



BUDGET 2021-2022

For Fiscal Year
July 1, 2020 - June 30, 2022



TABLE OF CONTENTS

Transmittal Letter	Pages 1 – 6
Introductory Section	
2020 Budget Summary	Pages 7 – 16
District Profile	Pages 17 – 26
Enterprise Budget Summaries	
Water System	Pages 27 – 28
Wastewater Treatment System	Page 29
Recycled Water System	Page 30
Personnel Analysis	Pages 31 – 38
Capital Replacement & Refurbishment Program	Pages 39 – 43
Debt Analysis	Pages 44 – 48

Index of Tables and Charts

Table 1. Summary of Financial Operations, 2017-2018 Actual to 2021-2022 Budget	Page 9
Table 2. Revenues, 2017-2018 Actual to 2021-2022 Budget	Page 10
Chart 1. Distribution of Revenues in 2021-2022 Budget	Page 11
Table 3. Operating Expenses, 2017-2018 Actual to 2021-2022 Budget	Page 12
Table 4. Operating Expenses by Type of Expense, 2017-2018 Actual to 2021-2022 Budget	Page 13
Chart 2. Distribution of Expenses in 2021-2022 Budget	Page 13
Table 5. Statements of Revenues, Expenses, and Changes in Net Position	Page 14
Table 6. Summary of Authorized Positions by Department	Page 16
Table 7. Population Data	Page 20
Table 8. Population Characteristics	Page 20
Table 9. Comparison of Economic Characteristics of District Residents	Page 21
Table 10. Education for Residents 25 or Older	Page 22
Table 11. Occupations	Page 23
Table 12. Unemployment & Workforce Participation Rate Comparison	Page 24
Table 13. Water System Financial Summary	Page 28
Table 14. Wastewater System Financial Summary	Page 29
Table 15. Recycled Water System Financial Summary	Page 30
Table 16. 2021-2022 Personnel Expense Summary	Page 32
Chart 3. Total Cost of Salaries and Percent Increase	Page 33
Chart 4. Total Health Insurance Cost and Percent Increase	Page 33
Chart 5. Total Deferred Compensation Cost and Percent Increase	Page 33
Table 17. Organization Chart and Authorized Positions, 2021-2022	Page 34
Table 18. Compensation Plan – Salary Range Schedule – Non-Exempt	Pages 34 – 35
Table 19. Compensation Plan – Salary Range Schedule – Exempt	Page 36
Table 20. Five Year Capital Replacement & Refurbishment Program	Pages 39 – 41
Table 21. Debt Service Coverage Ratio	Page 42
Table 22. Schedule of Long Term Debt Requirements – 2010 Loan	Page 43
Table 23. Schedule of Long Term Debt Requirements – 2013 Loan	Page 44
Table 24. Schedule of Long Term Debt Requirements – 2018 Loan	Page 45
Table 25. Schedule of Long Term Debt Requirements – 2017 Loan	Page 46

Principal Officials
On the Budget Approval Date of June 24, 2021

PRESIDENT

Mike Gaskins

VICE-PRESIDENT

Kathryn Freshley

BOARD OF DIRECTORS

Jose F. Vergara

Mark Monin

Kay Havens

GENERAL MANAGER

Dennis Cafferty

MANAGEMENT TEAM

Judy Cimorell

Jason Hayden

Scott Hopkins

Mike Miazga

Robert Young

Human Resources Manager

Chief Financial Officer

Operations Superintendent

Information Technology Manager

Principal Engineer



The mission of the El Toro Water District is to provide its customers with safe, reliable, and high quality water, wastewater treatment, and recycled water services in an environmentally and economically responsible manner. The District intends to accomplish this mission by efficiently and effectively managing its operations and maintenance activities and prudently and effectively investing in its capital assets.

July 1, 2021

Presented for your review and consideration is the Budget document for the El Toro Water District for the Fiscal Year beginning July 1, 2021 and ending June 30, 2022. The budget provides a framework for achieving the strategic objectives established by the District Board and details how the resources entrusted to the District by its customers will be utilized to provide effective and efficient water, wastewater, and recycled water services. The core purposes of the District's annual budget include estimating the financial resources that will be available to the District during the budget period and authorizing a spending plan that utilizes those financial resources to fund the services, programs, and projects the District Board has determined are necessary to effectively serve the District's customers. The Budget is developed and modified through an extensive review process involving the Board of Directors and District Staff and reflects a continual commitment by the District to deliver safe, reliable, and high quality services to the District's customers.

The services and programs provided by the District are made possible by the financial resources that are generated when the customers of the District pay their utility bills. The District is committed to utilizing these resources to provide efficient, effective, and high-quality services that meet the needs of the customers. The Budget is one of the foundations of the District's service provision efforts and illustrates how resources will be used to continue providing existing services as well as make improvements to those services if appropriate and achievable. The process of developing the annual budget includes a thorough assessment of the external environment so the District will be able to effectively respond to potential challenges that may occur in a particular budget period.

Review of Accomplishments in the 2020-2021 Budget Period

During the 2020-2021 budget period, many of the objectives and projects that were included in the original budget were achieved, these achievements are detailed below:

Significant Achievements & Projects

- The District successfully adapted to the operational and safety protocols necessary to maintain the integrity and reliability of the water, wastewater and recycled water services amidst the COVID-19 pandemic.
- The District Board of Directors engaged in a detailed strategic planning process that resulted in the development of a strategic plan for the District for the next five years.
- Continued the District's commitment to excellent financial management practices as demonstrated by the receipt of the Certificate of Achievement for Excellence in Financial Reporting for the FY 2019 Comprehensive Annual Financial Report, a national recognition of the District's financial reporting by the Government Finance Officers Association (GFOA) of the United States.
- The District approved a budget for the 2020-2021 fiscal year that delayed a rate increase to October 1 by reducing expenses and utilizing reserves to minimize the financial burden on the District's customers.

Infrastructure Improvements

- During 2020-2021 engineering staff continued the Phase II Recycled Water Project which will complete the recycled water delivery system. Once the distribution system is complete, it will have a significantly positive impact on the environment by reducing potable water consumption.
- The District also began the reconstruction of the Oso Lift Station which will replace the existing sewage station built in the early 1970s. The Oso Lift Station conveys raw wastewater from the southwest portion of the service area to the gravity collection system, ultimately terminating at the Water Recycling Plant. The pumps and motors reached the end of their useful life and a newer technology has been implemented to improve the safety, reliability, and serviceability of the station.

Organizational and Service Area Challenges for 2021-2022

An ongoing endeavor for the District is identifying and securing funding for its comprehensive infrastructure investment program. In prior years, the District has been able to secure grant funding low interest loans for infrastructure improvements but these funding mechanisms are becoming more difficult to secure. Providing sufficient funding for infrastructure improvements will be a primary challenge for the District as significant infrastructure projects need to be completed in the next three to five years.

Another challenge facing the District in 2020 and future years is the continued increase in unfunded Other Post-Employment Benefits (OPEB) liability. This liability has increased significantly in the last three years and the District is considering strategies to manage this liability.

Goals and Objectives for the 2021-2022 Budget

The 2021-2022 budget includes the following goals and objectives:

- Establish a revenue cash flow plan that is sufficient to fund the operating budget including the capital replacement & refurbishment program;
- Establish a reliable, stable and predictable rate adjustment strategy that minimizes impact to customers;
- Maintain a minimum reserve level sufficient to fund legally restricted reserves, board mandated reserves and working capital requirements;
- Employ cost containment and reduction strategies and practices as appropriate to cost effectively maintain reliable service levels.

Assumptions Integrated into the 2021-2022 Budget

The 2021-2022 budget includes the following budgetary assumptions:

Revenues

- POTABLE WATER SALES are based on the purchase of 7,000 acre-feet (AF) of water and delivery of 6,700 AF to customers;
- The POTABLE WATER USAGE CHARGE which funds the purchase of water from the Metropolitan Water District through the Municipal Water District of Orange County and from the Baker Water Treatment Plant will be increased effective July 1, 2021 and is supported by an independently prepared Cost of Service Study Report;
- The POTABLE WATER SERVICE CHARGE (Water System Operations & Maintenance "O&M") will increase effective July 1, 2021 and is supported by an independently prepared Cost of Service Study and Report;
- The SEWER USAGE AND FIXED RATE (Sewer System Operations & Maintenance) will increase effective July 1, 2021 and is supported by an independently prepared Cost of Service Study and Report;
- The RECYCLED WATER SERVICE CHARGE (Recycled Water System Operations & Maintenance "O&M") will increase effective July 1, 2021 and is supported by an independently prepared Cost of Service Study Report;
- The RECYCLED WATER USAGE CHARGE will be increased effective July 1, 2021 and is supported by an independently prepared Cost of Service Study Report;
- NON-RATE REVENUE reflects shared maintenance of joint facilities with neighboring agencies, communication site leases and other miscellaneous revenues;
- PROPERTY TAX REVENUE represents the District's share of the 1% general property taxes paid to the State;
- INTEREST INCOME is projected to decrease as a result of the continued low interest rate environment;
- CAPITAL REPLACEMENT & REFURBISHMENT WATER, SEWER & RECYCLED WATER CHARGES are designed to assist in covering the cost of water, sewer and recycled water capital R&R expenditures during the fiscal year, no changes to these charges for the 2021/22 fiscal year are contemplated;
- Rate increases comply with all applicable state constitutional and statutory mandates.

Expenses

- PURCHASED WATER costs are affected by the anticipated increase in potable water sales along with increased rates charged by Metropolitan Water District of Southern California and Municipal Water District of Orange County and increased O&M costs associated with the District's capacity in the Baker Water Treatment Plant;
- ENERGY (electrical power) costs have increased based on expected system operations, capital improvements and analysis of actual Southern California Edison rates and charges;
- SOCWA OPERATIONS costs for regional bio-solids and effluent treatment and disposal have increased based on the anticipated SOCWA 2021/22 budget;
- LABOR/BENEFITS COST are projected to increase as the continued implementation of the District's Succession Plan, increases in medical premiums, the District's contributions to the employees 401(k)

Retirement Savings Plan, and the administration of a Performance Based Merit Program all impact total personnel costs;

- OPERATING COSTS exclusive of purchased water, interest, labor and depreciation have increased by approximately 3.9% compared to 2020/21.

Capital Replacement & Refurbishment Program

- Staff continues to evaluate and update the on-going five-year Water, Sewer and Recycled Capital Replacement & Refurbishment Plan (CR&R) to preserve water and sewer infrastructure investments, meet regulatory requirements, and ensure a continuous high level of service. Water and Sewer CR&R expenditures for fiscal year 2021/22 total \$2.4 million. The 2021/22 CR&R costs will be funded by revenue generated by the CR&R charge.
- Revenue generated from the Recycled Water CR&R charge amounts to \$147,055 and will be used to offset the cost of the Recycled Water program debt service.

Reserves

- The District maintains three categories of reserves: (1) those legally required to be held as the result of contractual agreement or legal requirement; (2) Board Mandated reserves; and (3) Board Restricted reserves.
- Board Mandated reserves include (1) Capital reserves, (2) rate stabilization reserves, (3) operating reserves and (4) working capital. The current minimum reserve level for Board Mandated reserves, established by Board policy, is \$8.5 million.
- In an effort to mitigate the magnitude of the necessary rate increase, the District's fiscal year 2021-22 Budget includes a provision to utilize a small amount of reserves in the Water System to fund a portion of operating expenses.

Conclusion

The 2021-2022 Budget is the result of considerable discussion and careful deliberation by the District's Board of Directors and Staff. The preparation, review and deliberation of the budget require a significant time commitment from the organization. The level of commitment demonstrated throughout this process by the Board of Directors and Staff is greatly appreciated by the General Manager and Chief Financial Officer and ensures the successful completion of the budget process. The Budget is optimistic about the future but conservative in its revenue estimates. Most of all, this Budget is the result of a process in which the opportunities and challenges facing the District have been carefully assessed, documented, and addressed to facilitate the accomplishment of the strategic objectives of the Board of Directors.

Dennis Cafferty

Dennis Cafferty
General Manager

2021-2022 Budget Summary

This section of the budget document provides a summary of the District's financial operations, assuming the estimated revenues and expenses incorporated into the 2021-2022 Budget occur as budgeted. This section also summarizes the number of authorized positions included in the 2021-2022 compensation plan. The charts and graphs in this section provide an overview of total revenues, expenses, and the projected ending financial position for the District.

Summary of 2021-2022 Budgeted Financial Information

The 2021-2022 Budget includes \$28,894,746 in total estimated revenues and \$28,755,267 in budgeted expenses, thereby resulting in a Change in Net Position of \$139,479 for the 2021-2022 Budget Year. The Net Position⁽¹⁾ of the District is projected to equal \$62,465,520 at the end of the 2021-2022 fiscal year. In addition to the revenues and expenses that will be recognized in the District's Statement of Revenues, Expenses and Changes in Net Position, the District will also engage in balance sheet transactions in 2021-2022 that include acquiring or constructing \$2.4 million in capital assets and repaying \$2,152,744 of its outstanding long term debt.

Table 1. Summary of Financial Operations, 2017-2018 Actual to 2021-2022 Budget

	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	2020-2021 Budget	2020-2021 YTD Actual	2020-2021 Projected Actual	2021-2022 Budget
Revenues							
Operating Revenues	25,445,261	24,663,457	25,197,330	25,995,389	13,783,157	25,666,984	27,449,746
Non-Operating Revenues	1,299,509	2,627,873	1,744,549	1,658,500	698,847	1,378,309	1,445,000
Capital Contributions	45,853	1,985,903	2,894	-	-	-	-
Total Revenues	26,790,624	29,277,233	26,944,773	27,653,889	14,482,004	27,045,293	28,894,746
Expenses							
Operating Expenses	27,096,755	26,928,835	27,980,606	27,667,622	13,584,862	26,702,631	28,037,267
Non-operating Expenses	790,753	753,794	777,511	756,649	378,324	756,324	718,000
Total Expenses	27,887,508	27,682,629	28,758,117	28,424,271	13,963,186	27,458,955	28,755,267
Change in Net Position	(1,096,884)	1,594,604	(1,813,344)	(770,382)	518,818	(413,662)	139,479
Net Position - July 1	63,817,614	62,958,444	64,553,048	62,739,703	62,739,703	62,739,703	62,326,041
Net Position - June 30	62,720,730	64,553,048	62,739,703	61,969,321	63,258,522	62,326,041	62,465,520
Balance Sheet Expenses							
Acquisition of Capital Assets	5,716,818	2,830,078	1,447,543	2,400,000	498,212	2,400,000	2,400,000
Repayment of Long Term Debt	1,739,638	1,776,305	2,166,953	2,109,135	1,689,295	2,109,135	2,152,744

- (1) The Net Position of a governmental entity such as the District is the difference between the entity's assets and liabilities. Net Position represents the residual value that remains after all of the financial activities of the entity have been accounted for. Therefore Net Position incorporates the effects of non-cash transactions, including depreciation, amortization, expensing of liabilities (OPEB for the District), and all other non-cash transactions that are included in the Statement of Revenues, Expenses, and Changes in Net Position.

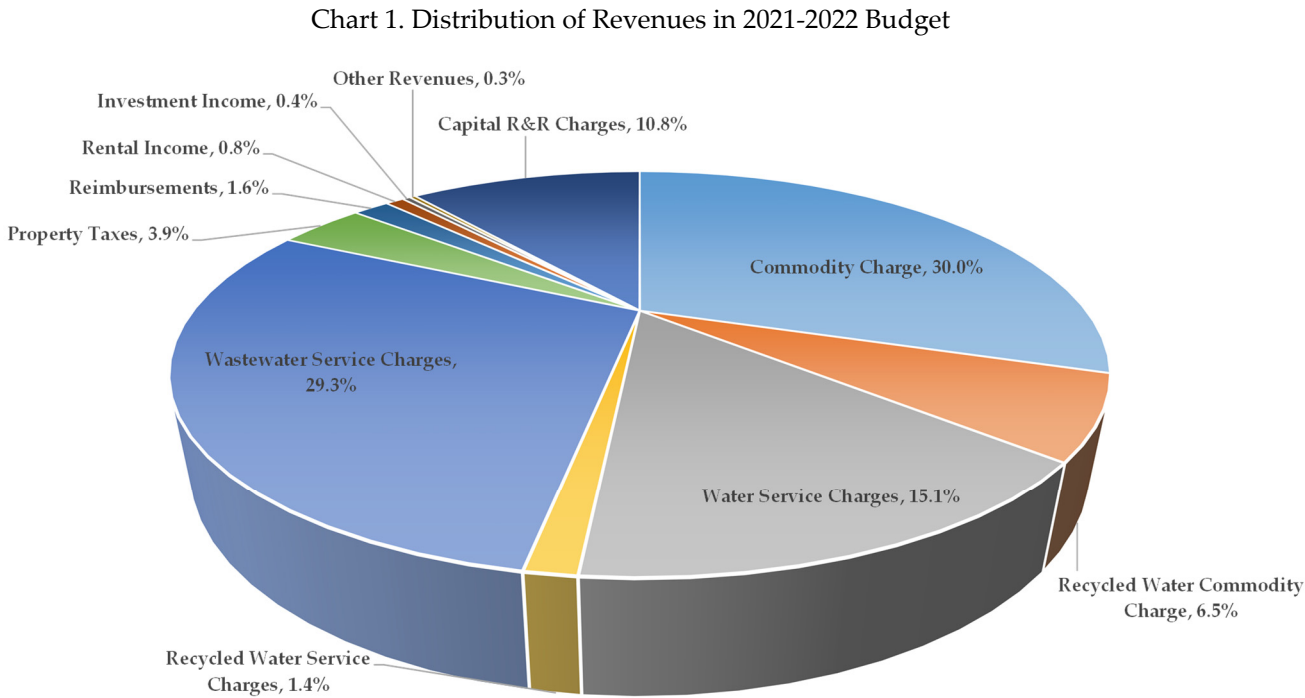
Analysis of District Revenues

Total revenues are estimated to equal \$28,894,746 for the 2021-2022 Budget, an increase of \$1,240,859 (4.49%) compared to 2020-2021 Budgeted Revenues of \$27,653,887. The largest sources of revenue for the District in 2021-2022 include Usage (Commodity) Charges at \$11,054,586 (38.3% of the total), Service Charges (or Readiness to Serve) at \$12,854,567 (44.5% of the total) and Capital Replacement & Refurbishment Charges at \$3,025,468 (10.5% of the total). Amongst the three enterprise operations of the District, the Water Enterprise receives 56.3% of total revenues (projected at \$16,267,462 in 2021-2022), the Wastewater Enterprise receives 34.4% of total revenues (\$9,939,037), and the Recycled Water Enterprise receives 9.3% (\$2,688,247) of total revenues.

Table 2. Revenues, 2017-2018 Actual to 2021-2022 Budget

	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	2020-2021 Budget	2020-2021 YTD Actual	2020-2021 Projected Actual	2021-2022 Budget
Operating Revenues							
Usage Charges							
Water Commodity	9,459,453	8,474,791	8,705,988	8,904,396	5,212,565	8,893,620	9,243,364
Recycled Water Commodity	1,614,242	1,309,055	1,355,119	1,663,847	1,016,289	1,557,489	1,811,222
Service Charges (Readiness to Serve)							
Water Services	3,040,449	3,339,049	3,695,636	3,824,187	1,862,422	3,795,854	4,229,130
Wastewater Services	7,547,171	7,698,022	7,705,617	7,775,000	3,833,491	7,608,891	8,237,537
Recycled Water Services	205,014	226,645	258,409	336,207	144,736	305,698	387,900
Reimbursements from Others	403,445	383,811	328,310	421,750	202,400	420,150	460,125
Other Operating Revenues	171,198	226,550	141,081	55,000	8,574	79,924	55,000
Capital Replacement Charges							
Water Capital Charges	1,285,005	1,284,019	1,281,976	1,254,000	634,431	1,268,862	1,259,968
Wastewater Capital Charges	1,603,085	1,605,319	1,606,851	1,614,000	803,127	1,606,254	1,614,000
Recycled Water Capital Charges	116,197	116,197	118,345	147,000	65,120	130,240	151,500
Total Operating Revenues	25,445,259	24,663,458	25,197,332	25,995,387	13,783,155	25,666,982	27,449,746
Non-operating Revenues							
Property Taxes	927,673	1,012,576	1,037,335	1,053,500	542,167	1,086,667	1,090,000
Rental Income	188,183	204,160	242,187	235,000	106,045	219,607	235,000
Investment Income	124,000	500,786	424,110	350,000	45,824	61,224	100,000
Other Non-operating Income	59,653	910,351	40,917	20,000	4,811	10,811	20,000
Total Non-operating Revenues	1,299,509	2,627,873	1,744,549	1,658,500	698,847	1,378,309	1,445,000
Capital Contributions	45,853	1,985,903	2,895	-	-	-	-
Total Revenue	26,790,622	29,277,234	26,944,776	27,653,887	14,482,002	27,045,291	28,894,746
Allocation of Revenues							
Water Operations	12,716,176	12,504,003	12,972,978	13,245,474	6,898,785	13,001,209	13,592,961
Wastewater Operations	8,148,156	9,393,857	8,497,372	8,472,110	4,145,023	8,248,798	8,826,437
Recycled Water Operations	2,173,470	1,859,856	1,924,640	2,381,584	1,395,798	2,250,210	2,623,947
Restricted Revenues	702,680	528,079	539,719	539,719	539,719	539,719	825,933
Capital Charges	3,004,287	3,005,535	3,007,172	3,015,000	1,502,678	3,005,356	3,025,468
Total Revenues	26,744,768	27,291,331	26,941,881	27,653,887	14,482,002	27,045,291	28,894,746

Presented in Chart 1 below are all of the major revenue categories for the District. As shown in the chart, the four largest categories of revenue comprise 85.2% of the District’s total revenues.



Total Revenues - \$28,894,746

Analysis of District Expenses

Total budgeted Operating and Non-operating expenses for the 2021-2022 Budget year equal \$28,755,267, an increase of \$330,996 (1.16%) from 2020-2021 budgeted expenses of \$28,424,271. Operating expenses are budgeted at \$28,037,267, comprising 97.5% of total expenses, and increase by \$369,645 (1.34%) from 2020-2021 budgeted expenses. Non-operating expenses equal \$718,000, or 2.5% of total expenses, and decrease \$38,649 (-5.1%) from 2020-2021 budgeted expenses of \$756,649.

Table 3. Operating Expenses, 2017-2018 Actual to 2021-2022 Budget							
	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	2020-2021 Budget	2020-2021 YTD Actual	2020-2021 Projected Actual	2021-2022 Budget
Operating Expenses							
Source of Supply	8,294,019	7,649,268	8,088,427	8,023,991	4,410,609	8,100,690	8,390,867
Pumping							
Water	831,989	878,692	788,792	263,623	434,525	804,963	766,800
Wastewater	623,764	600,456	570,331	305,835	264,105	534,492	893,100
Treatment							
Water	60,453	52,942	56,096	35,341	23,360	44,149	39,500
Wastewater	3,120,698	3,335,896	3,333,371	1,874,459	1,790,439	3,483,349	3,628,000
Recycled Water	413,220	358,693	374,992	285,500	193,014	327,800	531,600
Transmission & Distribution							
Water	2,053,805	2,000,252	2,146,755	565,547	808,682	2,330,240	1,782,200
Wastewater	771,717	807,325	647,858	187,975	384,197	729,605	902,700
Recycled Water	4,850	3,157	-	6,000	1,775	1,775	98,400
Operations Support	1,853,404	1,347,012	1,982,334	334,913	1,143,679	2,319,701	1,442,700
Fleet Services	360,116	403,377	398,463	8,875,072	196,339	196,339	417,900
Customer Service	686,217	720,714	603,474	-	296,512	568,748	346,100
General & Administrative	3,672,449	4,304,621	4,506,106	2,002,516	1,484,493	2,954,515	4,440,500
Depreciation & Amortization	4,350,053	4,466,431	4,483,605	4,906,850	2,153,133	4,306,266	4,356,900
Total Operating Expenses	27,096,754	26,928,836	27,980,602	27,667,622	13,584,862	26,702,631	28,037,267
Non-operating Expenses							
Interest Cost	790,753	753,794	777,511	756,649	378,324	756,324	718,000
Total Non-operating Expenses	790,753	753,794	777,511	756,649	378,324	756,324	718,000
Total Expenses	27,887,507	27,682,630	28,758,113	28,424,271	13,963,186	27,458,955	28,755,267
Allocation of Expenses							
Water System	13,379,061	12,643,328	13,450,460	13,251,403	6,806,551	13,079,104	13,757,827
Wastewater System	7,826,885	7,841,026	7,683,293	8,045,735	3,918,441	7,939,264	8,377,888
Recycled Water System	1,100,198	1,064,799	912,767	1,168,989	568,565	1,099,340	1,219,652
OPEB & Retiree Health Expenses	440,556	913,252	1,450,477	294,645	138,171	278,656	325,000
Depreciation & Amortization	4,350,053	4,466,431	4,483,605	4,906,850	2,153,133	4,306,266	4,356,900
Interest Expense	790,753	753,794	777,511	756,649	378,324	756,324	718,000
Total Expenses	27,887,506	27,682,630	28,758,114	28,424,271	13,963,186	27,458,954	28,755,267

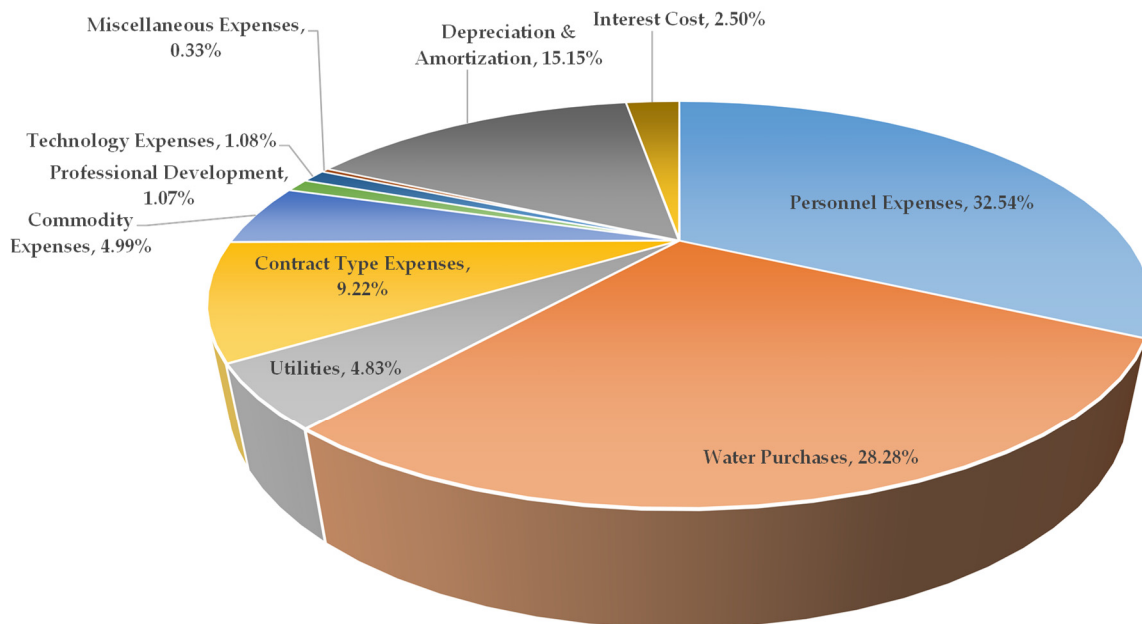
The majority of expenses (47.8%) are incurred by the Water System, primarily because the purchase of potable water is allocated to this area. The Wastewater System incurs the second highest level of expenses (29.1%) followed by Depreciation & Amortization (15.2%) and then the Recycled Water System (4.2%).

Another way to analyze the District's expenses is by type of expenses. Table 4 and Chart 2 below show the District's expenses by type of expense. As illustrated by these charts, the largest expenses for the District include Personnel, the purchase of the water which is sold to the District's customers, Depreciation & Amortization, and Contract type expenses. Combined, these four types of expenses comprise 85% of the District's total expenses.

Table 4. Operating Expenses by Type of Expense, 2017-2018 Actual to 2021-2022 Budget

	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	2020-2021 Budget	2020-2021 YTD Actual	2020-2021 Projected Actual	2021-2022 Budget
Expenses by Category							
Personnel	8,400,881	9,037,136	9,803,580	8,884,042	4,190,264	8,762,978	9,357,900
Water Purchases	8,049,610	7,446,375	7,868,488	7,878,746	4,349,059	7,912,945	8,131,517
Utilities	1,159,225	1,188,169	1,254,710	1,265,710	720,033	1,331,860	1,390,100
Contract Expenses	3,103,983	2,643,400	2,652,838	2,585,933	1,318,583	2,630,111	2,650,600
Commodities	1,397,701	1,439,086	1,301,109	1,433,801	590,660	1,186,796	1,436,150
Professional Development	294,585	307,761	304,200	329,940	117,319	247,919	308,000
Technology Expenses	267,006	273,682	241,670	256,000	106,815	237,415	310,000
Miscellaneous Expenses	73,709	126,796	70,402	126,600	38,996	86,341	96,100
Depreciation & Amortization	4,350,053	4,466,431	4,483,605	4,906,850	2,153,133	4,306,266	4,356,900
Interest Costs	790,753	753,794	777,511	756,649	378,324	756,324	718,000
Total Expenses	27,887,506	27,682,630	28,758,113	28,424,271	13,963,186	27,458,955	28,755,267

Chart 2. Distribution of Expenses in 2021-2022 Budget



Total Expenses - \$28,755,267

Projected Statement of Revenues, Expenses, and Changes in Net Position

Portrayed in Table 5 is the projected Statement of the Revenues, Expenses, and Changes in Net Position for the District assuming the 2021-2022 budget occurs as planned. The chart also includes Statements from prior years to serve as a comparison for the proposed 2021-2022 Budget.

Table 5. Statements of Revenues, Expenses, and Changes in Net Position							
	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	2020-2021 Budget	2020-2021 YTD Actual	2020-2021 Projected Actual	2021-2022 Proposed Budget
Operating Revenues							
Water Commodity Charges	9,459,453	8,474,791	8,705,988	8,904,396	5,212,565	8,893,620	9,243,364
Water Service Charges	4,325,454	4,623,068	4,977,612	5,078,187	2,496,853	5,064,716	5,489,098
Sewer Service Charges	9,150,257	9,303,342	9,312,469	9,389,001	4,636,619	9,215,146	9,851,537
Recycled Commodity Charges	1,614,242	1,309,055	1,355,119	1,663,847	1,016,289	1,557,489	1,811,222
Recycled Service Charges	321,211	342,842	376,754	483,207	209,856	435,938	539,400
Reimbursement from Others	403,445	383,811	328,310	421,750	202,400	420,150	460,125
Other Charges for Service	171,199	226,551	141,082	55,001	8,575	79,925	55,000
Total Operating Revenues	25,445,261	24,663,457	25,197,330	25,995,389	13,783,157	25,666,984	27,449,746
Operating Expenses							
Source of Supply	8,294,019	7,649,268	8,088,427	8,023,991	4,410,609	8,100,690	8,390,867
Pumping	1,455,753	1,479,148	1,359,123	569,458	698,630	1,339,455	1,659,900
Treatment	3,594,371	3,747,531	3,764,459	2,195,300	2,006,813	3,855,298	4,199,100
Transmission & Distribution	5,043,892	4,561,123	5,175,409	9,969,507	2,534,672	5,577,660	4,643,900
Customer Service	686,217	720,714	603,474	-	296,512	568,748	346,100
General & Administrative	3,672,449	4,304,621	4,506,106	2,002,516	1,484,493	2,954,515	4,440,500
Depreciation & Amortization	4,350,053	4,466,431	4,483,605	4,906,850	2,153,133	4,306,266	4,356,900
Total Operating Expenses	27,096,755	26,928,835	27,980,606	27,667,622	13,584,862	26,702,631	28,037,267
Operating Income/(Loss)	(1,651,494)	(2,265,378)	(2,783,276)	(1,672,233)	198,295	(1,035,647)	(587,521)
Non-operating Revenues							
Property Taxes	927,673	1,012,576	1,037,335	1,053,500	542,167	1,086,667	1,090,000
Rental Revenue	188,183	204,160	242,187	235,000	106,045	219,607	235,000
Investment Earnings	124,000	500,786	424,110	350,000	45,824	61,224	100,000
Other Non-Operating Revenue	59,653	910,351	40,917	20,000	4,811	10,811	20,000
Interest Expense	(790,753)	(753,794)	(777,511)	(756,649)	(378,324)	(756,324)	(718,000)
Net Non-Operating Revenues	508,756	1,874,079	967,038	901,851	320,523	621,985	727,000
Income/(Loss) before Capital Contributions	(1,142,738)	(391,299)	(1,816,238)	(770,382)	518,818	(413,662)	139,479
Capital Contributions							
Capital Grants	45,853	1,985,903	2,894	-	-	-	-
Total Capital Contributions	45,853	1,985,903	2,894	-	-	-	-
Change in Net Position	(1,096,884)	1,594,604	(1,813,344)	(770,382)	518,818	(413,662)	139,479
Net Position - July 1	63,817,614	62,958,444	64,553,048	62,739,703	62,739,703	62,739,703	62,326,041
Net Position - June 30	62,720,730	64,553,048	62,739,703	61,969,321	63,258,522	62,326,041	62,465,520

As a result of Depreciation & Amortization, operating expenses of \$28,037,267 will exceed operating revenues of \$27,449,746 by \$587,521. Non-operating revenues will exceed non-operating expenses by \$727,000, thereby producing Income before Capital Contributions of \$139,479. No Capital Contributions are included in the budget and therefore the Change in Net Position is also projected to equal \$139,479. The ending Net Position will increase to \$62,465,520 at the end of the 2021-2022 budget year.

2021-2022 Personnel Summary

The 2021-2022 budget authorizes 61 Full-Time Equivalent (FTE) employees which has not changed in since the 2017-2018 Budget. The chart below summarizes the number of Board authorized FTE employees by Department since the 2017-2018 fiscal year.

Table 6. Summary of Authorized Positions by Department							
	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	2020-2021 Budget	2020-2021 YTD Actual	2020-2021 Projected Actual	2021-2022 Proposed Budget
Employees by Department							
Administration	5	5	5	5	5	5	5
Information Technology	1	1	1	1	1	1	1
Accounting	4	4	4	4	4	4	4
Purchasing/Receiving	1	1	1	1	1	1	1
Customer Service - Office	4	4	4	4	4	4	4
Customer Service - Field	3	3	3	3	3	3	3
Engineering	5	5	5	5	5	5	5
Operations Support	2	2	2	2	2	2	2
Transmission & Distribution	9	9	9	9	9	9	9
Pump Maintenance	8	8	8	8	8	8	8
Treatment Plant	10	10	10	10	10	10	10
Electrical	2	2	2	2	2	2	2
Collections & Transmissions	6	6	6	6	6	6	6
Fleet Maintenance	1	1	1	1	1	1	1
Total Employees	61	61	61	61	61	61	61

PROFILE OF THE EL TORO WATER DISTRICT

History of the El Toro Water District

The Founding of El Toro Water District

On August 12, 1959, a group of local landowners gathered around the kitchen table of Raymond Prothero, Sr., at 23572 South Prothero Drive in the community of El Toro (known today as Cornelius Drive in the city of Lake Forest) to discuss their concerns about the water supply. Water for both agricultural and domestic use was pumped from wells, and landowners feared that the existing supply would not support an increased population or an expanded agricultural area. They wanted to find a more reliable, predictable source of water.

One year later, in September 1960, the El Toro Water District (ETWD) was formed as a special district under the laws applicable to California water districts (Sections 34000 Et Seq of the Water Code of the State of California). Governed by a seven-member Board of Directors elected by landowners, the District's charge was to develop and implement policies that would meet the short and long range economic, water resource and environmental goals of the community. While the immediate need was to provide for its customers, ETWD had the wisdom and foresight to consider the greater Orange County area in their planning as well.

At the time of its inception, the total population of the District was only 125 people, and it encompassed 4,750 acres. Of that, 750 acres were devoted to citrus groves and other agricultural uses.

Expansion Includes Aqueduct, Water Recycling Plant and El Toro Reservoir

Shortly after formation, District leadership began to prepare for the anticipated growth of south Orange County. Given the lack of sustainable groundwater, ETWD knew they would have to maintain a critical dependence on imported water that originated hundreds of miles away. ETWD became a constituent agency of the Municipal Water District of Orange County (MWDOC), which entitled the district to receive imported water from the Colorado River and Northern California.

In addition, ETWD joined with a neighboring water district to form the Santiago Aqueduct Commission in order to secure imported water from the Colorado River. The commission obtained permission from the water supplier, Metropolitan Water District of Southern California, to build an aqueduct. The aqueduct would carry water from a pipeline adjacent to Irvine Park to the El Toro community. In 1961, exercising tremendous foresight and good planning, ETWD authorized a bond issue of \$1.9 million to finance its share of the construction costs for the aqueduct, a water filtration plant, a 232 mg reservoir, and expansion of the distribution system within the District.

ETWD established itself as a water-recycling pioneer in 1963 with the completion of the Water Recycling Treatment Plant in Laguna Woods. The plant was designed to treat approximately 1.5 million gallons of domestic wastewater each day. A small laboratory was situated inside the plant to analyze wastewater operations.

Leisure World

In 1963, Ross Cortese, president of the Rossmoor Corporation, identified about 3,500 acres of the Moulton Ranch to fulfill his vision to build a retirement community and call it Leisure World. Except for scattered dwellings and barns, the ranch was devoted largely to dry farming and cattle grazing. Those who lived in the homes on the ranch relied on water from deep wells and cesspools for sanitation. If Leisure World was to become a reality, Cortese knew he had to meet the requirements for water and sanitation.

Initially, the ETWD Directors, who were also ranchers, didn't share Cortese's vision for a large residential development. However, by January 1963 the Directors changed their minds when they learned that bond programs to bring MWD water into the area had boosted property tax bills to about \$18 for each \$100 assessed valuation – far higher than citrus growers or cattle ranchers could afford to pay.

ETWD and Rossmoor agreed that the District would continue to serve the ranchers by providing irrigation service for agriculture. Since ETWD was not interested in providing domestic water service, the Rossmoor Water Company was formed to serve domestic customers.

El Toro Reservoir

In 1967 the construction of the 233-million gallon El Toro Reservoir was completed. The reservoir served many important needs, including meeting high water demand during hot summer days and wildfires, and emergency backup in the event of a pipeline break or other interruptions in water supplies. ETWD established a policy to maintain a 14-day emergency storage reserve to meet customer demands and fire flow requirements.

Constructing a Regional Sewer System

By 1970 the need for a regional sewer system to dispose of treated effluent to the ocean was becoming increasingly evident. Around the same time, the California Clean Water Program was enacted which allowed certain public agencies to be eligible for joint federal-state construction grants.

Laguna Hills Sanitation, Inc., had been disposing of its treated effluent by irrigating the Leisure World golf course and by spraying vacant land. This latter option was becoming increasingly difficult as the amount of vacant land decreased. Unfortunately since Laguna Hills Sanitation, Inc. was a private corporation, it was ineligible for federal-state grants to provide other methods of effluent disposal. In 1972, the District joined five other public water districts and the City of Laguna Beach to form the Aliso Water Management Agency (AWMA). ETWD believed that it was in the best interest of the community to form a partnership to build a sewage sludge treatment and disposal facility.

Approximately three years later ETWD sold \$6.14 million of wastewater bonds to finance the District's share of the AWMA Regional Treatment Plant and an ocean outfall system. The AWMA Regional Treatment Plant is located near the Laguna Niguel Regional Park (currently known as the South Orange County Wastewater Authority, SOCWA). The Aliso Creek Ocean Outfall is located in Laguna Beach. The construction of the plant was complete in 1982.

The Transition from Wholesale to Retail

The Laguna Hills Utility Company, the parent company of the operating utilities, Laguna Hills Water Company (LHWC) and Laguna Hills Sanitation, Inc. (LHSI) approached the ETWD Board of Directors in August 1982 with a proposal that ETWD acquire the utility operations of LHWC and LHSI. If approved, this acquisition would transform ETWD from a water wholesaler to a retail water company. The Board of Directors carefully considered the proposal. They concluded that the residents of the District would benefit from this transition, providing that the assets of the utilities could be acquired at a fair price.

On September 12, 1983, ETWD signed the agreement to purchase both Laguna Hills Water Company and Laguna Hills Sanitation, Inc. for a sum of \$10.5 million. The amount would be paid with interest, in installments over a 30-year period. After approximately 24 years, ETWD had become a fully integrated water, sewer and recycled water retail operation.

Water Recycling Pioneer

After three decades of service, and multiple expansion projects, portions of the Water Recycling Plant had reached the end of its useful life. ETWD embarked on a reconstruction and replacement project. The new plant was completed in 1998 at a cost of nearly \$14,000,000. The reconstruction project renewed the useful life of the plant for another 30 years and brought ETWD into compliance with applicable regulatory and environmental requirements. A new expanded laboratory was now equipped to perform sophisticated analysis of wastewater and drinking water, and the overall capacity of the plant increased to 6 million gallons per day. In 1999 the Water Recycling Plant was recognized by the industry as “Plant of the Year.”

Expansion Continues at El Toro Reservoir

In an effort to expand emergency storage in south Orange County and reduce operating cost for ETWD, the District entered into an agreement in 2002 with neighboring water districts for joint use of the El Toro Reservoir. ETWD began a four phase project to expand the El Toro Reservoir capacity to 275 million gallons and enhance the ability of ETWD and neighboring agencies to meet their emergency storage requirements. By increasing the capacity by 52 million gallons, the enlarged reservoir would provide 124.5 million gallons to ETWD, 137.5 million gallons to Santa Margarita Water District and 13 million gallons to Moulton Niguel Water District. The expanded reservoir would serve more than 300,000 customers in the cities of Laguna Woods, Laguna Hills, Lake Forest, Mission Viejo, Aliso Viejo, Laguna Niguel, Dana Point, Rancho Santa Margarita, Ladera Ranch, Las Flores, San Juan Capistrano and San Clemente. The total water surface area expanded to approximately 20 acres.

In addition to laying 4,500 feet of pipeline to allow increased water use by the three partner agencies at once, the reservoir was enlarged to increase supply for regional use. The final phase of the project was to add a new floating cover and liner to the reservoir. The cover continues to assist ETWD in preserving the quality of the imported supply.

Recycled Water Expansion Project

In 2012, the District began a comprehensive multi-phase Recycled Water Expansion Project that significantly increased the amount of recycled water produced for local irrigation. The project was completed in 2016 and greatly expanded the District’s ability to produce recycled water. By undertaking this project, the District saves precious imported drinking water (potable) for household consumption and sanitary uses.

The project constructed tertiary treatment facilities at the existing Water Recycling Plant to increase the treatment and delivery of recycled water for irrigation to approximately 1,400 acre feet per year. That’s the equivalent of covering the entire footprint of Laguna Woods Village with five inches of water or filling Angel Stadium nineteen times. Simultaneously, the District built a new recycled water distribution system for irrigation. Approximately 100,000 feet or 19 miles of recycled water pipeline was constructed beneath the roadways in portions of Laguna Woods and the northwest corner of Laguna Hills. This new distribution system is completely separate from the drinking water distribution system and used for irrigation only. In 2018 the District completed construction of the Phase II Recycled Water Distribution System Expansion Project which added another 5 miles of recycled water pipeline to serve additional users in the community of Laguna Woods.

The recycled water projects improve the environment by reserving drinking water resources for use inside homes and businesses, and provides environmentally responsible recycled water for outdoor use. The tertiary treatment facilities at the Water Recycling Plant produce a higher quality of treated water, diminish the amount of treated water discharged into the ocean and help to reduce the greenhouse gases that results from pumping imported water into the region.

Location and Service Area Information

The El Toro Water District is located in Southern Orange County, approximately 45 miles South of downtown Los Angeles. The District encompasses the entirety of the City of Laguna Woods, and portions of the Cities of Aliso Viejo, Laguna Hills, Lake Forest, and Mission Viejo. The total service area of the District is approximately 5,430 acres or the equivalent of 8.5 square miles. Interstate 5 bisects the District with approximately half of the District's service area on each side of the Interstate.

Population Information

The District's population has increased slightly since 2010, with a total increase from 2010 to 2020 of approximately 104 residents, or 0.22%, to a total of 47,911 residents.

Table 7. Population Data

	1990	2000	2010	2020	% Change 2010 - 2020
El Toro Water District	43,786	49,796	47,807	47,911	0.22%
Orange County	2,410,556	2,846,289	3,010,232	3,175,692	5.21%
State of California	29,760,021	33,871,648	37,253,956	39,512,223	5.72%

Source: U.S. Census Bureau; California State Department of Finance; Center for Demographic Research, CSUF

According to the 2015 – 2019 American Community Survey five year estimate, the largest portion of the District's population included Caucasians who were not of Hispanic or Latino ethnicity (66.97%). The next largest racial group in the community were Asian-Americans who comprised 19.49% of the total population followed by persons who were multi-racial at 11.37% of the population. Overall, there were more females than males residing in the District's service area. The median age of the population within the District's service area was 52.4 years, with a large component of the population over the age of 65 due to the presence of Laguna Woods Village, a senior living community, in the District service area.

Table 8. Population Characteristics

	Number	Percent		Number	Percent
Gender			Household Information		
Male	21,881	45.67%	Family Households	13,177	53.57%
Female	26,030	54.33%	Non-Family Households	11,423	46.43%
Total	47,911		Total Households	24,600	
Racial Composition			Age Groups		
White	32,086	66.97%	0 to 19	7,733	16.14%
African-American	656	1.37%	20 to 34	7,603	15.87%
American Indian/Alaska Native	216	0.45%	35 to 59	12,447	25.98%
Asian or Pacific Islander	9,338	19.49%	60 to 74	10,387	21.68%
Other/More than One Race	5,615	11.73%	75+	9,740	20.34%
Total Population	47,911		Total Population	47,911	
Hispanic/Latino Origin	9,285	19.38%	Median Age*	52.4	

Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Tables B01001, B11001, B03002

*Interpolated value

The economic characteristics of District residents tend to be less than similar data for the general population of Orange County or the State of California. This is primarily the result of the inclusion of Laguna Woods within the service area of the District, since most residents in Laguna Woods are retired and do not have salary income. The District's Median Housing Value, Per Capita Income, and Median Household Income are all less than the values for Orange County or the State of California. Only the Median Gross Rent is more than the values for the County or State. The District's economic indicators have improved in each of the last four American Community Survey periods, as indicated by the "Comparison of Economic Characteristics" table below which includes data from the 2012-2016 American Community Survey (ACS) to the 2015-2019 ACS.

Table 9. Comparison of Economic Characteristics of District Residents				
	Median Gross Rent*	Median Housing Value*	Per Capita Income*	Median Household Income*
El Toro Water District	\$2,060	\$430,793	\$36,549	\$67,605
Orange County	1,929	725,100	\$41,514	\$90,234
State of California	1,614	523,000	\$36,955	\$75,235
Change in Economic Characteristics				
ACS Years 2012-2016	\$1,753	\$321,335	\$32,539	\$57,156
ACS Years 2013-2017	\$1,856	\$355,093	\$33,513	\$60,390
ACS Years 2014-2018	\$1,959	\$410,421	\$34,849	\$63,762
ACS Years 2015-2019	\$2,060	\$430,793	\$36,549	\$67,605
Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Tables B19001, B25063, B250				
*Interpolated value				

Educational, Employment, and Income Information

The 2015 – 2019 American Community Survey reported that approximately 46% of District residents age 25 or older have attained a bachelors or graduate degree, including approximately 17% who have a graduate or professional degree. This is much higher than California or national averages (34% and 32.2%, respectively). Another 30% of residents who are age 25 or older have attended some college or attained an Associate's degree. An estimated 92% of District residents age 25 or older have their high school diploma (or equivalent); this is also much higher than the State or National average (83.4% and 88.1% respectively).

Table 10. Education for Residents Age 25 or Older

	El Toro Water District	Orange County	State of California	United States
Less than 9th grade	3.63%	7.90%	9.20%	5.10%
9 th to 12 th grade, no diploma	4.52%	6.60%	7.50%	6.90%
High school graduate (includes equivalency)	16.07%	17.20%	20.50%	27.00%
Some college, no degree	20.86%	19.90%	21.10%	20.40%
Associate's degree	9.12%	7.70%	7.80%	8.50%
Bachelor's degree	28.82%	26.00%	21.20%	19.80%
Graduate or professional degree	16.97%	14.50%	12.80%	12.40%
Percent high school graduate or higher	91.84%	85.30%	83.40%	88.10%
Percent bachelor's degree or higher	45.79%	40.50%	34.00%	32.20%

Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Table B15003

The majority of District residents who are employed work in professional or service occupations, as illustrated in the Occupations table below.

Table 11. Occupations				
	El Toro Water District	Orange County	State of California	United States
Agriculture, forestry, fishing and hunting and mining	0.62%	0.75%	2.14%	1.80%
Construction	3.37%	6.61%	6.75%	6.60%
Manufacturing	9.88%	11.19%	8.71%	10.10%
Wholesale Trade	3.07%	3.41%	2.71%	2.60%
Retail Trade	12.62%	10.21%	10.16%	11.20%
Transportation and warehousing, and utilities	3.12%	3.83%	5.71%	5.40%
Information	2.28%	1.85%	2.84%	2.00%
Finance and insurance, and real estate and rental and leasing	11.20%	8.49%	5.83%	6.60%
Professional, scientific, and management, and administrative and waste management services	15.50%	14.15%	14.15%	11.60%
Educational services, and health care and social assistance	20.93%	20.56%	21.16%	23.10%
Arts, entertainment, and recreation, and accommodation and food services	9.64%	10.65%	10.31%	9.70%
Other Services, except public administration	5.31%	5.28%	5.04%	4.90%
Public administration	2.46%	3.00%	4.49%	4.60%
Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Table C24030				

Due to the composition of the population within the District's service area, the workforce participation tends to be much lower than the averages for the County, State, or Nation. This is to be expected since Laguna Woods comprises approximately 40% of the population in the District's service area and almost all of the residents of that community are retired. For the portion of the population in the District's service area who do participate in the workforce, the unemployment rate has averaged slightly higher than the averages for Orange County or the United States but slightly lower than the average for California.

Table 12. Unemployment & Workforce Participation Rate Comparison					
	2015 5-Year ACS	2016 5-Year ACS	2017 5-Year ACS	2018 5-Year ACS	2019 5-Year ACS
Unemployment Rate					
El Toro Water District	6.0%	5.1%	4.6%	4.2%	4.0%
Orange County	5.0%	4.4%	3.8%	3.3%	3.0%
State of California	6.2%	5.5%	4.8%	4.2%	3.8%
United States	5.2%	4.7%	4.1%	3.7%	3.4%
Workforce Participation Rate					
El Toro Water District	52.0%	52.2%	52.4%	52.8%	53.1%
Orange County	66.0%	65.9%	65.7%	65.6%	65.6%
State of California	63.6%	63.4%	63.5%	63.5%	63.7%
United States	63.3%	63.5%	63.4%	62.9%	63.4%
Source: U.S. Census Bureau, 5-Year American Community Survey Estimates, Table B23025					

The composition of the population within the District service area also impacts the estimated household income within the District's service area. According to the 2015 – 2019 American Community Survey, the median household income in the District was \$67,605, \$7,630 (10.14%) less than the median for California but \$4,762 (7.58%) higher than the national median. An estimated 10.27% of District households have incomes that exceeds \$200,000 per year; in comparison only 7.7% of United States households had this level of income in the 2015-2019 American Community Survey.

Table 13. Household Income				
	El Toro Water District*	Orange County	State of California	United States
Under \$10,000	6.43%	4.20%	4.80%	6.00%
\$10,000 to \$14,999	3.73%	2.70%	4.10%	4.30%
\$15,000 to \$24,999	9.14%	5.60%	7.50%	8.90%
\$25,000 to \$34,999	7.32%	6.00%	7.50%	8.90%
\$35,000 to \$49,999	11.82%	8.80%	10.50%	1.30%
\$50,000 to \$74,999	16.42%	14.60%	15.50%	17.20%
\$75,000 to \$99,999	11.71%	12.80%	12.40%	12.70%
\$100,000 to \$149,999	14.83%	18.60%	16.60%	15.10%
\$150,000 to \$199,999	8.33%	11.10%	8.90%	6.80%
\$200,000 or more	10.27%	15.50%	12.20%	7.70%
Median Household Income*	\$67,605	\$90,234	\$75,235	\$62,843
Mean Household Income*	\$84,000	\$122,488	\$106,916	\$88,607
Per Capita Income*	\$36,549	\$41,514	\$36,955	\$34,103
Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Table B19001				
*Interpolated value				

Summary of the District

The District supplies residents with potable water, recycled water for irrigation purposes, and provides wastewater collection and treatment services. Information about District and its services can be found below.

General Information	
Date of Original Incorporation	September, 1960
Date of Integration into Retail Utility Operation	September 12, 1983
Form of Government	California Special District

Location and Size Information	
Geographic Location	45 Miles South of Downtown Los Angeles
Total Area of Incorporation	8.5 square miles

Facility Information	
Main Office and Warehouse Complex	1
Wastewater Treatment Plants	1
Water Reservoirs	6
Water Pump Stations	8
Wastewater Lift Stations	11

Enterprise Statistics	
Water System	
Miles of Water Main	170
Service Connections	9,965
Annual Potable Water Imports (MG*)	2,371
Sewer System	
Miles of Wastewater Collection Main	114
Service Connections	9,965
Annual Treated Sewage (MG*)	1,332
Recycled Water System	
Miles of Recycled Water Main	26
Service Connections	275
Annual Recycled Water Production (MG*)	463.89
*Millions of Gallons	

WATER SYSTEM

The mission of the Water Enterprise is to deliver potable water to customers for use in their daily living and for irrigation purposes. The Water Enterprise accomplishes this mission by procuring treated water directly from the Municipal Water District of Orange County (MWDOC) through the Allen-McCulloch Pipeline and by partnering with the Irvine Ranch Water District in the Baker Water Treatment Plant which procures untreated water from MWDOC, treats the water, and distributes it to the participating agencies. Potable water is distributed to District customers through significant infrastructure assets that the District has invested in over many years, including the R6 Reservoir, 5 other smaller water reservoirs or storage facilities, 8 water pump stations, 170 miles of water main, and approximately 9,500 water service lines.

Budget Analysis

As illustrated in Table 13 on the following page, expenses in the 2021-2022 Budget equal \$13,757,827, an increase of \$506,424 or 3.8% from the \$13,251,403 in expenses included in the 2020-2021 Budget. Revenues attributed to the Water System are projected to equal \$13,792,961 in the 2021-2022 Budget, an increase of \$447,487 or 3.4% from the \$13,345,474 in revenues included in the 2020-2021 Budget. As a result of the revenues and expenses included in the 2021-2022 Budget, the Water Enterprise is projected to make a positive contribution of \$35,134 to the Change in Net Position for the District in 2021-2022.

The major expenses for the Water System budget include purchasing the potable water that is distributed to customers, compensating the portion of the District's workforce allocated to the Water System, and operating and maintaining the water distribution system. Combined, these three expenses comprise 90.6% of the total expenses of the Water Enterprise in the 2021-2022 Budget.

Table 13. Water System Enterprise Financial Summary

	2017-2018	2018-2019	2019-2020	2020-2021	2020-2021	2020-2021	2021-2022
	Actual	Actual	Actual	Budget	YTD	Projected	Budget
Revenues							
Operating Revenues							
Commodity Charge (Unrestricted)	8,756,773	7,946,712	8,166,269	8,364,677	4,672,846	8,353,901	8,417,431
Service Charges (Readiness to Serve)	3,040,449	3,339,049	3,695,636	3,824,187	1,862,422	3,795,854	4,229,130
Restricted Revenues (Conservation)	100,000	100,000	100,000	100,000	50,000	100,000	200,000
Non-Operating Revenues							
Property Taxes	430,109	466,291	479,696	484,610	216,867	498,867	501,400
Site Leases	188,183	204,160	242,187	235,000	106,045	219,607	235,000
Reimbursements from Others	111,602	127,226	90,808	112,000	-	109,000	110,000
Other Income Sources	189,060	420,565	298,382	225,000	29,605	88,480	100,000
Total Revenues	12,816,176	12,604,003	13,072,978	13,345,474	6,937,785	13,165,709	13,792,961
Expenses							
Personnel Expenses	3,184,130	3,249,554	3,607,471	3,435,759	1,620,837	3,393,729	3,613,160
Source of Supply	8,200,224	7,563,680	7,996,623	8,001,449	4,378,081	8,030,582	8,259,767
Water Treatment	49,577	45,177	49,773	35,341	20,492	39,234	39,500
Pumping - Water	261,321	230,450	231,162	263,623	142,466	264,672	306,500
Transmission & Distribution - Water	611,578	623,322	563,020	563,547	190,653	514,810	592,300
Customer Accounts	51	-	-	-	-	-	4,000
Operations Support	296,519	97,581	136,685	133,165	76,375	123,353	97,280
Fleet Maintenance	95,563	109,144	116,116	114,270	51,819	51,819	102,560
Administration	81,419	76,362	96,039	82,320	52,119	95,359	83,280
Information Technology	106,803	108,210	104,680	102,400	42,726	94,966	124,000
Indirect Costs	491,876	539,847	548,892	519,529	230,983	470,580	535,480
Total Expenses	13,379,061	12,643,328	13,450,460	13,251,403	6,806,551	13,079,104	13,757,827
Contribution to Change in Net Position	(562,885)	(39,324)	(377,482)	94,071	131,233	86,605	35,134

1. This analysis is basically a water system cash flow analysis and therefore excludes Water Capital Charges, Depreciation, Amortization, OPEB expense, retiree health expense, and interest expense

WASTEWATER SYSTEM

The mission of the Wastewater System is to collect wastewater from District customers through service connections, transmit the wastewater to the Water Recycling Plant using lift stations and sewer mains, treat the wastewater, and then send the treated water to the recycled water treatment facilities or dispose of the remaining effluent or solids. To accomplish this mission, the Wastewater System has acquired and/or constructed significant infrastructure assets, including the Wastewater Treatment Plant, 11 wastewater lift stations, and 114 miles of sewer main. The Wastewater System treats a daily average of 3.7 million gallons of wastewater every day.

Budget Analysis

As illustrated in Table 14 below, expenses in the 2021-2022 Budget equal \$8,377,888, an increase of \$332,153 or 4.1% from the \$8,045,735 in expenses included in the 2020-2021 Budget. Revenues attributed to the Wastewater System are projected to equal \$8,826,437 in the 2021-2022 Budget, an increase of \$354,327 or 4.2% from the \$8,472,110 in revenues included in the 2020-2021 Budget. As a result of the revenues and expenses included in the 2021-2022 Budget, the Water Enterprise is projected to make a positive contribution of \$448,549 to the Change in Net Position for the District in 2021-2022.

Table 14. Wastewater System Financial Summary							
	2017-2018	2018-2019	2019-2020	2020-2021	2020-2021	2020-2021	2021-2022
	Actual	Actual	Actual	Budget	YTD Actual	Projected Actual	Proposed Budget
Revenues							
Operating Revenues							
Service Charges (Readiness to Serve)	7,547,171	7,698,022	7,705,617	7,775,000	3,833,491	7,608,891	8,237,537
Non-Operating Revenues							
Property Taxes	423,350	465,279	474,652	484,610	281,927	563,927	501,400
Other Income Sources	177,635	1,230,556	317,103	212,500	29,605	75,980	87,500
Total Revenues	8,148,156	9,393,857	8,497,372	8,472,110	4,145,023	8,248,798	8,826,437
Expenses							
Personnel Expenses	4,139,369	4,224,420	4,201,285	4,466,486	2,107,088	4,411,847	4,697,108
Treatment Plant	871,379	913,465	903,078	886,749	499,256	990,168	959,500
Outside Treatment	924,472	948,466	951,598	963,500	495,933	1,008,387	992,000
Pumping - Sewer	299,012	325,371	322,134	305,835	137,945	310,915	324,800
Transmission & Distribution - Sewer	198,819	218,817	128,725	185,975	87,989	131,045	179,100
Operations Support	385,475	126,855	160,420	173,115	99,288	160,359	126,464
Fleet Maintenance	124,231	141,887	136,278	148,551	67,365	67,365	133,328
Administration	105,844	99,271	112,715	107,016	67,755	123,967	108,264
Information Technology	138,843	140,673	122,857	133,120	55,544	123,456	161,200
Indirect Costs	639,439	701,802	644,204	675,388	300,277	611,753	696,124
Total Expenses	7,826,885	7,841,026	7,683,293	8,045,735	3,918,441	7,939,264	8,377,888
Contribution to Change in Net Position	321,271	1,552,831	814,079	426,375	226,581	309,534	448,549

The major expenses for the Wastewater System budget include compensating the portion of the District's workforce allocated to the Wastewater System, sending the remaining effluent and solids to the South Orange County Wastewater Authority for final treatment and disposal, and operating and maintaining the Wastewater Treatment Plant. Combined, these three expenses comprise 79.4% of the total expenses of the Wastewater System in the 2021-2022 Budget.

RECYCLED WATER SYSTEM

The mission of the Recycled Water System is to further treat pre-treated wastewater from the wastewater treatment process until the water meets regulatory standards so that it can be used for irrigation purposes and then to distribute the recycled water to customers to use in irrigation. To accomplish this mission, the Recycled Water System has acquired and/or constructed significant infrastructure assets, including Tertiary Water Treatment facilities and 25 miles of recycled water distribution main. The Recycled Water System produces a daily average of 1.3 million gallons every day.

Budget Analysis

As illustrated in Table 15 below, expenses in the 2021-2022 Budget equal \$1,219,652, an increase of \$50,663 or 4.3% from the \$1,168,989 in expenses included in the 2020-2021 Budget. Revenues attributed to the Recycled Water System are projected to equal \$2,297,322 in the 2021-2022 Budget, an increase of \$201,988 or 9.6% from the \$2,095,334 in revenues included in the 2020-2021 Budget. As a result of the revenues and expenses included in the 2021-2022 Budget, the Recycled Water System is projected to make a positive contribution of \$1,077,670 to the Change in Net Position for the District in 2021-2022.

Table 15. Recycled Water System Financial Summary							
	2017-2018	2018-2019	2019-2020	2020-2021	2020-2021	2020-2021	2021-2022
	Actual	Actual	Actual	Budget	YTD Actual	Projected Actual	Proposed Budget
Revenues							
Operating Revenues							
Commodity Charge	1,614,242	1,309,055	1,355,119	1,663,847	1,016,289	1,557,489	1,811,222
Service Charges (Readiness to Serve)	205,014	226,645	258,409	336,207	144,736	305,698	387,900
Non-Operating Revenues							
Property Taxes	74,214	81,006	82,987	84,280	43,373	88,373	87,200
Other Income Sources	11,000	11,000	11,000	11,000	-	11,000	11,000
Total Revenues	1,904,470	1,627,706	1,707,515	2,095,334	1,204,398	1,962,560	2,297,322
Expenses							
Personnel Expenses	636,826	649,911	544,347	687,152	324,167	678,746	722,632
Tertiary Treatment Plant	244,086	225,502	233,079	285,500	151,818	251,604	297,500
Transmission & Distribution	4,850	3,157	-	6,000	1,775	1,775	11,000
Operations Support	59,304	19,516	18,455	26,633	15,275	24,671	19,456
Fleet Maintenance	19,113	21,829	15,677	22,854	10,364	10,364	20,512
Administration	16,284	15,272	12,967	16,464	10,424	19,072	16,656
Information Technology	21,361	21,642	14,133	20,480	8,545	18,993	24,800
Indirect Costs	98,375	107,969	74,109	103,906	46,197	94,116	107,096
Total Expenses	1,100,198	1,064,799	912,767	1,168,989	568,565	1,099,340	1,219,652
Contribution to Change in Net Position	804,272	562,907	794,748	926,345	635,833	863,220	1,077,670
1. This analysis is basically a recycled water system operations cash flow analysis and therefore excludes Water Capital Charges, Depreciation, Amortization, OPEB expense, retiree health expense, and interest expense.							

The major expenses for the Recycled Water System budget include compensating the portion of the District's workforce allocated to Recycled Water and operating and maintaining the Tertiary Treatment facilities located at the Wastewater Treatment Plant. Combined, these expenses comprise 83.6% of the total expenses of the Recycled water System in the 2021-2022 Budget.

Personnel Analysis

The mission of the District is to provide high quality services to its customers and one of the cornerstones needed to achieve this mission is sufficient numbers of high quality staff. This section includes an analysis of the District's personnel costs which is a critical component to understanding the District's fiscal operations because these costs comprise the largest expense category of the District.

Number of Employees

Personnel costs are attributable to the actual number of employees employed by the District. The District converts the number of full-time and part-time employees to full-time equivalency to accurately reflect the number of employees on the payroll. Full-time equivalency is equal to 2,080 hours for all employees.

The 2021-2022 Compensation Plan authorizes a total of 61 full-time positions and 5 elected officials. The total number of full-time equivalent positions authorized in the 2021-2022 Compensation Plan is also equal to 61.0 as the District is not planning to employ any part-time positions in 2021-2022.

The total budgeted cost for the District's workforce in 2021-2022 is \$9,032,182, with salaries of \$6,540,955 comprising 72.4% of total costs and benefits of \$2,491,227 comprising the remaining 27.6% of total personnel costs. Fringe benefit costs have been increasing faster than salary costs and are projected to comprise a greater portion of total personnel costs in the future. In 2021-2022, health insurance premiums comprise the largest portion of fringe benefit costs followed by the District's contributions to the deferred compensation plans.

Table 16 on the following page summarizes District personnel expenses and provides information about the underlying causes of the increase in costs.

Table 16. 2021-2022 Personnel Expense Summary

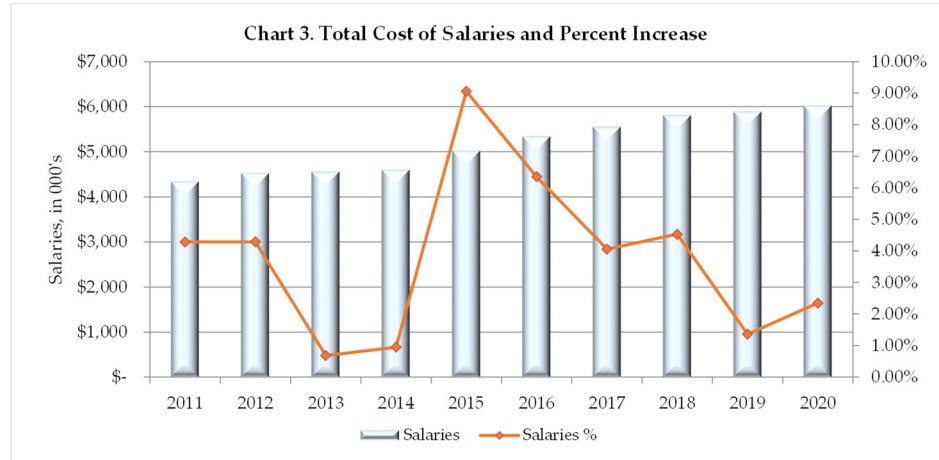
	2020/2021 Budget	2020/2021 Projected	Proposed 2021/2022 Budget	Delta Budget to Budget	% Change Budget to Budget
Salaries	6,185,467	6,147,567	6,540,955	355,488	5.7%
Benefits (Less Employee Paid)	2,262,180	2,195,000	2,366,177	103,997	4.6%
Workers Compensation	141,750	113,051	125,050	(16,700)	-11.8%
Total Labor Cost	8,589,397	8,455,618	9,032,182	442,786	5.2%

LABOR BUDGET BREAKDOWN

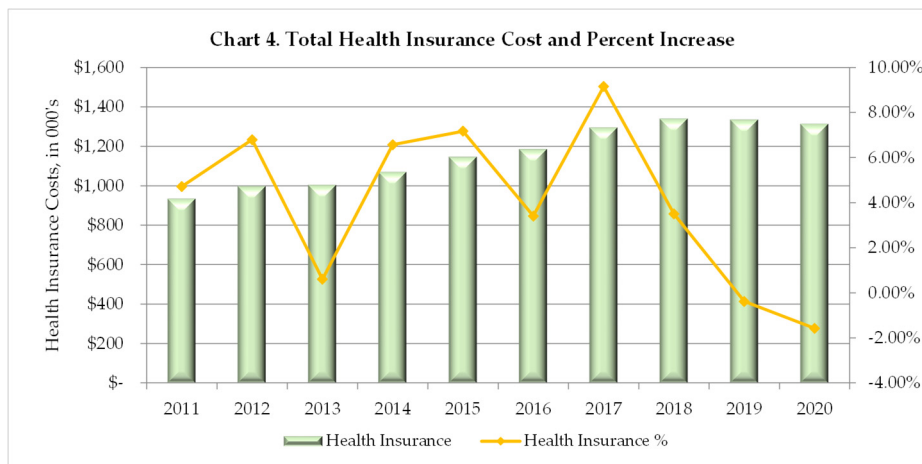
	2020/2021 Budget	Proposed 2021/2022 Budget	Delta Budget to Budget	% Change Budget to Budget	Portion of Budget Increase
Salary					
2020/21 Merit Increase		129,007	129,007		
2021/22 Merit Increase		107,034	107,034		
Overtime & Standby Pay	193,000	210,000	17,000		
2020/21 & 2021/22 Personnel Changes	34,693	75,640	40,947		
Vacation Payout	40,000	105,000	65,000		
Car Allowance, Cell Phone Stipend Changes	57,600	54,000	(3,600)		
Total Budgeted Salary Changes			355,388	5.75%	80.28%
Benefits					
Health Insurance Premiums (Employer Only)	1,031,478	1,123,254	91,776		
401k/457B Employer Contributions	990,110	1,000,059	9,949		
All Other Benefit Changes	240,591	242,864	2,273		
Total Budgeted Salary Changes			103,998	4.60%	23.49%
Workers Compensation	141,750	125,050	(16,700)	-11.78%	-3.77%
Overall Total Changes			442,686		
Budgeted Merit Pool					
Merit	3.0%				
CPI	1.7%				
Total	4.7%				

Analysis of Historical Personnel Costs

Salary costs have increased steadily since 2011, largely as a result of cost of living and merit salary increases but also to some extent by the addition of some positions to the authorized workforce. Salary costs equaled \$4.3 million in fiscal year 2011 but have since increased to slightly more than \$6 million during the 2019-2020 fiscal year.

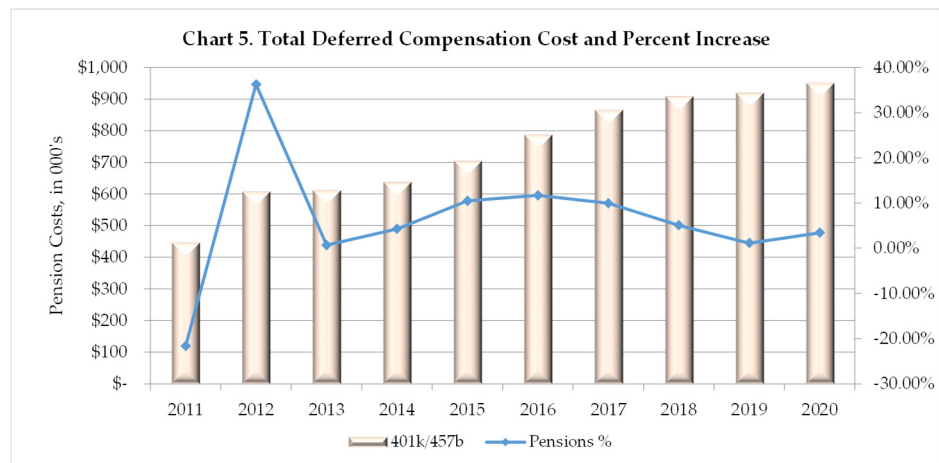


Health insurance costs have also increased since 2011, from approximately \$935,000 in fiscal year 2011 to \$1.3 million in fiscal year 2019-2020. The health insurance premium cost per employee has increased each year since 2011 in conjunction with the overall trends in the National and State economies. The continued increase in health insurance cost per employee will be a challenge for the District in the future as this benefit continues to require a larger portion of the District's financial resources. In addition, as the premium expenses increases, the impact on the District's retiree health insurance costs will also increase.



Another significant benefit provided by the District are contributions to deferred compensation plans, including a 401(k) Plan and a 457(b) Plan. The District contributes 9% into the

401(k) plan for every employee to provide a retirement benefit. In addition, to incentivize employees to save toward their retirement, the District also matches employee contributions into one of the plans with a 75% match of up to 10% of the employee's salary. So if an employee contributes 10% of their salary into one of the plans, they would receive the District's automatic 9% contribution plus a 7.5% match of the employee contribution, for a total of 16.5% contributed toward the employee's retirement. The cost for the District's contributions to the Deferred Compensation plans has increased steadily since 2011, in conjunction with the increase in salaries that has occurred. In 2011, the District's contribution equaled \$446,400 but in 2020 this amount was \$951,700.



Presented below in Table 17 are the authorized positions for the District organized into the Departments in which they are assigned.

Table 17. Organization Chart and Authorized Positions, 2021 - 2022			
Department	Positions	Department	Positions
<u>Administrative Services</u>		<u>Operations</u>	
General Manager	1	Operations Superintendent	1
Human Resources Manager	1	Compliance Program Coordinator	1
Public Relations / EP Admin	1	Total	2
Exec.Assistant to BOD & GM	1		
Office Assistant	1	<u>Transmission & Distribution Crew</u>	
Total	5	Foreman	1
		Crew Chief	2
<u>Information Systems</u>		Maintenance Worker III	1
Information Technology Manager	1	Maintenance Worker II	2
Total	1	Maintenance Worker I	3
		Total	9
<u>Accounting</u>			
Chief Financial Officer	1	<u>Pumping Crew</u>	
Accountant / Sr Accountant	2	Foreman	1
Supervisor Accounting	1	Crew Chief	2
Total	4	Maintenance Worker III	2
		Maintenance Worker II	1
<u>Purchasing/Receiving</u>		Maintenance Worker I	2
Purchasing Agent	1	Total	8
Total	1		
<u>Customer Service - Office</u>		<u>Treatment Plant</u>	
C.S / Billing Supervisor	1	Chief Plant Operator	1
C.S. Office Rep. I	2	Truck Driver	2
Billing Clerk II	1	Waste Water Operator III	4
Total	4	Waste Water Operator II	1
		Waste Water Operator I	0
<u>Customer Service - Field</u>		Lab Supervisor	1
Crew Chief	1	Lab Technician I	1
C.S. Field Rep. II	1	Total	10
C.S. Field Rep. I	1		
Total	3	<u>Collections & Transmissions</u>	
<u>Engineering</u>		Industrial Waste Inspector	1
Principal Engineer	1	Crew Chief	1
Project Engineer	1	Coll. Maintenance Worker III	1
Engineer Associate	1	Coll. Maintenance Worker II	0
Inspector	1	Coll. Maintenance Worker I	3
Cross Connection Control Prog Supv	1	Total	6
Total	5		
<u>Electrical</u>		<u>Automotive</u>	
Electrical Sys/SCADA Supv	1	Senior Mechanic	1
Electrical Systems / SCADA Technician III	1	Total	1
Total	2		
		<u>Total Positions</u>	<u>61</u>

The District's Compensation Plan includes a salary grade schedule for both non-exempt and exempt employees. Presented below and on the following page in Table 18 is the Compensation Plan for non-exempt employees for the 2021-2022 Budget. Salary grades that do not have any positions assigned to them are not displayed.

Table 18. Compensation Plan - Salary Range Schedule - Non-Exempt Effective Fiscal Year 2021/2022				
	FY 2020/2021 Monthly Salary		Includes CPI Increase of 1.7% FY 2021/2022 Monthly Salary	
	Minimum	Maximum	Minimum	Maximum
Salary Grade 1				
Intern	\$2,686	\$3,645	\$2,732	\$3,707
Salary Grade 2	\$3,258	\$4,432	\$3,313	\$4,507
Salary Grade 3	\$3,651	\$4,965	\$3,713	\$5,050
Salary Grade 4	\$3,759	\$5,113	\$3,822	\$5,200
Salary Grade 5	\$3,874	\$5,267	\$3,940	\$5,356
Office Assistant				
Customer Service Office Representative I				
Billing Clerk I				
Salary Grade 6	\$3,991	\$5,426	\$4,059	\$5,518
Customer Service Field Representative I				
Salary Grade 7	\$4,106	\$5,587	\$4,176	\$5,682
Salary Grade 8	\$4,232	\$5,756	\$4,304	\$5,854
Customer Service Office Representative II				
Administrative Assistant				
Billing Clerk II				
Salary Grade 9	\$4,357	\$5,928	\$4,431	\$6,029
Customer Service Office Representative Senior				
Billing Clerk Senior				
Salary Grade 10	\$4,505	\$6,105	\$4,581	\$6,209
Customer Service Field Representative II				
Collection Maintenance Worker I				
Maintenance Worker I				
Operator in Training				
Salary Grade 11	\$4,626	\$6,289	\$4,704	\$6,396
Billing Specialist				
Salary Grade 12	\$4,764	\$6,479	\$4,845	\$6,589
Laboratory Technician I				
Salary Grade 13	\$4,906	\$6,671	\$4,989	\$6,784
Mechanic				
Waste Water Plant Operator I				
Salary Grade 14	\$5,054	\$6,874	\$5,140	\$6,991
Administrative Assistant Senior				
Accountant / Insurance Administrator				
Salary Grade 15	\$5,205	\$7,080	\$5,294	\$7,200
Collections Worker II				
Maintenance Worker II				

Table 18. Compensation Plan - Salary Range Schedule - Non-Exempt
Effective Fiscal Year 2021/2022

	FY 2020/2021		Includes CPI Increase of 1.7% FY 2021/2022	
	Monthly Salary		Monthly Salary	
	Minimum	Maximum	Minimum	Maximum
(continued)				
Salary Grade 16	\$5,361	\$7,291	\$5,452	\$7,415
Customer Service Field Representative III				
Compliance Regulatory Coordinator I				
Salary Grade 17	\$5,522	\$7,509	\$5,616	\$7,637
Laboratory Technician II				
Salary Grade 18	\$5,687	\$7,736	\$5,783	\$7,867
Senior Accountant / Payroll				
Tractor - Trailer - Tanker Driver				
Waste Water Plant Operator II				
Inspector				
Engineering Associate				
Maintenance Worker III				
Collection Maintenance Worker III				
Salary Grade 20	\$6,040	\$8,214	\$6,142	\$8,353
Compliance Regulatory Coordinator II				
Salary Grade 21	\$6,220	\$8,459	\$6,326	\$8,603
Executive Assistant to General Manager & Board				
Senior Mechanic				
Salary Grade 22	\$6,408	\$8,714	\$6,517	\$8,862
Accounting Supervisor				
Supervisor Billing/Office Customer Service				
Recycled Water Coordinator				
Electrical Systems / SCADA Technician III				
Purchasing Agent / Inventory Control				
Salary Grade 23	\$6,602	\$8,977	\$6,714	\$9,130
Laboratory Technician III				
Waste Water Plant Operator III				
Public Relations / Emergency Preparedness Admin.				
Salary Grade 24	\$6,800	\$9,246	\$6,915	\$9,403
Cross Connection Control Program Supervisor				
Salary Grade 25	\$6,974	\$9,522	\$7,093	\$9,684
Crew Chief				
Salary Grade 26	\$7,214	\$9,810	\$7,337	\$9,977
Accounting Manager / Auditor				
Industrial Waste Inspector				
Compliance Regulatory Coordinator III				
Salary Grade 27	\$7,428	\$10,101	\$7,555	\$10,273
Laboratory Supervisor				

Table 18. Compensation Plan - Salary Range Schedule - Non-Exempt
Effective Fiscal Year 2021/2022

	FY 2020/2021		Includes CPI Increase of 1.7% FY 2021/2022	
	Monthly Salary		Monthly Salary	
	Minimum	Maximum	Minimum	Maximum
(continued)				
Salary Grade 28	\$7,649	\$10,403	\$7,779	\$10,580
Foreman				
Salary Grade 29	\$7,879	\$10,715	\$8,013	\$10,898
Salary Grade 30	\$8,108	\$11,026	\$8,245	\$11,214
SCADA Supervisor				
Salary Grade 31	\$8,351	\$11,358	\$8,493	\$11,551
Salary Grade 32	\$8,601	\$11,698	\$8,747	\$11,897
Salary Grade 33	\$8,859	\$12,048	\$9,010	\$12,253
Salary Grade 34	\$9,125	\$12,409	\$9,280	\$12,620
Waste Water Chief Plant Operator				

Presented below in Table 19 is the Compensation Plan for Exempt employees.

Table 19. Compensation Plan - Salary Range Schedule - Exempt
Effective Fiscal Year 2021/2022

	FY 2020/2021		Includes CPI Increase of 1.7%	
	Monthly Salary		FY 2021/2022	
	Minimum	Maximum	Minimum	Maximum
Salary Grade 40E	\$7,002	\$9,523	\$7,121	\$9,684
Salary Grade 41E	\$7,647	\$10,707	\$7,777	\$10,889
Customer Service Manager				
Salary Grade 42E	\$8,106	\$11,349	\$8,244	\$11,542
Salary Grade 43E	\$8,592	\$12,031	\$8,738	\$12,235
Project Engineer				
Information Technology Manager				
Salary Grade 44E	\$9,107	\$12,752	\$9,262	\$12,969
Salary Grade 45E	\$9,654	\$13,517	\$9,818	\$13,747
Operations Superintendent				
Salary Grade 46E	\$10,233	\$14,329	\$10,407	\$14,572
Principal Engineer				
Salary Grade 47E	\$10,847	\$15,189	\$11,032	\$15,447
Manager Human Resources				
Salary Grade 48E	\$11,498	\$16,100	\$11,694	\$16,373
Salary Grade 49E	\$12,188	\$17,066	\$12,395	\$17,356
Chief Financial Officer				
Salary Grade 50E	\$12,920	\$18,090	\$13,139	\$18,397
Salary Grade 51E	\$13,694	\$19,175	\$13,927	\$19,501
Salary Grade 52E	\$14,516	\$20,326	\$14,762	\$20,671
Assistant General Manager / Staff Engineer				
Salary Grade 53E	\$15,387	\$21,546	\$15,648	\$21,912

CAPITAL REPLACEMENT & REFURBISHMENT PROGRAM

The District has significant infrastructure and capital assets that periodically need to be replaced or refurbished in order to be able to continue to provide services to the District's customers.

- Objectives
- Replace and refurbish District owned facilities to improve the ability of staff to provide services, including the Main Office Building, the Warehouse Complex, the Wastewater Treatment Plant, and various other buildings and properties owned by the District.
 - Maintain high quality water facilities and mains, wastewater treatment facilities and sewer mains, and recycled water facilities and mains by reconstructing or rehabilitating these infrastructure assets when necessary. Continuously improve the infrastructure in the District to respond to changing needs, challenges, and regulations.
 - Purchase new and replacement vehicles and equipment to support and enhance District operations.
-

Overview

The District is committed to the replacement and refurbishment of its facilities, infrastructure, and capital assets and has developed a multi-year Capital Replacement and Refurbishment program to guide the replacement and refurbishment process. The Program is updated in conjunction with the annual budget to reflect changing conditions and resources. One of the primary obligations of the District is the construction, reconstruction, rehabilitation, and maintenance of its facilities, infrastructure, and capital assets. The financial health of the District is greatly impacted by its ability to adequately maintain its capital assets and avoid the substantial financial and service impacts that results from deteriorated capital assets. The types of capital improvements undertaken by the District include:

- **Water System Projects** - The maintenance and improvement of the District's water system is an important component of the capital program. The capacity, structural integrity, and general condition of the reservoirs, storage facilities, pumps, water mains, and service lines are critical to the District's continued ability to supply its customers with clean, high quality drinking water and to provide adequate pressure for daily demands and fire suppression. Water system improvements include the construction or rehabilitation of any part of the water distribution system, including water mains, water main valves, water service lines, reservoirs, and storage facilities.

The 2021-2022 Budget includes one significant project for the Water System, the interior recoating of the R-2 Reservoir for a budgeted expenses of \$605,000 with \$342,500 of the funding for the project coming from carryover funds from a prior budget year.

- **Wastewater Treatment System Projects** - The maintenance and improvement of the District's wastewater treatment system is another important component of the overall capital program. The Wastewater system collects wastewater from residences and businesses, utilizes mechanical and biological processes to metabolize and remove pollutants, and then discharges the effluent (the cleaned water) to either the tertiary treatment facility (for recycled water) or to the Ocean Outfall pipeline where it is transported to the Pacific Ocean. The solids that remain after the treatment process are transported via truck to the South Orange County Wastewater Authority (SOCWA) for final treatment and disposal. Sanitary Sewer System Improvements include the construction, reconstruction, or rehabilitation of any part of the wastewater collection and treatment system, including sanitary sewer mains, sanitary sewer pumps, lift stations, and the Wastewater Treatment Plant.

The 2021-2022 budget incorporates several significant projects, including the replacement of the emergency generator at the Aliso Creek Lift Station at a cost of \$275,000, the installation of a Wash Press System at the Headworks for \$200,000, the replacement of diffusers, pumps, and electrical equipment for the treatment system, and \$972,000 for the SOCWA capital budget.

- **Recycled Water System Projects** - The maintenance and improvement of the District's recycled water system is the final component of the capital program. The capacity, structural integrity, and general condition of the tertiary treatment facility, recycled water mains, and service lines are critical to the District's continued ability to supply its customers with high quality recycled water for irrigation purposes. Recycled water system improvements include the construction or rehabilitation of any part of the distribution system, including mains, main valves, and service lines.

There are no projects included in the 2021-2022 Budget as the recycled water system is a newly constructed system and the revenue generated from the capital rate charges is being used to pay the debt service costs.

Table 19. Five Year Capital Replacement & Refurbishment Program
F.Y. 2021/22 - 2025/26

ITEM #	DESCRIPTION	2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL	WATER	SEWER
<u>Source of Supply / Storage Projects</u>									
1	R-2 Reservoir Interior Recoating	605,000					605,000	605,000	
1	R-2 Reservoir Interior Recoating Carryover	(342,500)					(342,500)	(342,500)	
2	JRWSS Capital Budget	3,549	4,479	49,014	1,014	7,560	65,616	65,616	
3	Baker WTP Replacement Fund	52,795	52,795	52,795	52,795	52,795	263,975	263,975	
4	Baker Pipeline Exposure Mitigation Project	50,000					50,000	50,000	
5	R-6 Chlorine & Ammonia Chemical Feed Pump Replacement		93,807				93,807	93,807	
6	Replace Chlorine Generator and Reservoir Management System at R-4					369,082	369,082	369,082	
	<i>Total Source of Supply / Storage Projects</i>	368,844	151,081	101,809	53,809	429,437	1,104,980	1,104,980	0
<u>Pumping (Water) Projects</u>									
1	Water Stations PLC Upgrade to Control Logix		25,000	25,000		25,000	75,000	75,000	
	<i>Total Pumping (Water) Projects</i>	0	25,000	25,000	0	25,000	75,000	75,000	0
<u>Pumping (Water) Equipment</u>									
1	Cherry Booster Station Pump Replacement			84,964			84,964	84,964	
2	Shenandoah Booster Station Pump Replacement			84,964			84,964	84,964	
3	P-4 Pump Replacement Project		50,357				50,357	50,357	
	<i>Total Pumping (Water) Equipment</i>	0	50,357	169,928	0	0	220,284	220,284	0
<u>Pumping (Sanitation) Projects</u>									
1	Sewer Stations PLC Upgrade to Control Logix		25,000	25,000		25,000	75,000		75,000
	<i>Total Pumping (Sanitation) Projects</i>	0	25,000	25,000	0	25,000	75,000	0	75,000
<u>Pumping (Sanitation) Equipment</u>									
1	Aliso Creek Emergency Generator 350 KW (Unit 215)	275,000					275,000		275,000
	<i>Total Pumping (Sanitation) Equipment</i>	275,000	0	0	0	0	275,000	0	275,000
<u>Treatment (Sanitation) Projects</u>									
1	Wash Press System at Headworks	200,000					200,000		200,000
2	HACH WIMS Implementation	45,000					45,000		45,000
3	Secondary Clarifier # 1 Component Replacement		200,000				200,000		200,000
4	Secondary Clarifier # 4 Component Replacement					150,000	150,000		150,000
5	DAF Unit #2 Rehabilitation Project	75,000					75,000		75,000
	<i>Total Treatment (Sanitation) Projects</i>	320,000	200,000	0	0	150,000	670,000	0	670,000

Table 19. Five Year Capital Replacement & Refurbishment Program
F.Y. 2021/22 - 2025/26

ITEM #	DESCRIPTION	2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL	WATER	SEWER
<u><i>Treatment (Sanitation) Equipment</i></u>									
1	Aeration Basin Diffusers	75,000				303,877	378,877		378,877
2	Effluent Pump Station Pump Replacements	150,000					150,000		150,000
2	Effluent Pump Station Pump Replacements Carryover	(100,000)					(100,000)		(100,000)
3	WRP Main Electrical Power Breaker Upgrades	140,000					140,000		140,000
3	WRP Main Electrical Power Breaker Upgrades Carryover	(80,000)					(80,000)		(80,000)
	<i>Total Treatment (Sanitation) Equipment</i>	185,000	0	0	0	303,877	488,877	0	488,877
<u><i>Laboratory Equipment</i></u>									
1	Replacement Analyzers	15,000					15,000	7,500	7,500
	<i>Total Laboratory Equipment</i>	15,000	0	0	0	0	15,000	7,500	7,500
<u><i>Outside Treatment (SOCWA)</i></u>									
1	SOCWA Capital Budget	972,000	728,000	2,657,000	3,885,000	1,706,000	9,948,000		9,948,000
1	SOCWA Reserve Funding				(1,311,587)		(1,311,587)		(1,311,587)
	<i>Total Treatment (SOCWA)</i>	972,000	728,000	2,657,000	2,573,413	1,706,000	8,636,413	0	8,636,413
<u><i>Transmission & Distribution Projects</i></u>									
1	AMI Implementation						0	0	
	<i>Total Transmission & Distribution (Water) Projects</i>	0	0	0	0	0	0	0	0
<u><i>Collection Equipment</i></u>									
1	P332 Flexiprobe (Push Camera) Inspection System - PearPoint		25,000				25,000		25,000
2	P350 Flexiprobe (Mobile-Portable Camera) Inspection System - PearPoint		45,000				45,000		45,000
	<i>Total Collection Equipment</i>	0	70,000	0	0	0	70,000	0	70,000
<u><i>Vehicles/Vehicle Equipment</i></u>									
1	Vehicle Replacement	25,000	75,000		75,000		175,000	87,500	87,500
2	Hydro Excavator					643,246	643,246	643,246	
3	Warehouse Forklift	35,000					35,000	17,500	17,500
4	F-550 w/ Valve Maintenance Skid				191,442		191,442	191,442	
5	Vactor 2100 Combo Machine (Replace Unit 80)		500,000				500,000		500,000
6	Boom Truck (Diesel - Regulatory Compliance)		200,000				200,000	100,000	100,000
7	Forklift WRP (Diesel - Regulatory Compliance)	95,000					95,000	47,500	47,500
8	10-Wheel Dump Truck (Unit #50, Regulatory Compliance)		175,000				175,000	87,500	87,500
9	Replace Pony Pump and Motor on Sludge Tanker	40,000					40,000		40,000
	<i>Total Vehicles / Vehicle Equipment</i>	195,000	950,000	0	266,442	643,246	2,054,688	1,174,688	880,000

Table 19. Five Year Capital Replacement & Refurbishment Program
F.Y. 2021/22 - 2025/26

ITEM #	DESCRIPTION	2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL	WATER	SEWER
<u>Construction/Mechanical/Electrical Equipment</u>									
1	Backhoe		165,000				165,000	82,500	82,500
	<i>Total Construction Equipment</i>	0	165,000	0	0	0	165,000	82,500	82,500
<u>General Building Projects</u>									
1	Main Office / Field Office HVAC Replacement & Improvement Project						0	0	0
	<i>Total General Building Projects</i>	0	0	0	0	0	0	0	0
<u>Office Equipment/Furniture</u>									
1	Server Room AC Units	21,000					21,000	10,500	10,500
2	Integrated Data Protection Appliance	45,000					45,000	22,500	22,500
3	Security Cameras				138,915		138,915	69,458	69,458
	<i>Total Office Equipment / Furniture</i>	66,000	0	0	138,915	0	204,915	102,458	102,458
<u>Contingency</u>									
1	Contingency	3,156	35,563	0	0	0	38,719	19,359	19,359
	<i>Total Contingency</i>	3,156	35,563	0	0	0	38,719	19,359	19,359
	<i>Total Capital Budget</i>	2,400,000	2,400,000	2,978,737	3,032,579	3,282,560	14,093,876	2,786,770	11,307,106
	<i>Total Capital Projects</i>	1,662,422	1,146,862	2,808,809	2,627,222	2,335,437	10,580,752	1,189,660	9,391,093
	WATER	369,633	184,971	126,809	53,809	454,437	1,189,660		
	SEWER	1,292,789	961,891	2,682,000	2,573,413	1,881,000	9,391,093		
	<i>Total Capital Equipment</i>	737,578	1,253,138	169,928	405,357	947,122	3,513,123	1,597,110	1,916,014
	WATER	118,789	366,747	169,928	298,400	643,246	1,597,110		
	SEWER	618,789	886,391	0	106,958	303,877	1,916,014		
	<i>Total Capital Budget</i>	2,400,000	2,400,000	2,978,737	3,032,579	3,282,560	14,093,876	2,786,770	11,307,106
	WATER	488,422	551,719	296,737	352,209	1,097,683	2,786,770		
	SEWER	1,911,578	1,848,281	2,682,000	2,680,371	2,184,877	11,307,106		

Debt Analysis

The District is indebted for several projects that have occurred in the last ten years. The District has received financing from the California State Water Boards for clean water projects including the reconstruction of the Northline Lift Station and two phases of construction for the recycled water system. The District also has a loan outstanding to a bank for its portion of the Baker Water Treatment Plant. One of the requirements of the State of California SRF loans is for the District to calculate a debt service coverage ratio each year. Presented below in Table 21 is the calculation of the debt service coverage for the period from 2018-2019 through the 2021-2022 Budget.

Table 21. Debt Service Coverage Ratio

	2018-2019 Actual	2019-2020 Actual	2020-2021 Budget	2021-2022 budget
Operating Revenues	\$24,135,379	\$24,657,613	\$25,455,668	\$26,623,813
Non-Operating Revenues	\$2,627,873	\$1,744,549	\$1,658,500	\$1,445,000
Operating Expenses	\$20,795,358	\$21,377,587	\$22,004,123	\$22,962,367
Non-Operating Expenses	\$753,794	\$777,511	\$756,649	\$718,000
Net Revenues	\$5,214,100	\$4,247,064	\$4,353,396	\$4,388,446
Total Outstanding Debt Service	\$2,954,413	\$2,954,413	\$2,954,413	\$2,954,413
Debt Service Coverage	1.76	1.44	1.47	1.49
Debt Service Requirement	1.20	1.20	1.20	1.20

Beginning on the following page in Table 21, are debt service schedules for each of the long term debt issuance the District has outstanding.

Table 22. Schedule of Long-Term Debt Requirements
California State Revolving Fund Loan of 2010
As of June 30, 2020

Date of Issuance	October, 2010
Date of Maturity	January 12, 2032
Authorized Issue	\$3,918,590
Interest Rates	2.70%
Principal & Interest Payment Date	January 12 of each Fiscal Year
Payable to	California State Water Resources Control Board
Agreement Number	10801-550-0

Current and Future Principal and Interest Requirements

Fiscal Year Ended	Debt Service Requirements			Totals	Remaining Balance
	Principal	Service Charge	Grant Charge		
June 30, 2021	187,508	26,162	44,476	258,146	2,428,708
June 30, 2022	192,571	24,287	41,288	258,146	2,236,137
June 30, 2023	197,770	22,361	38,014	258,146	2,038,367
June 30, 2024	203,110	20,384	34,652	258,146	1,835,257
June 30, 2025	208,594	18,353	31,199	258,146	1,626,664
June 30, 2026	214,226	16,267	27,653	258,146	1,412,438
June 30, 2027	220,010	14,124	24,011	258,146	1,192,428
June 30, 2028	225,950	11,924	20,271	258,146	966,477
June 30, 2029	232,051	9,665	16,430	258,146	734,426
June 30, 2030	238,316	7,344	12,485	258,146	496,110
June 30, 2031	244,751	4,961	8,434	258,146	251,359
June 30, 2032	251,359	2,514	4,273	258,146	-
	<u>2,616,216</u>	<u>178,346</u>	<u>303,188</u>	<u>3,097,750</u>	

Note: This loan from the California State Water Resources Control Board was utilized by the District to finance the Northline Lift Station Improvement Project.

Table 23. Schedule of Long-Term Debt Requirements
California State Revolving Fund Loan of 2013
As of June 30, 2020

Date of Issuance	February, 2013
Date of Maturity	January 12, 2032
Authorized Issue	\$28,002,378
Interest Rates	1.70%
Principal & Interest Payment Date	December 31 of each Fiscal Year
Payable to	California State Water Resources Control Board
Agreement Number	12821-550-0

Current and Future Principal and Interest Requirements

Fiscal Year Ended	Debt Service Requirements			Totals	Remaining
	Principal	Service Charge	Grant Charge		Balance
June 30, 2021	1,244,824	147,467	210,667	1,602,958	19,821,900
June 30, 2022	1,265,986	138,753	198,219	1,602,958	18,555,914
June 30, 2023	1,287,507	129,891	185,559	1,602,958	17,268,407
June 30, 2024	1,309,395	120,879	172,684	1,602,958	15,959,012
June 30, 2025	1,331,655	111,713	159,590	1,602,958	14,627,357
June 30, 2026	1,354,293	102,392	146,274	1,602,958	13,273,064
June 30, 2027	1,377,316	92,911	132,731	1,602,958	11,895,748
June 30, 2028	1,400,730	83,270	118,957	1,602,958	10,495,018
June 30, 2029	1,424,543	73,465	104,950	1,602,958	9,070,475
June 30, 2030	1,448,760	63,493	90,705	1,602,958	7,621,715
June 30, 2031	1,473,389	53,352	76,217	1,602,958	6,148,326
June 30, 2032	1,498,436	43,038	61,483	1,602,958	4,649,890
June 30, 2033	1,523,910	32,549	46,499	1,602,958	3,125,980
June 30, 2034	1,549,816	21,882	31,260	1,602,958	1,576,164
June 30, 2035	1,576,163	11,033	15,762	1,602,958	0
	<u>16,416,834</u>	<u>1,160,626</u>	<u>1,658,037</u>	<u>19,235,496</u>	

Note: This loan from the California State Water Resources Control Board was utilized by the District to construct the tertiary treatment system to produce high quality recycled water from treated wastewater and to construct the initial recycled water distribution system.

**Table 24. Schedule of Long-Term Debt Requirements
Baker Water Treatment Plant Agreement & Refinance Loan
As of June 30, 2020**

Date of Issuance	January, 2017
Date of Maturity	July 1, 2036
Authorized Issue	\$9,715,035
Interest Rates	3.10%
Principal & Interest Payment Date	January, 1 and July, 1
Payable to	Sunflower State Bank of Texas

Current and Future Principal and Interest Requirements

Fiscal Year Ended	Debt Service Requirements July 1		January 1	Totals	Remaining Balance
	Principal	Interest	Interest		
June 30, 2022	419,840	132,211	125,704	677,755	8,109,910
June 30, 2023	432,855	125,704	118,994	677,553	7,677,055
June 30, 2024	446,274	118,994	112,077	677,345	7,230,781
June 30, 2025	460,108	112,077	104,945	677,131	6,770,673
June 30, 2026	474,372	104,945	97,593	676,910	6,296,301
June 30, 2027	489,077	97,593	90,012	676,682	5,807,224
June 30, 2028	504,239	90,012	82,196	676,447	5,302,985
June 30, 2029	519,870	82,196	74,138	676,205	4,783,115
June 30, 2030	535,986	74,138	65,831	675,955	4,247,129
June 30, 2031	552,602	65,831	57,265	675,698	3,694,527
June 30, 2032	569,732	57,265	48,434	675,431	3,124,795
June 30, 2033	587,394	48,434	39,330	675,158	2,537,401
June 30, 2034	605,603	39,330	29,943	674,876	1,931,798
June 30, 2035	624,377	29,943	20,265	674,585	1,307,421
June 30, 2036	643,733	20,265	10,287	674,285	663,688
June 30, 2037	663,688	10,287	-	673,975	-
	8,529,750	1,060,966	1,077,014	7,443,111	

Note: In December 2013, the District entered into the Baker Water Treatment Plant Agreement, along with five other public entities relating to the Baker treatment plant. In January 2014, the District entered into an installment sale agreement with the Irvine Ranch Water District (IRWD) for the purchase of the District's portion of rights, title, and interest to the capacity not-to-exceed amount of \$12,500,000.

In 2017, the District refinanced IRWD's installment sale agreement with a loan from a financial institution for \$9,715,035 with an interest rate of 3.10%. The loan is scheduled to mature in 2036. Principal and interest are payable annually at the interest rate of 3.10%.

Table 25. Schedule of Long-Term Debt Requirements
California State Revolving Fund Loan of 2018
As of June 30, 2020

Date of Issuance	June, 2019
Date of Maturity	July 31, 2029
Authorized Issue	\$4,085,782
Interest Rate	1.70%
Principal & Interest Payment Date	July 1 of each year
Payable to	California State Water Resources Control Board
Agreement Number	D1601019-550-0

Current and Future Principal and Interest Requirements

Fiscal Year Ended	Debt Service Requirements			Remaining Balance
	Principal	Interest	Totals	
June 30, 2021	345,231	63,455	408,686	3,387,047
June 30, 2022	351,466	57,580	409,046	3,035,581
June 30, 2023	357,441	38,371	395,812	2,678,140
June 30, 2024	363,518	33,852	397,370	2,314,622
June 30, 2025	369,698	29,258	398,955	1,944,925
June 30, 2026	375,982	24,584	400,567	1,568,942
June 30, 2027	382,374	19,832	402,206	1,186,568
June 30, 2028	388,874	14,999	403,873	797,694
June 30, 2029	395,485	10,083	405,568	402,209
June 30, 2030	402,209	5,084	407,293	-
	<u>3,732,279</u>	<u>297,097</u>	<u>4,029,376</u>	

Note: This loan from the California State Water Resources Control Board was utilized by the District to complete the construction of the recycled water distribution system.