a local agency in connection with any meeting or proceeding authorized by law. The teleconferenced meeting or proceeding shall comply with all otherwise applicable requirements of this chapter and all otherwise applicable provisions of law relating to a specific type of meeting or proceeding.

(2) Teleconferencing, as authorized by this section, may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the legislative body. If the legislative body of a local agency elects to use teleconferencing, the legislative body of a local agency shall comply with all of the following:

(A) All votes taken during a teleconferenced meeting shall be by rollcall.

(B) The teleconferenced meetings shall be conducted in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the legislative body of a local agency.

(C) The legislative body shall give notice of the meeting and post agendas as otherwise required by this chapter.

(D) The legislative body shall allow members of the public to access the meeting and the agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to Section 54954.3.

(3) If the legislative body of a local agency elects to use teleconferencing, it shall post agendas at all teleconference locations. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. During the teleconference, at least a quorum of the members of the legislative body shall participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as provided in subdivisions (d) and (e).

(c) (1) No legislative body shall take action by secret ballot, whether preliminary or final.

(2) The legislative body of a local agency shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

(3) Prior to taking final action, the legislative body shall orally report a summary of a recommendation for a final action on the salaries, salary schedules, or compensation paid in the form of fringe benefits of a local agency executive, as defined in subdivision (d) of Section 3511.1, during the open meeting in which the final action is to be taken. This paragraph shall not affect the public's right under the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1) to inspect or copy records created or received in the process of developing the recommendation.

(d) (1) Notwithstanding the provisions relating to a quorum in paragraph (3) of subdivision (b), if a health authority conducts a teleconference meeting, members who are outside the jurisdiction of the authority may be counted toward the establishment of a quorum when participating in the teleconference if at least 50 percent of the number of members that would establish a quorum are present within the boundaries of the territory over which the authority exercises jurisdiction, and the health authority provides a teleconference number, and associated access codes, if any, that allows any person to call in to participate in the meeting and the number and access codes are identified in the notice and agenda of the meeting.

(2) Nothing in this subdivision shall be construed as discouraging health authority members from regularly meeting at a common physical site within the jurisdiction of the authority or from using teleconference locations within or near the jurisdiction of the authority. A teleconference meeting for which a quorum is established pursuant to this subdivision shall be subject to all other requirements of this section.

(3) For purposes of this subdivision, a health authority means any entity created pursuant to Sections 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, and 14087.9605 of the Welfare and Institutions Code, any joint powers authority created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 for the purpose of contracting pursuant to Section 14087.3 of the Welfare and Institutions Code, and any advisory committee to a county-sponsored health plan licensed pursuant to Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code if the advisory committee has 12 or more members.

(e) (1) The legislative body of a local agency may use teleconferencing without complying with the requirements of paragraph (3) of subdivision (b) if the legislative body complies with the requirements of paragraph (2) of this subdivision in any of the following circumstances:

(A) The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.

(B) The legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

(C) The legislative body holds a meeting during a proclaimed state of emergency and has determined, by majority vote, pursuant to subparagraph (B), that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

(2) A legislative body that holds a meeting pursuant to this subdivision shall do all of the following:

(A) In each instance in which notice of the time of the teleconferenced meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the means by which members of the public may access the meeting and offer public comment. The agenda shall identify and include an opportunity for all persons to attend via a call-in option or an internet-based service option.

(B) In the event of a disruption that prevents the legislative body from broadcasting the meeting to members of the public using the call-in option or internet-based service option, or in the event of a disruption within the local agency's control that prevents members of the public from offering public comments using the call-in option or internet-based service option, the legislative body shall take no further action on items appearing on the meeting agenda until public access to the meeting via the call-in option or internet-based service option is restored. Actions taken on agenda items

during a disruption that prevents the legislative body from broadcasting the meeting may be challenged pursuant to Section 54960.1.

(C) The legislative body shall not require public comments to be submitted in advance of the meeting and must provide an opportunity for the public to address the legislative body and offer comment in real time.

(D) Notwithstanding Section 54953.3, an individual desiring to provide public comment through the use of an internet website, or other online platform, not under the control of the local legislative body, that requires registration to log in to a teleconference may be required to register as required by the third-party internet website or online platform to participate.

(E) (i) A legislative body that provides a timed public comment period for each agenda item shall not close the public comment period for the agenda item, or the opportunity to register, pursuant to subparagraph (F), to provide public comment until that timed public comment period has elapsed.

(ii) A legislative body that does not provide a timed public comment period, but takes public comment separately on each agenda item, shall allow a reasonable amount of time per agenda item to allow public members the opportunity to provide public comment, including time for members of the public to register pursuant to subparagraph (F), or otherwise be recognized for the purpose of providing public comment.

(iii) A legislative body that provides a timed general public comment period that does not correspond to a specific agenda item shall not close the public comment period or the opportunity to register, pursuant to subparagraph (F), until the timed general public comment period has elapsed.

(3) If a state of emergency remains active, or state or local officials have imposed or recommended measures to promote social distancing, in order to continue to teleconference without compliance with paragraph (3) of subdivision (b), the legislative body shall, not later than 30 days after teleconferencing for the first time pursuant to subparagraph (A), (B), or (C) of paragraph (1), and every 30 days thereafter, make the following findings by majority vote:

(A) The legislative body has reconsidered the circumstances of the state of emergency.

(B) Any of the following circumstances exist:

(i) The state of emergency continues to directly impact the ability of the members to meet safely in person.

(ii) State or local officials continue to impose or recommend measures to promote social distancing.

(4) This subdivision shall not be construed to require the legislative body to provide a physical location from which the public may attend or comment.

(f) (1) The legislative body of a local agency may use teleconferencing without complying with paragraph (3) of subdivision (b) if, during the teleconference meeting, at least a quorum of the members of the legislative body participates in person from a singular physical location clearly identified on the agenda, which location shall be open to the public and situated within the boundaries of the territory over which the local agency

exercises jurisdiction and the legislative body complies with all of the following:

(A) The legislative body shall provide at least one of the following as a means by which the public may remotely hear and visually observe the meeting, and remotely address the legislative body:

(i) A two-way audiovisual platform.

(ii) A two-way telephonic service and a live webcasting of the meeting.

(B) In each instance in which notice of the time of the teleconferenced meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the means by which members of the public may access the meeting and offer public comment.

(C) The agenda shall identify and include an opportunity for all persons to attend and address the legislative body directly pursuant to Section 54954.3 via a call-in option, via an internet-based service option, and at the in-person location of the meeting.

(D) In the event of a disruption that prevents the legislative body from broadcasting the meeting to members of the public using the call-in option or internet-based service option, or in the event of a disruption within the local agency's control that prevents members of the public from offering public comments using the call-in option or internet-based service option, the legislative body shall take no further action on items appearing on the meeting agenda until public access to the meeting via the call-in option or internet-based service option is restored. Actions taken on agenda items during a disruption that prevents the legislative body from broadcasting the meeting may be challenged pursuant to Section 54960.1.

(E) The legislative body shall not require public comments to be submitted in advance of the meeting and must provide an opportunity for the public to address the legislative body and offer comment in real time.

(F) Notwithstanding Section 54953.3, an individual desiring to provide public comment through the use of an internet website, or other online platform, not under the control of the local legislative body, that requires registration to log in to a teleconference may be required to register as required by the third-party internet website or online platform to participate.

(2) A member of the legislative body shall only participate in the meeting remotely pursuant to this subdivision, if all of the following requirements are met:

(A) One of the following circumstances applies:

(i) The member notifies the legislative body at the earliest opportunity possible, including at the start of a regular meeting, of their need to participate remotely for just cause, including a general description of the circumstances relating to their need to appear remotely at the given meeting. The provisions of this clause shall not be used by any member of the legislative body for more than two meetings per calendar year.

(ii) The member requests the legislative body to allow them to participate in the meeting remotely due to emergency circumstances and the legislative body takes action to approve the request. The legislative body shall request a general description of the circumstances relating to their need to appear

remotely at the given meeting. A general description of an item generally need not exceed 20 words and shall not require the member to disclose any medical diagnosis or disability, or any personal medical information that is already exempt under existing law, such as the Confidentiality of Medical Information Act (Chapter 1 (commencing with Section 56) of Part 2.6 of Division 1 of the Civil Code). For the purposes of this clause, the following requirements apply:

(I) A member shall make a request to participate remotely at a meeting pursuant to this clause as soon as possible. The member shall make a separate request for each meeting in which they seek to participate remotely.

(II) The legislative body may take action on a request to participate remotely at the earliest opportunity. If the request does not allow sufficient time to place proposed action on such a request on the posted agenda for the meeting for which the request is made, the legislative body may take action at the beginning of the meeting in accordance with paragraph (4) of subdivision (b) of Section 54954.2.

(B) The member shall publicly disclose at the meeting before any action is taken, whether any other individuals 18 years of age or older are present in the room at the remote location with the member, and the general nature of the member's relationship with any such individuals.

(C) The member shall participate through both audio and visual technology.

(3) The provisions of this subdivision shall not serve as a means for any member of a legislative body to participate in meetings of the legislative body solely by teleconference from a remote location for a period of more than three consecutive months or 20 percent of the regular meetings for the local agency within a calendar year, or more than two meetings if the legislative body regularly meets fewer than 10 times per calendar year.

(g) The legislative body shall have and implement a procedure for receiving and swiftly resolving requests for reasonable accommodation for individuals with disabilities, consistent with the federal Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and resolving any doubt in favor of accessibility. In each instance in which notice of the time of the meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the procedure for receiving and resolving requests for accommodation.

(h) The legislative body shall conduct meetings subject to this chapter consistent with applicable civil rights and nondiscrimination laws.

(i) (1) Nothing in this section shall prohibit a legislative body from providing the public with additional teleconference locations.

(2) Nothing in this section shall prohibit a legislative body from providing members of the public with additional physical locations in which the public may observe and address the legislative body by electronic means.

(j) For the purposes of this section, the following definitions shall apply:

(1) "Emergency circumstances" means a physical or family medical emergency that prevents a member from attending in person.

(2) "Just cause" means any of the following:

(A) A childcare or caregiving need of a child, parent, grandparent, grandchild, sibling, spouse, or domestic partner that requires them to participate remotely. “Child,” “parent,” “grandparent,” “grandchild,” and “sibling” have the same meaning as those terms do in Section 12945.2.

(B) A contagious illness that prevents a member from attending in person.

(C) A need related to a physical or mental disability as defined in Sections 12926 and 12926.1 not otherwise accommodated by subdivision (g).

(D) Travel while on official business of the legislative body or another state or local agency.

(3) “Remote location” means a location from which a member of a legislative body participates in a meeting pursuant to subdivision (f), other than any physical meeting location designated in the notice of the meeting. Remote locations need not be accessible to the public.

(4) “Remote participation” means participation in a meeting by teleconference at a location other than any physical meeting location designated in the notice of the meeting. Watching or listening to a meeting via webcasting or another similar electronic medium that does not permit members to interactively hear, discuss, or deliberate on matters, does not constitute remote participation.

(5) “State of emergency” means a state of emergency proclaimed pursuant to Section 8625 of the California Emergency Services Act (Article 1 (commencing with Section 8550) of Chapter 7 of Division 1 of Title 2).

(6) “Teleconference” means a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both.

(7) “Two-way audiovisual platform” means an online platform that provides participants with the ability to participate in a meeting via both an interactive video conference and a two-way telephonic function.

(8) “Two-way telephonic service” means a telephone service that does not require internet access, is not provided as part of a two-way audiovisual platform, and allows participants to dial a telephone number to listen and verbally participate.

(9) “Webcasting” means a streaming video broadcast online or on television, using streaming media technology to distribute a single content source to many simultaneous listeners and viewers.

(k) This section shall remain in effect only until January 1, 2024, and as of that date is repealed.

SEC. 2. Section 54953 of the Government Code, as added by Section 4 of Chapter 165 of the Statutes of 2021, is amended to read:

54953. (a) All meetings of the legislative body of a local agency shall be open and public, and all persons shall be permitted to attend any meeting of the legislative body of a local agency, except as otherwise provided in this chapter.

(b) (1) Notwithstanding any other provision of law, the legislative body of a local agency may use teleconferencing for the benefit of the public and the legislative body of a local agency in connection with any meeting or proceeding authorized by law. The teleconferenced meeting or proceeding

shall comply with all otherwise applicable requirements of this chapter and all otherwise applicable provisions of law relating to a specific type of meeting or proceeding.

(2) Teleconferencing, as authorized by this section, may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the legislative body. If the legislative body of a local agency elects to use teleconferencing, the legislative body of a local agency shall comply with all of the following:

(A) All votes taken during a teleconferenced meeting shall be by rollcall.

(B) The teleconferenced meetings shall be conducted in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the legislative body of a local agency.

(C) The legislative body shall give notice of the meeting and post agendas as otherwise required by this chapter.

(D) The legislative body shall allow members of the public to access the meeting and the agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to Section 54954.3.

(3) If the legislative body of a local agency elects to use teleconferencing, it shall post agendas at all teleconference locations. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. During the teleconference, at least a quorum of the members of the legislative body shall participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as provided in subdivision (d).

(c) (1) No legislative body shall take action by secret ballot, whether preliminary or final.

(2) The legislative body of a local agency shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

(3) Prior to taking final action, the legislative body shall orally report a summary of a recommendation for a final action on the salaries, salary schedules, or compensation paid in the form of fringe benefits of a local agency executive, as defined in subdivision (d) of Section 3511.1, during the open meeting in which the final action is to be taken. This paragraph shall not affect the public's right under the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1) to inspect or copy records created or received in the process of developing the recommendation.

(d) (1) Notwithstanding the provisions relating to a quorum in paragraph (3) of subdivision (b), if a health authority conducts a teleconference meeting, members who are outside the jurisdiction of the authority may be counted toward the establishment of a quorum when participating in the teleconference if at least 50 percent of the number of members that would establish a quorum are present within the boundaries of the territory over which the authority exercises jurisdiction, and the health authority provides a teleconference number, and associated access codes, if any, that allows

any person to call in to participate in the meeting and the number and access codes are identified in the notice and agenda of the meeting.

(2) Nothing in this subdivision shall be construed as discouraging health authority members from regularly meeting at a common physical site within the jurisdiction of the authority or from using teleconference locations within or near the jurisdiction of the authority. A teleconference meeting for which a quorum is established pursuant to this subdivision shall be subject to all other requirements of this section.

(3) For purposes of this subdivision, a health authority means any entity created pursuant to Sections 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, and 14087.9605 of the Welfare and Institutions Code, any joint powers authority created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 for the purpose of contracting pursuant to Section 14087.3 of the Welfare and Institutions Code, and any advisory committee to a county-sponsored health plan licensed pursuant to Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code if the advisory committee has 12 or more members.

(e) (1) The legislative body of a local agency may use teleconferencing without complying with paragraph (3) of subdivision (b) if, during the teleconference meeting, at least a quorum of the members of the legislative body participates in person from a singular physical location clearly identified on the agenda, which location shall be open to the public and situated within the boundaries of the territory over which the local agency exercises jurisdiction and the legislative body complies with all of the following:

(A) The legislative body shall provide at least one of the following as a means by which the public may remotely hear and visually observe the meeting, and remotely address the legislative body:

(i) A two-way audiovisual platform.

(ii) A two-way telephonic service and a live webcasting of the meeting.

(B) In each instance in which notice of the time of the teleconferenced meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the means by which members of the public may access the meeting and offer public comment.

(C) The agenda shall identify and include an opportunity for all persons to attend and address the legislative body directly pursuant to Section 54954.3 via a call-in option, via an internet-based service option, and at the in-person location of the meeting.

(D) In the event of a disruption that prevents the legislative body from broadcasting the meeting to members of the public using the call-in option or internet-based service option, or in the event of a disruption within the local agency's control that prevents members of the public from offering public comments using the call-in option or internet-based service option, the legislative body shall take no further action on items appearing on the meeting agenda until public access to the meeting via the call-in option or internet-based service option is restored. Actions taken on agenda items

during a disruption that prevents the legislative body from broadcasting the meeting may be challenged pursuant to Section 54960.1.

(E) The legislative body shall not require public comments to be submitted in advance of the meeting and must provide an opportunity for the public to address the legislative body and offer comment in real time.

(F) Notwithstanding Section 54953.3, an individual desiring to provide public comment through the use of an internet website, or other online platform, not under the control of the local legislative body, that requires registration to log in to a teleconference may be required to register as required by the third-party internet website or online platform to participate.

(2) A member of the legislative body shall only participate in the meeting remotely pursuant to this subdivision, if all of the following requirements are met:

(A) One of the following circumstances applies:

(i) The member notifies the legislative body at the earliest opportunity possible, including at the start of a regular meeting, of their need to participate remotely for just cause, including a general description of the circumstances relating to their need to appear remotely at the given meeting. The provisions of this clause shall not be used by any member of the legislative body for more than two meetings per calendar year.

(ii) The member requests the legislative body to allow them to participate in the meeting remotely due to emergency circumstances and the legislative body takes action to approve the request. The legislative body shall request a general description of the circumstances relating to their need to appear remotely at the given meeting. A general description of an item generally need not exceed 20 words and shall not require the member to disclose any medical diagnosis or disability, or any personal medical information that is already exempt under existing law, such as the Confidentiality of Medical Information Act (Chapter 1 (commencing with Section 56) of Part 2.6 of Division 1 of the Civil Code). For the purposes of this clause, the following requirements apply:

(I) A member shall make a request to participate remotely at a meeting pursuant to this clause as soon as possible. The member shall make a separate request for each meeting in which they seek to participate remotely.

(II) The legislative body may take action on a request to participate remotely at the earliest opportunity. If the request does not allow sufficient time to place proposed action on such a request on the posted agenda for the meeting for which the request is made, the legislative body may take action at the beginning of the meeting in accordance with paragraph (4) of subdivision (b) of Section 54954.2.

(B) The member shall publicly disclose at the meeting before any action is taken whether any other individuals 18 years of age or older are present in the room at the remote location with the member, and the general nature of the member's relationship with any such individuals.

(C) The member shall participate through both audio and visual technology.

(3) The provisions of this subdivision shall not serve as a means for any member of a legislative body to participate in meetings of the legislative body solely by teleconference from a remote location for a period of more than three consecutive months or 20 percent of the regular meetings for the local agency within a calendar year, or more than two meetings if the legislative body regularly meets fewer than 10 times per calendar year.

(f) The legislative body shall have and implement a procedure for receiving and swiftly resolving requests for reasonable accommodation for individuals with disabilities, consistent with the federal Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and resolving any doubt in favor of accessibility. In each instance in which notice of the time of the meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the procedure for receiving and resolving requests for accommodation.

(g) The legislative body shall conduct meetings subject to this chapter consistent with applicable civil rights and nondiscrimination laws.

(h) (1) Nothing in this section shall prohibit a legislative body from providing the public with additional teleconference locations.

(2) Nothing in this section shall prohibit a legislative body from providing members of the public with additional physical locations in which the public may observe and address the legislative body by electronic means.

(i) For the purposes of this section, the following definitions shall apply:

(1) “Emergency circumstances” means a physical or family medical emergency that prevents a member from attending in person.

(2) “Just cause” means any of the following:

(A) A childcare or caregiving need of a child, parent, grandparent, grandchild, sibling, spouse, or domestic partner that requires them to participate remotely. “Child,” “parent,” “grandparent,” “grandchild,” and “sibling” have the same meaning as those terms do in Section 12945.2.

(B) A contagious illness that prevents a member from attending in person.

(C) A need related to a physical or mental disability as defined in Sections 12926 and 12926.1 not otherwise accommodated by subdivision (f).

(D) Travel while on official business of the legislative body or another state or local agency.

(3) “Remote location” means a location from which a member of a legislative body participates in a meeting pursuant to subdivision (e), other than any physical meeting location designated in the notice of the meeting. Remote locations need not be accessible to the public.

(4) “Remote participation” means participation in a meeting by teleconference at a location other than any physical meeting location designated in the notice of the meeting. Watching or listening to a meeting via webcasting or another similar electronic medium that does not permit members to interactively hear, discuss, or deliberate on matters, does not constitute remote participation.

(5) “Teleconference” means a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both.

(6) “Two-way audiovisual platform” means an online platform that provides participants with the ability to participate in a meeting via both an interactive video conference and a two-way telephonic function.

(7) “Two-way telephonic service” means a telephone service that does not require internet access, is not provided as part of a two-way audiovisual platform, and allows participants to dial a telephone number to listen and verbally participate.

(8) “Webcasting” means a streaming video broadcast online or on television, using streaming media technology to distribute a single content source to many simultaneous listeners and viewers.

(j) This section shall become operative January 1, 2024, shall remain in effect only until January 1, 2026, and as of that date is repealed.

SEC. 3. Section 54953 is added to the Government Code, to read:

54953. (a) All meetings of the legislative body of a local agency shall be open and public, and all persons shall be permitted to attend any meeting of the legislative body of a local agency, except as otherwise provided in this chapter.

(b) (1) Notwithstanding any other provision of law, the legislative body of a local agency may use teleconferencing for the benefit of the public and the legislative body of a local agency in connection with any meeting or proceeding authorized by law. The teleconferenced meeting or proceeding shall comply with all requirements of this chapter and all otherwise applicable provisions of law relating to a specific type of meeting or proceeding.

(2) Teleconferencing, as authorized by this section, may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the legislative body. All votes taken during a teleconferenced meeting shall be by rollcall.

(3) If the legislative body of a local agency elects to use teleconferencing, it shall post agendas at all teleconference locations and conduct teleconference meetings in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the legislative body of a local agency. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. During the teleconference, at least a quorum of the members of the legislative body shall participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as provided in subdivision (d). The agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to Section 54954.3 at each teleconference location.

(4) For the purposes of this section, “teleconference” means a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both. Nothing in this section shall prohibit a local agency from providing the public with additional teleconference locations.

(c) (1) No legislative body shall take action by secret ballot, whether preliminary or final.

(2) The legislative body of a local agency shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

(3) Prior to taking final action, the legislative body shall orally report a summary of a recommendation for a final action on the salaries, salary schedules, or compensation paid in the form of fringe benefits of a local agency executive, as defined in subdivision (d) of Section 3511.1, during the open meeting in which the final action is to be taken. This paragraph shall not affect the public's right under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1) to inspect or copy records created or received in the process of developing the recommendation.

(d) (1) Notwithstanding the provisions relating to a quorum in paragraph (3) of subdivision (b), if a health authority conducts a teleconference meeting, members who are outside the jurisdiction of the authority may be counted toward the establishment of a quorum when participating in the teleconference if at least 50 percent of the number of members that would establish a quorum are present within the boundaries of the territory over which the authority exercises jurisdiction, and the health authority provides a teleconference number, and associated access codes, if any, that allows any person to call in to participate in the meeting and the number and access codes are identified in the notice and agenda of the meeting.

(2) Nothing in this subdivision shall be construed as discouraging health authority members from regularly meeting at a common physical site within the jurisdiction of the authority or from using teleconference locations within or near the jurisdiction of the authority. A teleconference meeting for which a quorum is established pursuant to this subdivision shall be subject to all other requirements of this section.

(3) For purposes of this subdivision, a health authority means any entity created pursuant to Sections 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, and 14087.9605 of the Welfare and Institutions Code, any joint powers authority created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 for the purpose of contracting pursuant to Section 14087.3 of the Welfare and Institutions Code, and any advisory committee to a county-sponsored health plan licensed pursuant to Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code if the advisory committee has 12 or more members.

(e) This section shall become operative January 1, 2026.

SEC. 4. Section 54954.2 of the Government Code is amended to read:

54954.2. (a) (1) At least 72 hours before a regular meeting, the legislative body of the local agency, or its designee, shall post an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting, including items to be discussed in closed session. A brief general description of an item generally need not exceed 20 words. The agenda shall specify the time and location of the

regular meeting and shall be posted in a location that is freely accessible to members of the public and on the local agency's Internet Web site, if the local agency has one. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. The agenda shall include information regarding how, to whom, and when a request for disability-related modification or accommodation, including auxiliary aids or services, may be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting.

(2) For a meeting occurring on and after January 1, 2019, of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site, the following provisions shall apply:

(A) An online posting of an agenda shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state that is accessible through a prominent, direct link to the current agenda. The direct link to the agenda shall not be in a contextual menu; however, a link in addition to the direct link to the agenda may be accessible through a contextual menu.

(B) An online posting of an agenda including, but not limited to, an agenda posted in an integrated agenda management platform, shall be posted in an open format that meets all of the following requirements:

(i) Retrievable, downloadable, indexable, and electronically searchable by commonly used Internet search applications.

(ii) Platform independent and machine readable.

(iii) Available to the public free of charge and without any restriction that would impede the reuse or redistribution of the agenda.

(C) A legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site and an integrated agenda management platform shall not be required to comply with subparagraph (A) if all of the following are met:

(i) A direct link to the integrated agenda management platform shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state. The direct link to the integrated agenda management platform shall not be in a contextual menu. When a person clicks on the direct link to the integrated agenda management platform, the direct link shall take the person directly to an Internet Web site with the agendas of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state.

(ii) The integrated agenda management platform may contain the prior agendas of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state for all meetings occurring on or after January 1, 2019.

(iii) The current agenda of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state shall be the first agenda available at the top of the integrated agenda management platform.

(iv) All agendas posted in the integrated agenda management platform shall comply with the requirements in clauses (i), (ii), and (iii) of subparagraph (B).

(D) For the purposes of this paragraph, both of the following definitions shall apply:

(i) “Integrated agenda management platform” means an Internet Web site of a city, county, city and county, special district, school district, or political subdivision established by the state dedicated to providing the entirety of the agenda information for the legislative body of the city, county, city and county, special district, school district, or political subdivision established by the state to the public.

(ii) “Legislative body” has the same meaning as that term is used in subdivision (a) of Section 54952.

(E) The provisions of this paragraph shall not apply to a political subdivision of a local agency that was established by the legislative body of the city, county, city and county, special district, school district, or political subdivision established by the state.

(3) No action or discussion shall be undertaken on any item not appearing on the posted agenda, except that members of a legislative body or its staff may briefly respond to statements made or questions posed by persons exercising their public testimony rights under Section 54954.3. In addition, on their own initiative or in response to questions posed by the public, a member of a legislative body or its staff may ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities. Furthermore, a member of a legislative body, or the body itself, subject to rules or procedures of the legislative body, may provide a reference to staff or other resources for factual information, request staff to report back to the body at a subsequent meeting concerning any matter, or take action to direct staff to place a matter of business on a future agenda.

(b) Notwithstanding subdivision (a), the legislative body may take action on items of business not appearing on the posted agenda under any of the conditions stated below. Prior to discussing any item pursuant to this subdivision, the legislative body shall publicly identify the item.

(1) Upon a determination by a majority vote of the legislative body that an emergency situation exists, as defined in Section 54956.5.

(2) Upon a determination by a two-thirds vote of the members of the legislative body present at the meeting, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted as specified in subdivision (a).

(3) The item was posted pursuant to subdivision (a) for a prior meeting of the legislative body occurring not more than five calendar days prior to

the date action is taken on the item, and at the prior meeting the item was continued to the meeting at which action is being taken.

(4) To consider action on a request from a member to participate in a meeting remotely due to emergency circumstances, pursuant to Section 54953, if the request does not allow sufficient time to place the proposed action on the posted agenda for the meeting for which the request is made. The legislative body may approve such a request by a majority vote of the legislative body.

(c) This section is necessary to implement and reasonably within the scope of paragraph (1) of subdivision (b) of Section 3 of Article I of the California Constitution.

(d) For purposes of subdivision (a), the requirement that the agenda be posted on the local agency's Internet Web site, if the local agency has one, shall only apply to a legislative body that meets either of the following standards:

(1) A legislative body as that term is defined by subdivision (a) of Section 54952.

(2) A legislative body as that term is defined by subdivision (b) of Section 54952, if the members of the legislative body are compensated for their appearance, and if one or more of the members of the legislative body are also members of a legislative body as that term is defined by subdivision (a) of Section 54952.

(e) This section shall remain in effect only until January 1, 2026, and as of that date is repealed.

SEC. 5. Section 54954.2 is added to the Government Code, to read:

54954.2. (a) (1) At least 72 hours before a regular meeting, the legislative body of the local agency, or its designee, shall post an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting, including items to be discussed in closed session. A brief general description of an item generally need not exceed 20 words. The agenda shall specify the time and location of the regular meeting and shall be posted in a location that is freely accessible to members of the public and on the local agency's Internet Web site, if the local agency has one. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. The agenda shall include information regarding how, to whom, and when a request for disability-related modification or accommodation, including auxiliary aids or services, may be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting.

(2) For a meeting occurring on and after January 1, 2019, of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site, the following provisions shall apply:

(A) An online posting of an agenda shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state that is accessible through a prominent, direct link to the current agenda. The direct link to the agenda shall not be in a contextual menu; however, a link in addition to the direct link to the agenda may be accessible through a contextual menu.

(B) An online posting of an agenda including, but not limited to, an agenda posted in an integrated agenda management platform, shall be posted in an open format that meets all of the following requirements:

(i) Retrievable, downloadable, indexable, and electronically searchable by commonly used Internet search applications.

(ii) Platform independent and machine readable.

(iii) Available to the public free of charge and without any restriction that would impede the reuse or redistribution of the agenda.

(C) A legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site and an integrated agenda management platform shall not be required to comply with subparagraph (A) if all of the following are met:

(i) A direct link to the integrated agenda management platform shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state. The direct link to the integrated agenda management platform shall not be in a contextual menu. When a person clicks on the direct link to the integrated agenda management platform, the direct link shall take the person directly to an Internet Web site with the agendas of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state.

(ii) The integrated agenda management platform may contain the prior agendas of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state for all meetings occurring on or after January 1, 2019.

(iii) The current agenda of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state shall be the first agenda available at the top of the integrated agenda management platform.

(iv) All agendas posted in the integrated agenda management platform shall comply with the requirements in clauses (i), (ii), and (iii) of subparagraph (B).

(D) For the purposes of this paragraph, both of the following definitions shall apply:

(i) “Integrated agenda management platform” means an Internet Web site of a city, county, city and county, special district, school district, or political subdivision established by the state dedicated to providing the entirety of the agenda information for the legislative body of the city, county, city and county, special district, school district, or political subdivision established by the state to the public.

(ii) “Legislative body” has the same meaning as that term is used in subdivision (a) of Section 54952.

(E) The provisions of this paragraph shall not apply to a political subdivision of a local agency that was established by the legislative body of the city, county, city and county, special district, school district, or political subdivision established by the state.

(3) No action or discussion shall be undertaken on any item not appearing on the posted agenda, except that members of a legislative body or its staff may briefly respond to statements made or questions posed by persons exercising their public testimony rights under Section 54954.3. In addition, on their own initiative or in response to questions posed by the public, a member of a legislative body or its staff may ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities. Furthermore, a member of a legislative body, or the body itself, subject to rules or procedures of the legislative body, may provide a reference to staff or other resources for factual information, request staff to report back to the body at a subsequent meeting concerning any matter, or take action to direct staff to place a matter of business on a future agenda.

(b) Notwithstanding subdivision (a), the legislative body may take action on items of business not appearing on the posted agenda under any of the conditions stated below. Prior to discussing any item pursuant to this subdivision, the legislative body shall publicly identify the item.

(1) Upon a determination by a majority vote of the legislative body that an emergency situation exists, as defined in Section 54956.5.

(2) Upon a determination by a two-thirds vote of the members of the legislative body present at the meeting, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted as specified in subdivision (a).

(3) The item was posted pursuant to subdivision (a) for a prior meeting of the legislative body occurring not more than five calendar days prior to the date action is taken on the item, and at the prior meeting the item was continued to the meeting at which action is being taken.

(c) This section is necessary to implement and reasonably within the scope of paragraph (1) of subdivision (b) of Section 3 of Article I of the California Constitution.

(d) For purposes of subdivision (a), the requirement that the agenda be posted on the local agency’s Internet Web site, if the local agency has one, shall only apply to a legislative body that meets either of the following standards:

(1) A legislative body as that term is defined by subdivision (a) of Section 54952.

(2) A legislative body as that term is defined by subdivision (b) of Section 54952, if the members of the legislative body are compensated for their appearance, and if one or more of the members of the legislative body are

also members of a legislative body as that term is defined by subdivision (a) of Section 54952.

(e) This section shall become operative January 1, 2026.

SEC. 6. The Legislature finds and declares that Sections 1 and 2 of this act, which amend Section 54953 of the Government Code, impose a limitation on the public’s right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

By removing the requirement for agendas to be placed at the location of each public official participating in a public meeting remotely, including from the member’s private home or hospital room, this act protects the personal, private information of public officials and their families while preserving the public’s right to access information concerning the conduct of the people’s business.

SEC. 7. The Legislature finds and declares that Sections 1 and 2 of this act, which amend Section 54953 of the Government Code, further, within the meaning of paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the purposes of that constitutional section as it relates to the right of public access to the meetings of local public bodies or the writings of local public officials and local agencies. Pursuant to paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the Legislature makes the following findings:

This act is necessary to ensure minimum standards for public participation and notice requirements allowing for greater public participation in teleconference meetings.

Agenda Item 6e

Update on the Proposed Civic
Center & Phelan Park Expansion
Projects



A. 4176 Warbler Road
P.O. Box 294049
Phelan, CA 92329
P. (760) 868-1212
F. (760) 868-2323
W. www.pphcsd.org

MEMORANDUM

DATE: November 2, 2022

TO: Board of Directors

FROM: Don Bartz, General Manager
By: Kim Sevy, HR & Solid Waste Manager/District Clerk

SUBJECT: Update on the Proposed Civic Center & Phelan Park Expansion Project

STAFF RECOMMENDATION

None

BACKGROUND

Staff will update the Board on the Proposed Civic Center and Phelan Park Expansion Project.

FISCAL IMPACT

None

ATTACHMENT(S)

None

Agenda Item 7

Committee Reports/Comments

ENGINEERING COMMITTEE MEETING MINUTES

October 12, 2022 – 4:00 p.m.
Phelan Community Center
4128 Warbler Road, Phelan, CA 92371
& Remotely Via Zoom or Conference Call

Board Members Present: Mark Roberts, Director (Chair)
Kathy Hoffman, Director

Board Members Absent: None

Staff Present: Sean Wright, Water Operations Manager
Chris Cummings, Water Operations Assistant Manager
George Cardenas, Engineering Manager
Tony De La Rosa, Engineering Technician
Jennifer Oakes, Executive Management Analyst
Aimee Williams, Asst. Board Clerk/Administrative Specialist

Guests/Public: None

Call to Order

Director Roberts called the meeting to order at 4:00 p.m.

Roll Call

All Committee Members were present at Roll Call.

1) **Approval of Agenda**

Director Hoffman moved to approve the Agenda. Director Roberts seconded the motion. Motion passed unanimously.

2) **Public Comment** – None

3) **Approval of Minutes**

Director Hoffman moved to approve the Minutes. Director Roberts seconded the motion. Motion passed unanimously.

4) **Oeste Recharge Study Project**

There are no new updates on the project. Director Roberts stated he would like to review the MWA drill logs and report once it is finalized.

5) **Discussion Regarding Water System**

- **Pumps and Wells Services Agreement**

Mr. Wright noted the rehabilitation for Well 11 is going well. The current pump and well service agreement will expire in April 2023, and staff is seeking approval for an extension of one year. This item will be brought to the Board at the next meeting.

- **10-Year Tank Rehabilitation & Maintenance Service**
Begins in November/December.
- **Water Quality**
The new MCL for chromium will be 10ppb and is expected to go into effect sometime in 2024-2025.
- **Service Line Replacement Program**
149 replaced calendar year to date.
- **Other Repairs/Replacements/Updates/Maintenance**
The meter replacement program is approximately 43% complete; waiting on 1200 meters and miscellaneous parts to be delivered. The fill station has dispensed 4.5 million gallons of water during this calendar year.

A written report is in the agenda packet for this meeting.

- 6) **Smithson Springs Update**
Mr. Wright reported that the flow is less than 1gpm. Cleanup of the area will take place in December and January.
- 7) **State Regulations Update**
Nothing new to report.
- 8) **Review of Current Projects**
 - **Pressure Zone 6**
Mr. Cardenas reported that the Pinon Hills Road. water line project will go to the second Board meeting in November. Field testing will be completed for the Mescalero Road pressure zone extension project.
 - **New Well No. 15**
Mr. Cardenas reported that surveying and staking will happen the week before drilling, which should begin sometime in November.
 - **Mountain Well**
Mr. Wright reported that the well equipment has been ordered and the Edison request for service has been initiated.
- 9) **Staff Reports**
Nothing new to report.
- 10) **Review of Action Items**
 - a) **Prior Meeting**
 - None
 - b) **Current Meeting**
 - Bring back Title 22 Sampling Set for Mountain Well
 - Add General Pump Contract Item to the next Board Meeting
- 11) **Set Agenda for Next Meeting** – November 9, 2022
- 12) **Adjournment**
With no further business before the Committee, the meeting adjourned at 4:34 p.m.

Agenda materials can be viewed online at www.pphcsd.org



FINANCE COMMITTEE MEETING MINUTES

October 18, 2022

Phelan Community Center
4128 Warbler Road, Phelan, CA 92371
& Remotely Via Zoom or Conference Call

Board Members Present: Mark Roberts, Chair
Rebecca Kujawa, President

Board Members Absent: None

Staff Present: Lori Lowrance, Assistant General Manager/CFO
David Noland, Accountant
Aimee Williams, Asst. Board Clerk/Administrative Specialist

Guests/Public: Chris Brown, Fedak & Brown, LLP

Call to Order

President Kujawa called the meeting to order at 4:32 p.m.

Roll Call

All Committee Members were present at Roll Call.

1) **Approval of Agenda**

Ms. Lowrance requested to discuss Item 7 before Item 3. President Kujawa moved to approve the Agenda as amended. Director Roberts seconded the motion. Motion passed unanimously.

2) **Public Comment** – None

3) **Approval of Minutes**

President Kujawa moved to approve the Minutes. Director Roberts seconded the motion. Motion passed unanimously.

4) **Review of Disbursements**

The Committee reviewed the disbursements.

5) **Review of Financials**

The Committee reviewed the financials.

6) **Review of Solar Project Credits & Expenses**

The Committee reviewed the solar project credits and expenses.

7) **Review of Preliminary Audit Report**

Chris Brown of Fedak & Brown, LLP reviewed the preliminary audit report with staff.

8) Committee Comments

Director Roberts asked how staff will be handling the upcoming COLA and CalPERS increases.

9) Review of Action Items

- a) **Prior Meeting** – Completed
- b) **Current Meeting** – Bring Audit Report to a Board meeting in November.

10) Set Agenda for Next Meeting

- Regular Meeting – January 17, 2023
- Remove Item 7

11) Adjournment

With no further business before the Committee, the meeting adjourned at 5:40 p.m.

Agenda materials can be viewed online at <https://www.pphcsd.org>

PARKS COMMITTEE MEETING MINUTES

October 11, 2022
Phelan Community Center
4128 Warbler Road, Phelan, CA 92371
& Remotely Via Zoom or Conference Call

Board Members Present: Rebecca Kujawa, President (Chair)
Kathy Hoffman, Director

Board Members Absent: None

Staff Present: Steve Lowrance, Parks Supervisor
Jennifer Oakes, Executive Management Analyst
Aimee Williams, Asst. Board Clerk/Administrative Specialist

Guests/Public: None

Call to Order

President Kujawa called the meeting to order at 4:30 p.m.

Roll Call

All Committee Members were present at Roll Call.

1) **Approval of Agenda**

Director Hoffman moved to approve the Agenda. President Kujawa seconded the motion. Motion passed unanimously.

2) **Public Comment** – None

3) **Approval of Minutes**

Director Hoffman moved to approve the Minutes. President Kujawa seconded the motion. Motion passed unanimously.

4) **Review & Discussion Regarding Parks & Recreation Events**

Mr. Lowrance reviewed the past and upcoming events. Next year the summer movie events will end during the first week of August before school begins. Fall/winter activities are scheduled for November and December and will include baking classes, painting classes, and the 2nd Annual Christmas Tree Lighting event.

5) **Update Regarding Phelan Park Expansion**

Mr. Lowrance reported the District had a meeting with KTUA on 10/5/22, and they are working on the necessary steps for the expansion project.

6) **Update on Phelan Farmers Market**

Mr. Lowrance reported the market is still doing good.

7) **Update on Teaching Garden**

Mr. Lowrance stated that attendance has continued to be around 12 people per class.

8) **Staff Report**

Nothing further.

9) **Committee Comments**

President Kujawa stated that she looked into the previously discussed self-defense/safety awareness classes and there was no availability this year.

The committee discussed the sound and music options for the tree lighting ceremony in December.

10) **Review of Action Items**

a) **Prior Meeting** – None

b) **Current Meeting** – None

11) **Set Agenda for Next Meeting** – January 10, 2023

12) **Adjournment**

With no further business before the Committee, the meeting adjourned at 4:45 p.m.

Agenda materials can be viewed online at www.pphcsd.org

SOLID WASTE & RECYCLING COMMITTEE MEETING MINUTES

October 13, 2022 – 4:30 p.m.
Phelan Community Center
4128 Warbler Road, Phelan, CA 92371
& Remotely Via Zoom or Conference Call

- Board Members Present:** Deborah Philips, Chair/Vice President
Rebecca Kujawa, President
- Board Members Absent:** None
- Staff Present:** Kim Sevy, HR & Solid Waste Manager/District Clerk (Zoom)
Aimee Williams, Asst. Board Clerk/Administrative Specialist
- CR&R Staff Present:** Brandon McGill, Operations Manager
- Guests/Public:** Peter Barnes

Call to Order

Vice President Philips called the meeting to order at 4:30 p.m.

Roll Call

All Committee Members were present at Roll Call.

- 1) **Approval of Agenda**
Vice President Philips moved to approve the Agenda. President Kujawa seconded the motion. Motion passed unanimously.
- 2) **Public Comment**
Public comment was given by Peter Barnes.
- 3) **Approval of Minutes**
President Kujawa moved to approve the Minutes as amended. Vice President Philips seconded the motion. Motion passed unanimously.
- 4) **Review of Program Events**
Ms. Sevy reviewed the programs and events.
- 5) **SB 1383 & Recycling Requirements**
Ms. Sevy noted that the title of this agenda item was updated. The committee discussed SB 1383 & recycling requirements.

6) **Staff Reports**

A written report was provided at the meeting and is available on the website.

7) **Review of Action Items**

a) **Prior Meeting** – None

b) **Current Meeting** – None

8) **Set Agenda for Next Meeting** – November 10, 2022

9) **Adjournment**

With no further business before the Committee, the meeting adjourned at 4:48 p.m.

Agenda materials can be viewed online at www.pphcsd.org

Agenda Item 8

Staff & General Manager's Report

**Phelan Pinon Hills Community Services District
Engineering Manager's Report
November 2, 2022**

Alternative Energy - 1.16 MW Solar Photovoltaic

SunPower Corporation has entered into an equity purchase agreement TotalEnergies Renewables USA, LLC. TotalEnergies. During the transition the agreement will ensure ongoing performance under each Agreement in compliance with its terms. For the district, this is the Performance Guarantee Agreement. Screw drives failed on two sections of the solar site. An order for the replacement screws have been placed.

2021 registered 2,639 MWh (2,638,614 kWh)

2020 registered 2,658 MWh (2,657,613 kWh)

Geographic Information System (GIS)

The district has migrated its mail exchange server to a hybrid cloud management with Azure Active Directory through Microsoft Office 365 portal. Active IT, the District's IT, is currently working with Microsoft to complete the migration. Staff will utilize Microsoft SharePoint platform providing a host of features and infrastructure to share, store, access, and organize information from any device.

Staff is in the process of updating drone imagery of all of its facilities with current photos of all booster stations. Staff is working on a concept to develop a tool in its GIS to help manage Solid Waste.

Pressure Zone 6 Improvements

The district continues to look at ways to improve system pressures. 2020 Water Master Plan (WMP) validated improving pressure at the west end of Maria Road in pressure zone (PZ) 6 with expanding PZ 7 with 1,300 lineal feet of 8-inch pipeline on Pinon Hills Road, between Nielson Road and Maria Road. Connections in PZ6 would see the increase in pressure. District staff has prepared design drawings for this project. The purchase of the material will be brought to the Board for approval in the Fall of 2022.

The second location is on Mescalero Road, between Quail Road and Snowline Road, with 740 LF of proposed 6-inch water pipeline. Design plans for Mescalero Road were also prepared by District staff. The installation is proposed to be constructed by field staff. The WMP proposes increasing capacity at Tank site 6A with an additional 2.2 MG capacity tank. Preliminary layout proposes a tank between Sheep Creek's tank and the existing District's 0.42 MG. Tank 6A primarily serve PZ6. CIP table identifies project tentatively for 2025-2026 budget year for \$3.6 million.

Civic Center / Community Center and Future Phelan Park Expansion

Phase 1 – (APN 3066-261-10) Civic Center

Phase 2 – Phelan Community Park [event plaza, splash pad, multi-use field (soccer), restrooms, concession, playground, native garden, community garden, and tennis court]

Phase 3 – Phelan Community Park [equestrian, multi-use (baseball), skate park, pump track]

Geotechnical report for the 14-acre property has been approved with conditions. Hydrology study has been approved with minor corrections. The existing electrical switch gear, which serves the district office, is proposed to be upgraded from an 800-amp to 4000-amp service. The transformer will also serve the proposed Civic Center, the future Community Building and Phelan Park expansion and is currently in design with Edison planner. Staff met with the Edison planner to finalize the phasing design for the project.

The 3rd submittal for the Street design plans for the Civic Center project were submitted to the County for final approval. Pending is the approval of the revised CUP for Phase 1. This would require a formal submittal for Phase 2 and 3. Phase 1 grading would impact the parcels of the future park expansion. This has been challenging for the County to approve the revision of the CUP for the Civic Center that also includes CEQA. Therefore, an application for the park expansion is required. The environmental documents have been sent to and received by the State Clearinghouse on October 5th for a 30-day review. Adjacent property owners have been noticed.

Fish and Game Commission proposed consideration of a Conservation Plan for the Joshua tree. The Commission met on October 12th. This meeting was set aside to hear from the Native American Tribes. No action was taken. The next meeting is scheduled for February 2023 to consider listing the Western Joshua Tree as an endangered species.

The species remains a candidate and protected under the California Endangered Species Act (CESA) during this period. Incidental Take Permits (ITP's) are not on hold and can be issued when approved. ITP will be involved in the Phase 2 and 3 (Phelan Park expansion). We will continue to move forward with approvals and permitting for Phase 1 of the project without an ITP but instead to protect the Joshua trees during grading. The draft ITP for Phase 2 and 3 has been reviewed by staff. The final ITP has been uploaded to the State site. An application fee of \$34,000 is due. Staff is waiting for an invoice from the State to then bring forward to the Board for approval.

Comments from Van Dam were received for the ingress/egress and grading easements for APN 3066-251-05 and -06. Staff is waiting for Van Dam's response or potentially signed and notarized easement documents. Easements are required to abandon Sahara Road. Written permission was conditioned to proceed with the abandonment process with the County of San Bernardino.

Future Well No. 15 and 16

The Board adopted CEQA for Well No. 15 and 16. The Board also approved the contract with Southwest Drilling Inc. for well no. 15. Start of work is scheduled for mid-November 2022. Surveyor is scheduled for staking of property and proposed well.

Water Mainline Extension Projects

Pinon Road - to serve APN 3067-111-21

Proposed 353 Linear Feet of 8-inch PVC water pipeline, located on Pinon Road west from Ponderosa Road. Plans prepared by TRLS Engineering for Joel Jacoby. Second plan check completed. Pending pre-construction meeting.

Joshua St. - to serve APN 3038-131-08 (nothing new to report)

Proposed 665 Linear Feet of 8-inch PVC water pipeline, located on Joshua Street east of Caughlin Road. Owner: Donovan Homes. Plans prepared by TRLS Engineering. Second plan check completed on April 27, 2021. Pending County Fire Department approval.

Coyote Road - to serve APN 3068-621-06

Proposed 320 linear feet of 8-inch PVC water pipeline, from Yucatan Road east 320. Plans prepared by Merrell-Johnson Companies. First plan check submitted on September 19, 2022. Comments were addressed and a 2nd plan check is in progress.

Schlitz Road - to serve APN 3101-571-02 (nothing new to report)

Proposed 320 Linear Feet of 8-inch PVC water pipeline, located on Schlitz Road from Palmdale Road south 320 feet. Owner: So. Cal Services. Plans were prepared by TRLS Engineering. Second plan check complete. Pending County Fire Department approval.

Salerno Road - to serve APN 3101-431-08 (nothing new to report)

Proposed 950 Linear Feet of 8-inch PVC water pipeline, located on Salerno Road from Bambi Court west to 350 west of Johnson Road. Plans prepared by Merrell Johnson Companies Owner: Perez / Valdillez. First plan check completed March 30, 2021

Acanthus Street - to serve APN 3066-681-13 (nothing new to report)

Proposed 300 Linear Feet of 8-inch PVC water pipeline, located on Acanthus Street south from McAllister Road for Arturo Mata. Plans were prepared by Ludwig Engineering and approved in July of 2018. 2nd plan check completed April 14, 2021

Sequoia Road - to serve APN 3069-331-10 (nothing new to report)

Proposed 340 Linear Feet of 8-inch PVC water pipeline, located on Sequoia Road east of Johnson Road. Owner: ZAB LLC, Luis Benites. Plans were prepared by Capstone Engineering Inc. Plans approved. Pending pre-construction meeting.

Smoke Tree Road - to serve APN 3070-631-03 (nothing new to report)

Proposed 740 Linear Feet of 8-inch PVC water pipeline, located on Smoke Tree Road east of Beaver Road. Plans prepared by Rodriguez Brothers Engineering for Maria Sandoval. First plan check completed (June 8, 2022)

Beekley Road - to serve APN 3100-551-13 (nothing new to report)

Proposed 300 Linear Feet of 8-inch PVC water pipeline, located on Beekley Road north from Begonia Road. Plans prepared by TRLS Engineering. Final check complete on June 6, 2018. Pending County Fire Department approval.

San Bernardino County Public Works Projects

Phelan Road Intersection Improvements

The San Bernardino County Public Works Department began work early September. Completion date December 16, 2022. The intersection widening for left and right turn lanes along Phelan Road areas are as listed:

Sonora Road
Tumbleweed Road
Sunny Vista Road
& Arrowhead Road

Phelan Road Widening Project

Work to include mill/overlay, leveling course, isolated areas of full depth reconstruction and the installation of a traffic signal at Clovis Road. Improvements from State Highway 138 to Los Banos Road. Work is tentatively scheduled for July 2023. This is phase 1 of 2.

Phase 2 will include road widening, from 2 lanes to 5 lanes, including drainage improvements, and the realignment of intersection Highway 138 and Phelan Road.

The tentative schedule is as follows:

- Project Approval/Environmental Document: Spring 2024
- Final Plans & Right of Ways Acquisitions: Fall 2025
- Construction: Spring 2026

Agenda Item 9

Director Reports

Agenda Item 10

Correspondence/Information

FW: GIVE TO THE CSD BROAD RE BARK BEETLE INFESTATION

From: margaret mcbride <margaretellen376@yahoo.com>

Sent: Monday, October 24, 2022 2:13 PM

To: Customer Service <customerservice@pphcsd.org>

Subject: GIVE TO THE CSD BROAD RE BARK BEETLE INFESTATION

WHO AM I: I LIVE AT 376 MARIA ROAD AND OWN 7.5 AC. ON THIS LAND I HAVE WATERED AND CARED FOR 40 PINON PINES. A 30' HEALTHY PINE TREE DIED IN A 30 DAY PERIOD. I HAD AN ARBORIST COME TO MY LAND TO DIAGNOSE THE PROBLEM. I WAS ADVISED THAT THE BARK BEETLE KILLED IT. I CALLED MY NIEGHBOR AND THEY HAD ALSO LOST THEIR LARGEST PINE. WE WALKED THE CSD 20 AC PARCEL SOUTH OF US AND SAW NUMEROUS DEAD TREES. I CALLED THEM AND ADVISED THEM OF THE PROBLEM.

I WAS AMAZED WITHIN A FEW DAYS THEY HAD A BARK BEATLE CONSULTANT OUT WHICH FLAGED THE INFECTED TREES ON YOUR LAND AND CSD/FIRE DEPT CUT THEM DOWN. AS SOON AS THEY HAD THE PESTICIDE THEY SPRAYED ALL THEIR TREES AS WE DID.

UNFORTUNATLY I LOST 3 LARGE TREES. HOWEVER I AM KEEPING AN EYE ON THE REMAINING 37 TREES AND SO FAR THEY SEEM OK.

CSD HAS PROVEN THEY ARE A GOOD NEIGHBOR TO THE ENTIRE PINON HILLS AREA. WORKING WITH US THEY HELPED SAVE THE TRESS WHICH HAS GIVEN PINON HILLS THEIR NAME.



BILLING SCHEDULE

NOVEMBER 2022

November 1

- Bills mailed for **October 2022** charges

November 14

- Payment must be received by 5:00 p. to avoid disconnection for **September 2022** bill

November 15

-Disconnection date for **September 2022** bill

November 21

-Payment must be received by 5:00 p.m. to avoid penalty for **November 2022** bill



DECEMBER 2022

December 1

- Bills mailed for **November 2022** charges

December 13

- Payment must be received by 5:00 p.m. to avoid disconnection for **October 2022** bill

December 14

-Disconnection date for **October 2022** bill

December 21

- Payment must be received by 5:00 p.m. to avoid penalty for **December 2022** bill



JANUARY 2023

January 1

- Bills mailed for **December 2022** charges

January 17

- Payment must be received by 5:00 p.m. to avoid disconnection for **November 2022** bill

January 18

-Disconnection date for **November 2022** bill

January 23

- Payment must be received by 5:00 p.m. to avoid penalty for **January 2023** bill

Holiday Closure

Veterans Day- Friday, November 11, 2022

Thanksgiving - Thursday & Friday, November 24 & 25, 2022

Christmas Eve & Christmas Day Observance- Friday & Monday December 23 & 26, 2022

New Year's Day Observance- Monday January 2, 2023



HAPPY
**FALL
PAINTING CLASS**



Saturday, November 5
9 AM - Ages 5 - 12
11 AM - Ages 13 and up

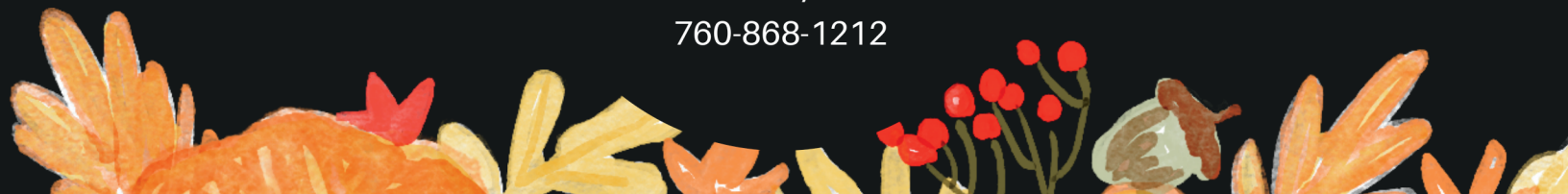
RSVP Required : www.pphcsd.org/events

Phelan Senior Center

4128 Warbler Road

Phelan, CA

760-868-1212





2ND ANNUAL

Christmas Tree LIGHTING

And Visit from Santa Claus

2ND OF DECEMBER | 6 O'CLOCK PM

PHELAN COMMUNITY PARK | 4176 WARBLER RD, PHELAN, CA

PRESENTED BY PHELAN PINON HILLS CSD

PARKS AND RECREATION DEPARTMENT

Hot Chocolate and Candy Canes to Be Served



Kids

Christmas Baking Class

Saturday, December 10
10AM - 12 PM

Phelan Community Center
4128 Warbler Road
Phelan

RSVP Required: www.pphcsd.org/events



Join us in making
Christmas sugar
cookies and hot
chocolate!

4176 Warbler Rd.
Phelan, CA
www.pphcsd.org
760-868-1212





KIDS

Baking Class

*Learn How to Make
Apple Turnovers*

RSVP REQUIRED
760-868-1212

Saturday, November 12, 2022
10 am - 12 pm

Phelan Community Center
4128 Warbler Road
Phelan, CA
www.pphcsd.org





Bobsleds *and* brushes

CHRISTMAS PAINTING CLASS



DECEMBER 17, 2022

9 AM AGES 5 - 12 | 11 AM AGES 13+



MAKE A BEAUTIFUL CHRISTMAS PAINTING WITH US!

RSVP REQUIRED : WWW.PPHCSD.ORG/EVENTS

PHELAN SENIOR CENTER

4128 WARBLER RD, PHELAN



WWW.PPHCSD.ORG
760-868-1212



**Go Play
at the Park**

Phelan Piñon Hills CSD Parks and Recreation

Agenda Item 11

Review of Action Items

Agenda Item 12

Set Agenda for Next Meeting