



Hidden Valley Lake Community Services District

Adopted Budget Fiscal Year 2026-2027

RESOLUTION 2026-06

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BY THE BOARD OF DIRECTORS:

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Introduction

The Hidden Valley Lake Community Services District (District) operates as an independent special district dedicated to serving the Hidden Valley Lake Community, located in southern Lake County, California. The District plays a crucial role in managing essential services for residents and businesses within its jurisdiction.

The District employs a dedicated team of 15 full-time staff members who are responsible for delivering vital services to the community. It provides water services to over 2,500 residential properties and six distinct commercial establishments. Additionally, the District offers wastewater management services to more than 1,500 homes and businesses.

The service area of the Hidden Valley Lake Community Services District spans approximately three square miles, encompassing a diverse range of residential and business environments. This geographic footprint allows the District to effectively manage resources and ensure that all constituents receive reliable access to essential water and wastewater utilities.

Mission Statement

The mission of the Hidden Valley Lake Community Services District is to provide, maintain and protect our community's water.

Our Values	• Compliance • Transparency • Teamwork • Cost Effectiveness • Affordability
To provide innovative and reliable services in an environmentally conscious manner that produces a high level of ratepayer satisfaction.	Our Vision

HISTORY

The Stonehouse Mutual Water Company was founded in 1968 to provide water services to the Hidden Valley Lake subdivision. Subsequently, in 1984, the Hidden Valley Lake Community Service District was established to further support community needs.

In the early 1990s, discussions commenced regarding a potential merger between these two entities. It became increasingly clear that consolidating the two independent water service providers into a single utility company would yield significant cost savings for both operations and maintenance. Additionally, this merger would enhance community protection through increased oversight from state authorities and facilitate access to various financial resources, including grants and low-interest loans.

The legislative framework for this merger was established with the passage of AB 1504, which authorized the consolidation of the two utilities. As a result, on January 1, 1993, at precisely 12:01 AM, the merger was officially enacted.

BOARD OF DIRECTORS

The Board of Directors of the Hidden Valley Lake Community Services District (District) is comprised of five elected officials who serve to represent the interests of the residents within the Hidden Valley Lake community. Each Director is required to reside within the district's boundaries, which ensures that they possess a comprehensive understanding of the community's unique needs and are actively engaged with the services provided by the district.

Directors serve staggered four-year terms, with elections conducted in November during even-numbered years. This staggered election schedule is designed to maintain continuity and minimize disruption within the governance of the district.

The Board of Directors is responsible for establishing strategic goals and formulating policies that direct the operations of the District. To facilitate effective management, the Board appoints a General Manager who oversees daily operations and implements the established goals and policies. The General Manager bears the critical responsibility of ensuring that all District procedures align with the overarching mission of the District, while also ensuring that ongoing operations and future planning are consistent with the District's vision.

In addition to appointing a General Manager, the Board also designates legal counsel and financial auditors to provide essential oversight and guidance in their respective areas. This structure ensures that both operational integrity and compliance with legal standards are maintained throughout.

The Board of Directors is dedicated to maintaining a high standard of transparency in its operations. All board meetings are conducted in compliance with the Brown Act regulations, ensuring adherence to public notice requirements. Regularly scheduled board meetings take place on the third Wednesday of each month at 6:00 p.m., located at the District's business office, situated at 19400 Hartmann Rd, Hidden Valley Lake.

In addition to regular meetings, the Board assigns both standing and ad hoc committees that convene throughout the year to facilitate policy development. These committee meetings are also held at the District's business office; however, the specific times and dates vary by committee. Detailed information regarding these meetings can be accessed on the District's official website at <https://www.hvlcsd.org/>.

Each meeting includes an opportunity for public comment, and community members are actively encouraged to participate in these discussions

Current Budget Discussion

The 2026-2027 fiscal budget represents a strategic transition in our financial reporting, underscoring the District's commitment to transparency and clear communication. To improve clarity, staff has refined the format by consolidating granular expense accounts into high-level summary categories. For example by placing building maintenance, groundskeeping, vehicle upkeep, and generator servicing—into a single, comprehensive "Repairs and Maintenance" summary total.

The revised budget format integrates the Water and Wastewater Divisions onto a single page, providing a comprehensive view of the District's daily operational revenues and expenses. Then there is a section related to the other revenue and expenses – that are primarily debt service and revenue from Bonds. The Capital program is broken out, and the operational transfers into capital projects is noted here. On subsequent pages, the capital expenditures charts show the use of those capital funds transferred in from operations and/or reserves. This section also shows the scheduled funding of reserves as the District works to continue its pursuit of long term fiscal stability.

Staff also included charts for the expenses in each division – Water and Wastewater. This should help the reader to better see in a visual depiction of the operating expenses for each.

Strategic Plan Discussion, Report and Progress

The District has formally adopted a five-year strategic plan, effective as of 2024, and this budget has taken the strategic plan into consideration and has a short report on District activities that have been implemented to accomplish elements of the District's Strategic plan goals.

GOAL: Achieve Reliable Water and Wastewater Service

Water Operations & Distribution – Accomplishments

- Installed and commissioned backup generators at the Water Treatment Plant and Greenridge Booster Station (2025).
- Replaced and activated the Unit 9 Redwood tanks with grant support.
- Fully implemented the AMI system in early 2026, eliminating manual meter reading.
- Executed a PG&E grant agreement to begin the FLASHES feasibility study.
- Standardized high-frequency hydrant flushing and valve exercising.
- Submitted the Hexavalent Chromium compliance plan & initiated implementation.

FY 2027 Water Operations Objectives

- Complete bid documents and begin construction for the CalOES-funded Defensive Space and Ignition-Resistant Construction project (DSIRC).
- Complete major components of the FLASHES feasibility study.
- Finish SCADA cybersecurity upgrades funded by grant.
- Continue Hexavalent Chromium compliance activities.
- Install contracted isolation valves to improve system reliability.
- Initiate an update to the 2001 Water Master Plan.

Wastewater Operations and Collection System – Accomplishments

- Advanced I&I reduction efforts, including extensive manhole lining in 2025.
- Completed SCADA implementation and GIS mapping.
- Improved pond pH stability with consultant support.

FY 2027 Wastewater Objectives

- Continue I&I mitigation through manhole rehabilitation, lining, and performance testing.
- Complete SCADA cybersecurity upgrades.
- Finalize and adopt the Wastewater Treatment Plant Master Plan.

GOAL: Maintain Financial Stability

Financial Accomplishments

- Completed and implemented a five-year rate study (January 2026).
- Water Reliability bonds issued, enabling grant-supported capital upgrades.
- Secured full grant funding for the FLASHES feasibility study.
- Improved investment returns by joining the CA CLASS pooled fund.
- Selected a new banking services provider following a competitive RFP.
- Submitted two additional CalOES grant applications.

FY 2027 Financial Objectives

- Implement the updated rate structure beginning July 1, 2026.
- Transition to the new banking services provider.
- Advance CalOES grant applications to the next funding phase.
- Complete all FLASHES feasibility study grant requirements.

GOAL: Foster a Desirable Work Environment

Organizational Accomplishments

- Completed multiple LEAN efficiency projects.
- Acquired essential equipment, including a dump truck and roller.
- Upgraded four aging computer workstations.
- Created and filled the Utility Superintendent position (January 2026).
- Started a Lead Operator classification.
- Supported an Operator-in-Training in achieving full certification and promotion.
- Instituted monthly Operator Division meetings and regular staff check-ins.

FY 2027 Organizational Objectives

- Continue workstation replacement and hardware lifecycle upgrades.
- Recruit and onboard Lead Operator positions.
- Update the Water Resources Specialist classification.
- Expand and encourage participation in professional development and training.

GOAL: Enhance Ratepayer Communications

Communications Accomplishments

- Maintained high-quality customer service.
- Modernized the District website, improving usability, document handling, and ADA compliance.
- Enhanced clarity and accessibility of public meeting postings.
- GoGov selected for the MYHVLCSO mobile app and Daupler for after-hours call support.
- Contracted a digital marketing and communications consultant through an RFQ process.

FY 2027 Communications Objectives

- Deploy the MYHVLCSO mobile app for real-time alerts and communication.
- Implement Daupler's after-hours call management system.
- Expand social media and digital communications with consultant support.
- Continue newsletters and regular outreach.

GOAL: Maintain Regulatory Compliance

Regulatory Accomplishments

- Continued active participation in CSDA and ACWA.
- Developed and received State approval for the Hexavalent Chromium compliance plan.
- Secured a grant to implement SCADA cybersecurity upgrades.

FY 2027 Regulatory Objectives

- Maintain engagement with CSDA, ACWA, CASA, and CRWA.
- Implement Hexavalent Chromium compliance plan activities.
- Deploy SCADA cybersecurity upgrades.
- Conduct cybersecurity and phishing-resistance training and response.

Water & Wastewater Budget Overview

Financial planning and transparency remain core pillars of the Hidden Valley Lake Community Services District (District). To uphold our commitment to the community, staff has prepared a comprehensive budget for the upcoming fiscal year, designed to reinforce the District's mission and long-term operational goals.

The District operates on a fiscal year cycle that commences on July 1 and concludes on June 30. This cycle encompasses the management of the two primary revenue streams—water and wastewater services—alongside their associated operational and capital expenditures. To ensure the continued sustainability of our infrastructure, the District's strategic approach to the current five-year financial plan involved a collaborative effort with NBS for financial modeling, a comprehensive Reserve Study conducted by the Browning Reserve Group, and adherence to the Proposition 218 process. These efforts ensure effective resource allocation and the successful execution of our financial objectives for the 2026-2027 fiscal cycle.

Revenue and Expense Forecast

WATER:

Water revenue is projected to increase from \$3,555,531 to \$3,607,599, while operational expenses will decrease from \$3,555,531 to \$2,760,070. This change is primarily from re-categorizing many of the capital costs that were in the operating budget to be costs in the capital projects chart. The excess of revenues to expenses allows for the District to prioritize long-term water infrastructure improvements. And it better characterizes infrastructure investment in its categories, and not part of daily operational expenses

By optimizing these expenditures, the District has successfully shifted its financial strategy to prioritize long-term sustainability. Consequently, the primary allocation of these funds will be directed toward Capital Improvements as detailed on pages 13 - 15 of this budget report, taking the funds designated by the rate study to invest in critical infrastructure.

WASTEWATER:

Wastewater revenue is projected to grow from \$2,461,445 in 2025-2026 to \$2,652,079 in 2026-2027, which represents an increase of 7.74%.

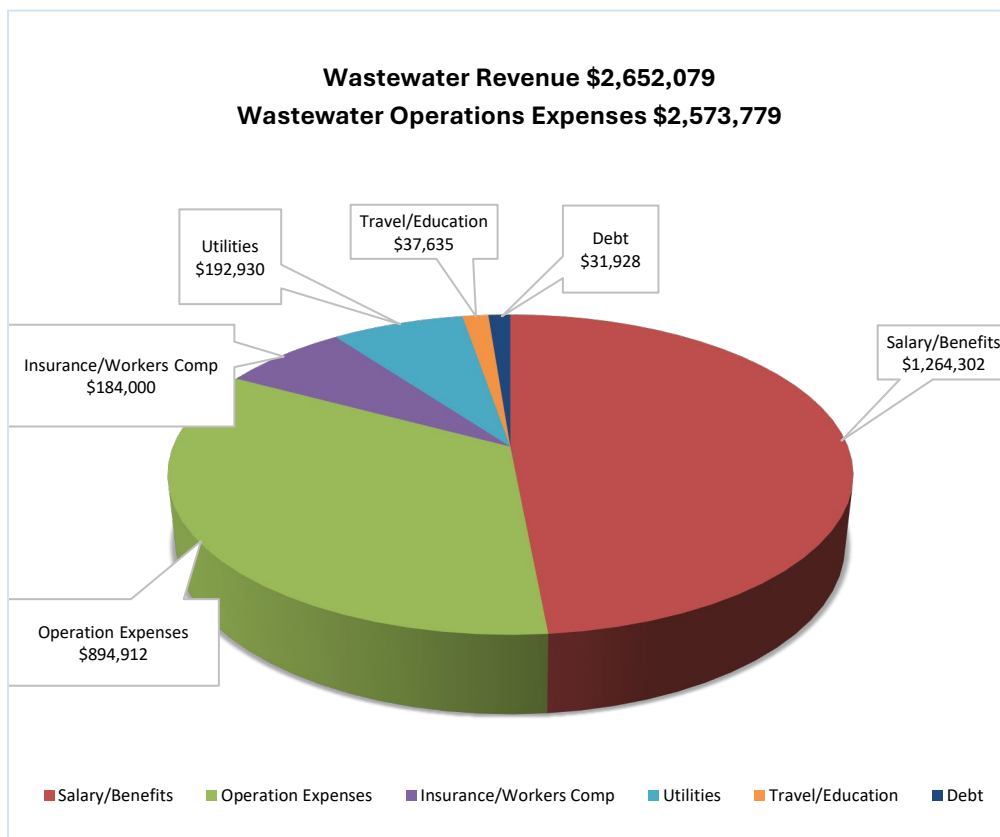
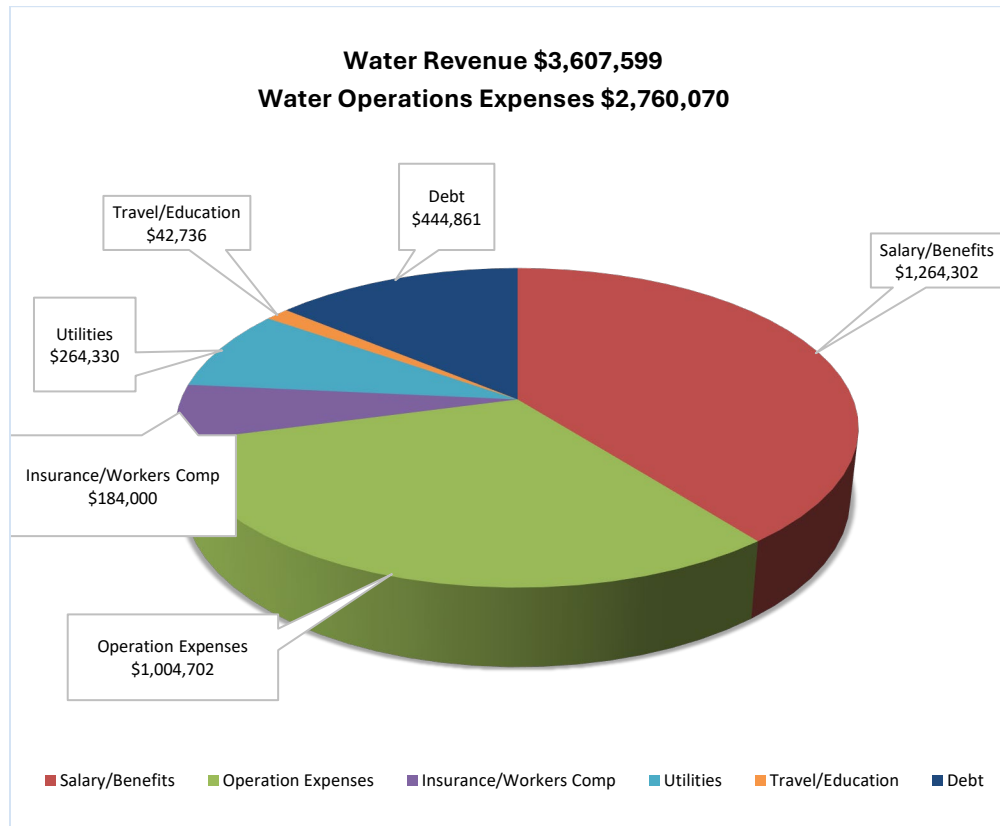
The Wastewater Expense continues to demonstrate a relatively stable trend, with a slight increase from \$2,461,445 to \$2,573,779. The increase in expenditure is allocated for facility improvements for the day-to-day operations, the purchase of lift station pumps, and the implementation of Supervisory Control and Data Acquisition (SCADA) systems to enhance remote monitoring and operational efficiency. Furthermore, the budget supports the ongoing development of critical collection system upgrades and comprehensive Master Plans.

Hidden Valley Lake Community Services District

Financial Year 2026-27

OPERATING REVENUES		
	Water	Wastewater
Permits and Inspections	1,125	500
Charges for Services Residential	3,314,149	2,223,752
Charges for Services Commercial	200,385	370,727
Charges for Services Governmental	8,000	1,200
OPERATING REVENUE	3,523,659	2,596,179
OTHER REVENUE		
Interest Income	8,000	6,800
Late Fees	69,500	48,000
Miscellaneous	6,440	1,100
Capacity Charges	-	-
TOTAL OTHER REVENUE	83,940	55,900
TOTAL ALL REVENUES	3,607,599	2,652,079
OPERATING EXPENDITURES		
Salaries and Wages	713,087	713,087
Employee Benefits	359,454	359,454
Retirement Benefits	191,761	191,761
Insurance	184,000	184,000
Office Expenses	49,612	48,788
Continuing Education	24,236	23,245
Dues and Subscriptions	36,050	16,485
Postage	13,905	13,905
Repairs and Maintenance	259,560	395,935
Gas, fuel and oil	28,560	28,560
Supplies	20,600	92,700
Professional Services	358,659	152,459
Rents and Leases	6,695	5,150
Travel	18,500	14,390
Telephone	15,450	15,450
Power	244,800	173,400
Other Utilities	4,080	4,080
Other Operating	194,161	76,735
Office and Safety Equipment	11,150	10,635
Environmental Monitoring	25,750	53,560
TOTAL ALL OPERATING EXPENSES	2,760,070	2,573,779
NET OPERATIONAL INCOME	847,529	78,300

OTHER REVENUE / EXPENDITURES		
	Water	Wastewater
Revenue Assesment Sewer Bond RAD1	-	296,794
Debt Expense CIEDB Water Infratructure	168,586	-
Debt Expense Water Bond 2023A	276,275	-
Debt Expense Sewer Bond RAD1	-	296,794
Debt Expense Solar Loan	-	32,360
TOTAL OTHER EXPENDITURES	444,861	31,925
NET INCOME	402,668	46,375
NON-OPERATING INCOME / EXPENDITURES		
Transfer to CIP Fund	302,001	34,781
Transfer to Reserve Fund	100,667	11,594
TOTAL TRANSFER OUT	402,668	46,375
Capital Improvments / Replacements Expense	(3,731,131)	(547,500)
Federal Funding Revenue	758,068	-
PG&E Grant Funding (FLASHES) Revenue	2,000,000	-
TOTAL CIP / REPLACEMENT EXPENDITURES	(973,063)	(547,500)
USE OF RESERVES	973,063	547,500



Water Major Maintenance and Capital Improvements

Land Improvements – Paving Little Peak/Tank 4/Tank 1: Access roads leading up to the Little Peak, Tank 4, and Tank 1 sites require routine paving to ensure that they are always accessible and non-damaging to vehicles. All three of these tank sites were identified in the District’s Reserve Study as requiring attention in the 26-27 fiscal year.

Regulatory Compliance – Hexavalent Chromium: In accordance with the State of California’s new hexavalent chromium regulation, the District must reduce the concentration of hexavalent chromium in its finished drinking water by October of 2027. The District is conducting a Compliance Study to determine the best method for compliance.

Disaster Mitigation – SCADA: The Supervisory Control and Data Acquisition (SCADA) system is in need of rehabilitation and improvements to allow District Operators to continue to access and operate infrastructure from non-site-specific locations. Funding is divided between water and sewer funds as the SCADA system supports both.

Mainlines – Isolation Valves: The District has identified various locations in the water distribution system that require additional isolation valves. Installing more valves will reduce the number of residences that are without water during repair and maintenance activities. Eight isolation valves will be installed in the 26-27 fiscal year.

DSIRC – 75% FEMA Reimbursement: There is a need to establish defensible space at the Little Peak tank site, Tank 4 site, and potable water wellfield (at wells 2 and 4) as well as to construct ignition-resistant buildings around the potable water wellfield (at wells 2 and 4). Grant funds covering 75% of the total project costs have been made available for these efforts although challenges in completing the ignition-resistant buildings portion of the project have appeared. It will be confirmed in the 26-27 fiscal year whether such construction activities are to occur.

Contact Tank Improvements: As the intermediary tank between the potable water wellfield and the water distribution system, the redwood “contact” tank must be rebuilt, and the

site's storage capacity must be augmented to increase system-wide supply and reliability. In the 25-26 fiscal year, the District applied to FEMA's Hazard Mitigation Grant Program for the purpose of funding such improvements. If awarded, the grant funds will cover 75% of the total project costs.

Wellfield Generator: As the source of the District's potable water supply, the wellfield is a critical facility that requires a reliable and robust permanent backup power generator, although one is currently lacking at the site. In the 25-26 fiscal year, the District applied to FEMA's Hazard Mitigation Grant Program for the purpose of procuring and installing such a generator. If awarded, the grant funds will cover 75% of the total project costs.

FLASHES – 100% Reimbursement: The District was awarded a grant under PG&E's Microgrid Incentive Program to conduct a feasibility study to evaluate the viability of the Firemain Linked Auxiliary/Hydraulic Energy Storage water-energy nexus project. The District has allocated \$2 million to be spent on this project during the current fiscal year, and grant funds cover 100% of the total project costs, with the feasibility study expected to be completed by mid-2028.

Water Master Plan: A Master Plan will assess the remaining useful life of potable water-related infrastructure and prioritize rehabilitation needs. This will inform a future capital improvement plan under which the District will evaluate, prioritize, and schedule capital improvements. The District aims to have the Water Master Plan complete by the end of 2026 or by early 2027.

Water Major Maintenance and Capital Improvements Expenses			
7014	Land Improvements - Paving Little Peak/Tank 4/Tank 1	\$	8,825
7201	Regulatory Compliance - Hexavalent Chromium	\$	95,671
7205	Risk Management - SCADA	\$	125,000
7207	Mainlines - Isolation Valves PH 2	\$	230,000
7208	DSIRC - 75% FEMA Reimbursement	\$	1,010,757
7209	Contact Tank Improvements	\$	102,264
7210	Wellfield Generator	\$	98,614
7211	FLASHES - 100% Reimbursement	\$	2,000,000
7212	Water Master Plan	\$	60,000
Total		\$	3,731,131

Wastewater Major Maintenance and Capital Improvements

Equipment – Pump LS1/800-801/AB Chains: Several components of the wastewater collection and treatment system have reached the end of their useful life and require replacement. These include one of the Lift Station 1 pumps, one of the equalization basin pumps, and various air-delivering chains in the aeration basin. Also, depending on the status of the Lift Station 1 pumps, a backup pump may be procured since the site is critical for wastewater operations.

Disaster Mitigation – SCADA: The Supervisory Control and Data Acquisition (SCADA) system is in need of rehabilitation and improvements to allow District Operators to continue to access and operate infrastructure from non-site-specific locations. Funding is divided between water and sewer funds as the SCADA system supports both.

Collection System Upgrades – Manhole Rehab: The wastewater collections system requires rehabilitation and repairs to prevent the occurrence of infiltration and inflow. Funds are dedicated to such activities which may include lining sewer access points and replacing cast-iron intrusion-prone sewer lids with air-tight lids.

Wastewater Master Plan: A Master Plan will assess the remaining useful life of the wastewater treatment plant and prioritize rehabilitation needs. This will inform a future capital improvement plan under which the District will evaluate, prioritize, and schedule capital improvements. The District aims to have the Wastewater Master Plan complete by the end of 2026.

Wastewater Major Maintenance and Capital Improvements Expenses			
7013	Equipment - Pump LS1 /800-801/AB Chains	\$	155,000
7205	Risk Management - SCADA	\$	125,000
7207	Collections System Upgrades -Manhole Rehab	\$	100,000
7212	Wastewater Master Plan	\$	167,500
Total		\$	547,500

Debt Obligations

Sewer Expansion and Wastewater Treatment Plant

Sewer System Reassessment District No. 1 Limited Obligation Refunding Improvements Bonds Series 2016, issued March 9, 2016, in the amount of \$3,650,000, payable in annual installments with an interest rate of 3.25-3.50% and maturity on September 2, 2032. The bonds were used to finance improvements to the sewer system. The bonds are secured by a pledge of reassessment of revenues.

Water Infrastructure Project

California Infrastructure and Economic Development Bank (CIEDB) direct borrowing Loan, issued June 24, 2002, in the amount of \$3,000,000, payable in annual installments with an interest rate of 3.48% and maturity on February 1, 2032. The loan was used to finance the expansion and upgrade of the water system. Net system revenues and all amounts in the enterprise fund are pledged as collateral for the debt.

Solar Project

2012 Series direct borrowing Certificate of Participation Water Reclamation Plant Energy Sustainability Project issued October 1, 2012, in the amount of \$640,000, payable in annual installments with an interest rate of 3.0% and maturity on August 1, 2041. The certificates of participation were used to finance the sewer system solar project. Solar System Net revenues are pledged as collateral for the debt.

Reliable Water Supply Bond

Water Reliability Bond Series 2023A, issued November 16, 2023, in the amount of \$5,000,000, payable in annual installments with an interest rate of 5.26% and maturity on February 1, 2048. The bonds will finance improvements to the water systems multiple capital improvement projects (CIP). Net system revenues and all amounts in the enterprise fund are pledged as collateral for the debt.