

I hereby certify that the following agenda
was posted at least 72 hours prior to
the time of the meeting so noticed
below at
24251 Los Alisos Boulevard, Lake Forest, California.



DENNIS P. CAFFERTY, Secretary
of the El Toro Water District and
the Board of Directors thereof



AGENDA

EL TORO WATER DISTRICT

REGULAR MEETING OF THE BOARD OF DIRECTORS

FINANCE AND INSURANCE COMMITTEE MEETING AND ENGINEERING COMMITTEE MEETING

January 24, 2022

7:30 a.m.

Director Jose Vergara will be attending remotely from:

27231 Eastridge Drive
Lake Forest, CA 92630

Members of the public who wish to comment on any item within the jurisdiction of the District or on any item on the agenda, attend the meeting in person at the District's office or may observe and address the Meeting by joining at this link:
<https://us02web.zoom.us/j/82322393859> (Meeting ID: 823 2239 3859).

Members of the public who wish only to listen to the telephonic meeting may dial in at the following numbers (669) 900-6833 or (346) 248-7799 with the same Meeting ID noted above. Please be advised the Meeting is being recorded.

CALL TO ORDER – President Freshley

PLEDGE OF ALLEGIANCE – Director Monin

ORAL COMMUNICATIONS/PUBLIC COMMENTS

Members of the public may address the Board at this time or they may reserve this opportunity with regard to an item on the agenda until said item is discussed by the Board. Comments on other items will be heard at the times set aside for “COMMENTS REGARDING NON-AGENDA ENGINEERING COMMITTEE ITEMS” or for “COMMENTS REGARDING NON-AGENDA FIC ITEMS.” The public may identify themselves when called on and limit their comments to three minutes.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize item(s) which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present, or, if less than two-thirds of the Board members are present, a unanimous vote of those members present.)

FINANCE AND INSURANCE COMMITTEE MEETING

CALL MEETING TO ORDER – Director Havens

1. Consent Calendar (Reference Material Included)

(All matters under the Consent Calendar will be approved by one motion unless a Board member or a member of the public requests separate action or discussion on a specific item)

- a. Consider approving the minutes of the December 13, 2021 Finance and Insurance Committee meeting (Minutes Included)

Recommended Action: The Board will be requested to approve the above Consent Calendar.

APPROVAL OF ITEMS REMOVED FROM TODAY’S FINANCE AND INSURANCE COMMITTEE CONSENT CALENDAR

The Board will discuss items removed from today’s Finance and Insurance Committee Consent Calendar requiring further discussion.

Recommended Action: The Board will be requested to approve the items removed from today’s Finance and Insurance Committee Consent Calendar.

2. **California Asset Management Program (CAMP)** (Reference Material Included)

A CAMP Representative will update the Board on the District's investment holdings and philosophy based on the economic outlook. CAMP assists the District with short-term and long-term investment alternatives.

FINANCIAL INFORMATION ITEMS

3. **Tiered Water Usage and Revenue Tracking** (Reference Material Included)

Staff will review and comment on monthly and year to date Tiered Water Usage and Revenue tracking.

4. **Update on the Implementation of the Springbrook Software System**
(Reference Material Included)

Staff will provide an update on the status of the implementation of the Springbrook Software System.

5. **Update on Financing Plan for Near-term Future Capital Projects**
(Reference Material Included)

Staff will provide an update on the status of the financing plan for upcoming large capital projects.

6. **Moratorium on Service Disconnection for Nonpayment**
(Reference Material Included)

The State moratorium on termination of service for nonpayment expired on December 31, 2021. The District is participating in the California Water and Wastewater Arrearage Payment Program. Staff will provide an update on a plan to incorporate the arrearage payments to offset existing delinquent accounts and a transition to a resumption of service disconnections on a go forward basis in compliance with existing District policies.

7. **Update to Annual Comprehensive Financial Report**
(Reference Material Included)

Staff will review and comment on an update to the Annual Comprehensive Financial Report approved by the Board in December, 2020.

FINANCIAL ACTION ITEMS

8. **Joint Exercise of Powers Agreement between El Toro Water District and California Statewide Communities Development Authority**

(Reference Material Included)

Staff will review and comment on the Joint Exercise of Powers Agreement between El Toro Water District and California Statewide Communities Development Authority to facilitate the issuance of Revenue Bonds to support the funding of several upcoming large capital projects.

Recommended Action: Staff recommends the Board approve Resolution No. 22-1-1 authorizing the creation of the El Toro Water District Financing Authority and approving the Joint Exercise of Powers Agreement with the California Statewide Communities Development Authority.

RESOLUTION NO. 22-1-1

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EL TORO WATER DISTRICT
AUTHORIZING THE CREATION OF THE
EL TORO WATER DISTRICT FINANCING AUTHORITY AND
APPROVING THE JOINT EXERCISE OF POWERS AGREEMENT WITH THE
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

9. **Resolution No. 22-1-2 Adopting El Toro Water District Policy Statement 2022-23 (IV) Debt Management Policy** (Reference Material Included)

Staff will review and comment on Resolution No. 22-1-2 adopting El Toro Water District Policy Statement 2022-23 (IV) Debt Management Policy.

Recommended Action: Staff recommends the Board approve Resolution No. 22-1-2 amending El Toro Water District Policy Statement 2022-23 (IV) Debt Management Policy.

RESOLUTION NO. 22-1-2

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EL TORO WATER DISTRICT
ADOPTING EL TORO WATER DISTRICT POLICY STATEMENT 2022-23 (IV)
DEBT MANAGEMENT POLICY

10. **Resolution No. 22-1-3 Amending El Toro Water District Policy Statement 1985-3 (IV) Investment Policy** (Reference Material Included)

Staff will review and comment on Resolution No. 22-1-3 amending El Toro Water District Policy Statement 1985-3 (IV) Investment Policy.

Recommended Action: Staff recommends the Board approve Resolution No. 22-1-3 amending El Toro Water District Policy Statement 1985-3 (IV) Investment Policy.

RESOLUTION NO. 22-1-3

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EL TORO WATER DISTRICT
AMENDING EL TORO WATER DISTRICT POLICY STATEMENT 1985-3 (IV)
INVESTMENT POLICY

11. **Quarterly Insurance Report** (Reference Material Included)

Staff will review and comment on the Quarterly Insurance Report for the period October 1, 2021 through December 31, 2021.

Recommended Action: Staff recommends that the Board Receive and File the Quarterly Insurance Report for the period of October 1, 2021 through December 31, 2021.

12. **Financial Package - Authorization to Approve Bills for Consideration dated January 24, 2022 and Receive and File Financial Statements as of December 31, 2021** (Reference Material Included)

The Board will consider approving the Bills for Consideration dated January 24, 2022 and Receive and File Financial Statements as of December 31, 2021.

Recommended Action: Staff recommends that the Board 1) approve, ratify and confirm payment of those bills as set forth in the schedule of bills for consideration dated January 24, 2022, and 2) receive and file the Financial Statements for the period ending December 31, 2021.

COMMENTS REGARDING NON-AGENDA FIC ITEMS

CLOSE FINANCE AND INSURANCE COMMITTEE MEETING

ENGINEERING COMMITTEE

CALL MEETING TO ORDER – Director Vergara

13. Consent Calendar

(All matters under the Consent Calendar will be approved by one motion unless a Board member or a member of the public requests separate action or discussion on a specific item)

- a. Consider approving the minutes of the December 16, 2021 Engineering Committee meeting. (Minutes Included)

Recommended Action: The Board will be requested to approve the subject minutes.

APPROVAL OF ITEMS REMOVED FROM TODAY'S ENGINEERING COMMITTEE CONSENT CALENDAR

The Board will discuss items removed from today's Engineering Committee Consent Calendar requiring further discussion.

Recommended Action: The Board will be requested to approve the items removed from today's Engineering Committee Consent Calendar.

GENERAL INFORMATION ITEMS

14. El Toro Water District Capital Project Status Report (Reference Material Included)

Staff will review and comment on the El Toro Water District Capital Project Status Report.

15. Engineering Items Discussed at Various Conferences and Meetings (Oral Report)

The Committee will discuss any pertinent Engineering items discussed at Conferences.

COMMENTS REGARDING NON-AGENDA ENGINEERING COMMITTEE ITEMS CLOSE ENGINEERING COMMITTEE MEETING

ATTORNEY REPORT

CLOSED SESSION

At this time the Board will go into Closed Session as follows:

1. Pursuant to Government Code Section 54956.9 (d) (1) to consult with legal counsel and staff on a matter of pending litigation. *Kessner et al. v. City of Santa Clara, et al. (Santa Clara County Superior Court - Case No. 20 CV 364054).*
2. Pursuant to Government Code Section 54956.9 (d) (2) to consult with legal counsel and staff – Anticipated Litigation (one matter).

REGULAR SESSION

REPORT ON CLOSED SESSION (Legal Counsel)

Mr. Granito will provide an oral report on the Closed Session.

ADJOURNMENT

The agenda material for this meeting is available to the public at the District's Administrative Office, which is located at 24251 Los Alisos Blvd., Lake Forest, Ca. 92630. If any additional material related to an open session agenda item is distributed to all or a majority of the board of directors after this agenda is posted, such material will be made available for immediate public inspection at the same location.

Request for Disability-Related Modifications or Accommodations

If you require any disability-related accommodation, including auxiliary aids or services, in order to participate in this public meeting, please telephone the District's Recording Secretary, Polly Welsch at (949) 837-7050, extension

225 at least forty-eight (48) hours prior to said meeting. If you prefer, your request may be submitted in writing to El Toro Water District, P.O. Box 4000, Laguna Hills, California 92654, Attention: Polly Welsch.

MINUTES OF THE REGULAR MEETING
OF THE
FINANCE & INSURANCE COMMITTEE

December 13, 2021

At approximately 7:30 a.m. President Gaskins called the regular meeting to order.

Director Vergara led in the Pledge of Allegiance to the flag.

Committee Members MIKE GASKINS , KATHRYN FRESHLEY, JOSE VERGARA, MARK MONIN (arrived at 7:50 a.m.), and KAY HAVENS participated.

Also participating were DENNIS P. CAFFERTY, General Manager, JASON HAYDEN, CFO, GILBERT J. GRANITO, General Counsel, SCOTT HOPKINS, Operations Superintendent, HANNAH FORD, Engineering Manager, SHERRI SEITZ, Public Relations/Emergency Preparedness Administrator, LESLIE BLOOM, NHA Advisors, MARK NORTHCROSS, NHA Advisors, DAPHNE MUNOZ, Auditor, and POLLY WELSCH, Recording Secretary.

Oral Communications/Public Comments

There were no comments.

Items Received Too Late to be Agendized

President Gaskins asked if there were any items received too late to be agendized. Mr. Cafferty replied no.

Finance & Insurance Committee Meeting

At approximately 7:32 a.m. Director Havens called the Finance meeting to order.

Consent Calendar

President Gaskins stated that he would like to pull item b. from the Consent

Calendar for further discussion.

Director Havens asked for a Motion.

Motion: Director Vergara made a motion, seconded by President Gaskins and unanimously carried across the Board to approve the Consent Calendar, with item b. pulled.

Roll Call Vote:

Director Havens	aye
Vice President Freshley	aye
Director Vergara	aye
President Gaskins	aye
Director Monin	absent

Approval of Items Removed from Today's Finance and Insurance Committee Consent Calendar

President Gaskins stated that the CASA Winter conference is January 19-21, 2022 in Palm Springs, and he authorized the Directors to attend.

Director Havens asked for a Motion.

Motion: Vice President Freshley made a Motion, seconded by President Gaskins and unanimously carried across the Board to approve item b. of today's Consent Calendar.

Roll Call Vote:

Director Havens	aye
Vice President Freshley	aye
Director Vergara	aye
President Gaskins	aye
Director Monin	absent

Financial Information Items

Tiered Water Usage and Revenue Tracking

Mr. Cafferty stated that page 18 was added to show Recycled Water use by United and Third Mutual. He further stated that the dedicated irrigation page reflects the ET factor.

Director Havens stated that functional turf could be mandated in the near future with profound impact on the District. Mr. Cafferty replied that ET factor could be reduced for ornamental turf that is irrigated with recycled water or potable water.

Update on the Implementation of the Springbrook Software System

Mr. Hayden stated that staff is completing questionnaires that Springbrook asked for by early January, and staff is entering chart of account information on a spreadsheet to be used to upload this information into Springbrook.

Phase 1 LRP Agreement Reconciliation

Mr. Cafferty stated that staff has been working on the Phase 1 LRP reconciliation. He further stated that the LRP rebate program was designed by MET to provide incentive for agencies to implement projects that will offset the need for potable water.

Mr. Cafferty stated that ETWD entered into an LRP agreement for our Phase 1 Recycled Water project in 2012 that pays \$250 per acre foot for recycled water produced for that purpose. He further stated that the costs associated with the project exceed the MET treated water cost, which we submit to MET compared to the benchmark, for costs higher than the benchmark, and MET pays the difference.

Mr. Cafferty stated that in the Phase 1 project for the 2020/21 fiscal year, we sold approximately 1,040 acre feet, and we collected approximately \$250,000 in LRP

rebates.

Mr. Cafferty stated that we sold more recycled water than we did in the previous year, an additional 212 acre feet. He further stated that this was \$492,000 of additional revenue in recycled water sales.

Mr. Cafferty stated that due to the additional sales of recycled water in the 2020-2021 fiscal year, under the terms of the contract with MWDOC the District is not able to justify the LRP rebate for the 2020-2021 fiscal year. Mr. Cafferty explained the amount of recycled water sold in 2020-2021 resulted in a calculated cost of recycled water that was insufficient to justify the full amount of the LRP rebate. Mr. Cafferty stated that the capital costs allocated to Phase I of the recycled water system were not high enough to keep the cost of recycled water higher than the cost of potable water. . He further stated that MWDOC has worked with the District to resolve this issue but after discussing the term of the LRP contract with MET , it was determined that a change to the contract could not be made after the expiration of the 2020-2021 fiscal year. Mr. Cafferty noted that this change could be made for future fiscal years and the District is working with MWDOC and MET to implement this change so this issue will be avoided in future years.

Director Havens asked if there is any time sensitivity. Mr. Cafferty replied that an amendment should be done during the current fiscal year.

Update on Financing Plan for Near-term Future Capital Projects

Mr. Hayden stated that NHA Advisors have drafted an RFP to be sent to bond underwriting firms who would serve as the District's underwriter to complete the issuance of the debt.

Mr. Hayden stated that NHA Advisors has advised staff that it could be beneficial to issue debt as Revenue Bonds instead of COP's. He further stated that Revenue Bonds are more accepted in debt markets.

Ms. Bloom stated that the District expects to fund 6 projects with an estimated cost of \$34 million with \$25 million funding needed after application of reserves. She further stated that the Recycled Water project is not expected to be funded at this time.

Ms. Bloom stated that the Plan of Finance goals include long-term fiscal sustainability, maintaining affordable rates for customers, securing low interest rates and repayment terms, and providing financial flexibility to the District.

Ms. Bloom stated that the District has examined funding alternatives including capital projects to be funded, inclusion of SRF loan refinancing, repayment shape, and COP's versus Revenue Bonds. She further stated that staff has decided the best alternative is to refinance the outstanding SRF loans.

Ms. Bloom stated that pushing back debt service is called a wrap structure. She further stated that financing assumptions support their analysis.

Ms. Bloom showed a comparison of the District's current debt payments versus combined new debt payments, and estimated debt service coverage.

Vice President Freshley asked if it makes any difference if we have COP's or Revenue Bonds. Mr. Northcross replied that the difference between calling a debt obligation a COP and a utility revenue bond may be very small in the current market environment but even a small reduction in interest cost more than makes up for the additional cost associated with issuing revenue bonds. He further stated that this could change significantly in the long run, and is driven by a technical term called credit spreads.

Mr. Cafferty stated that the next step will be to either form a JPA, or a non-profit financing corporation. He further stated that we need to pay attention to interest rates rising in the near future.

Director Monin asked if the \$10,000 fee is a one-time charge. Mr. Cafferty replied yes.

Vice President Freshley stated that she would like a chance to read the entire agreement before making any decisions.

Mr. Cafferty stated that the COP's are somewhat unique to California but Revenue Bonds are issued by entities throughout the United States and are therefore well understood and accepted by bond market participants..

Financial Action Items

ETWD Comprehensive Annual Financial Report/Audit – Fiscal Year Ended June 30, 2021

Daphne Munoz of White Nelson provided a brief presentation to the Board,

Mr. Hayden stated that the audit opinion is unqualified, and in addition to this opinion, the communication letter also communicates the auditor's opinion of working with the District's finance staff.

Director Vergara asked for clarification on what unqualified means. Mr. Hayden replied that there are several auditor opinions that can be issued for a set of financial statements and an unqualified opinion is the highest form of audit opinion that can be issued. An Unqualified Opinion means the auditors have opined that the financial statements are free of material mis-statements and therefore correctly reflect the results of the financial operations for the fiscal year.

Mr. Hayden stated that fiscal year 2021 was a successful year considering the challenging environment. He further stated that staff is recommending that the Board

Receive and File the Annual Financial Report for the fiscal year ending June 30, 2021.

Director Havens asked for a Motion.

Motion: Director Monin made a Motion, seconded by Vice President Freshley and unanimously carried across the Board to Receive and File the District's Annual Financial Report – Audit for the Fiscal Year ending June 30, 2021.

Roll Call Vote:

Director Havens	aye
Director Vergara	aye
Director Monin	aye
Vice President Freshley	aye
President Gaskins	aye

Financial Package – Authorization to Approve Bills for Consideration dated December 13, 2021 and Receive and File Financial Statements as of November 30, 2021

Director Havens asked for a Motion.

Motion: Director Vergara made a Motion, seconded by Director Monin and unanimously carried across the Board to approve, ratify, and confirm payment of those bills as set forth in the schedule of bills for consideration dated December 13, 2021, and receive and file the financial statements for the period ending November 30, 2021.

Roll Call Vote:

Director Havens	aye
Vice President Freshley	aye
Director Vergara	aye
President Gaskins	aye
Director Monin	aye

Water Use Efficiency Analyst

Mr. Cafferty introduced the concept of hiring a Water Use Efficiency Analyst to consolidate water use efficiency tasks that are currently being handled by various employees in Engineering, Finance, and Operations. He further stated that this area of responsibility is becoming more important as the State issues additional mandates and requires additional reporting from the District. Mr. Cafferty stated that staff is evaluating how other agencies staff this position and the salary range associated with the position. He further stated that this additional employee will impact the 2021/22 fiscal year budget.

Director Havens asked for a Motion.

Motion: President Gaskins made a Motion, seconded by Vice President Freshley and unanimously carried across the Board to approve the addition of the Water Use Efficiency Analyst position.

Roll Call Vote:

Director Havens	aye
Vice President Freshley	aye
Director Vergara	aye
President Gaskins	aye
Director Monin	aye

Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance and Insurance Committee Meeting

There being no further business the Finance Committee meeting was closed at approximately 9:30 a.m.

Respectfully submitted,

POLLY WELSCH
Recording Secretary

APPROVED:

KATHRYN FRESHLEY, President
of the El Toro Water District and the
Board of Directors thereof

DENNIS P. CAFFERTY, Secretary
of the El Toro Water District and the
Board of Directors thereof

El Toro Water District

Portfolio Update

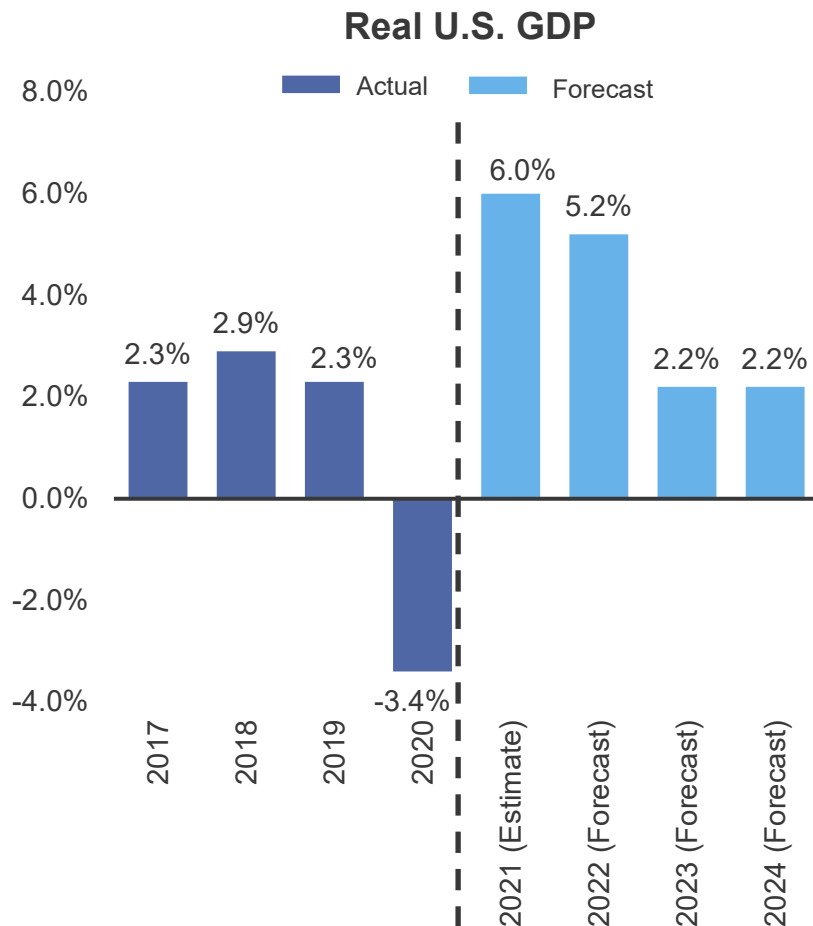
January 25, 2022

949.230.6896

PFM Asset Management LLC

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

U.S. GDP Rebounds from Pandemic



Factors Driving Growth...

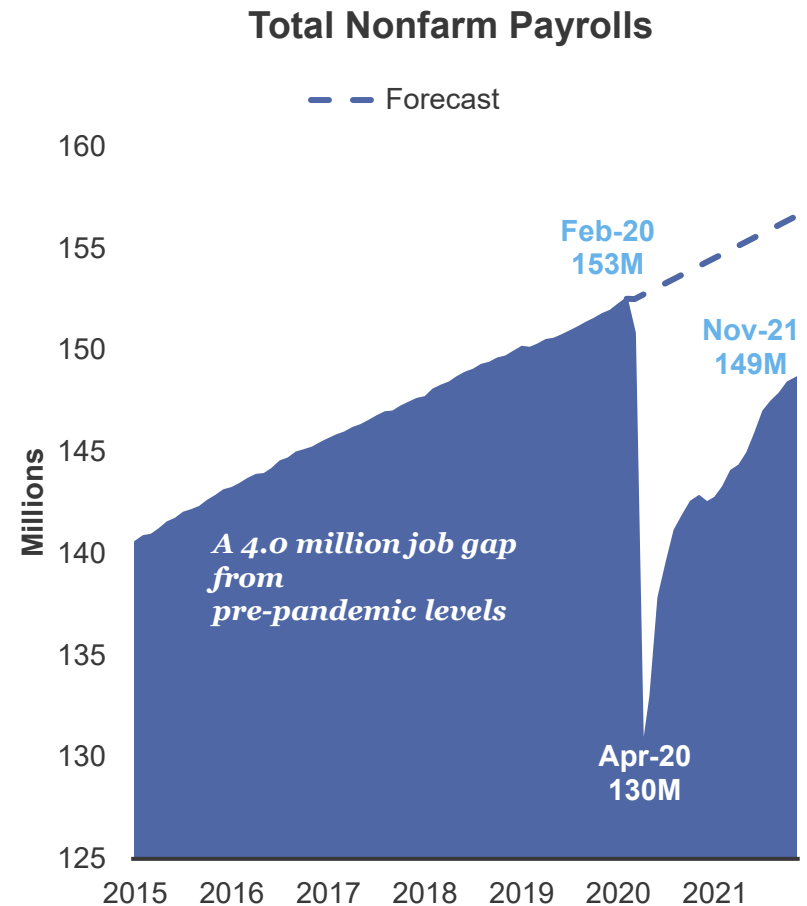
- ▶ Better-than-expected corporate profit margins fueling equity markets
- ▶ Unprecedented accommodative monetary policy and fiscal stimulus
- ▶ Access to COVID-19 vaccines and reduction of pandemic-era lockdowns
- ▶ Continued adaptation of all sectors of the economy to the challenging health situation

Growth is Expected to Moderate...

- ▶ Persistent damage to supply chains continues to disrupt the production and distribution network
- ▶ Age-related impacts to labor force growth predating the pandemic
- ▶ Return to more normal household income and saving trends
- ▶ Normalizing fiscal and monetary policies

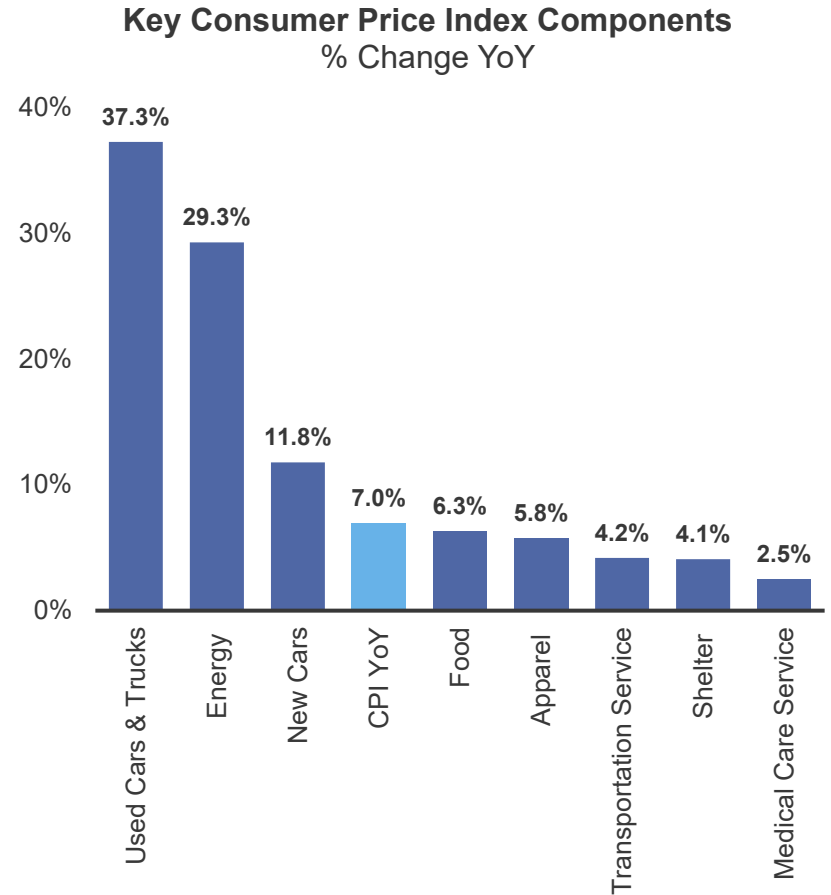
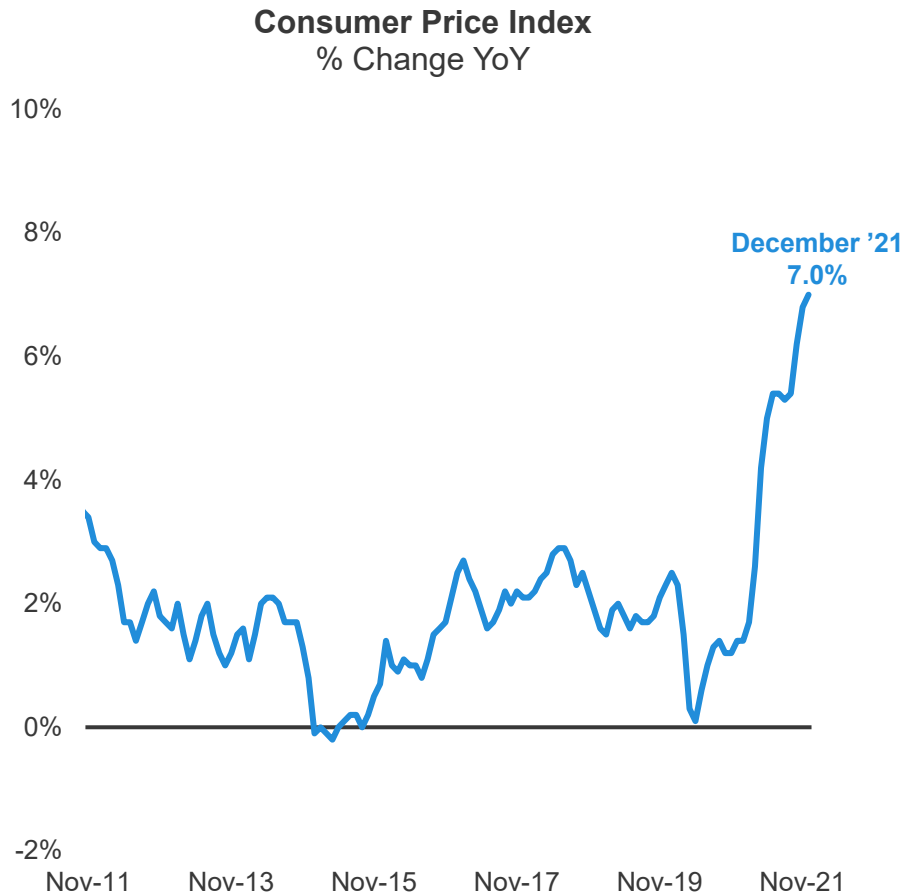
Uneven Labor Market Recovery Post-Pandemic

Economic Indicator	Pre-Pandemic	Pandemic Peak/Trough	Current
Unemployment Rate	3.6%	14.7%	3.9%
Labor Force Participation Rate (Total)	63.3%	60.2%	61.9%
Labor Force Participation Rate (Prime Age)	82.9%	79.9%	81.9%
Average Hourly Earnings Growth	2.9%	0.3%	4.7%
Job Opening Level	6.8 MM	4.6 MM	10.6 MM
Turnover Rate	3.7%	10.8%	4.2%
Quits Rate	2.3%	1.6%	3.0%
Initial Jobless Claims	218 K	6.1 MM	207 K
Continuing Claims	1.8 MM	23.1 MM	1.8 MM



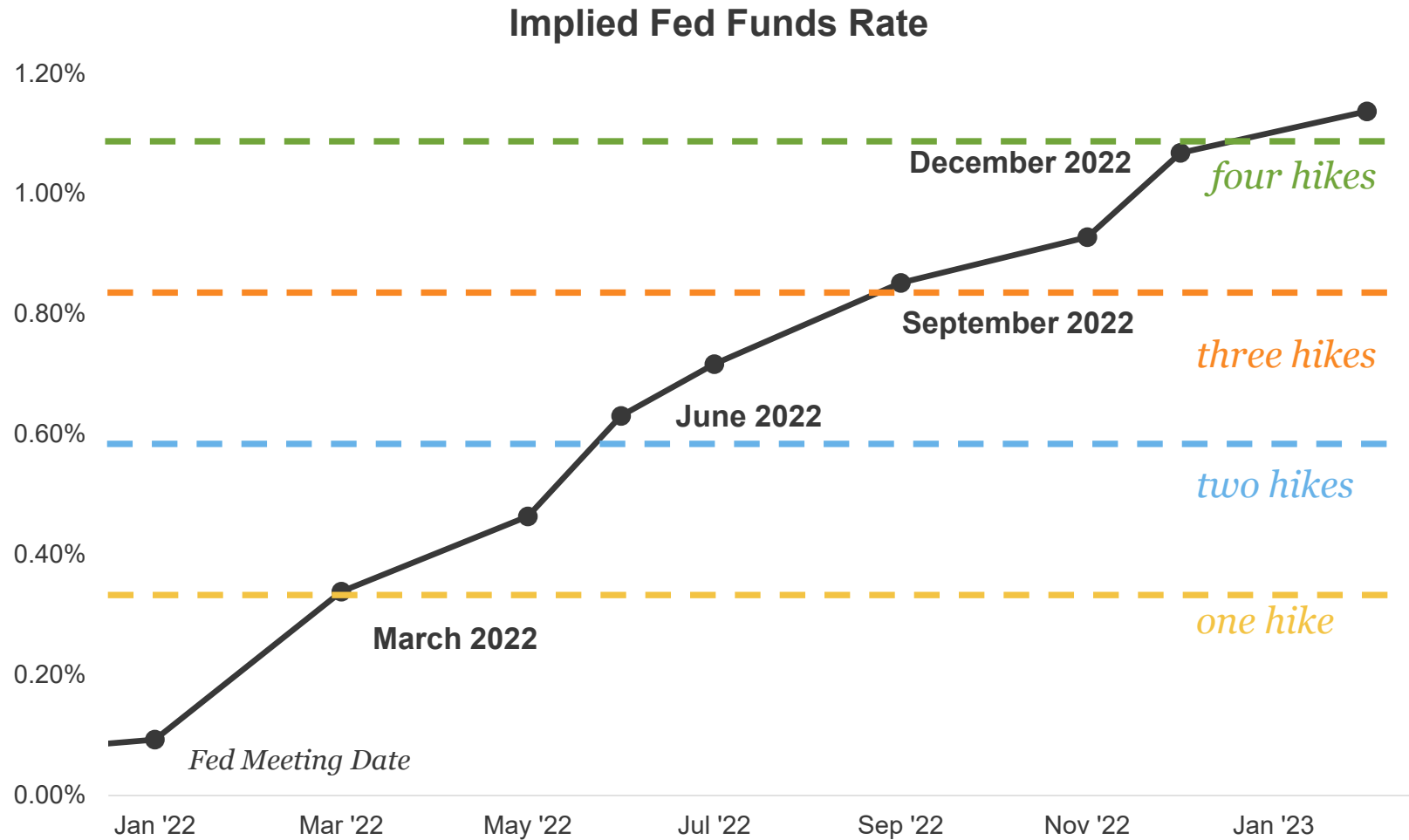
Source: Bureau of Labor Statistics; latest available data as of December 2021; calculation from Bloomberg, pre-pandemic data as of December 2019.

Consumer Inflation Rose at Fastest Rate Since 1982



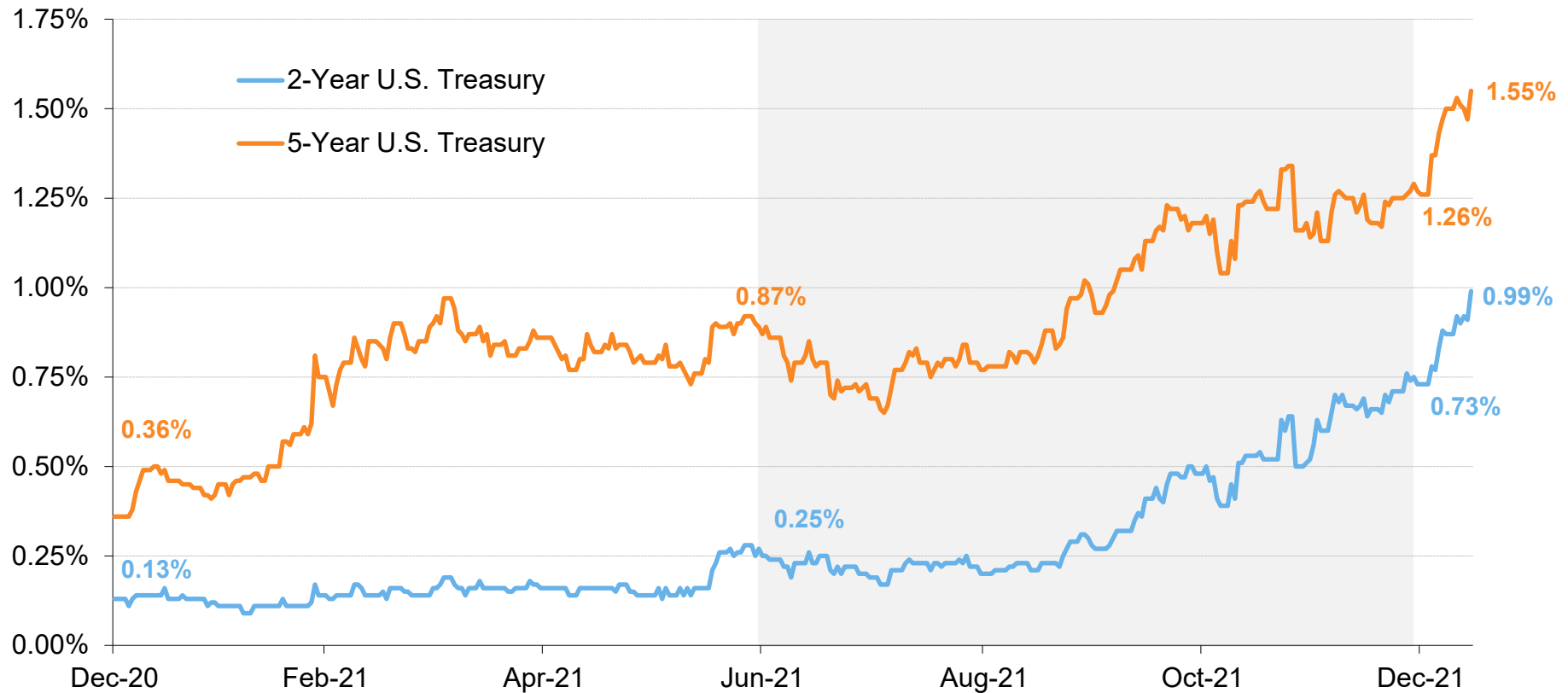
Source: Bloomberg, as of December 2021.

Market Now Pricing in 4 Rate Hikes During 2022



Source: Bloomberg, WIRP as of 1/18/2022. Rate hikes are based on an assumed rate move of 25 basis points (0.25%).

Treasuries Rise Rapidly in the Later Half of 2021



Source: Bloomberg, as of 1/18/2022.

Portfolio Composition

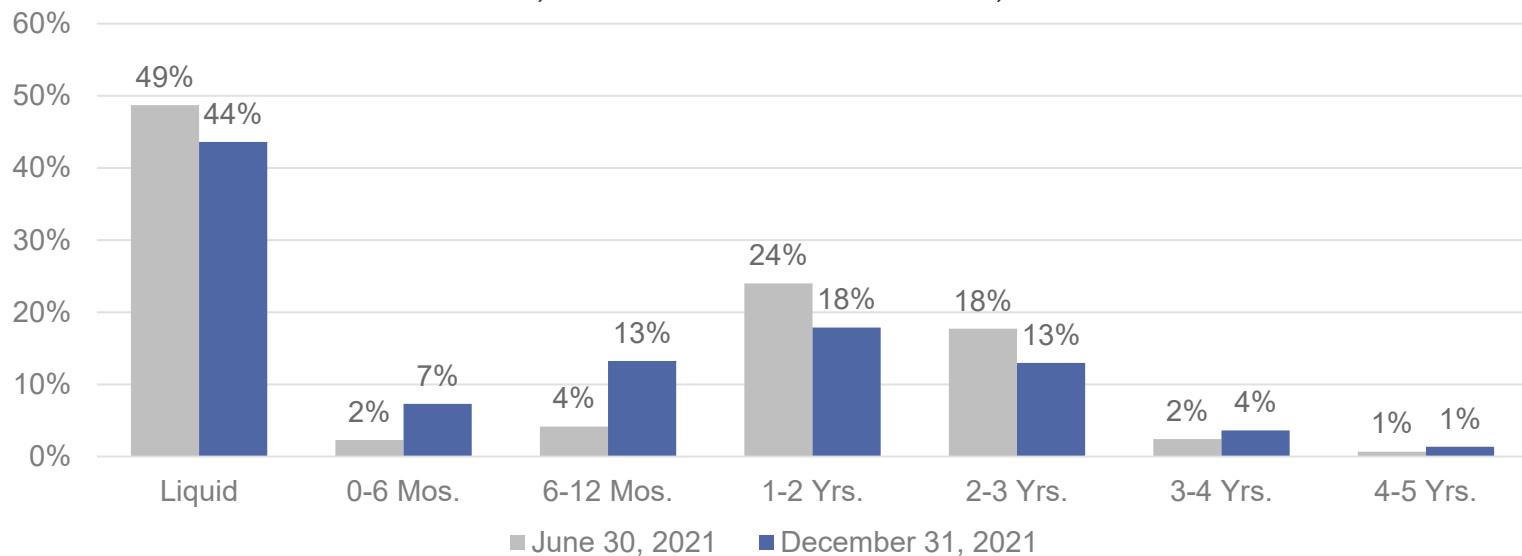
- As discussed, we shifted funds from the CAMP pool into managed investments.
- We focused new investments into corporate sectors.

Security Type	June 30, 2021	% of Portfolio	December 31, 2021	% of Portfolio	\$ Change vs. 12/31/21	Policy Limits
U.S. Treasury	\$5,758,508	34.2%	\$5,348,892	31.8%	(\$409,616)	100%
Federal Agency	\$634,169	3.8%	\$630,538	3.8%	(\$3,632)	100%
Federal Agency CMOs	\$78,823	0.5%	\$67,949	0.4%	(\$10,874)	100%
Municipal Bonds	\$19,959	0.1%	\$19,719	0.1%	(\$240)	30%
Supranationals	\$134,672	0.8%	\$316,871	1.9%	\$182,199	30%
Asset-Backed Securities	\$364,001	2.2%	\$723,606	4.3%	\$359,605	20%
Negotiable CDs	\$190,092	1.1%	\$190,022	1.1%	(\$70)	30%
Corporate Notes	\$1,067,103	6.3%	\$1,592,203	9.5%	\$525,099	30%
Commercial Paper	\$384,880	2.3%	\$584,474	3.5%	\$199,594	25%
Securities Sub-Total	\$8,632,207	51.3%	\$9,474,273	56.4%	\$842,066	
Accrued Interest	\$8,669		\$13,250		\$4,581	
Securities Total	\$8,640,876		\$9,487,523		\$846,647	
CAMP Pool	\$921,104	5.5%	\$38,988	0.2%	(\$882,116)	50%
LAIF	\$7,277,580	43.2%	\$7,287,958	43.4%	\$10,378	\$30 million
Total Investments	\$16,839,560	100.0%	\$16,814,469	100.0%	(\$25,091)	

Maturity Distribution

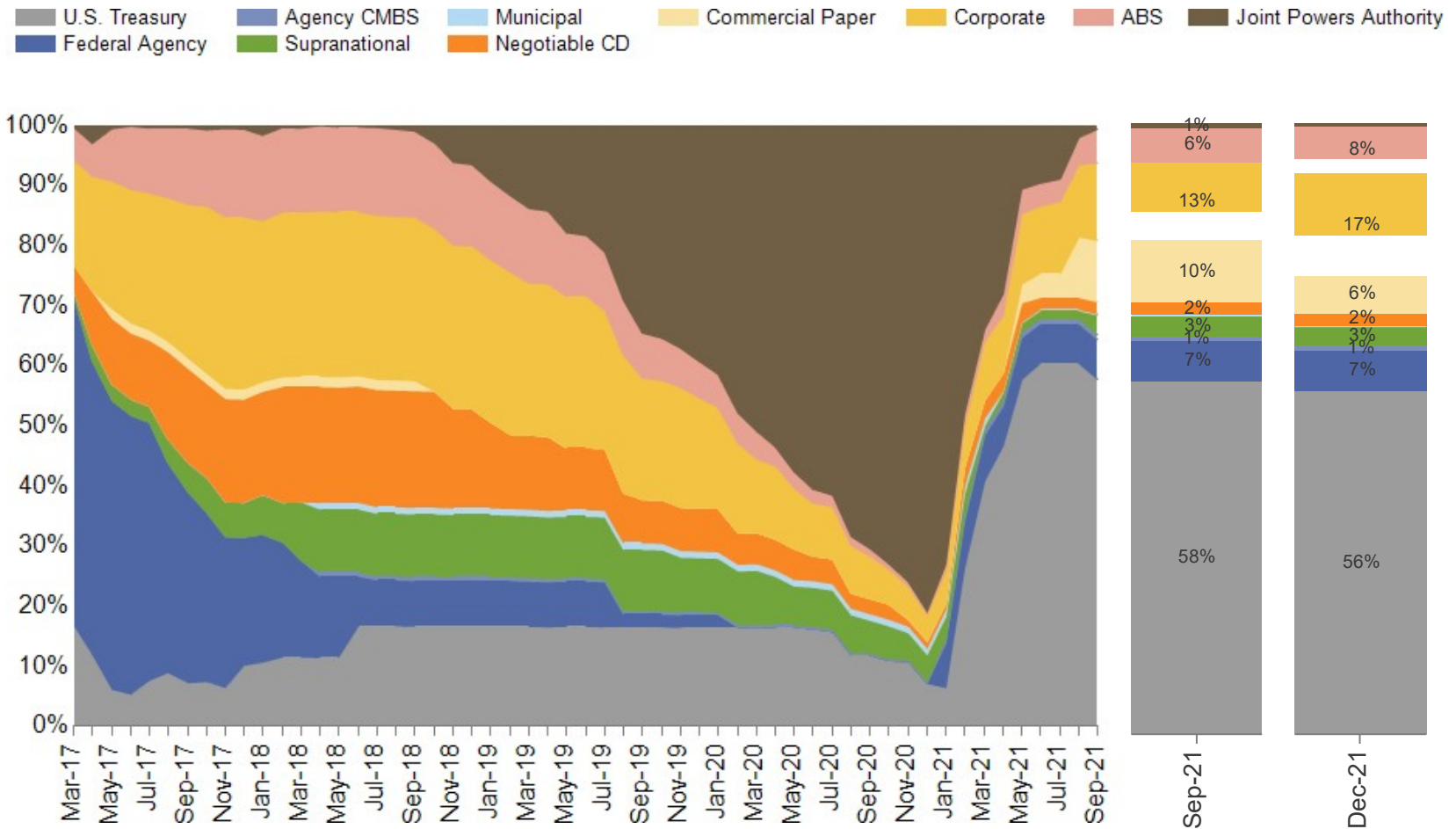
- The portfolio maintains ample liquidity. We have targeted the managed portfolio's duration to match the portfolio's 0-3 year Benchmark.

Portfolio Maturity Distribution
June 30, 2021 versus December 31, 2021



	June 30, 2021	December 31, 2021
Weighted Average Duration (portfolio)	1.69 years	1.35 years
Weighted Average Duration (overall)	0.87 years	0.76 years

Historical Sector Allocation



Only includes investments held within the separately managed account(s).

Managed Portfolio Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	56.5%	AA / Aaa / AAA
Federal Agency	6.7%	
FANNIE MAE	2.6%	AA / Aaa / AAA
FEDERAL FARM CREDIT BANKS	2.4%	AA / Aaa / AAA
FREDDIE MAC	1.6%	AA / Aaa / AAA
Agency CMBS	0.7%	
FREDDIE MAC	0.7%	AA / Aaa / AAA
Supranational	3.3%	
INTER-AMERICAN DEVELOPMENT BANK	1.9%	AAA / Aaa / AAA
INTL BANK OF RECONSTRUCTION AND DEV	1.4%	AAA / Aaa / AAA
Municipal	0.2%	
NEW JERSEY TURNPIKE AUTHORITY	0.2%	A / A / A
Negotiable CD	2.0%	
BARCLAYS PLC	2.0%	A / Aa / A
Commercial Paper	6.2%	
COLLAT COMM PAPER V CO	3.0%	A / Aa / AA
CREDIT AGRICOLE SA	3.2%	A / Aa / A
Corporate	16.8%	
AMAZON.COM INC	0.8%	AA / A / AA
AMERICAN EXPRESS CO	0.4%	BBB / A / A
AMERICAN HONDA FINANCE	0.7%	A / A / A
APPLE INC	1.0%	AA / Aaa / NR
ASTRAZENECA PLC	0.5%	A / A / NR
BANK OF AMERICA CO	1.2%	A / A / AA
BURLINGTON NORTHERN SANTA FE	0.2%	AA / A / NR

Security Type / Issuer	Market Value(%)	S&P / Moody's / Fitch
Corporate	16.8%	
CATERPILLAR INC	0.7%	A / A / A
CHARLES SCHWAB	0.3%	A / A / A
CITIGROUP INC	0.6%	BBB / A / A
COMCAST CORP	0.6%	A / A / A
DEERE & COMPANY	0.7%	A / A / A
GOLDMAN SACHS GROUP INC	0.7%	BBB / A / A
HONEYWELL INTERNATIONAL	0.2%	A / A / A
JP MORGAN CHASE & CO	1.3%	A / A / AA
LOCKHEED MARTIN CORP	0.2%	A / A / A
MERCK & CO INC	0.6%	A / A / A
MICROSOFT CORP	0.5%	AAA / Aaa / AAA
MORGAN STANLEY	0.7%	BBB / A / A
NATIONAL RURAL UTILITIES CORP	0.3%	A / A / A
NOVARTIS AG	0.6%	AA / A / AA
PACCAR FINANCIAL CORP	0.7%	A / A / NR
PEPSICO INC	0.2%	A / A / NR
TARGET CORP	0.3%	A / A / A
BNY MELLON CORPORATION	1.3%	A / A / AA
TOYOTA MOTOR CORP	0.7%	A / A / A
TRUIST FIN CORP	0.7%	A / A / A
UNITEDHEALTH GROUP INC	0.3%	A / A / A

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Excludes balances invested in money market funds. Excludes funds in LAIF and CAMP.

Issuer Diversification - continued

Security Type / Issuer	Market Value(%)	S&P / Moody's / Fitch
Asset Backed Securities	16.8%	
BMW FINANCIAL SERVICES NA LLC	0.7%	AAA / Aaa / NR
CAPITAL ONE FINANCIAL CORP	0.8%	AAA / Aaa / AAA
CARMAX AUTO OWNER TRUST	0.6%	AAA / NR / AAA
DISCOVER FINANCIAL SERVICES	0.6%	AAA / Aaa / NR
FORD CREDIT AUTO LEASE TRUST	0.9%	AAA / Aaa / AAA
FORD CREDIT AUTO OWNER TRUST	0.7%	AAA / Aaa / NR
GM FINANCIAL AUTO TRUST	0.4%	AAA / Aaa / NR
GM FINANCIAL LEASINGTRUST	0.3%	NR / Aaa / AAA
HONDA AUTO RECEIVABLES	1.4%	AAA / Aaa / AAA
HYUNDAI AUTO RECEIVABLES	0.2%	AAA / NR / AAA
MERCEDES-BENZ AUTO LEASE TRUST	0.2%	AAA / Aaa / NR
TOYOTA MOTOR CORP	0.3%	AAA / NR / AAA
WORLD OMNI AUTO REC TRUST	0.6%	AAA / NR / AAA
Total	100.0%	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Excludes balances invested in money market funds. Excludes funds in LAIF and CAMP.

Portfolio Dollar Earnings

- Market value earnings were depressed due rising interest rates, which helped increase interest earnings.

Market Value Earnings	Quarters Ending				12-Month
	3/31/21	6/30/21	9/30/21	12/31/21	TOTALS
Interest Earned	\$11,902	\$10,225	\$12,255	\$13,752	\$48,135
Change in Value	(\$14,592)	(\$6,502)	(\$6,277)	(\$49,934)	(\$77,305)
Portfolio Earnings	(\$2,690)	\$3,724	\$5,978	(\$36,182)	(\$29,171)
CAMP Dividends	\$1,378	\$264	\$62	\$10	\$1,714
Total Earnings	(\$1,312)	\$3,988	\$6,040	(\$36,172)	(\$27,456)

Book Value Earnings	Quarters Ending				12-Month
	3/31/21	6/30/21	9/30/21	12/31/21	TOTALS
Interest Earned	\$11,902	\$10,225	\$12,255	\$13,752	\$48,135
Change in Value	\$1,476	(\$2,549)	(\$6,792)	(\$8,357)	(\$16,222)
Portfolio Earnings	\$13,378	\$7,676	\$5,463	\$5,395	\$31,913
CAMP Dividends	\$1,378	\$264	\$62	\$10	\$1,714
Total Earnings	\$14,756	\$7,941	\$5,525	\$5,405	\$33,627

Managed Portfolio Total Return Performance

- ◆ Total returns turned negative as a result of rising interest rates.

Total Return Performance Periods Ending December 31, 2021 ^{1,2,3,4,5,6}					
Portfolio/Benchmark	Effective Duration	Quarter (Unannualized)	1 Year	3 Year	Since Inception
ETWD Portfolio	1.69	-0.38%	-0.31%	1.31%	1.17%
<i>ETWD (net of fees) ⁵</i>		-0.40%	-0.41%	1.21%	1.07%
ICE BofAML 0-3 Yr. Treasury Index	1.40	-0.38%	-0.37%	1.78%	1.39%

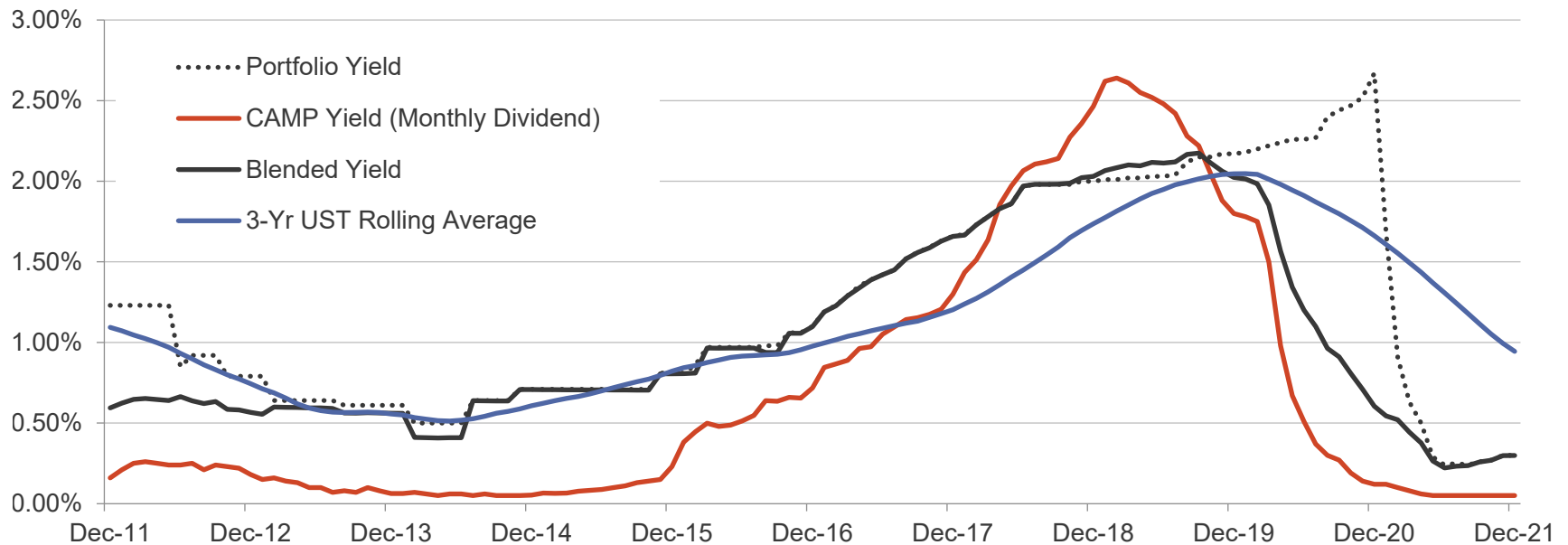
Notes:

1. Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
2. ICE BofAML Index and U.S. Treasury yields provided by Bloomberg Financial Markets.
3. Returns longer than one year are calculated on an annualized basis
4. Excludes money fund balance in performance, duration, and yield computations.
5. Net of fees assumes an average annualized fee of 0.10%.
6. Inception date is 9/30/16

Yield Comparison

- The portfolio's yield readjusted to current market levels, as pre-existing securities began to mature, and we shifted funds from the CAMP pool into individual securities.

Portfolio Yield Comparison History
December 2011 – June 2021

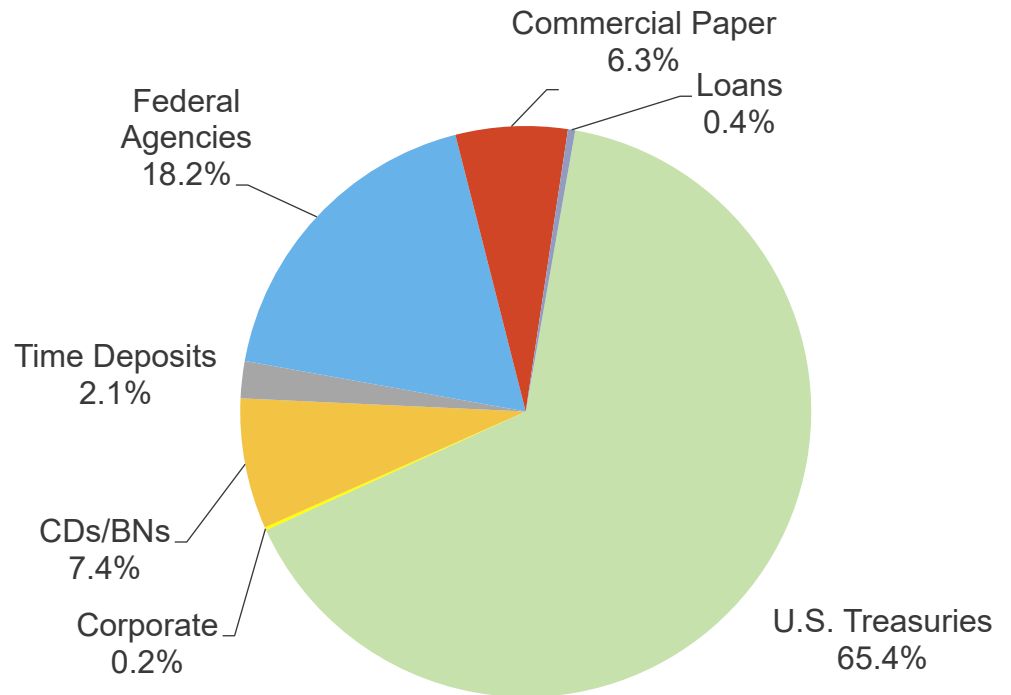


Source: Treasury Yields from Bloomberg.

LAIF Characteristics

Pooled Money Investment Account Sector Distribution December 31, 2021

Characteristic	Value
Assets (12/31/21)	\$181.4 Billion
Average Maturity (12/31/21)	340 days
QTD Yield (12/31/21)	0.23%
Daily Yield (1/12/22)	0.22%



CAMP Characteristics – 12/31/21

Total Fund Net Assets¹

\$6,479,676,162

Current 7-Day Yield²

0.0500%

S&P Rating³

AAAm

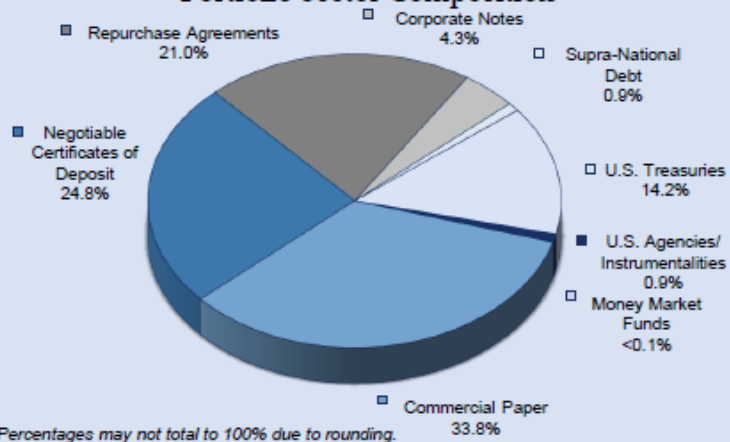
Weighted Average Maturity

45 Days

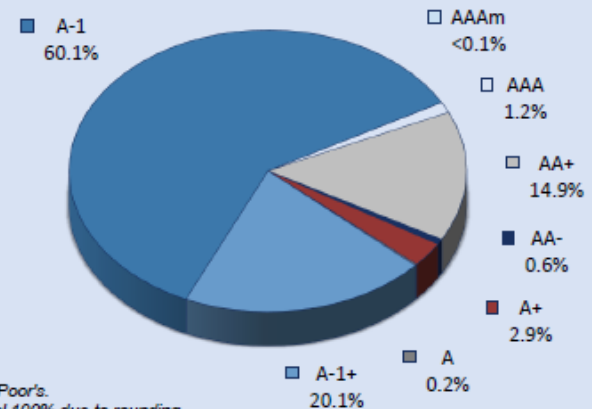
Net Asset Value per Share

\$1.00

Portfolio Sector Composition



Portfolio Credit Quality Distribution**



CAMP Characteristics – 12/31/21

1. *Total fund net assets, portfolio holdings valued at amortized cost, trade date based.*
2. *As of December 31, 2021, the current seven-day yield of the CAMP Cash Reserve Portfolio may, from time to time, be quoted in reports, literature and advertisements published by the Trust. The current seven-day yield, also known as the current annualized yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7. Past performance is not indicative of future results and yields may vary.*
3. *Standard & Poor's fund ratings are based on analysis of credit quality, market price exposure, and management. According to Standard & Poor's rating criteria, the AAAM rating signifies excellent safety of investment principal and a superior capacity to maintain a \$1.00 per share net asset value. However, it should be understood that the rating is not a "market" rating nor a recommendation to buy, hold or sell the securities. For a full description on rating methodology, visit Standard & Poor's website (http://www.standardandpoors.com/en_US/web/guest/home).*

www.camponline.com | 1.800.729.7665 | camp@pfmam.com

Certificate of Compliance

During the reporting period for the quarter ended December 31, 2021, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management LLC*

Note: Pre- and post-trade compliance for the account(s) managed by PFM Asset Management is provided via Bloomberg Asset and Investment Management ("AIM").

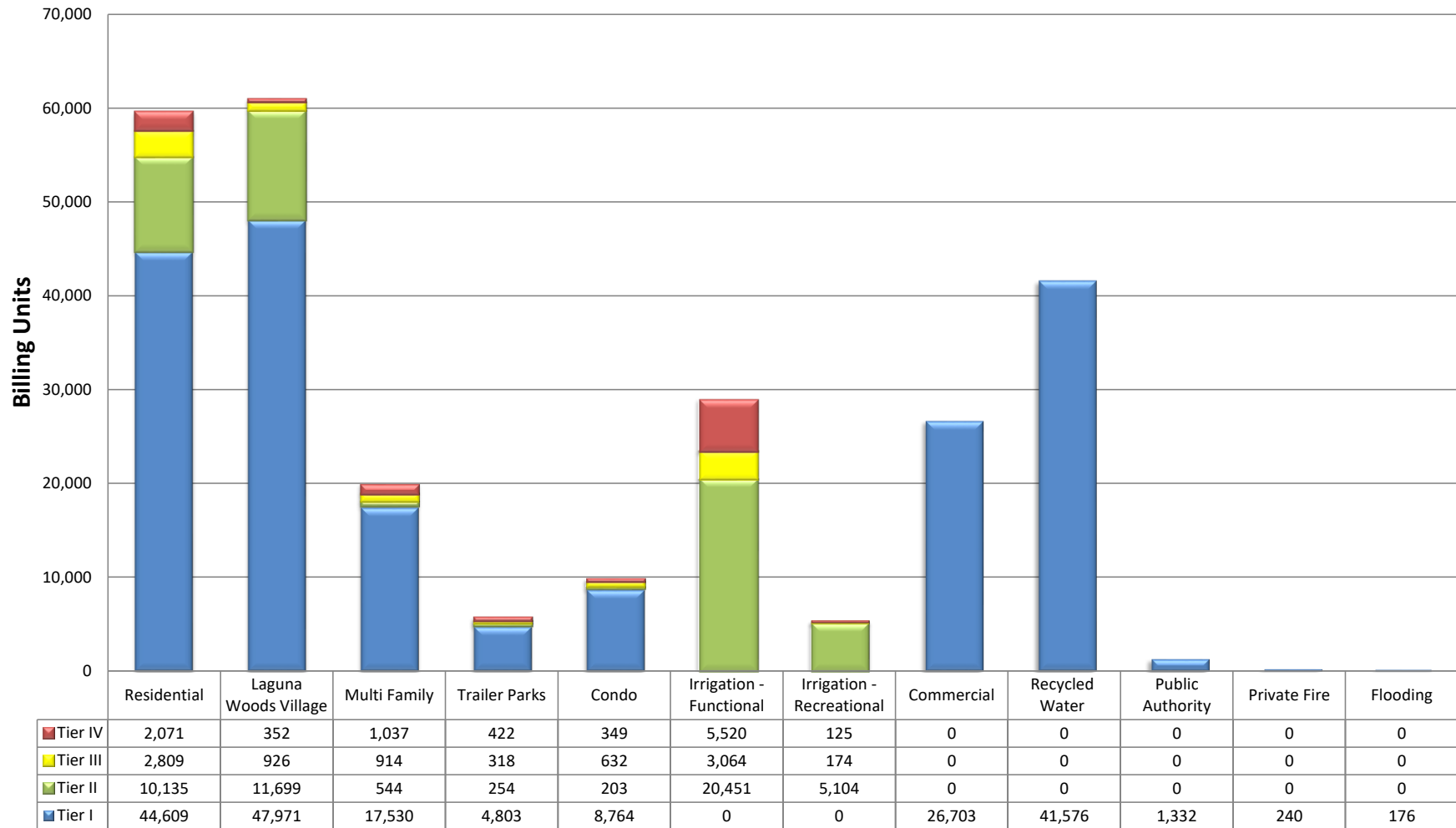
Disclaimer

Investment advisory services are provided by PFM Asset Management LLC (“PFMAM”), an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”). USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

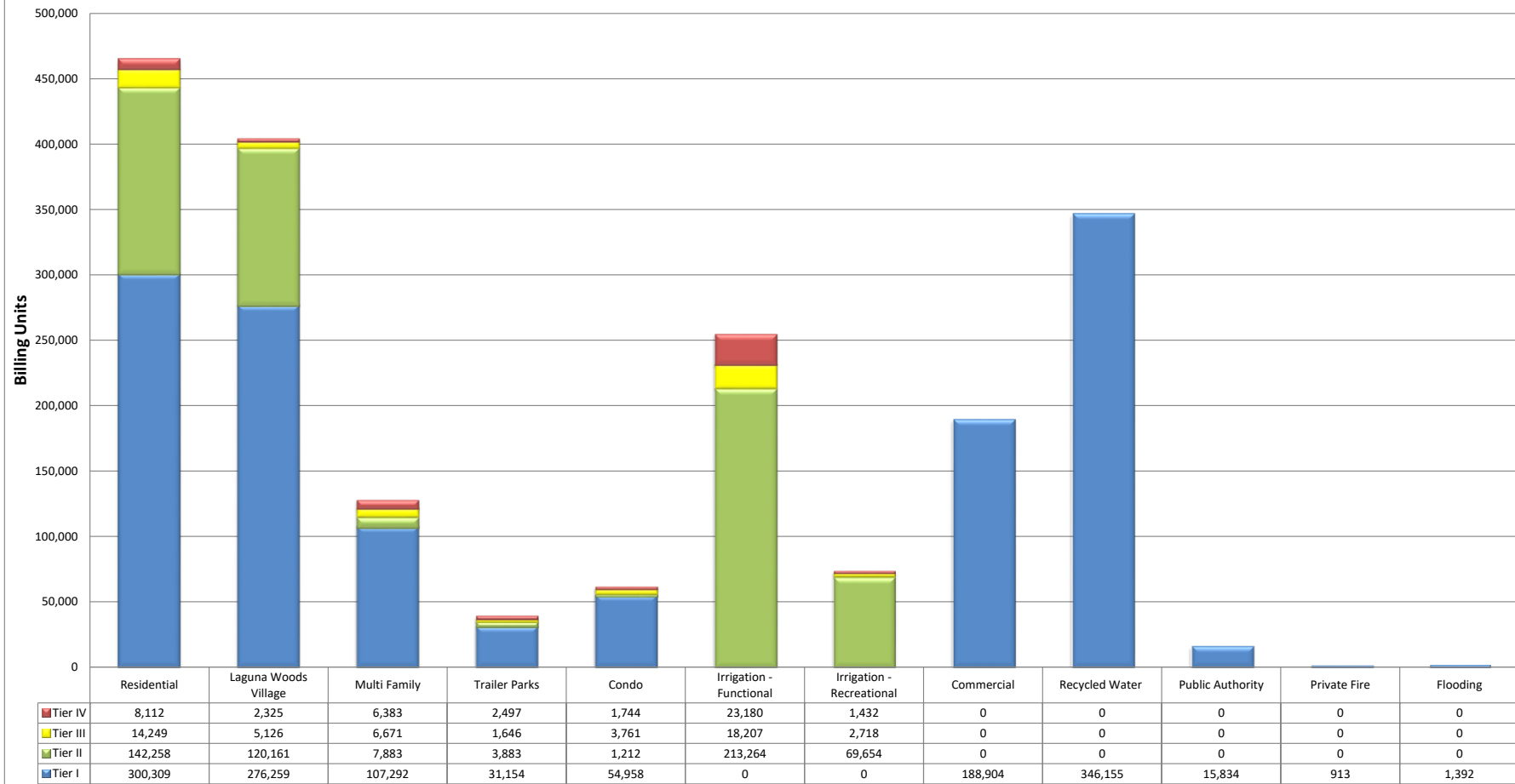
For more information regarding PFMAM’s services please visit www.pfmam.com.



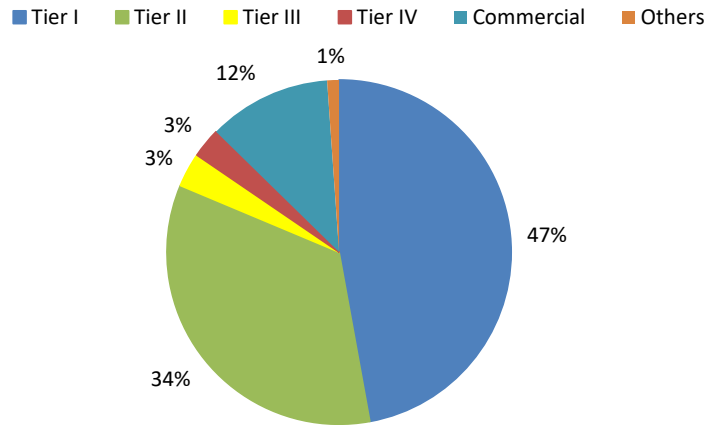
December 2021 Water Sales



Year-to-Date Water Sales as of December 2021

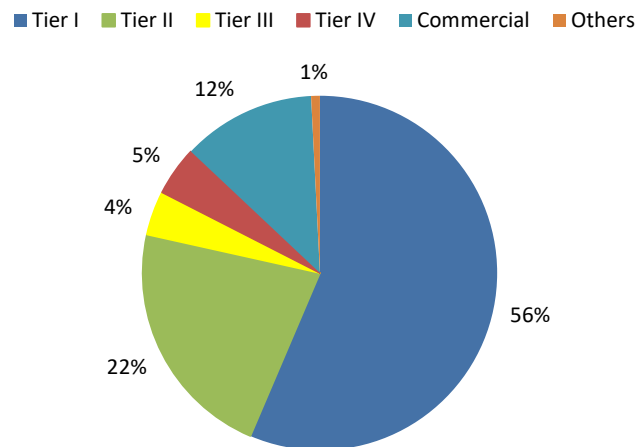


Year to Date Potable Sales As of December 2021



Year To Date Sales in ccf		
Tier I	769,972	47.14%
Tier II	558,315	34.18%
Tier III	52,378	3.21%
Tier IV	45,673	2.80%
Commercial	188,904	11.57%
Others	18,139	1.11%
Total	1,633,381	100.00%

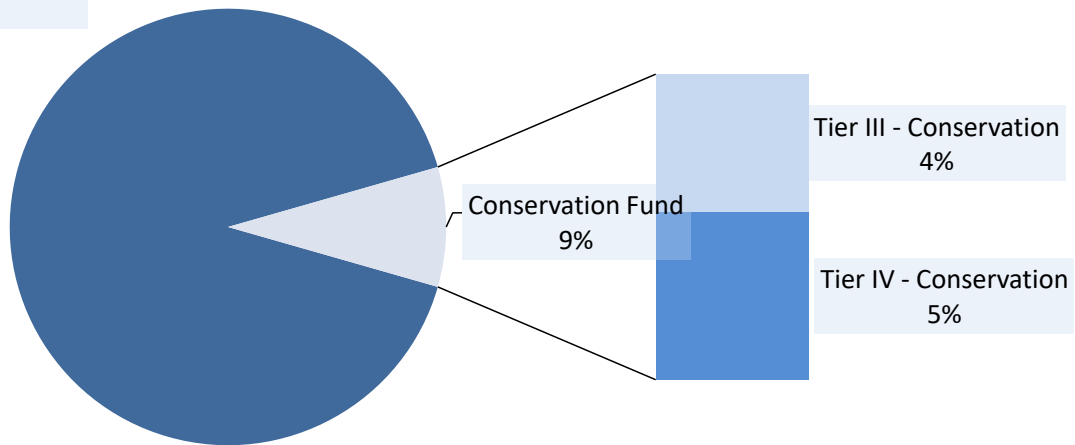
December 2021 Potable Sales



Current Month Sales in ccf		
Tier I	123,677	56.41%
Tier II	48,390	22.07%
Tier III	8,837	4.03%
Tier IV	9,876	4.50%
Commercial	26,703	12.18%
Others	1,748	0.80%
Total	219,231	100.00%

Year to Date Water Sales as of December 2021

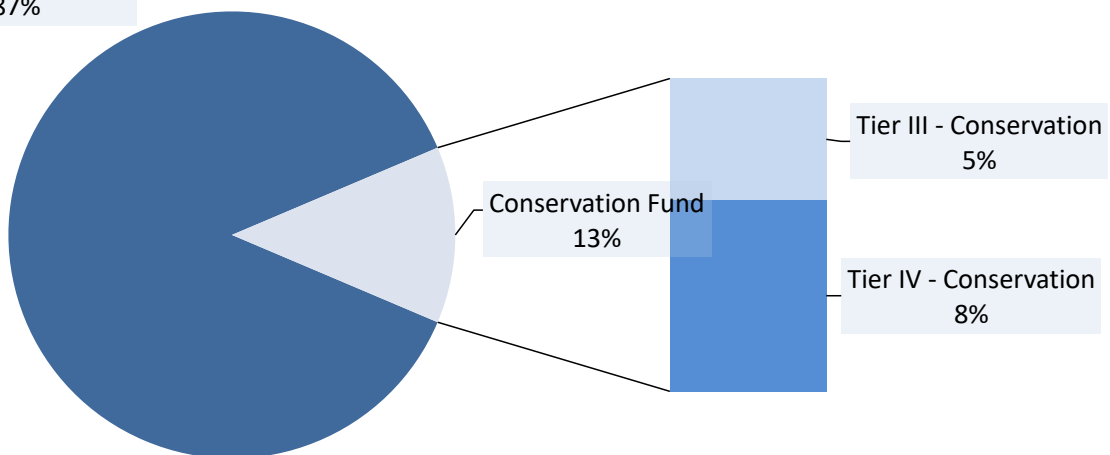
Water Delivery Cost
91%



Category	Billings	Percentage
Water Delivery Cost	\$4,137,814.27	91.14%
Tier III - Conservation	\$181,545.62	4.00%
Tier IV - Conservation	\$220,696.42	4.86%
	\$4,540,056.31	100.00%

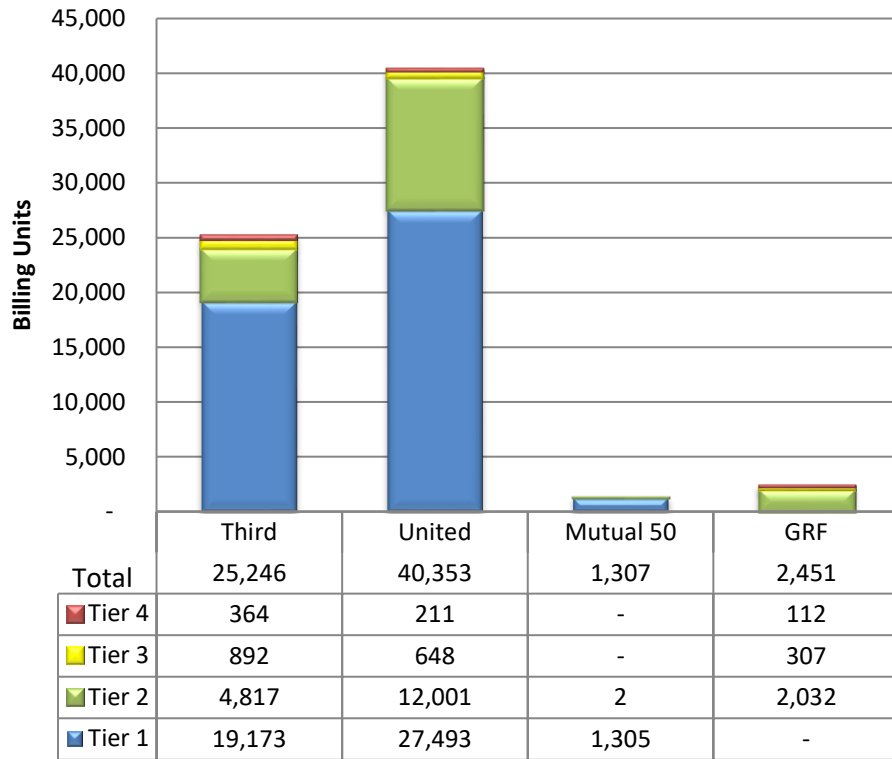
December 2021 Water Sales

Water Delivery Cost
87%

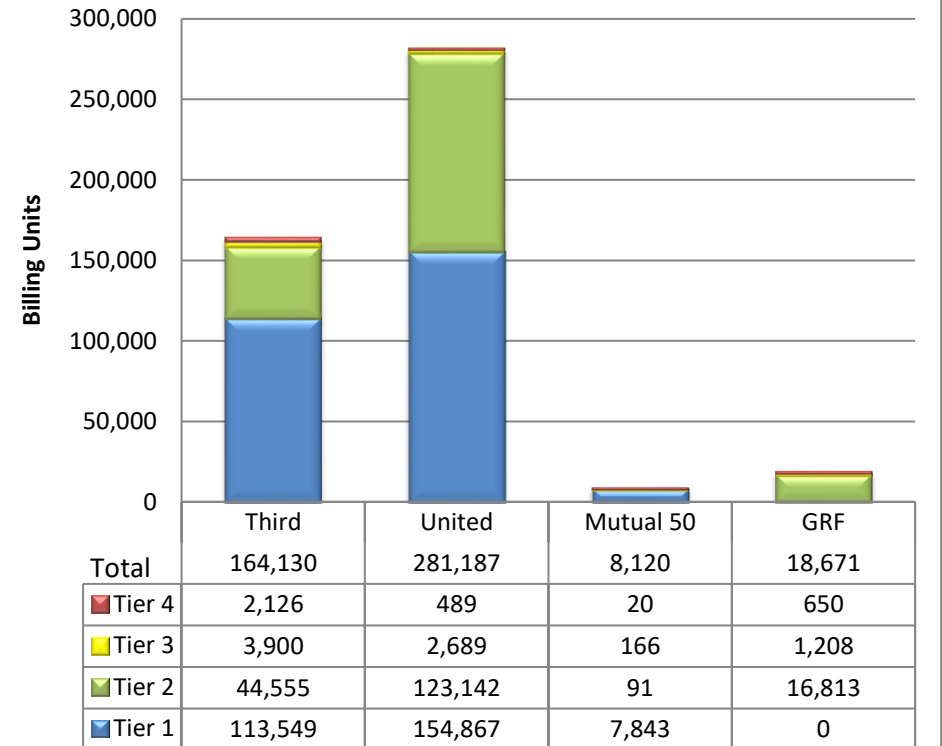


Category	Billings	Percentage
Water Delivery Cost	\$549,598.42	87.23%
Tier III - Conservation	\$31,282.98	4.97%
Tier IV - Conservation	\$49,185.32	7.81%
	\$630,066.72	100.00%

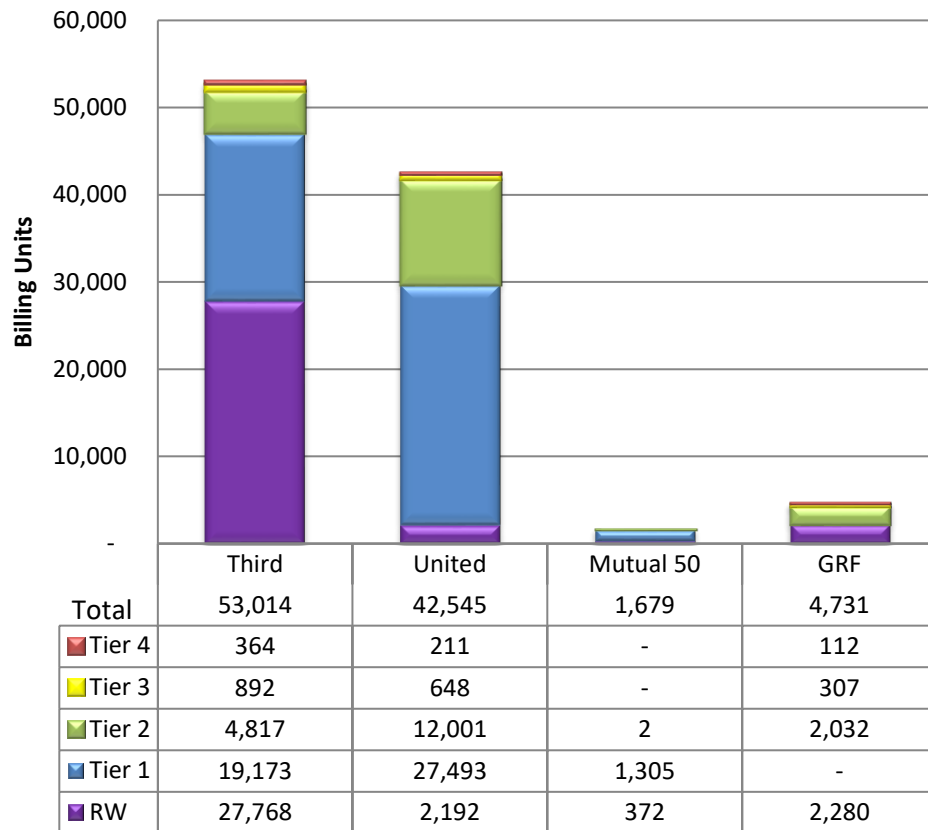
Laguna Woods Village December 2021 Water Sales



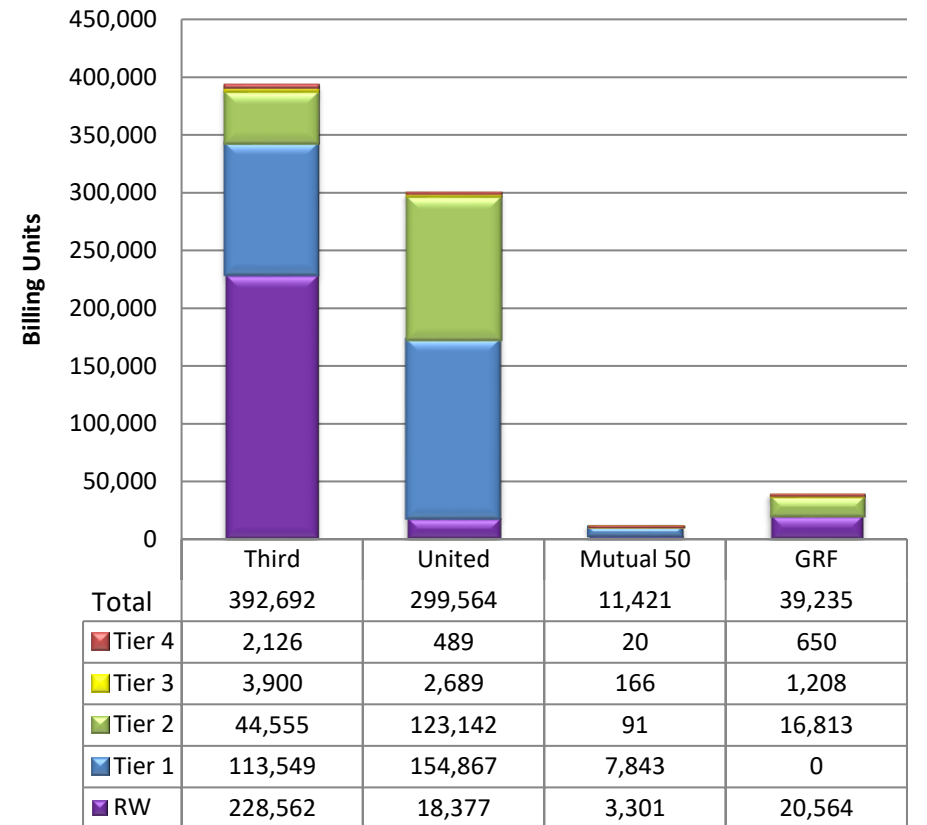
Laguna Woods Village Year-to-Date Water Sales December 2021



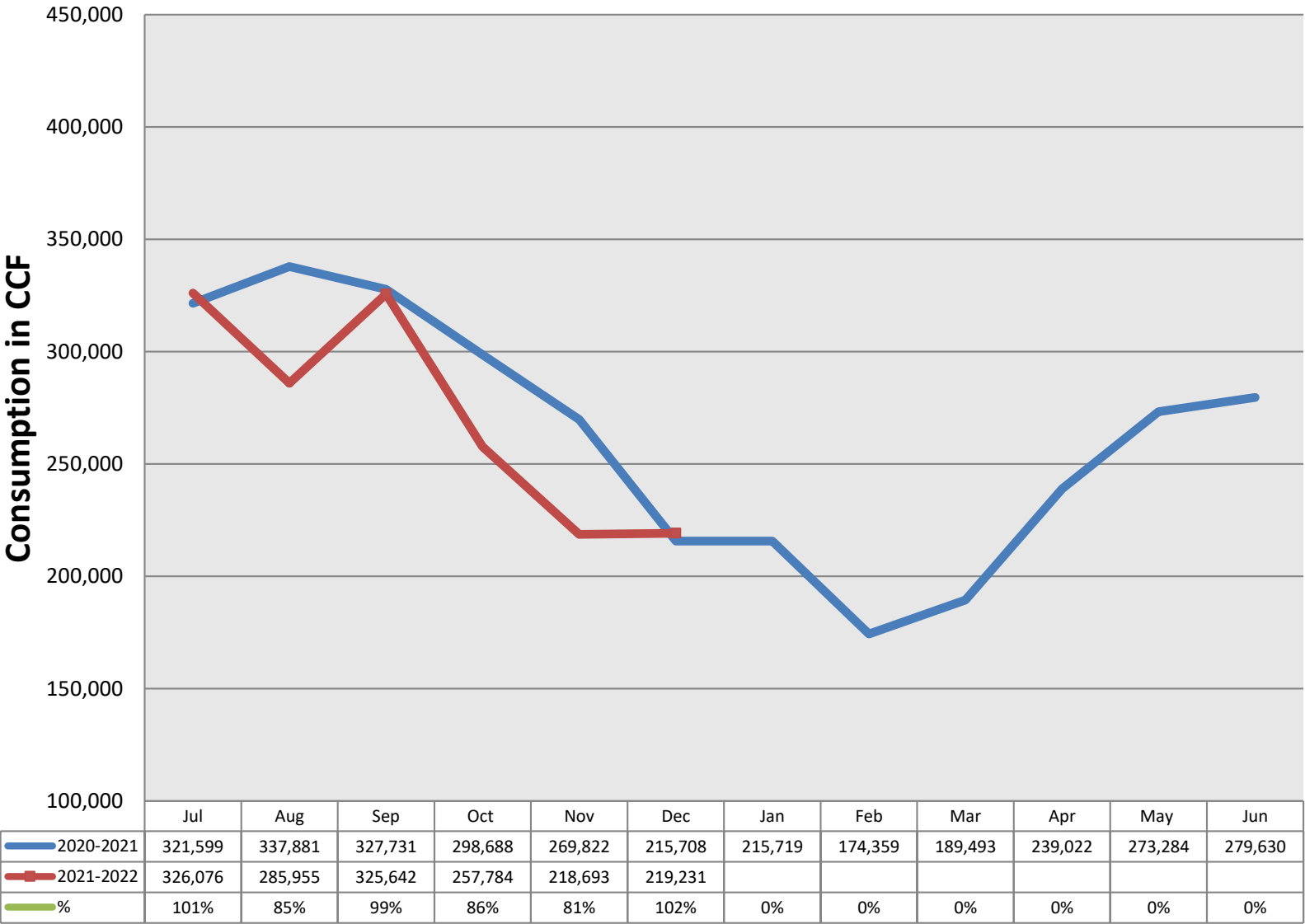
Laguna Woods Village December 2021 Water & RW Sales



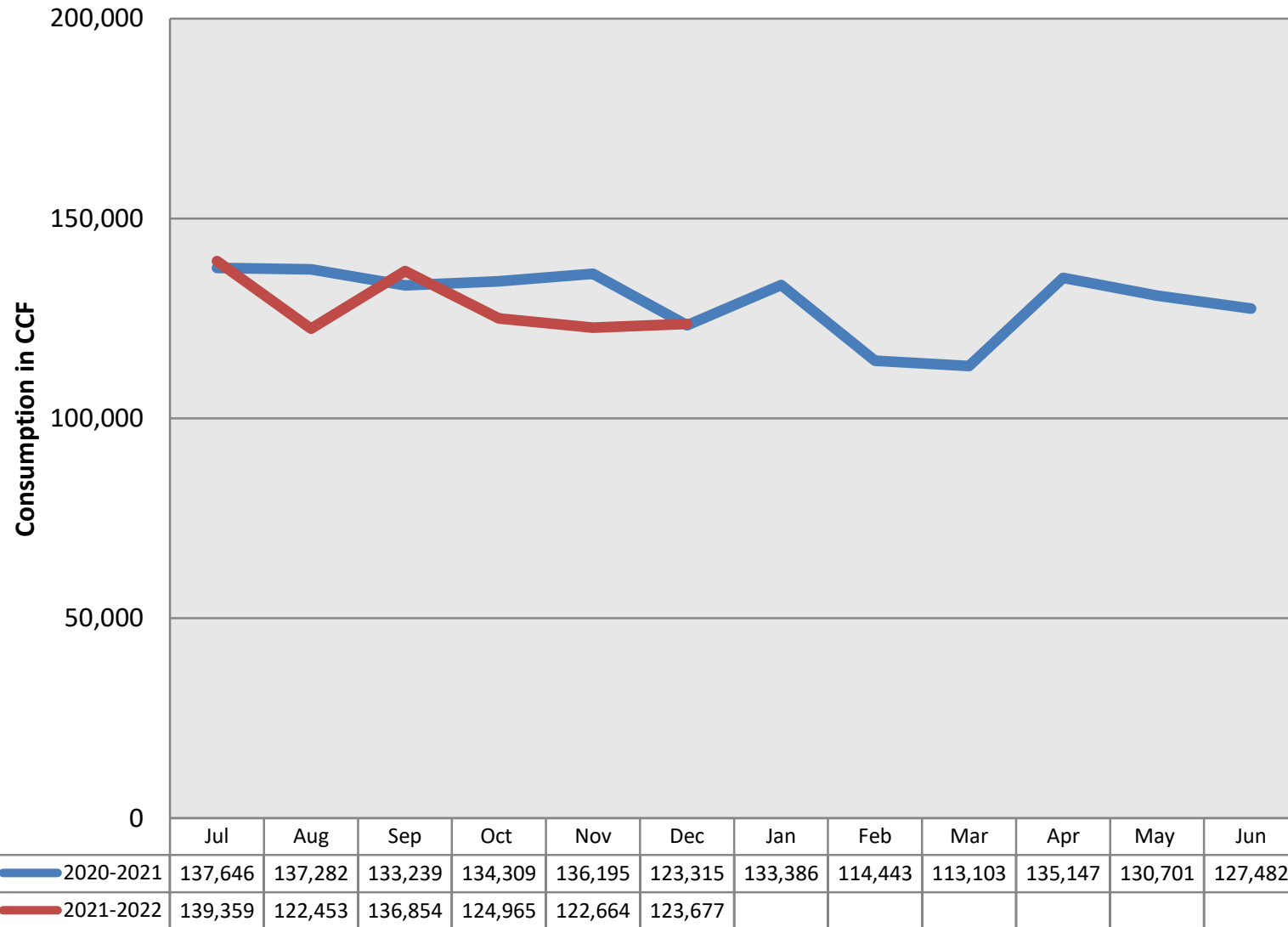
Laguna Woods Village Year-to-Date Water & RW Sales December 2021



ETWD Total Consumption



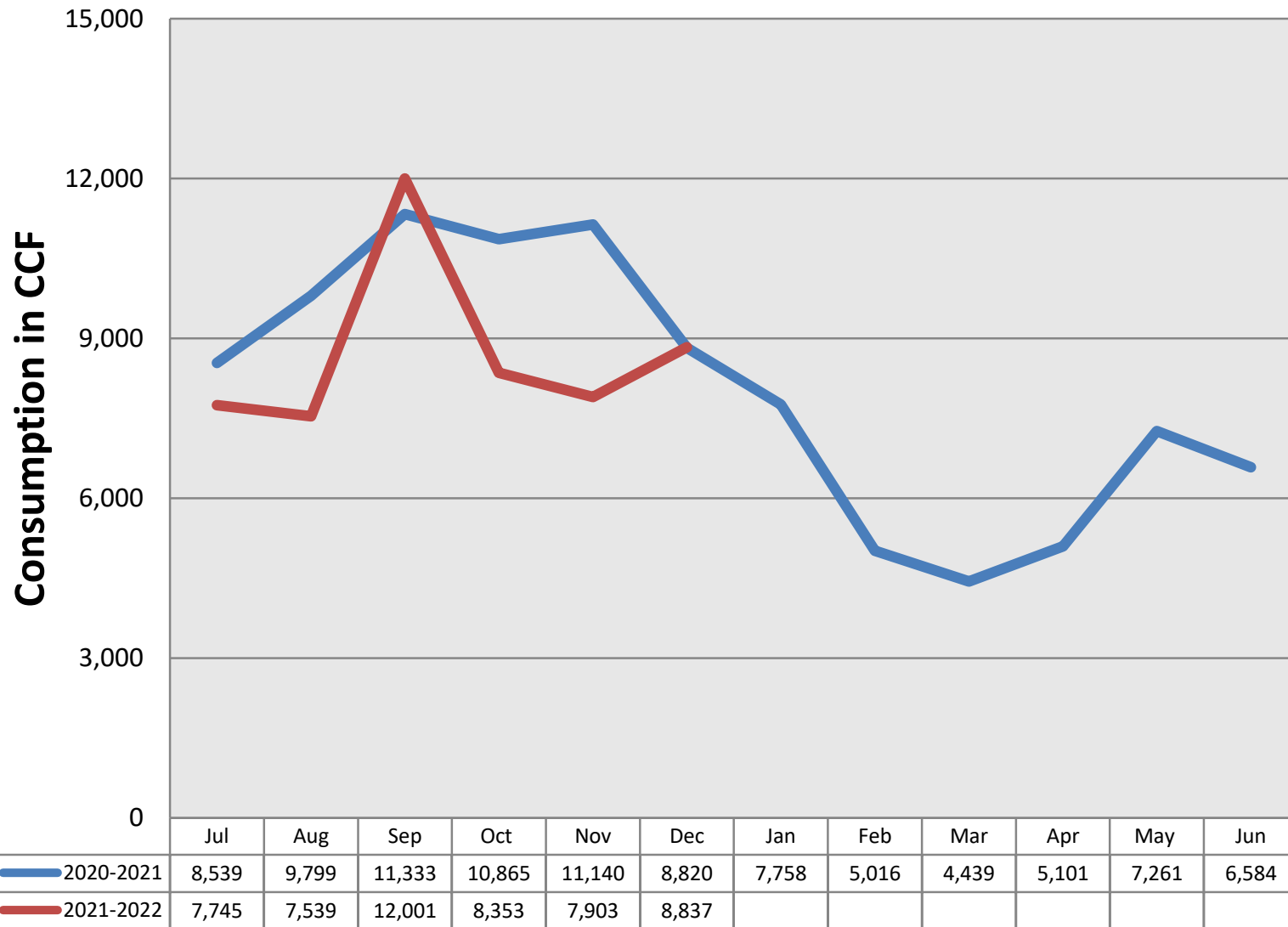
Tier I Consumption



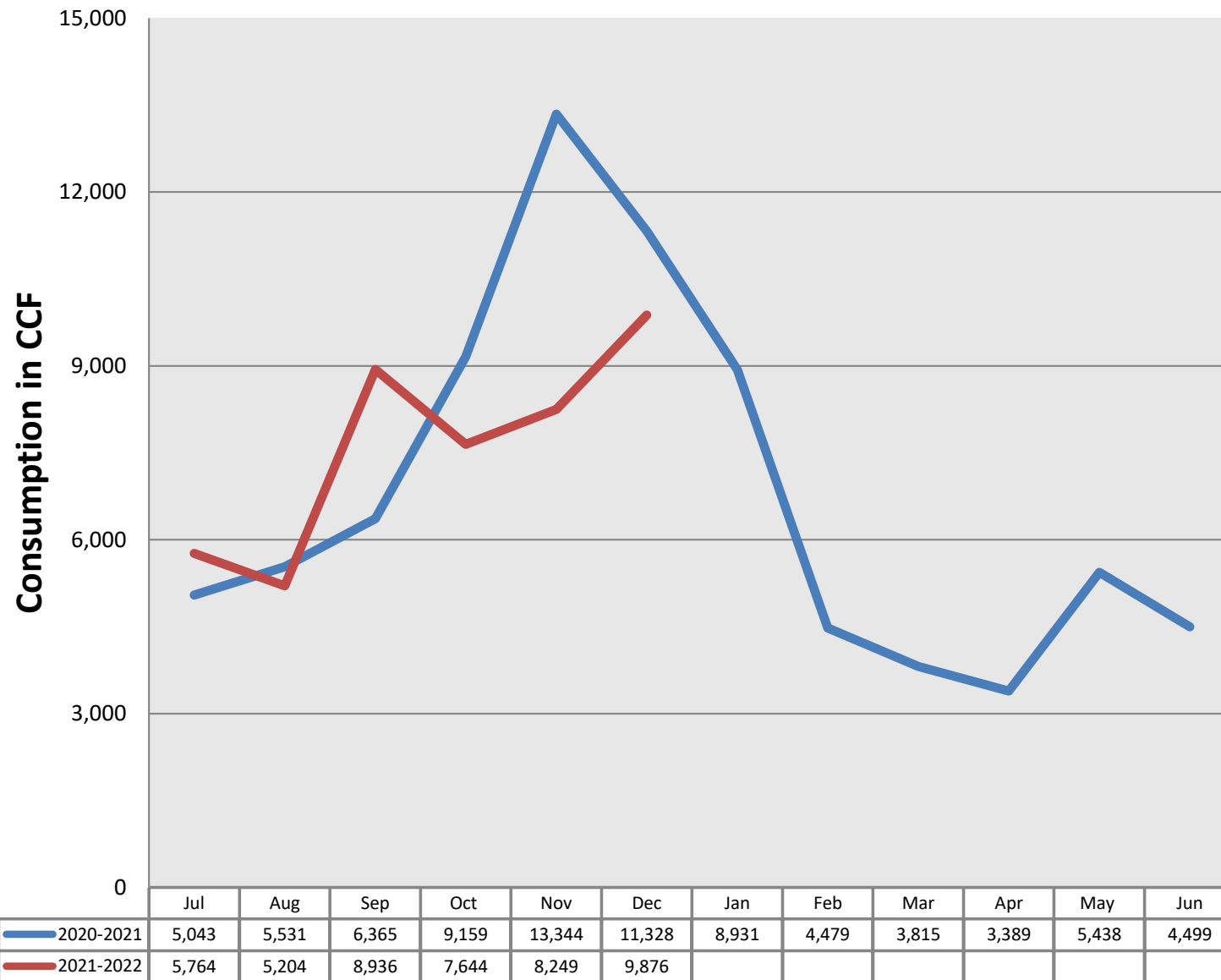
Tier II Consumption



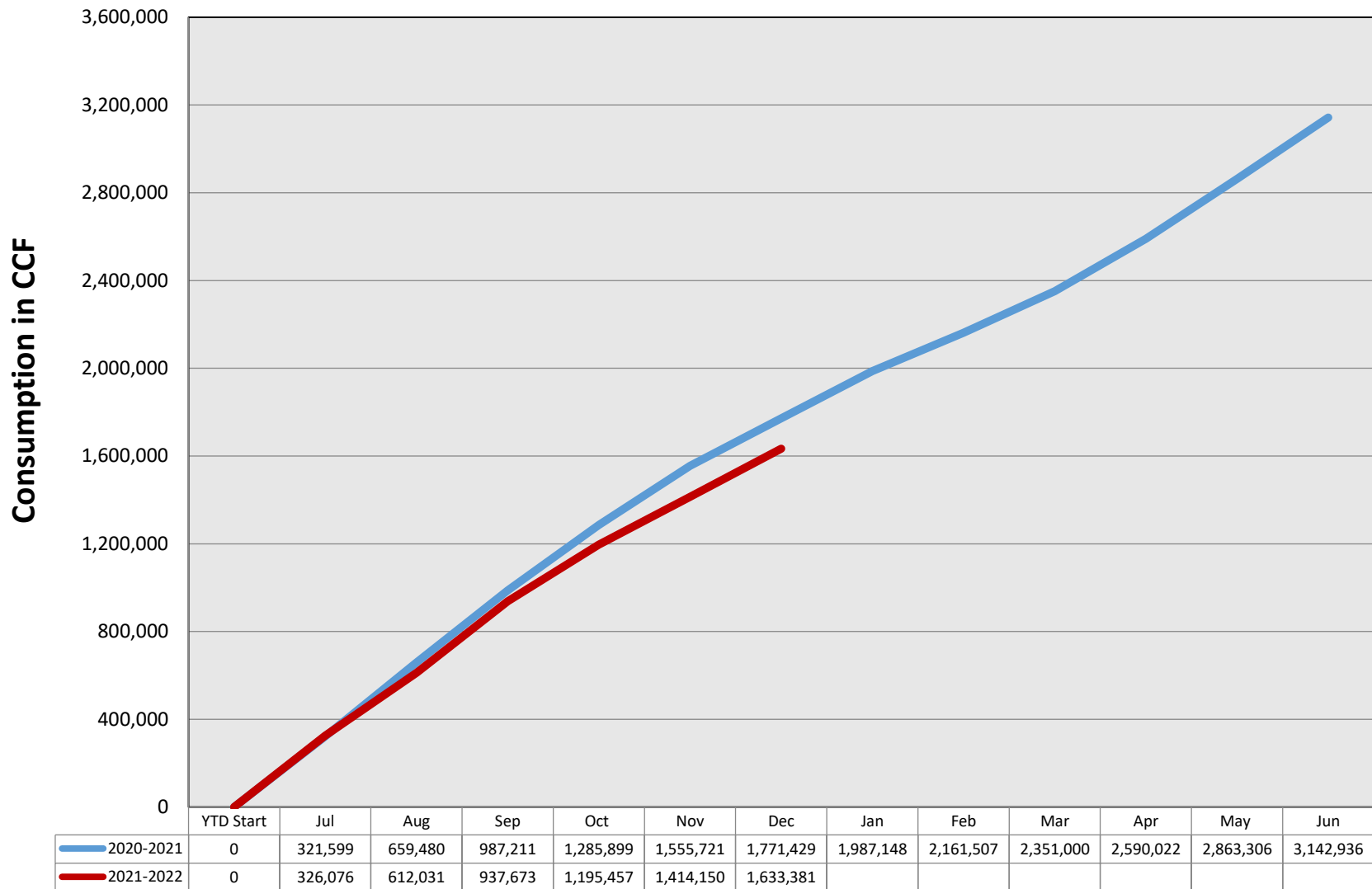
Tier III Consumption



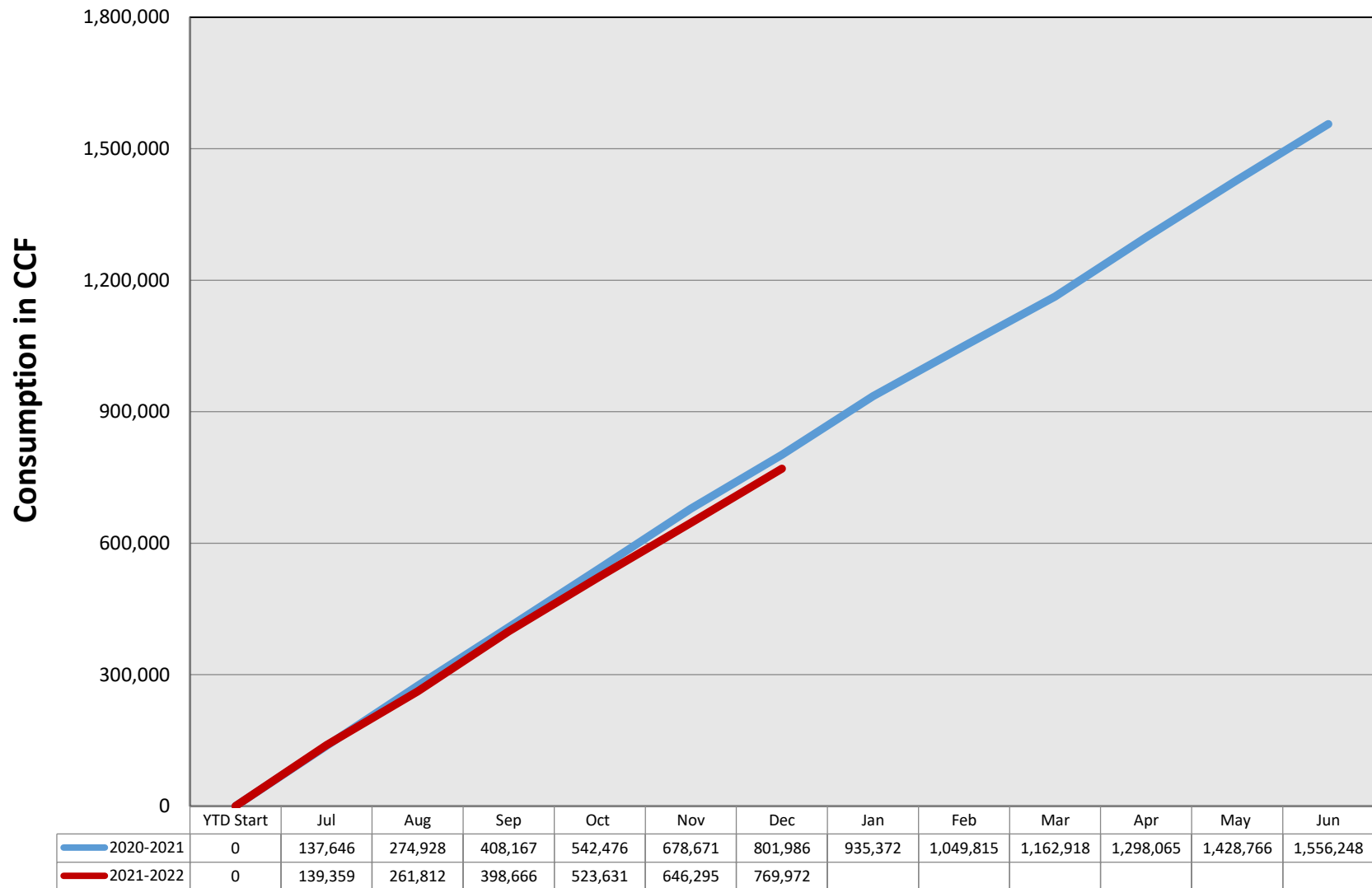
Tier IV Consumption



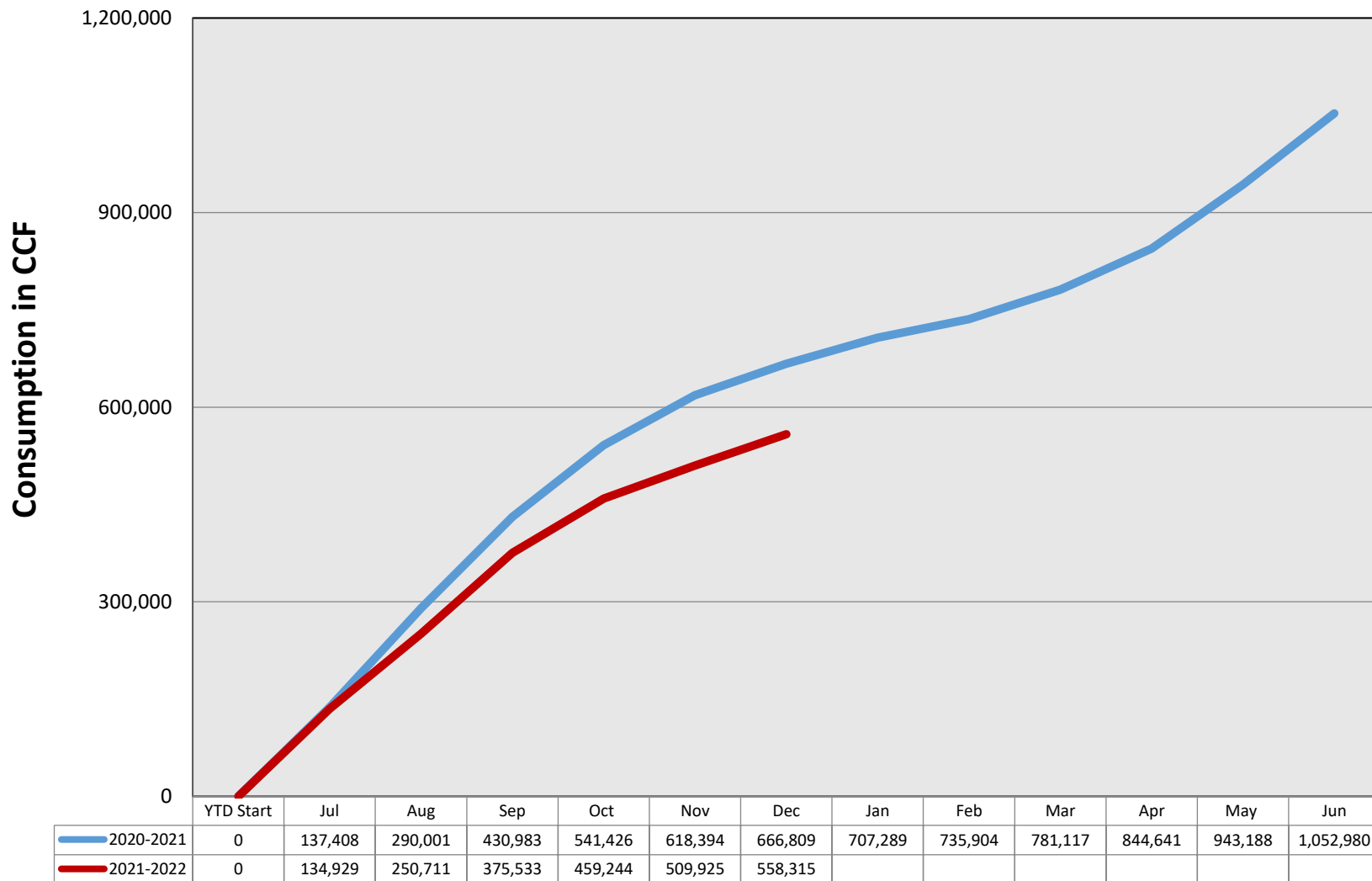
ETWD YTD Consumption



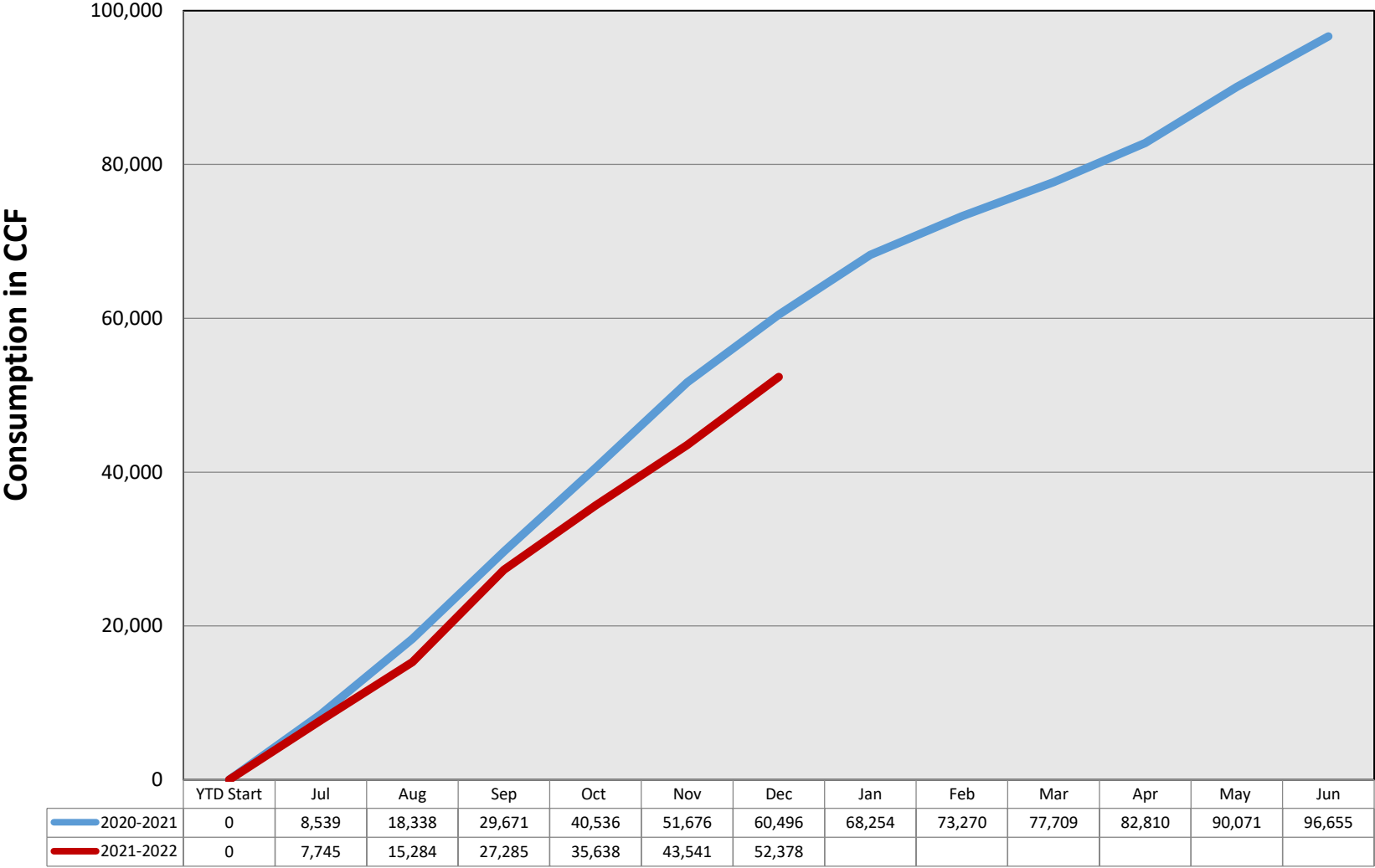
Tier I YTD Consumption



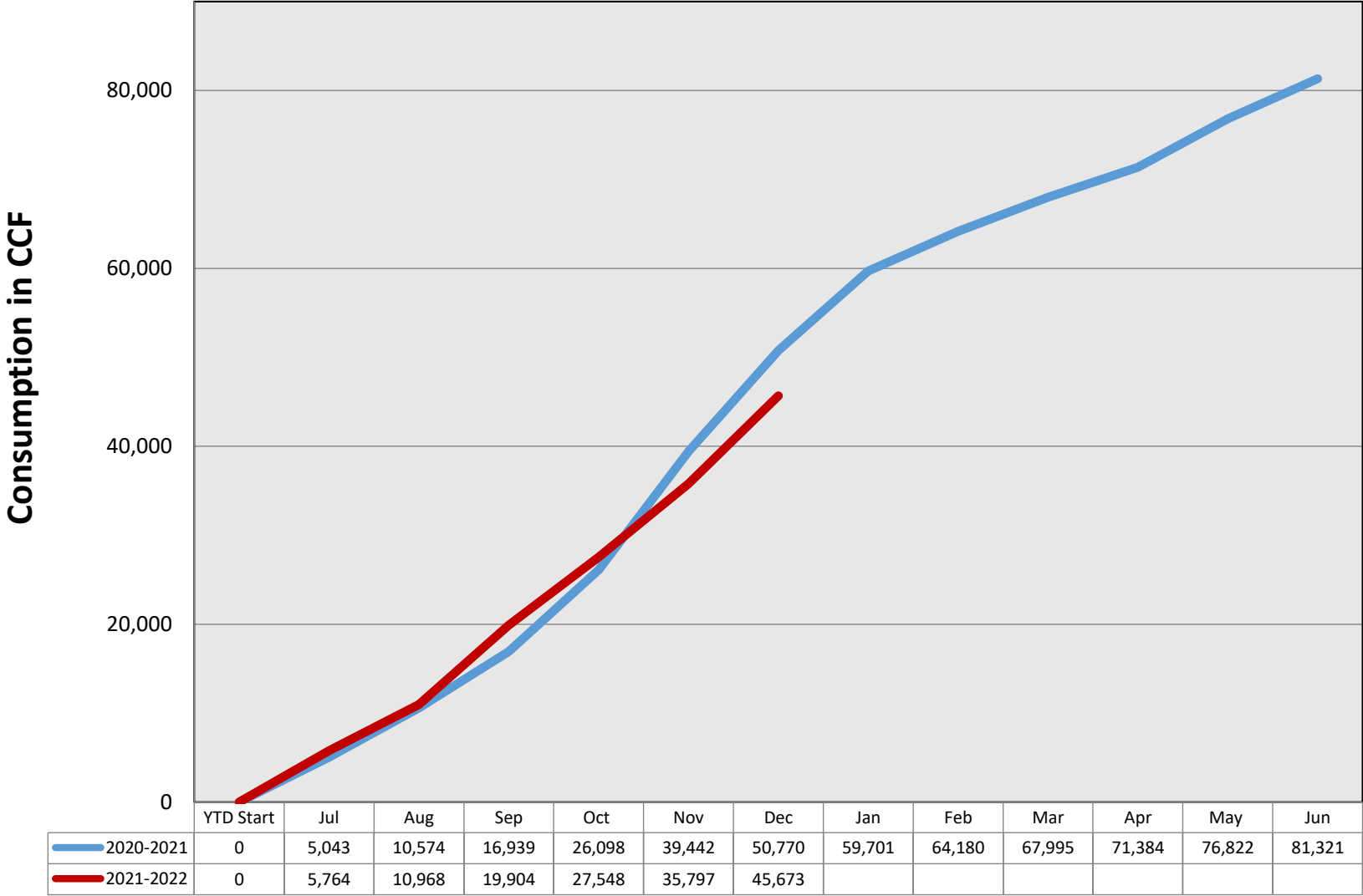
Tier II YTD Consumption



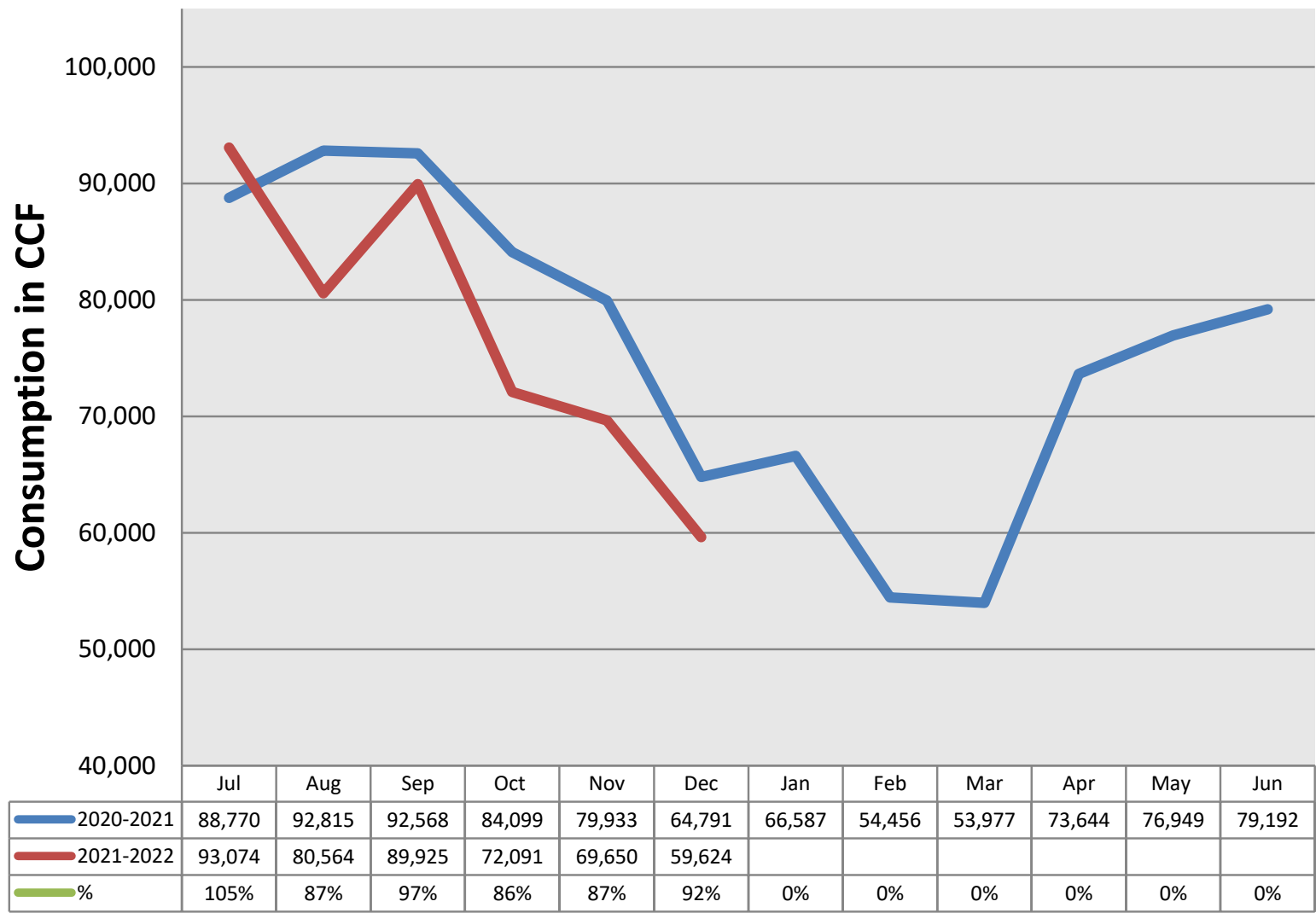
Tier III YTD Consumption



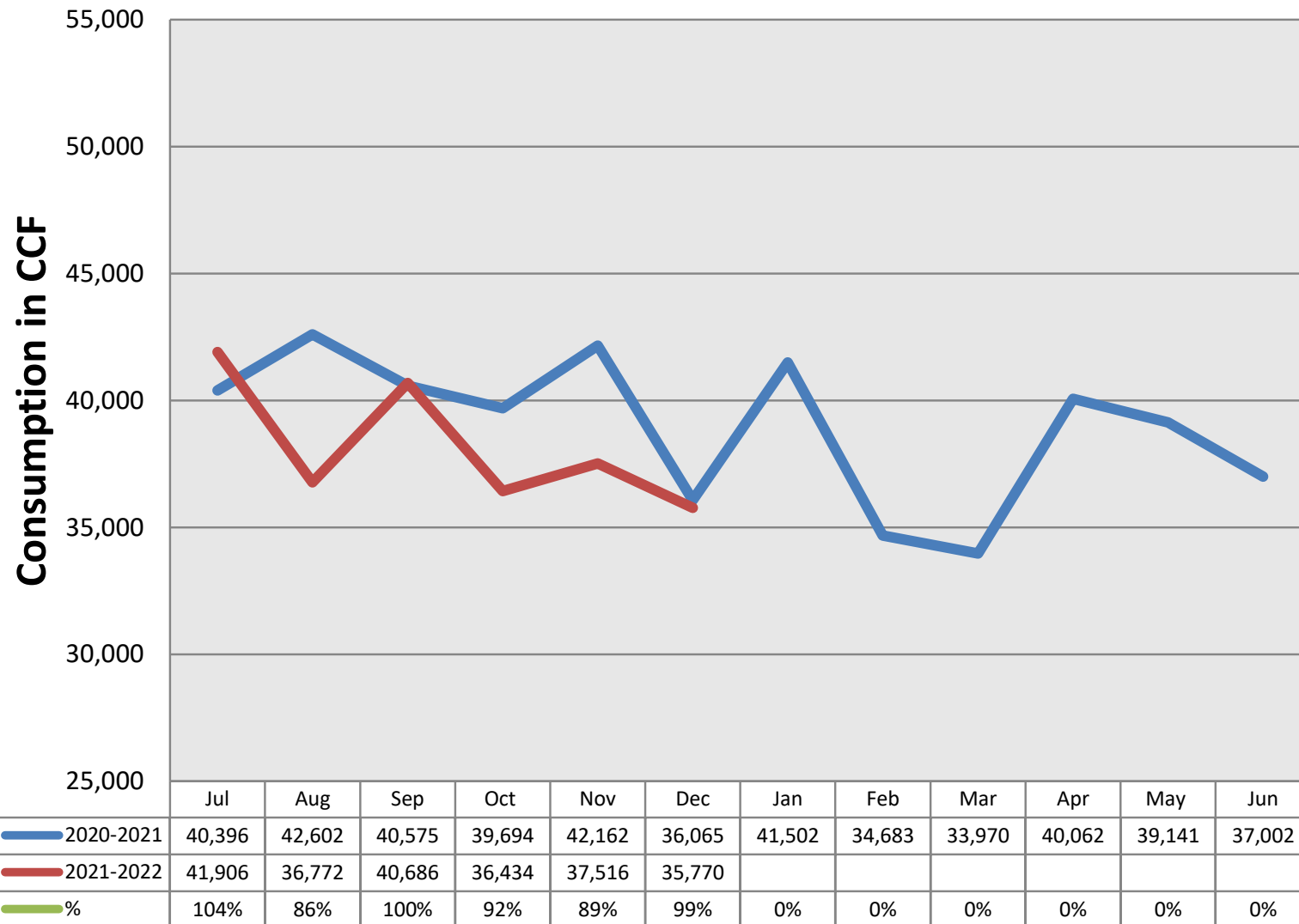
Tier IV YTD Consumption



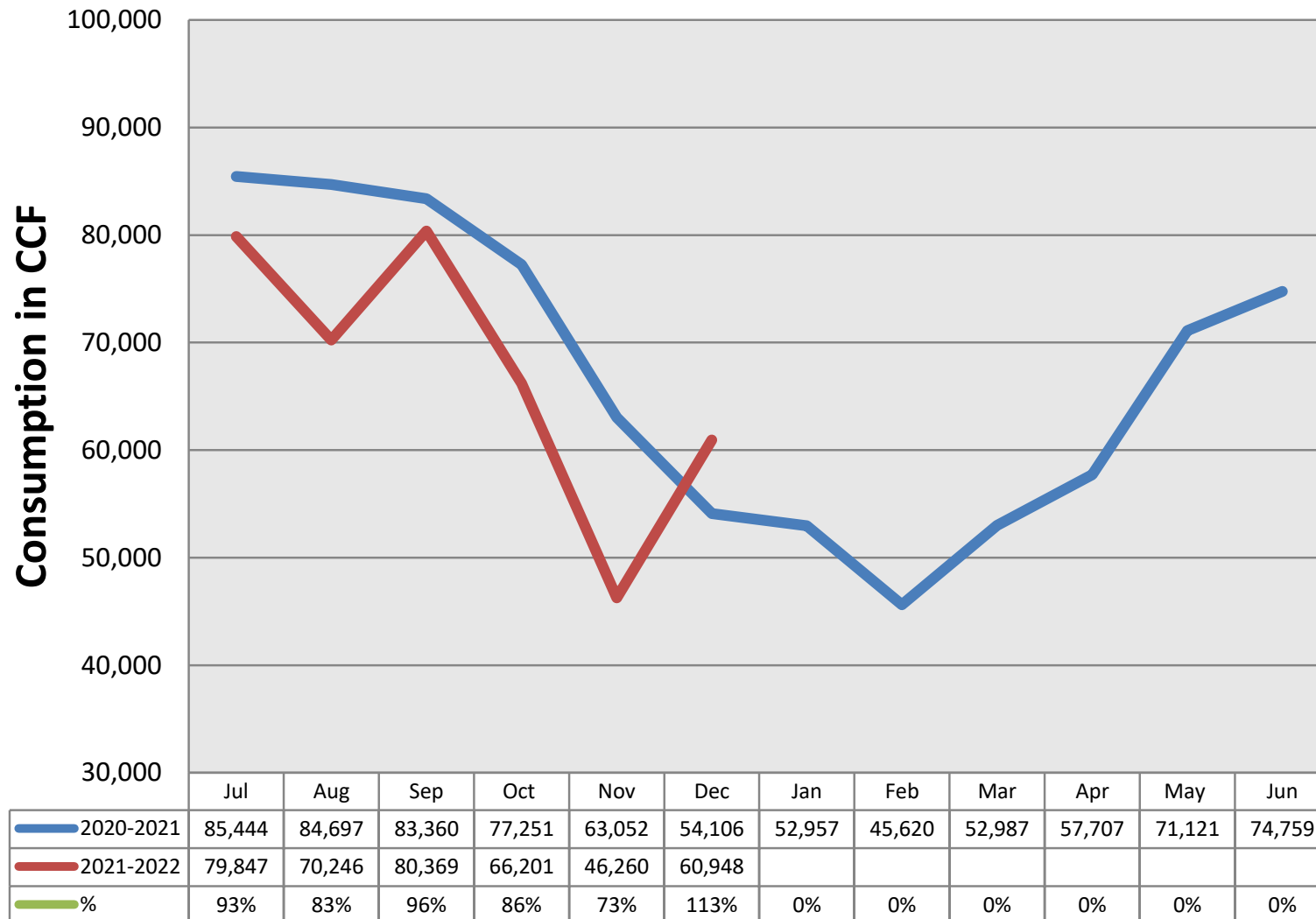
Single Family Residents Consumption



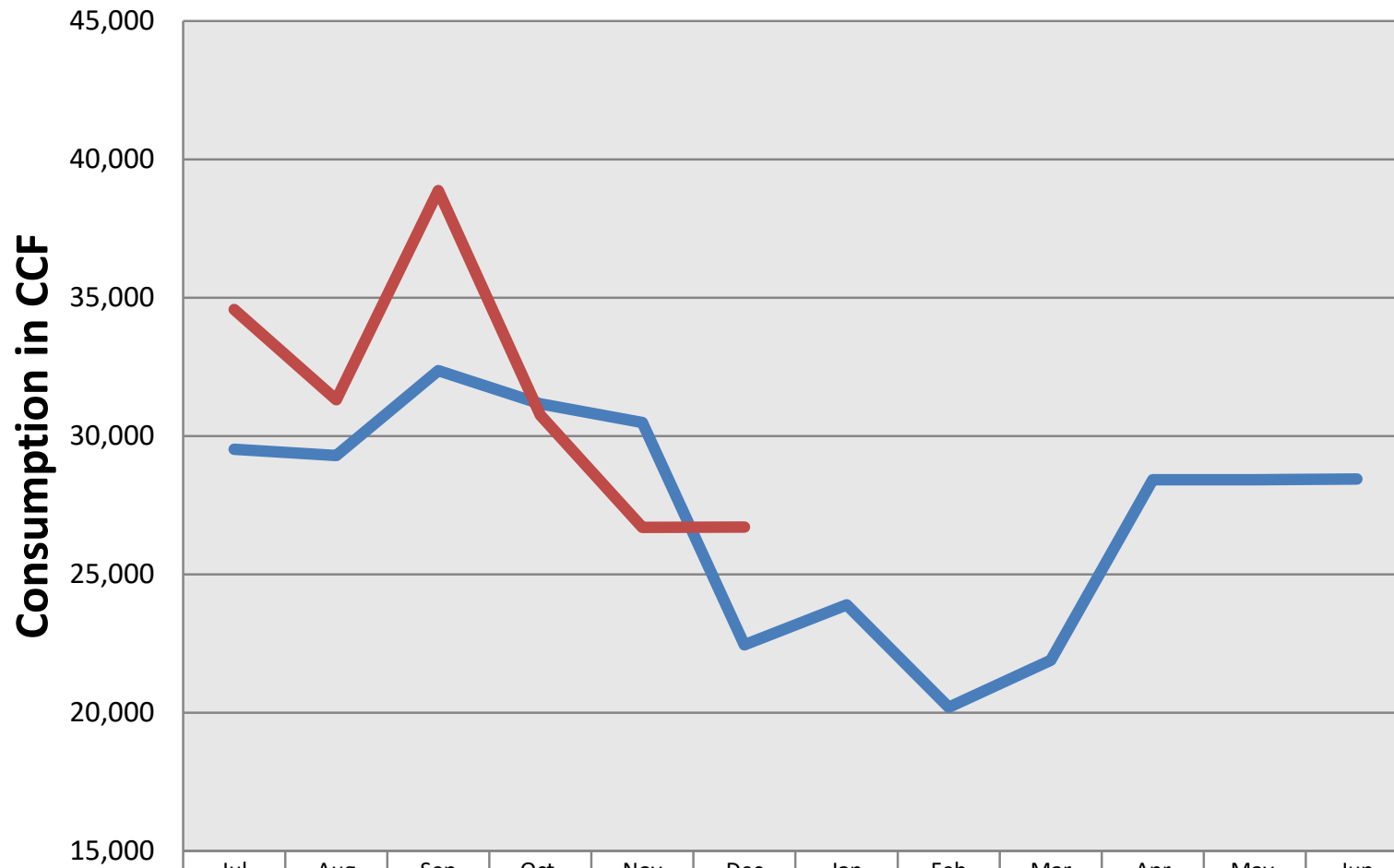
Multi Family Residents Consumption



Laguna Woods Village Consumption (Excluding Dedicated Irrigation)

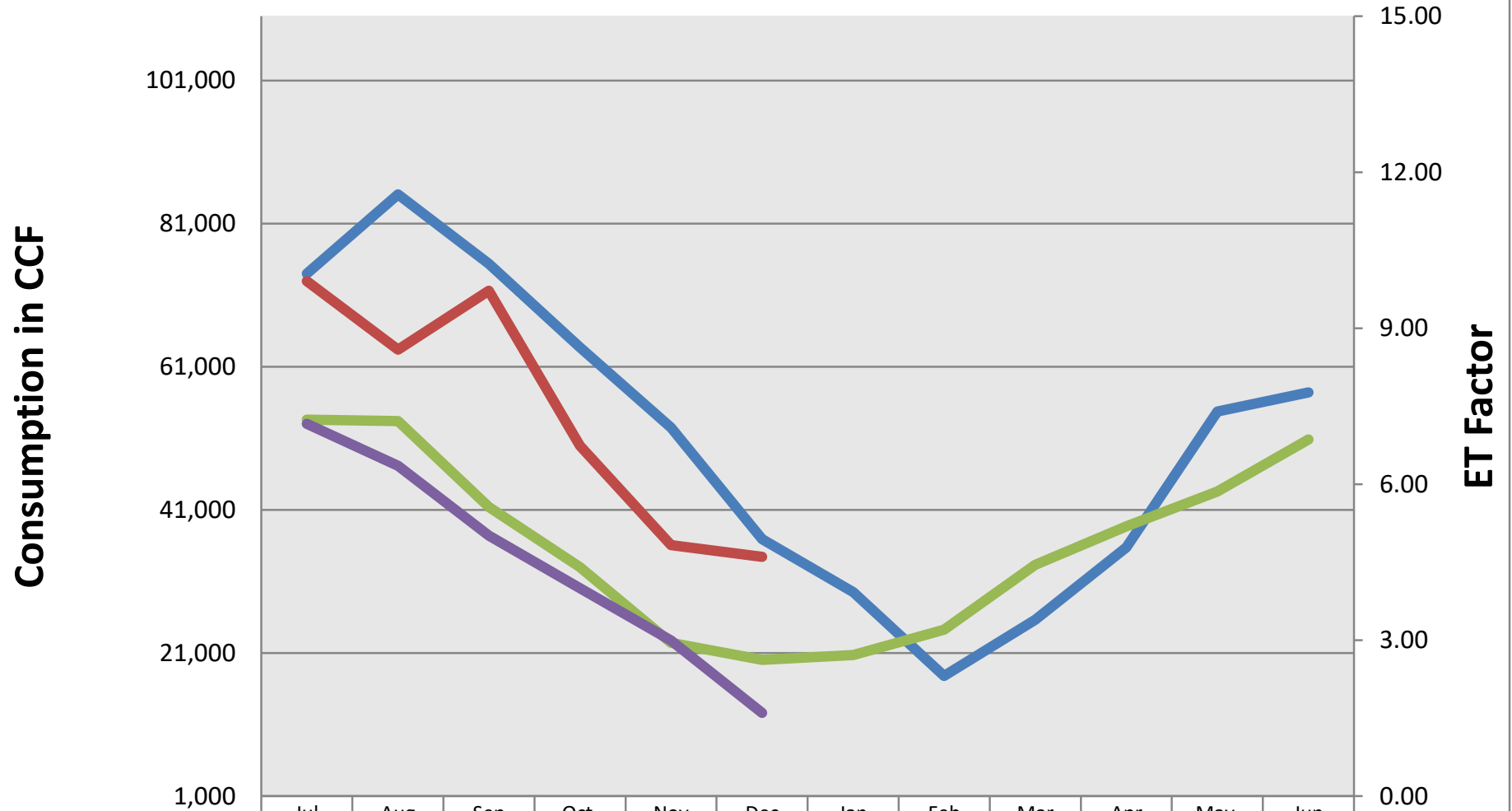


Commercial Consumption



2020-2021	29,513	29,290	32,362	31,164	30,493	22,444	23,895	20,192	21,899	28,412	28,421	28,438
2021-2022	34,571	31,313	38,871	30,750	26,696	26,703						
%	117%	107%	120%	99%	88%	119%	0%	0%	0%	0%	0%	0%

Dedicated Irrigation Consumption (including LWV)



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2020-2021	74,026	85,091	75,416	63,732	52,500	36,916	29,509	17,794	25,636	35,748	54,736	57,404
2021-2022	72,970	63,396	71,633	49,947	36,071	34,438						
20/21 ET	7.24	7.21	5.56	4.40	2.95	2.62	2.71	3.20	4.45	5.19	5.86	6.86
21/22 ET	7.16	6.35	5.01	4.00	2.99	1.60						
%	99%	75%	95%	78%	69%	93%	0%	0%	0%	0%	0%	0%



STAFF REPORT

To: BOARD OF DIRECTORS

Meeting Date: January 24, 2022

From: Jason Hayden, Chief Financial Officer

Subject: Enterprise Resource Planning Software System – Progress Update

Since the last update on the Springbrook implementation process on December 13, 2021, District Staff has continued with implementation tasks, including:

- The ETWD business process questionnaires have been completed.
- ETWD has continued to work on the chart of accounts for the Springbrook Finance module which will be the first module that will be implemented.
- On January 12, 2022, Springbrook project managers and ETWD Staff had a meeting to discuss the order in which modules will be implemented and the timelines for completing those implementations.
- On January 18, 2022, ETWD Staff had a meeting with Springbrook software development staff to finalize the parameters document for the modifications that will be made to the Springbrook utility billing module so that the District's water budget based billing system can be incorporated into the Springbrook system.



STAFF REPORT

To: BOARD OF DIRECTORS

Meeting Date: January 24, 2022

From: Jason Hayden, Chief Financial Officer

Subject: Capital Project Financing Update

On November 22, 2021, the Board made a final decision to issue debt in an amount sufficient to fund all of the projects that had been discussed and to add funding for the Advanced Metering Infrastructure (AMI) project. As a final summary, debt in the following amount will be issued as part of the 2022 financing:

Capital Project Funding Needed	
Project Description	ETWD Cost
R-6 Reservoir Cover Replacement	\$ 9,776,400
South Orange County Turnout Main	3,000,000
Joint Turnout Main Pump Station	2,400,000
Water Filtration Plant Reuse Project	2,917,000
SOCWA Capital Projects	9,974,000
Advanced Metering Infrastructure	6,161,900
Total Project Cost	<u>34,229,300</u>
Utilization of Reserves/Restricted	
Capital Reserves Accumulated in Prior Years	(6,428,700)
Release of Cash Restricted for SRF Loans	(2,270,000)
	<u>(8,698,700)</u>
Total Financing Needed	<u>\$ 25,530,600</u>

At the January 2, 2022 Special Board meeting, the Board made a final decision to utilize Revenue Bonds as the form of debt and to establish a Joint Powers Authority (JPA) with the California Statewide Communities Development Authority (CSCDA). Also during this meeting, the Board agreed with Staff's recommendation to use Bank of America as the bond underwriter for the issuance of the District's debt.

With these decisions finalized, since January 2, 2022, ETWD Staff, NHA Advisors, Bank of America, and Stradling (Bond and Disclosure Counsel) have been implementing the next steps in the process of issuing the debt, including:

- Drafting and reviewing the JPA Agreement with CSCDA for approval by the Board.
- Reviewing and gathering data to complete the Official Statement which will be utilized for the bond rating process and will also be used to market the bonds to potential purchasers.
- District Staff reviewed proposals from two third party bond administrators to manage the record keeping and payment processing for the bonds and selected U.S. Bank.
- Stradling drafted a debt policy for the District to consider. District Staff reviewed and modified this policy so that it reflected District processes. The Debt Management Policy is presented for approval by the Board as an individual agenda item at the January Finance Committee.

Included in the Finance & Insurance Meeting action items are several documents that need to be approved to continue moving the financing process forward, these include:

1. The JPA agreement with CSCDA that will form the JPA once approved by CSCDA.
2. The Debt Management Policy.
3. An update to the District's Investment Policy which incorporates some minor modifications.

The next two months will include many activities that needed to be completed to finalize the financing process, including:

- District Staff, working with the Stradling, needs to finalize the Bond Official Statement prior to the ratings process;
- The bond rating meeting with Standard & Poor's is scheduled for February 3;
- At the Special Board Meeting, scheduled for February 14, the Board will need to approve a series of documents that will authorize the District to issue the bonds.
- The pricing for the Bonds can occur shortly after these activities have been completed. Approval of the bond documents at the February 14 Special Board Meeting will allow pricing of the bonds to occur as soon as February 24.
- The closing for the Bonds should occur approximately 7 to 14 days after pricing and the District should receive the proceeds from the Bond sale within a day or two after the closing.



STAFF REPORT

To: BOARD OF DIRECTORS

Meeting Date: January 24, 2022

From: Jason Hayden, Chief Financial Officer

Subject: Service Disconnection for Non-payment Process

Background

On December 31, 2021 the State of California moratorium on utility disconnections by public agencies for non-payment of bills expired. The expiration of the moratorium presents the District with a policy decision about the reinstatement of service discontinuations for non-payment of a bills. A brief overview of the District's service discontinuation process (which is compliant with the recently changed State Law governing this process) is presented below (please review the attached document for a full description of the District's process):

All accounts with charges for services that are at least sixty (60) days past due are subject to discontinuation of service proceedings. The District will send an automated telephonic notice and mail a written notice to the billing address at least 10 business days prior to service shut off. If payment is not received, a Posting Notice will be placed at the service address at least 5 business days prior to service shut off. When this notice is dispatched, a notification fee of \$15 is added to the account. Accounts for which service is discontinued will not be reinstated until all charges, including a reconnection fee, have been paid. The amount of the reconnection fee is dependent upon whether service is reinstated during office hours, which incurs a fee of \$20, or after office hours with a fee of \$30. Customers that receive two shutoff notices within any 12 month period are required to pay a deposit of \$50 before service will be reinstated.

The District does have several programs and processes that provide customers the opportunity to request changes that could lower their monthly utility bills. These programs and processes include:

- A waiver of the Water O&M Charge for low income residents, as long as they provide documentation of their income;
- The District works with customers to provide payment plans for those customers who have encountered a financial hardship or who receive an unexpectedly large bill;
- Customers have the opportunity to request a change in the assumptions for the Tier 1 and Tier 2 water budget calculations (these change may include the number of persons in the house, whether a medical exemption for someone in the house can be applied, and the irrigable land of the property).

Recommendation

Staff is recommending that the District begin discontinuing service for delinquent balances effective March 1, 2022 for all charges for service from that point forward. Beginning on March 1 will provide the District with enough time to communicate to customers that disconnection for delinquent balances will begin again.

In addition, making this process effective for account balances that begin accumulating delinquencies after March 1 will provide the District with time to receive the arrearages payment for water service from the State Water Resources Control Board (SWRCB), apply for any arrearage program for wastewater service that becomes available from the SWRCB, and then decide how to handle any remaining balances after those payments are received.

Attachments

- Policy on Discontinuation of Residential Water Service

EL TORO WATER DISTRICT

Schedule No. 7-W

POLICY ON DISCONTINUATION OF RESIDENTIAL WATER SERVICE

1. **Application of Policy.** This Policy on Discontinuation of Residential Water Service (this "Policy") shall apply to all District accounts for residential water service, but shall not apply to any accounts for non-residential service. To the extent this Policy conflicts with any other rules, regulations, or policies of the District, this Policy shall control.

2. **Contact Information.** For questions or assistance regarding the water bill, the District's Customer Service staff can be reached at (949) 837-0660. Customers may also visit the District's Customer Service desk in person Monday through Thursday, from 7:30 a.m. to 4:00 p.m., Friday 7:30 a.m. to 3:00 p.m. (closed every other Friday) except on District holidays. The District's Customer Service office is located at 24251 Los Alisos Blvd. in Lake Forest.

3. **Rendering of bills and Billing Procedures.** Water and Sewer service charges are payable, in full, to the District 25 days from date issue once every month or at such other frequency as determined by the Board of Directors from time to time. Any bills not paid within such period are considered delinquent.

4. **Discontinuation of Water Service for Nonpayment.** If a bill is delinquent for at least sixty (60) days, the District may discontinue water service to the service address.

4.1 Written Notice to Customer. The District will provide a mailed notice to the customer of record at least ten (10) business days before discontinuation of water service. The notice will contain:

- (a) the name and address of the customer;
- (b) the amount of the delinquency;
- (c) the date by which payment or payment arrangements must be made to avoid discontinuation of service;
- (d) the procedure by which the customer may initiate a complaint or request an investigation or appeal concerning service or charges;
- (e) a description of the procedure by which the customer may request an alternative payment arrangement, which may include an extension, amortization, alternative payment schedule, or payment reduction;
- (f) the procedure for the customer to obtain information regarding the District's Life Line Rate Assistance Program;
- (g) the telephone number where the customer may request a payment arrangement or receive additional information from the District.

4.2 Written Notice to Occupants or Tenants.

(a) The District will also send a notice to the occupants living at the service address at least ten (10) business days before discontinuation of water service under the following circumstances: (i) the District furnishes individually metered service to a single-family dwelling, multi-unit residential structure, mobile home park, or farm labor camp and the owner, manager, or operator is the customer of record; or (ii) the customer of record's mailing address is not the same as the service address. The notice will be addressed to "Occupant," will contain the information required in Section 4.1 above, and will inform the residential occupants that they have the right to become customers of the District without being required to pay the amount due on the delinquent account. Terms and conditions for occupants to become customers of the District are provided in Section 8 below.

EL TORO WATER DISTRICT

(b) If the District furnishes water to residences through a master meter, the District will make a good faith effort, at least ten (10) business days prior to termination, to notify the residential occupants that the account is in arrears and the service will be terminated on a date specified in the notice. The District will provide notice by either: (i) mailing the notice to each residential unit; (ii) posting the notice on the door of each residential unit, (iii) if providing notice to each unit is impracticable or infeasible, posting two (2) copies of the notice in each accessible common area and at each point of access to the structure or structures; or (iv) making some other good faith, reasonable effort to provide written notice to the occupants. The notice will be addressed to "Occupant," will contain the information required in Section 4.1 above, and will inform the residential occupants that they have the right to become customers of the District without being required to pay the amount due on the delinquent account. Terms and conditions for occupants to become customers of the District are provided in Section 8 below.

4.3 In-Person or Telephonic Notice. The District will also make a reasonable, good faith effort to contact the customer of record or an adult person living at the premises of the customer in person or by telephone at least seven (7) Business days before discontinuation of service. The District will offer to provide in writing a copy of this Policy and to discuss options to avert discontinuation of water service for nonpayment, including the possibility of an extension or other payment arrangement.

4.4 Posting of Notice at Service Address. , the District will make a good faith effort to leave a notice of imminent discontinuation of residential service and a copy of this Policy in a conspicuous place at the service address. The notice and copy of this Policy will be left at the residence at least forty-eight (48) hours before discontinuation of service. The notice shall include:

- (a) the name and address of the customer;
- (b) the amount of the delinquency;
- (c) the date by which payment or payment arrangements must be made to avoid discontinuation of service;
- (d) the procedure for the customer to obtain information on financial assistance, if applicable; and
- (e) the telephone number where the customer may request a payment arrangement or receive additional information from the District.

4.5 Circumstances Under Which Service Will Not Be Discontinued. The District will not discontinue residential water service for nonpayment under the following circumstances:

- (a) During an investigation by the District of a customer dispute or complaint under Section 5.1 below;
- (b) During the pendency of an appeal to the Board of Directors under Section 5.3 below; or
- (c) During the period of time in which a customer's payment is subject to a District-approved extension, amortization, alternative payment schedule, or reduction under Section 6 below, and the customer remains in compliance with the approved payment arrangement.

4.6 Special Medical and Financial Circumstances Under Which Services Will Not Be Discontinued.

- (a) The District will not discontinue water service if all of the following conditions are met:

EL TORO WATER DISTRICT

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- (i) The customer, or a tenant of the customer, submits to the District the certification of a licensed primary care provider that discontinuation of water service will be life threatening to, or pose a serious threat to the health and safety of, a resident of the premises where residential service is provided;
- (ii) The customer demonstrates that he or she is financially unable to pay for residential service within the District's normal billing cycle. The customer is deemed financially unable to pay during the normal billing cycle if: (a) any member of the customer's household is a current recipient of CalWORKs, CalFresh, general assistance, Medi-Cal, Supplemental Security Income/State Supplementary Payment Program, or California Special Supplemental Nutrition Program for Women, Infants, and Children, or (b) the customer declares under penalty of perjury that the household's annual income is less than 200 percent of the federal poverty level; and
- (iii) The customer is willing to enter into an alternative payment arrangement, including an extension, amortization, alternative payment schedule, or payment reduction with respect to the delinquent charges.

(b) For any customers who meet all of the above conditions, the District shall offer the customer one of the following options, to be selected by the District in its discretion:

- (i) an extension of the payment period;
- (ii) amortization of the unpaid balance;
- (iii) an alternative payment schedule; or
- (iv) a reduced payment.

The District's General Manager will select the most appropriate payment arrangement, taking into consideration the information and documentation provided by the customer, as well as the District's payment needs.

(c) The customer is responsible for demonstrating that the conditions in subsection (a) have been met. Upon receipt of documentation from the customer, the District will review the documentation within seven (7) days and: (1) notify the customer of the alternative payment arrangement selected by the District and request the customer's signed assent to participate in that alternative arrangement; (2) request additional information from the customer; or (3) notify the customer that he or she does not meet the conditions in subsection (a).

(d) The District may discontinue water service if a customer who has been granted an alternative payment arrangement under this section fails to do any of the following for sixty (60) days or more: (a) to pay his or her unpaid charges by the extended payment date; (b) to pay any amortized amount due under the amortization schedule; (c) to pay any amount due under an alternative payment schedule; (d) to pay the reduced payment amount by its due date; or (e) to pay his or her current charges for water service. The District will post a final notice of intent to disconnect service in a prominent and conspicuous location at the service address at least five (5) business days before discontinuation of service. The final notice will not entitle the customer to any investigation or review by the District.

4.7 Time of Discontinuation of Service. The District will not discontinue water service due to nonpayment on a Saturday, Sunday, legal holiday, or at any time during which the District's office is not open to the public.

EL TORO WATER DISTRICT

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4.8 Restoration of Service. Customers whose water service has been discontinued may contact the District by telephone or in person regarding restoration of service. Restoration shall be subject to payment of: (a) any past-due amounts, including applicable interest or penalties; (b) any reconnection fees, subject to the limitations in Section 7.1, if applicable; (c) and a security deposit, if required by the District.

5. **Procedures to Contest or Appeal a Bill.**

5.1 Time to Initiate Complaint or Request an Investigation. A customer may initiate a complaint or request an investigation regarding the amount of a bill within five (5) days of receiving a disputed bill. For purposes of this Section 5.1 only, a bill shall be deemed received by a customer five (5) days after mailing and immediately upon e-mailing.

5.2 Review by District. A timely complaint or request for investigation shall be reviewed by a manager of the District, who shall provide a written determination to the customer. The review will include consideration of whether the customer may receive an extension, amortization, alternative payment schedule, or payment reduction under Section 6. The District may, in its discretion, review untimely complaints or requests for investigation; however, such complaints or requests are not subject to appeal.

5.3 Appeal to Board of Directors. Any customer whose timely complaint or request for an investigation pursuant to this Section 5 has resulted in an adverse determination by the District may appeal the determination to the Board of Directors by filing a written notice of appeal with the District Secretary within ten (10) business days of the District's mailing of its determination. Upon receiving the notice of appeal, the District Secretary will set the matter to be heard at an upcoming Board meeting and mail the customer written notice of the time and place of the hearing at least ten (10) days before the meeting. The decision of the Board shall be final.

6. **Extensions and Other Alternative Payment Arrangements.**

If the conditions listed in Section 4.6 (a) are met, as determined by the District, the District shall offer the customer one of the following options:

6.1 Time to Request an Extension or Other Alternative Payment Arrangement. If a customer is unable to pay a bill during the normal payment period, the customer may request an extension or other alternative payment arrangement described in this Section 6. If a customer submits his or her request within thirteen (13) days after mailing of a written notice of discontinuation of service by the District, the request will be reviewed by a manager of the District. District decisions regarding extensions and other alternative payment arrangements are final and are not subject to appeal to the District's Board of Directors.

6.2 Extension. If approved by the District, a customer's payment of his or her unpaid balance may be temporarily extended for a period not to exceed six (6) months after the balance was originally due. The District's General Manager shall determine, in his or her discretion, how long an extension shall be provided to the customer. The customer shall pay the full unpaid balance by the date set by the District and must remain current on all water service charges accruing during any subsequent billing periods. The extended payment date will be set forth in writing and provided to the customer.

6.3 Amortization. If approved by the District, a customer's payment of his or her unpaid balance may be amortized over a period not to exceed twelve (12) months, as determined by the District's General Manager in his or her discretion. If amortization is approved, the unpaid balance will be divided by the number of months in the amortization period, and that amount will be added to the customer's monthly bills for water service until fully paid. During the amortization period, the customer must remain current on all water service charges accruing during any subsequent billing periods. The amortization schedule and amounts due will be set forth in writing and provided to the customer.

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EL TORO WATER DISTRICT

6.4 Alternative Payment Schedule. If approved by the District, a customer may pay his or her unpaid balance pursuant to an alternative payment schedule that will not exceed twelve (12) months, as determined by the District's General Manager in his or her discretion. If approved, the alternative payment schedule may allow periodic lump-sum payments that do not coincide with the District's established payment date or may provide for payments made more or less frequently than the District's regular payment date. During the period of the alternative payment schedule, the customer must remain current on all water service charges accruing during any subsequent billing periods. The alternative payment schedule and amounts due will be set forth in writing and provided to the customer.

6.5 Payment Reduction. If approved by the District, a customer may receive a partial or full reduction of the unpaid balance for water service. Any such reduction shall be funded using unrestricted funds of the District, and not from charges or fees paid by other customers.

6.6 Failure to Comply. If a customer has been granted a payment arrangement under this Section 6 and fails to: (1) pay the unpaid charges by the extension date; (2) pay an amount due under an amortization schedule; (3) pay an amount due under an alternative payment schedule; or (4) pay a reduced payment amount by its due date, then the District may terminate water service. The District will post a final notice of intent to disconnect service in a prominent and conspicuous location at the service address at least five (5) business days before discontinuation of service. The final notice will not entitle the customer to any investigation or review by the District.

7. **Specific Programs for Low-Income Customers.**

7.1 Reconnection Fee Limits and Waiver of Interest. For residential customers who demonstrate to the District a household income below 200 percent of the federal poverty line, the District will:

- (a) Limit any reconnection fees during normal operating hours to fifty dollars (\$50), and during non-operational hours to one hundred fifty dollars (\$150). The limits will only apply if the District's reconnection fees actually exceed these amounts. These limits are subject to an annual adjustment for changes in the Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers (CPI-U) beginning January 1, 2021.
- (b) Waive interest charges on delinquent bills once every 12 months. The District will apply the waiver to any interest charges that are unpaid at the time of the customer's request.

7.2 Qualifications. The District will deem a residential customer to have a household income below 200 percent of the federal poverty line if: (a) any member of the household is a current recipient of CalWORKs, Cal Fresh, general assistance, Medi-Cal, Supplemental Security Income/State Supplementary Payment Program, or California Special Supplemental Nutrition Program for Women, Infants, and Children, or (b) the customer declares under penalty of perjury that the household's annual income is less than 200 percent of the federal poverty level.

8. **Procedures for Occupants or Tenants to Become Customers of the District.**

8.1 Applicability. This Section 8 shall apply only when the property owner, landlord, manager, or operator of a residential service address is listed as the customer of record and has been issued a notice of intent to discontinue water service due to nonpayment.

8.2 Agreement to District Terms and Conditions of Service. The District will make service available to the actual residential occupants if each occupant agrees to the terms and conditions of service

EL TORO WATER DISTRICT

and meets the requirements of the District's rules and regulations. Notwithstanding, if one or more of the occupants are willing and able to assume responsibility for the subsequent charges to the account to the satisfaction of the District, or if there is a physical means, legally available to the District, of selectively discontinuing service to those occupants who have not met the requirements of the District's rules and regulations, the District shall make service available to the occupants who have met those requirements.

8.3 Verification of Tenancy. To be eligible to become a customer without paying the amount due on the delinquent account, the occupant shall verify that the delinquent account customer of record is or was the landlord, manager, or agent of the dwelling. Verification may include, but is not limited to, a lease or rental agreement, rent receipts, a government document indicating that the occupant is renting the property, or information disclosed pursuant to Section 1962 of the Civil Code, at the discretion of the District.

8.4 Methods of Establishing Credit. If prior service for a period of time is a condition for establishing credit with the District, residence and proof of prompt payment of rent for that period of time is a satisfactory equivalent.

8.5 Deductions from Rental Payment. Pursuant to Government Code Section 60371(d), any occupant who becomes a customer of the District pursuant to this Section 8 and whose periodic payments, such as rental payments, include charges for residential water service, where those charges are not separately stated, may deduct from the periodic payment each payment period all reasonable charges paid to the District for those services during the preceding payment period.

9. **Language for Certain Written Notices.** All written notices under Section 4 and Section 6.6 of this Policy shall be provided in English, Spanish, Chinese, Tagalog, Vietnamese, Korean, and any other language spoken by ten percent (10%) or more people within the District's service area.

10. **Other Remedies.** In addition to discontinuation of water service, the District may pursue any other remedies available in law or equity for nonpayment of water service charges, including, but not limited to: securing delinquent amounts by filing liens on real property, filing a claim or legal action, or referring the unpaid amount to collections. In the event a legal action is decided in favor of the District, the District shall be entitled to the payment of all costs and expenses, including attorneys' fees and accumulated interest.

11. **Discontinuation of Water Service for Other Customer Violations.** The District reserves the right to discontinue water service for any violations of District ordinances, rules, or regulations other than nonpayment.

12. **Fees and Charges Incurred.** Except as otherwise expressly stated in this Policy, any fees and charges incurred by a customer under any other rules, regulations, or policies of the District, including, but not limited to, delinquent charges, shall be due and payable as set forth therein.

13. **Decisions by District Staff.** Any decision which may be taken by the District's General Manager under this Policy may be taken by his or her designee.



STAFF REPORT

To: BOARD OF DIRECTORS

Meeting Date: January 24, 2022

From: Jason Hayden, Chief Financial Officer

Subject: Annual Comprehensive Financial Report Update

A review of the final Annual Comprehensive Finance Report document for Fiscal Year 2020-2021 by Finance Staff found that two pages were inadvertently left out of the final document by the report writing department of the District's audit firm. The two pages that were left out are considered "Supplementary Information" and are therefore not required but provide additional information for the Board of Directors, Staff, customers of the District, and other third parties who may be interested in the District's finances.

These two pages, which are attached, provide a detailed breakout of the revenues and expenses for the District for fiscal years 2019-2020 and 2020-2021. Staff plans to utilize the document with these two pages as the final version of the Annual Comprehensive Financial Report and this will be the version that is posted to the website.

Attachments

- Pages 48 and 49 of the final Annual Comprehensive Financial Report
- Fiscal Year 2020-2021 Annual Comprehensive Financial Report

EL TORO WATER DISTRICT
SCHEDULE OF REVENUE BY CATEGORY
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

OPERATING REVENUES	2021	2020
Water Consumption Sales		
Unrestricted	\$ 8,824,016	\$ 8,066,268
Restricted - Conservation	100,000	100,000
Restricted - Recycled Water	647,546	539,718
Total Water Consumption Sales	9,571,562	8,705,986
Water Service Charges		
Operations & Maintenance	3,805,648	3,695,636
Capital Replacement & Refurbishment	1,264,678	1,281,975
Total Water Service Charges	5,070,326	4,977,611
Sewer Service Charges		
Wastewater Service Charges		
Operations & Maintenance	7,549,752	7,705,618
Capital Replacement & Refurbishment	1,605,820	1,606,851
Recycled Consumption Sales	1,898,113	1,355,119
Recycled Service Charges		
Operations & Maintenance	308,199	258,409
Capital Replacement & Refurbishment	134,773	118,345
Total Sewer Service Charges	11,496,657	11,044,342
Reimbursements from Others		
Recycled Water Rebates	270,175	217,125
Shared Facility Charges	131,050	111,185
Total Reimbursements from Others	401,225	328,310
Other Charges for Service		
Miscellaneous Revenue	104,198	16,542
Miscellaneous Charges for Service	10,975	27,435
Refunds/Rebates	55,036	97,104
Total Other Charges for Service	170,209	141,081
TOTAL OPERATING REVENUES	26,709,979	25,197,330
NONOPERATING REVENUES		
Property Taxes		
Water System	439,052	479,696
Wastewater System	570,730	474,652
Recycled Water System	87,807	82,987
Rental Revenue	236,357	242,187
Investment Income	21,511	424,110
Other Non-Operating Revenue	42,826	40,917
TOTAL NONOPERATING REVENUES	1,398,283	1,744,549
TOTAL REVENUE	<u>\$ 28,108,262</u>	<u>\$ 26,941,879</u>

EL TORO WATER DISTRICT
SCHEDULE OF EXPENSES BY CATEGORY
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

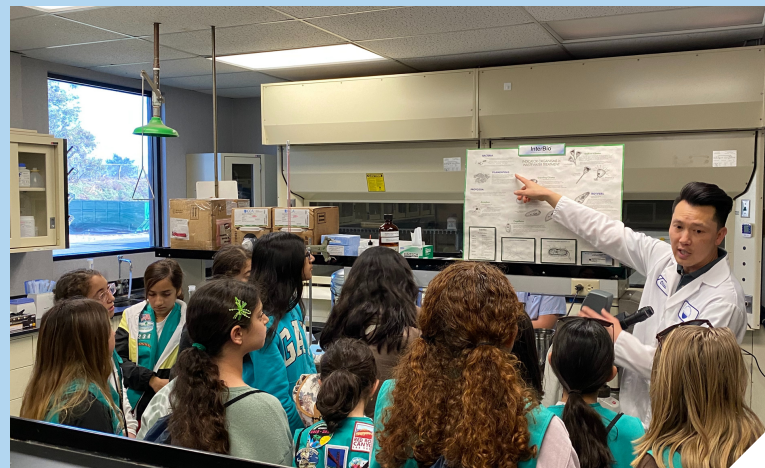
OPERATING EXPENSES	2021	2020
Source of Supply	\$ 8,763,806	\$ 8,085,299
Pumping		
Water System	841,888	788,663
Wastewater System	575,327	571,252
Total Pumping	1,417,215	1,359,915
Treatment		
Water System	47,884	56,226
Wastewater System	3,524,731	3,332,452
Recycled System	379,064	374,993
Total Treatment	3,951,679	3,763,671
Transmission & Distribution		
Water System	2,036,245	2,149,885
Wastewater System	750,678	644,381
Recycled System	2,580	-
Operations Support	2,668,619	2,384,700
Total Transmission & Distribution	5,458,122	5,178,966
Customer Service	533,039	603,473
General & Administrative		
Administration	3,159,403	3,164,196
OPEB Charges	1,615,466	1,341,903
Total General & Administrative	4,774,869	4,506,099
Depreciation & Amortization	4,345,557	4,483,607
TOTAL OPERATING EXPENSES	29,244,287	27,981,030
NONOPERATING EXPENSES		
Interest Expense	758,339	777,511
TOTAL NONOPERATING EXPENSES	758,339	777,511
TOTAL EXPENSES	<u>\$ 30,002,626</u>	<u>\$ 28,758,541</u>

EL TORO WATER DISTRICT
COMPREHENSIVE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2021



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YEAR ENDED JUNE 30, 2021**

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INTRODUCTORY SECTION



El Toro Water District

"A District of Distinction"

Serving the Public - Respecting the Environment

November 30, 2021

Board of Directors

Mike Gaskins
President

Kathryn Freshley
Vice President

Kay Havens
Director

Mark L. Monin
Director

Jose F. Vergara
Director

General Manager

Dennis P. Cafferty

Board of Directors
El Toro Water District

Submitted for your review and consideration is the Comprehensive Annual Financial Report for the El Toro Water District (the "District"), for the fiscal year ended June 30, 2021 (FYE 2021). California law requires special purpose governments to publish a complete set of financial statements within 180 days of the close of each fiscal year. This Comprehensive Annual Financial Report is issued by the District to comply with this requirement and to enable elected officials, District residents, and all other stakeholders to gain a comprehensive understanding of the District's finances.

The financial statements included in this report depict the District's financial position and the changes in that financial position as of June 30, 2021. The Statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) and have been audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants. Responsibility for the accuracy of the data presented, as well as the completeness and fairness of the presentation, including disclosures, rests with the El Toro Water District. The District believes the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and changes in financial position of the District. Incorporated into the financial statements are all disclosures necessary to enable the reader to gain a maximum understanding of the District's financial affairs.

The District's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants experienced in auditing special purpose governments in California. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District are free of material misstatements. The independent audit consisted of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based on these audit procedures, the independent auditor concluded there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2021 are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Governmental Accounting Standards Board Statement Number 34 requires the District to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A is found immediately following the report of the independent auditors.

Profile of the El Toro Water District

The El Toro Water District was formed in 1960 and serves approximately 47,900 residents of five municipalities located in southern Orange County. The District is a fully integrated water, sewer, and recycled water retail operation with a service area that includes all of the City of Laguna Woods and portions of the Cities of Aliso Viejo, Laguna Hills, Lake Forest, and Mission Viejo. The District's service area includes 5,430 acres or approximately 8.48 square miles.

The District is governed by a Board of Directors consisting of five board members who are elected by the registered voters within District boundaries. The Board of Directors establish policy and make decisions based on the District's mission, goals, and operations. The Board's policies are administered and implemented by the General Manager, who is appointed by the Board. Public elections are held every two years and Directors serve four-year staggered terms to ensure continuity.

The Board takes its responsibilities as sound fiscal stewards seriously. Every quarter the District has an Agreed Upon Procedure (AUP) performed by the District auditors to focus in detail on an aspect of internal controls. Each AUP focuses on different internal control risk areas. Additionally, the District prepares a full cost of service analysis each year to determine the fairness and adequacy of its rates for the next fiscal year.

The District is very proud to have been awarded the District of Distinction Award by the Special District Leadership Foundation in each accreditation cycle since 2007, a testament to the responsible leadership that has been a long-standing tradition at the District.

Significant Accomplishments during Fiscal Year 2021

During the budget process, the District Board participates in a goal setting discussion for the purpose of establishing or redefining key goals and objectives for the forthcoming budget year. District Staff utilizes these budget goals and objectives to guide operations and spending during the budget year. The achievements in the 2021 fiscal year were a result of the goals and objectives established by the Board during the annual budget process and are described below:

General Accomplishments

- The District managed the transition of several senior staff members by recruiting qualified successors, including a Chief Financial Officer, a new position for the District, an Operations Superintendent, and an Engineering Manager.
- Like all of its peer agencies, the District had to adapt 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.

Financial Management

- Continued the District's commitment to superb financial management practices as demonstrated by the receipt of the Certificate of Achievement for Excellence in Financial Reporting for the FYE 2020 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 began the process of securing funding for the construction, replacement, or refurbishment of significant infrastructure and equipment by assessing various options for financing the projects.
- The District also continued its commitment to fiscal discipline by approving a budget for the 2021-2022 fiscal year that is balanced and includes funding for several significant capital projects.

Infrastructure Improvements

- During fiscal year 2020-2021 the District successfully completed the Phase II Recycled Water Project. This project expanded access to the District's recycled water used for irrigation purposes to a larger number of residences in the City of Laguna Woods, thereby reducing the consumption of potable water and improving the utilization of the water tertiary treatment plant.
- The District also successfully completed several engineering design projects including the Aeration Basin Diffuser and Ocean Outfall Pump Station Emergency Generator replacements; these projects entered into construction phase during the 2020-2021 fiscal year.
- The District began several significant projects, including the reconstruction of the Oso Lift Station as well as the engineering design for the replacement of the Reservoir 6 Cover, the R-2 recoating project, and the Grit Chamber rehabilitation project.

Significant Future Initiatives

The District is committed to providing high quality services to its customers while also maintaining the infrastructure necessary to providing its services. The challenge the District faces in the future is setting rates that are acceptable to its residents but provide sufficient resources to maintain current service levels and complete critical capital projects that are necessary to provide high quality services. The District's initiatives and significant projects in the forthcoming fiscal year are detailed below:

- One significant project that will be ongoing during the 2021-2022 fiscal year is the engineering design of the replacement of the R-6 Reservoir floating cover and liner. This will be a major construction project that will likely begin in the 2022-2023 fiscal year and will have a significant impact on the District's operations and will improve the overall status of the District's water system infrastructure once complete.
- Also in FYE 2022, the District will begin the engineering design for the demolition of the old water filtration plant and the construction of an emergency operations center for the Water Emergency Response Organization of Orange County (WEROC) and a vehicle and equipment storage facility for the District.
- In August of 2021, the District Board approved the purchase of an Enterprise Resource Planning software system to upgrade the business processes of the District from several non-integrated software systems to an integrated software solution. This project will be ongoing throughout FYE 2022.
- A significant project for the District that will occur during FYE 2022 will be the issuance of Certificates of Participation (COPs) to finance future capital projects

Financial Management

Internal Control Structure

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

Budgetary Control

The District's Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting processes of the District are consistent with the accrual basis of accounting and financial reporting.

Investment Policy

The Board of Directors annually reviews the investment policy to ensure it conforms to State law, District ordinances and resolutions, and prudent money management standards. The objectives of the Investment Policy are safety, liquidity and yield, in that order. District funds are invested in the State Treasurer's Local Agency Investment Fund (LAIF), California Asset Management Program (CAMP), U.S. treasury obligations, government sponsored entities securities, and institutional savings and checking accounts.

Service Rates and District Revenues

District policy requires all revenues from user charges and surcharges that are generated from District customers must support all District operations including capital project funding. Accordingly, water and wastewater rates are reviewed annually to ensure they are sufficient to support the District's operations. Water and wastewater rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge.

Audit and Financial Reporting

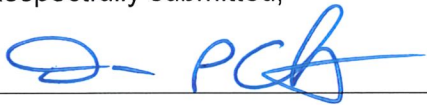
State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of CliftonAllenLarson, LLP has conducted the audit of the District's financial statements. Their unqualified Independent Auditor's Report appears in the Financial Section.

Awards and Acknowledgements

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the El Toro Water District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. The Certificate of Achievement is a prestigious award recognizing conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards, Generally Accepted Accounting Principles (GAAP), and applicable legal requirements. A Certificate of Achievement is valid for one year only. The El Toro Water District has received a Certificate of Achievement for three consecutive years.

Acknowledgements. Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the El Toro Water District's fiscal policies.

Respectfully submitted,



Dennis Cafferty
General Manager



Jason Hayden
Chief Financial Officer



DISTRICT OFFICIALS

Board of Directors

Mike Gaskins, President

Kathryn Freshley, Vice President

Kay Havens, Director

Mark Monin, Director

Jose Vergara, Director

District Management

Dennis P. Cafferty, General Manager

Jason Hayden, Chief Financial Officer

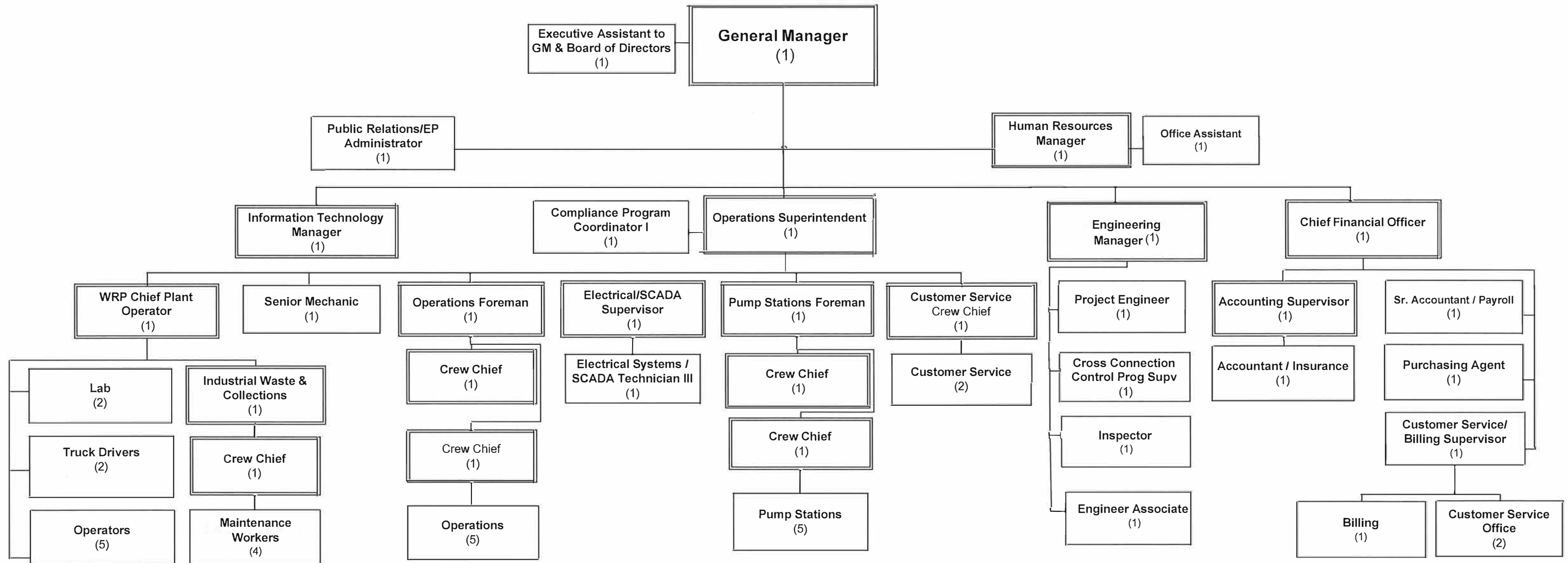
Hannah Ford, Engineering Manager

Judy Cimorell, Human Resource Manager

Michael Miazga, Information Technology Manager



EL TORO WATER DISTRICT ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**El Toro Water District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
El Toro Water District
Lake Forest, California

Report on the Financial Statements

We have audited the accompanying financial statements of the El Toro Water District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Summarized Prior-Year Comparative Information

The District's basic financial statements for the year ended June 30, 2020 were audited by White Nelson Diehl Evans LLP, whose practice became part of CliftonLarsonAllen LLP as of November 1, 2020, and whose report dated October 27, 2020, expressed an unmodified opinion on the respective financial statements of El Toro Water District from which the prior year summarized financial information was derived.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in the total other post-employment benefit (OPEB) liability and related ratios identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, schedule of revenue, schedule of expenses, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenue and schedule of expenses as of and for the year ended June 30, 2021, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenue and schedule of expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
November 30, 2021

**El Toro Water District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021**

Management's Discussion and Analysis (MD&A) of activities and financial performance for the El Toro Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2021 (FYE 2021). We encourage readers to consider the information presented in this document in conjunction with the basic financial statements and related notes, which follow the MD&A.

Financial Highlights

- In FYE 2021, the District's net position decreased \$1,885,656 (-3.01%), from \$62,739,280 as of June 30, 2020 to \$60,853,624 as of June 30, 2021, primarily due to depreciation expense and Other Post Employment Benefits (OPEB) charges.
- In FYE 2021, the District's operating revenues increased \$1,512,649 (6%), from \$25,197,330 during the year ended June 30, 2020 to \$26,709,979 during the year ended June 30, 2021. The increase in Operating Revenues was caused by increases in every category of Operating Revenues, with significant revenue increases occurring in Water Consumption Charges and Sewer Service Charges.
- In FYE 2021, the District's operating expenses, not including depreciation expense or OPEB Charges, increased \$1,160,151 or 5.24%, primarily due to increases in Source of Supply, Pumping Operations, Treatment Operations, and Transmission & Distribution. These increases were counterbalanced to some extent by decreases in Customer Service and Administration. Depreciation expense declined in FYE 2021 but OPEB Charges increased.
- In FYE 2021, the District's Non-operating Revenues declined significantly primarily due to a decrease in Investment Income of \$402,599. This was primarily caused by lower interest rates which negatively impacted the District's investments. Non-operating expenses declined modestly as Interest Expense for the District's outstanding debt declined in accordance with the amortization schedules for the various outstanding debt issuances.

Required Financial Statements

This annual report consists of a series of financial statements, including the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These Statements provide information about the activities and performance of the District and are prepared in accordance with the accrual basis of accounting, similar to the accounting methods used by private sector companies. Incorporated into the Statements are the Notes to the Financial Statements which provide detailed information about the accounting methods and estimates used to prepare the Statements. The report also includes other supplementary information that provides additional details about the El Toro Water District.

- The Statement of Net Position depicts the District's financial position as of June 30, 2021 and includes all of the assets and liabilities of the District. The Net Position of the District is the difference between its assets plus deferred outflows of resources and its liabilities and deferred inflows of resources. The Net Position of the District is classified into three components, net investment in capital assets, restricted, and unrestricted. The Statement of Net Position can be used to evaluate the District's capital structure and assess the liquidity and financial flexibility of the District.
- The Statement of Revenues, Expenses and Changes in Net Position accounts for all of the revenues and expenses of the District during the fiscal year ended June 30, 2021. The statement measures the financial result of the District's operations during the fiscal year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges.
- The final required financial statement is the Statement of Cash Flows, which provides information about changes in the District's cash balance during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operating activities, non-

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

capital and related financing activities, capital and related financing activities, and investing activities. The Statement illustrates the sources of cash, the uses of cash, and the change in the cash balance during the reporting period.

- The Notes to the Financial Statements provide additional information that is essential to achieving a full understanding of the data provided in the financial statements.
- The required supplementary information provides information about the District's progress in funding its obligation to provide Other Post-Employment Benefits to employees.
- The other supplementary information section provides additional detail about the District's revenues and expenses for FYE 2020 and FYE 2021.

Financial Analysis of the District

The following pages present financial information in condensed schedules from the Statement of Net Position and the Statement of Changes in Revenues, Expenses, and Changes in Net Position.

These two statements report the District's Net Position and changes in the Net Position. The District's net position, the difference between its assets and liabilities is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards also need to be considered when assessing the District's financial position.

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

Condensed Statement of Net Position

Net Position is the primary indicator of the District's financial position. The Condensed Schedule of Net Position presented below provides an overview of the District's Net Position for fiscal years ended June 30 2019, 2020, and 2021 and illustrates the changes in the Net Position that occurred between the fiscal years. The District's total Net Position equaled \$60,853,624 at the end of FYE 2021 and \$62,739,280 at the end of FYE 2020. In FYE 2021, total assets and deferred outflows of resources increased \$218,601 (0.18%), total liabilities and deferred inflows increased \$2,104,257 (3.69%) and the result of these changes was a decrease of \$1,885,656 (-3.01%) in Net Position.

Condensed Statement of Net Position							
	June 30, 2019	June 30, 2020	FYE 2019 to FYE 2020		June 30, 2021	FYE 2020 to FYE 2021	
	(FYE 2019)	(FYE 2020)	\$	%	FYE 2021	\$	%
			Change	Change		Change	Change
Assets							
Current Assets	\$ 21,703,841	\$ 22,412,049	\$ 708,208	3.26%	\$ 22,185,188	\$ (226,861)	-1.01%
Restricted Assets	2,334,664	2,273,045	(61,619)	-2.64%	2,273,045	-	0.00%
Capital Assets, Net	94,473,600	91,437,536	(3,036,064)	-3.21%	90,048,564	(1,388,972)	-1.52%
Total Assets	118,512,105	116,122,630	(2,389,475)	-2.02%	114,506,797	(1,615,833)	-1.39%
Deferred Outflows of Resources							
Deferred OPEB Outflow	3,337,168	3,634,674	297,506	8.91%	5,469,108	1,834,434	50.47%
Total Deferred Outflows of Resources	3,337,168	3,634,674	297,506	8.91%	5,469,108	1,834,434	50.47%
Total Assets & Deferred Outflows	121,849,273	119,757,304	(2,091,969)	-1.72%	119,975,905	218,601	0.18%
Liabilities							
Current Liabilities	5,058,237	5,141,973	83,736	1.63%	5,938,406	796,433	15.49%
Non-current Liabilities	52,237,988	51,876,051	(361,937)	-0.70%	52,039,964	163,913	0.32%
Total Liabilities	57,296,225	57,018,024	(278,201)	-0.49%	57,978,370	960,346	1.66%
Deferred Inflows of Resources							
Deferred Amounts from OPEB	-	-	-	n/a	1,143,911	1,143,911	n/a
Total Deferred InFlows of Resources	-	-	-	n/a	1,143,911	1,143,911	n/a
Net Position							
Net Investment in Capital Assets	56,355,138	55,476,580	(878,558)	-1.58%	56,108,404	631,824	1.14%
Restricted	2,334,664	2,273,045	(61,619)	-2.71%	2,273,045	-	0.00%
Unrestricted	5,863,246	4,989,655	(873,591)	-17.51%	2,472,175	(2,517,480)	-50.45%
Total Net Position	64,553,048	62,739,280	(1,813,768)	-2.89%	60,853,624	(1,885,656)	-3.01%
Total Liabilities, Deferred Inflows, and Net Position	\$ 121,849,273	\$ 119,757,304	\$ (2,091,969)	-1.75%	\$ 119,975,905	\$ 218,601	0.18%

The largest portion of the District's net position (92% as of June 30, 2021) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that remains outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of FYE 2021, Restricted Net Position remained stable at \$2,273,045 and comprised 3.7% of Net Position. Restricted Net Position is legally obligated for debt service or capital projects.

At the end of FYE 2020 and FYE 2021, the District's Unrestricted Net Position equaled \$4,989,655 and \$2,472,175, respectively, a decrease of \$2,517,480 (-50.45%) during FYE 2021. This portion of Net Position is available to fund current operations in future years. The decrease in Unrestricted Net Position was caused by a combination of the significant OPEB Charges incurred in FYE 2021, reductions in long

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

term liabilities as a portion of the Unrestricted Net Position was utilized to reduce outstanding principal in FYE 2021, and an increase in the Net Position Invested in Capital Assets as the District incurred significant capital expenses in FYE 2021.

Condensed Statements of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position depicts how the District's net position changed during the fiscal year. Net Position decreased \$1,885,656 in FYE 2021, from \$62,739,280 at the beginning of the year to \$60,853,624 at the end of the year.

Condensed Statement of Revenues, Expenses, and Changes in Net Position								
	FYE 2019	FYE 2020	\$ Change	% Change	FYE 2021	\$ Change	% Change	
Revenues								
Operating Revenues	\$ 24,663,457	\$ 25,197,330	\$ 533,873	2.16%	\$ 26,709,979	\$ 1,512,649	6.00%	
Non-operating Revenues	2,627,873	1,744,549	(883,324)	-33.61%	1,398,283	(346,266)	-19.85%	
Total Revenues	27,291,330	26,941,879	(349,451)	-1.28%	28,108,262	1,166,383	4.33%	
Expenses								
Operating Expenses	21,549,152	22,155,520	606,368	2.81%	23,283,264	1,127,744	5.09%	
Depreciation & Amortization	4,466,431	4,483,607	17,176	0.38%	4,345,557	(138,050)	-3.08%	
OPEB Charge	913,252	1,341,903	428,651	46.94%	1,615,466	273,563	20.39%	
Non-operating Expenses	753,794	777,511	23,717	3.15%	758,339	(19,172)	-2.47%	
Total Expenses	27,682,629	28,758,541	1,075,912	3.89%	30,002,626	1,244,085	4.33%	
Net Loss prior to Capital Contributions	(391,299)	(1,816,662)	(1,425,363)	-364.26%	(1,894,364)	(77,702)	4.28%	
Capital Contributions	1,985,903	2,894	(1,983,009)	-99.85%	8,708	5,814	200.90%	
Change in Net Position	1,594,604	(1,813,768)	(3,408,372)	-213.74%	(1,885,656)	(71,888)	3.96%	
Net Position								
Beginning of year	62,958,444	64,553,048	1,594,604	2.53%	62,739,280	(1,813,768)	-2.81%	
End of Year	\$ 64,553,048	\$ 62,739,280	(1,813,768)	-2.81%	\$ 60,853,624	(1,885,656)	-3.01%	

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

As depicted in the chart below, total revenues for FYE 2021 increased \$1,166,383 (4.33%) when compared to revenues received in FYE 2020. The increase in revenues was the result of increases in Operating Revenues offset to some extent by a decrease in Non-operating Revenues. The primary causes of the increase in Operating Revenues were increases in Water Consumption Sales and Wastewater Service Charges. Both of these increases resulted from the increased sale of water as demand for water reverted to the average of years prior to FYE 2019 (water demand in FYE 2019 was below the long term average). As shown in the chart on the next page, the primary cause of the decrease in Non-operating Revenues in FYE 2021 was a significant decrease in Investment Income which was caused by the difficult investment environment for fixed income investments during FYE 2021.

Total Revenues by Major Category								
	FYE 2019	FYE 2020	Increase/(Decrease)		FYE 2021	Increase/(Decrease)		
			\$	%		\$	%	
			Change	Change		Change	Change	
Operating Revenues								
Water Consumption Sales	\$ 8,474,791	\$ 8,705,986	\$ 231,195	2.73%	\$ 9,571,562	\$ 865,576	9.94%	
Water Service Charges	4,623,068	4,977,611	354,543	7.67%	5,070,326	92,715	1.86%	
Wastewater Service Charges	10,955,238	11,044,342	89,104	0.81%	11,496,657	452,315	4.10%	
Reimbursements from Others	383,810	328,310	(55,500)	-14.46%	401,225	72,915	22.21%	
Other Charges for Services	226,303	141,018	(85,285)	-37.69%	170,209	29,191	20.70%	
Total Operating Revenues	24,663,210	25,197,267	534,057	2.17%	26,709,979	1,512,712	6.00%	
Non-operating Revenues								
Property Taxes	1,012,576	1,037,335	24,759	2.45%	1,097,589	60,254	5.81%	
Rental Revenue	204,160	242,187	38,027	18.63%	236,357	(5,830)	-2.41%	
Investment Income	500,786	424,110	(76,676)	-15.31%	21,511	(402,599)	-94.93%	
Other Non-operating revenue	910,351	40,917	(869,434)	-95.51%	42,826	1,909	4.67%	
	2,627,873	1,744,549	(883,324)	-33.61%	1,398,283	(346,266)	-19.85%	
Total Revenue	\$ 27,291,083	\$ 26,941,816	\$ (349,267)	-1.28%	\$ 28,108,262	1,166,446	4.33%	

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

In FYE 2021, Operating Expenses before OPEB Charges and Depreciation & Amortization increased 5.24%, from \$22,123,113 in FYE 2020 to \$23,283,264 in FYE 2021. The increase was caused by increases in Source of Supply, Pumping Operations, Treatment Operations, and Transmission & Distribution. These increases were offset to some extent by decreases in Customer Service and General & Administrative. OPEB Charges increased significantly (20.39%) but were somewhat offset by a decrease in Depreciation & Amortization expenses (-3%). Interest Expense decreased \$19,172 in accordance with the long term debt amortization schedules.

	Expenses							
			Increase/(Decrease)				Increase/(Decrease)	
			\$	%			\$	%
	FYE 2019	FYE 2020	Change	Change	FYE 2021	Change	Change	
Operating Expenses								
Source of Supply	\$ 7,650,468	\$ 8,085,299	\$ 434,831	5.68%	\$ 8,763,806	\$ 678,507	8.39%	
Pumping Operations	1,480,556	1,371,076	(109,480)	-7.39%	1,417,215	46,139	3.37%	
Treatment Operations	3,744,102	3,755,181	11,079	0.30%	3,951,679	196,498	5.23%	
Transmission & Distribution	4,561,123	5,144,436	583,313	12.79%	5,458,122	313,686	6.10%	
Customer Service	720,714	602,925	(117,789)	-16.34%	533,039	(69,886)	-11.59%	
General & Administrative	3,392,189	3,164,196	(227,993)	-6.72%	3,159,403	(4,793)	-0.15%	
Sub-total Operating Expenses	21,549,152	22,123,113	573,961	2.66%	23,283,264	1,160,151	5.24%	
OPEB Charges	913,252	1,341,903	428,651	46.94%	1,615,466	273,563	20.39%	
Depreciation & Amortization	4,466,431	4,483,607	17,176	0.38%	4,345,557	(138,050)	-3.08%	
Total Operating Expenses	26,928,835	27,948,623	1,019,788	3.79%	29,244,287	1,295,664	4.64%	
Non-operating Expenses								
Interest Expense	753,794	777,511	23,717	3.15%	758,339	(19,172)	-2.47%	
	753,794	777,511	23,717	3.15%	758,339	(19,172)	-2.47%	
Total Expenses	\$ 27,682,629	\$ 28,726,134	\$ 1,043,505	3.77%	\$ 30,002,626	\$ 1,276,492	4.44%	

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

Capital Assets

Capital asset balances were as follows:

Capital Assets							
			Increase/(Decrease)			Increase/(Decrease)	
			\$	%		\$	%
	FYE 2019	FYE 2020	Change	Change	FYE 2021	Change	Change
Capital Assets							
Non-depreciable Assets	\$ 14,290,118	\$ 8,244,889	\$ (6,045,229)	-42.30%	\$ 10,515,919	\$ 2,271,030	27.54%
Depreciable Assets	155,531,931	163,024,703	7,492,772	4.82%	163,476,816	452,113	0.28%
Accumulated Depreciation	(75,348,449)	(79,832,056)	(4,483,607)	5.95%	(83,944,171)	(4,112,115)	5.15%
Total Capital Assets, Net	94,473,600	91,437,536	(3,036,064)	-3.21%	90,048,564	(1,388,972)	-1.52%
Net Liabilities for Capital Assets							
Loans Payable - Current	(2,173,133)	(2,203,943)	(30,810)	1.42%	(2,249,058)	(45,115)	2.05%
Loans Payable Non-Current	(35,945,329)	(33,747,566)	2,197,763	-6.11%	(31,504,688)	2,242,878	-6.65%
Retention	-	-	-	n/a	(101,805)	(101,805)	n/a
Accounts Payable for Construction	-	-	-	n/a	(84,609)	(84,609)	n/a
Total Net Liabilities	(38,118,462)	(35,951,509)	2,166,953	-5.68%	(33,940,160)	2,011,349	-5.59%
Net Investments in Capital Assets	\$ 56,355,138	\$ 55,486,027	\$ (869,111)	-1.54%	\$ 56,108,404	\$ 622,377	1.12%

At the end of fiscal years 2020 and 2021, the District's investment in capital assets amounted to \$55,486,027 and \$56,108,359 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process (See Note 3 for further information). The increase in FYE 2021 was primarily caused by an increase in Non-depreciable assets as a significant amount was added to Construction in Progress in FYE 2021. During FYE 2021, the District was engaged in a significant infrastructure improvement project, the reconstruction of the Oso Lift Station, but the project was not quite complete at the end of the fiscal year. It was therefore included in Construction in Progress at the end of FYE 2021, it is anticipated this project will be complete in FYE 2022 and will be moved to Depreciable Assets at the end of that fiscal year.

Debt Administration

Long-term debt balances were as follows:

Summary of Outstanding Debt							
			Increase/(Decrease)			Increase/(Decrease)	
			\$	%		\$	%
	FYE 2019	FYE 2020	Change	Change	FYE 2021	Change	Change
Loans Payable							
Main Extension Contract	\$ 6,180	\$ 6,180	\$ -	0.00%	\$ 6,180	\$ -	0.00%
SRF Loan - 2010	2,798,794	2,616,216	(182,578)	-6.52%	2,428,708	(187,508)	-7.17%
SRF Loan - 2013	22,290,739	21,066,724	(1,224,015)	-5.49%	19,821,900	(1,244,824)	-5.91%
Baker Water Treatment Plant	8,936,967	8,529,750	(407,217)	-4.56%	8,109,910	(419,840)	-4.92%
SRF Loan - 2018	4,085,782	3,732,639	(353,143)	-8.64%	3,387,048	(345,591)	-9.26%
Total Expenses	\$ 38,118,462	\$ 35,951,509	\$ (2,166,953)	-6.03%	\$ 33,753,746	\$ (2,197,763)	-6.51%

See Note 5 for further information on the long-term debt administration.

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

Conditions Affecting Current Financial Position

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

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact El Toro Water District at 24251 Los Alisos Boulevard, Lake Forest, California.

EL TORO WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

	2021	2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 9,044,411	\$ 15,069,523
Investments	8,632,207	3,762,975
Receivables, Net:		
Water Sales and Sewer Services	3,542,589	2,603,631
Miscellaneous	63,487	43,807
Interest	14,611	46,909
Taxes	13,190	12,576
Other	23,551	17,880
Materials and Supply Inventory	714,750	698,778
Prepaid Expenses	136,392	155,970
Restricted - Cash and Cash Equivalents	2,273,045	2,273,045
Total Current Assets	<u>24,458,233</u>	<u>24,685,094</u>
Noncurrent Assets:		
Capital Assets		
Nondepreciable	10,515,919	8,244,889
Depreciable, Net of Accumulated Depreciation	79,532,645	83,192,647
Total Noncurrent Assets	<u>90,048,564</u>	<u>91,437,536</u>
Total Assets	<u>114,506,797</u>	<u>116,122,630</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-Related Deferred Outflows of Resources	5,469,108	3,634,674
Total Deferred Outflows of Resources	<u>5,469,108</u>	<u>3,634,674</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	2,834,557	2,115,283
Accrued Salaries and Related Payables	355,292	301,818
Customer Deposits	44,313	52,753
Accrued Interest Payable	272,010	270,321
Long-Term Liabilities - Due Within One Year		
Compensated Absences	183,176	197,855
Loans Payable	2,249,058	2,203,943
Total Current Liabilities	<u>5,938,406</u>	<u>5,141,973</u>
Noncurrent Liabilities:		
Long-Term Liabilities - Due in More than One Year:		
Compensated Absences	1,385,408	1,284,606
Total Other Post-Employment Benefits Liability	19,149,868	16,843,879
Loans Payable	31,504,688	33,747,566
Total Noncurrent Liabilities	<u>52,039,964</u>	<u>51,876,051</u>
Total Liabilities	<u>57,978,370</u>	<u>57,018,024</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts from OPEB	1,143,911	-
Total Deferred Inflows of Resources	<u>1,143,911</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	56,108,404	55,476,580
Restricted - Capital Projects	2,895	2,895
Restricted - Debt Service	2,270,150	2,270,150
Unrestricted	2,472,175	4,989,655
Total Net Position	<u>\$ 60,853,624</u>	<u>\$ 62,739,280</u>

See accompanying Notes to Basic Financial Statements.

EL TORO WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
OPERATING REVENUES		
Water Consumption Sales	\$ 9,571,562	\$ 8,705,986
Water Service Charges	5,070,326	4,977,611
Sewer Service Charges	11,496,657	11,044,342
Reimbursements from Others	401,225	328,310
Other Charges for Service	170,209	141,081
Total Operating Revenues	<u>26,709,979</u>	<u>25,197,330</u>
OPERATING EXPENSES		
Source of Supply	8,763,806	8,085,299
Pumping	1,417,215	1,359,915
Treatment	3,951,679	3,763,671
Transmission and Distribution	5,458,122	5,178,966
Customer Service	533,039	603,473
General and Administrative	4,774,869	4,506,099
Depreciation and Amortization	4,345,557	4,483,607
Total Operating Expenses	<u>29,244,287</u>	<u>27,981,030</u>
OPERATING LOSS	(2,534,308)	(2,783,700)
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	1,097,589	1,037,335
Rental Revenue	236,357	242,187
Investment Earnings	21,511	424,110
Interest Expense	(758,339)	(777,511)
Other Nonoperating Revenue	42,826	40,917
Total Nonoperating Revenues (Expenses)	<u>639,944</u>	<u>967,038</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,894,364)	(1,816,662)
CAPITAL CONTRIBUTIONS	<u>8,708</u>	<u>2,894</u>
CHANGES IN NET POSITION	(1,885,656)	(1,813,768)
Net Position - Beginning of Year	<u>62,739,280</u>	<u>64,553,048</u>
NET POSITION - END OF YEAR	<u><u>\$ 60,853,624</u></u>	<u><u>\$ 62,739,280</u></u>

See accompanying Notes to Basic Financial Statements.

**EL TORO WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers for Water Sales and Services	\$ 25,827,754	\$ 25,664,143
Payments to Suppliers for Operations	(19,428,999)	(18,894,425)
Payments to Employees for Salaries and Wages	(3,019,806)	(3,075,111)
Net Cash Provided by Operating Activities	<u>3,378,949</u>	<u>3,694,607</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Property Taxes	1,096,975	1,034,056
Other Revenue (Expense)	(19,680)	102,350
Net Cash Provided by Noncapital and Related Financing Activities	<u>1,077,295</u>	<u>1,136,406</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets, Net	(2,956,585)	(1,447,543)
Repayment of Long-Term Debt	(2,197,763)	(2,166,953)
Interest Payments	(756,650)	(787,458)
Capital Contributions	8,708	2,894
Net Cash Used by Capital and Related Financing Activities	<u>(5,902,290)</u>	<u>(4,399,060)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Investments	3,924,497	7,748,552
Purchases of Investments	(8,793,729)	(3,897,896)
Proceeds from Investment Earnings	53,809	466,922
Proceeds from Rental Income	236,357	242,187
Net Cash Provided (Used) by Investing Activities	<u>(4,579,066)</u>	<u>4,559,765</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,025,112)	4,991,718
Cash and Cash Equivalents - Beginning of Year	<u>17,342,568</u>	<u>12,350,850</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 11,317,456</u>	<u>\$ 17,342,568</u>
CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 9,044,411	\$ 15,069,523
Restricted - Cash and Cash Equivalents	2,273,045	2,273,045
Total Cash and Investments	<u>\$ 11,317,456</u>	<u>\$ 17,342,568</u>

See accompanying Notes to Basic Financial Statements.

EL TORO WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (2,534,308)	\$ (2,783,700)
Adjustment to Reconcile Operating Loss to Net		
Cash Provided by Operating Activities:		
Depreciation	4,345,557	4,483,607
Other Nonoperating Revenue	42,826	40,917
(Increase) Decrease in Assets:		
Accounts Receivable - Sales and Services	(938,958)	489,169
Accounts Receivable - Other	(5,671)	(10,271)
Inventories	(15,972)	(73,306)
Prepaid Expenses	19,578	(53,002)
Deferred Outflow - OPEB	(1,834,434)	(297,506)
Increase (Decrease) in Liabilities:		
Accounts Payable	719,274	139,586
Accrued Payroll Liabilities	53,474	55,020
Deposits	(8,440)	(1,788)
Compensated Absences	86,123	66,472
Total OPEB Liability	2,305,989	1,639,409
Deferred Inflow - OPEB	1,143,911	-
Total Adjustments	<u>5,913,257</u>	<u>6,478,307</u>
Net Cash Provided by Operating Activities	<u>\$ 3,378,949</u>	<u>\$ 3,694,607</u>

See accompanying Notes to Basic Financial Statements.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operations of the Reporting Entity

El Toro Water District (the District) was organized in September 1960, under provisions of the California Water District Act (Sections 34000 et seq. of the Water Code of the state of California). The District is governed by a Board of Directors made up of five members elected by qualified voters in the District. The purpose of the District is to finance, construct, operate, and maintain a water and wastewater system to serve properties within the District's boundaries.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of accounting principles generally accepted in the United States of America (U.S. GAAP). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable for a component that has substantively the same governing body as the District's governing body, and additionally, the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government has operational responsibility for the activities of the component unit.

The El Toro Water District Public Facilities Corporation (the Corporation) was organized on May 21, 1993, pursuant to the Non-Profit Public Benefit Corporation Law of the state of California (Title 1, Division 2, Part 2 of the California Corporation Code), solely for the purpose of providing financial assistance to the District. The Corporation, an entity legally separate from the District, is governed by substantially all the board members of the District. The Corporation is inactive at this time.

B. Basic Financial Statements

The basic financial statements are composed of the statements of net position, the statements of revenues, expenses, and changes in net position, the statements of cash flows, and the notes to the basic financial statements.

C. Basis of Presentation

The accounts of the District are that of an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

E. Cash and Cash Equivalents

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

F. Investments and Investment Policy

The District has adopted an investment policy directing the District's General Manager or Controller to invest, reinvest, sell, or exchange securities.

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

G. Restricted Assets

Amounts shown as restricted assets have been restricted by either debt indenture, by law, or contractual obligations to be used for specified purposes, such as servicing debt and/or construction of capital assets.

H. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Management evaluates all accounts receivable and if it is determined that they are uncollectible, they are written off as bad debt expense. A charge of \$18,672 was made to bad debt expense for the year ended June 30, 2021.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

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

J. Materials and Supplies Inventory

Materials and supplies inventory consist of expendable supplies and are valued at cost using first-in, first-out basis.

K. Property Taxes

The Orange County Assessor's office assesses all real and personal property within the county each year. The Orange County Tax Collector's office bills and collects the District's share of property taxes. The Orange County Auditor-Controller's office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at 1% of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the County of Orange that have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien Date	January 1
Levy Date	July 1
Due Dates	First Installment – November 10 Second Installment – February 10
Collection Dates	First Installment – December 11 Second Installment – April 11

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

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

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

Building	25 – 40 Years
Vehicles	5 – 25 Years
Office Furniture and Equipment	5 – 10 Years
Computer Software	5 – 10 Years
Land Improvements	12 – 50 Years
Water Facilities:	
Reservoir	100 Years
Transmission and Distribution	20 – 60 Years
Filtration Plant	30 – 40 Years
Other Plant and Equipment	5 – 15 Years
Sanitation Facilities:	
Collection and Transmission	15 – 50 Years
Treatment and Disposal Plant	15 – 30 Years
Other Plant and Equipment	5 – 15 years

M. Deferred Outflows/Inflows of Resources

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

- Deferred outflows related to other post-employment benefit (OPEB) for an amount equal to employer contributions made after the measurement date of the total OPEB liability.
- Deferred outflows related to OPEB for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the plan.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources (Continued)

- Deferred outflows related to OPEB for changes of assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with benefits through the plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows related to OPEB for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the plan.

N. Compensated Absences

The District's policy is to permit employees hired prior to July 1, 1997, to accumulate earned vacation for up to a total of 160 hours and employees hired after July 1, 1997, to accumulate earned vacation for up to a total of 240 hours. The District requires employees to take a minimum of 50% of the total hours accrued of vacation each calendar year. If the employee is still not able to reduce the total accrued vacation hours below the maximum, then the amounts exceeding the limit are paid out as part of the employee's current regular compensation at the calendar year end.

The District's sick leave policy is to permit employees to accumulate sick leave for up to a total of 960 hours. At the end of each calendar year, any amounts exceeding the limit will be transferred to vacation time for employees hired prior to July 1, 1997, using a factor of 5% times the number of complete years and capped at 100%. All hours over the maximum will be paid out at 50% to those hired after July 1, 1997, at the employee's current regular compensation rate.

O. Net Position

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

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position (Continued)

Restricted Net Position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This amount is all net position that does not meet the definition of net investment in capital assets or restricted net position.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

P. Water Sales and Sewer Services

Water sales and sewer services are billed on a monthly cyclical basis; respective revenues are recognized when they are earned.

Q. Capital Contributions

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

R. Prior Year Data and Reclassifications

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's prior-year financial statements from which this selected financial data was derived. Certain amounts in the June 30, 2020 balances have been reclassified for comparative purposes to conform to the presentation of the June 30, 2021 financial statements. There was no change in reported net income or net position related to these reclassifications.

S. Use of Estimates

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS

Cash and Investments

At June 30, 2021, cash and investments were classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	\$ 9,044,411
Investments	8,632,207
Restricted - Cash and Cash Equivalents	2,273,045
Total	<u>\$ 19,949,663</u>

At June 30, 2021, cash and investments consisted of the following:

Cash on Hand	\$ 700
Demand Deposits Held with Financial Institutions	3,117,467
Investments	16,831,496
Total	<u>\$ 19,949,663</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State or Local Agency Bonds	5 Years	10%	None
U.S. Treasury Obligations	5 Years	None	None
Government-Sponsored Agency Securities	5 Years	None	None
Corporate Medium-Term Notes	5 Years	30%	None
Commercial Paper	270 days	25%	10%
Bankers Acceptance	180 days	15%	None
Negotiable Certificates of Deposit	5 Years	30%	None
Mortgage Pass-Through Securities	5 Years	20%	None
Money Market Mutual Funds	5 Years	10%	None
Collateralized Bank Deposits	N/A	20%	None
California Local Agency Investment Fund (LAIF)	N/A	30 million	None
California Asset Management Program (CAMP)	N/A	60%	None
Supranationals	5 Years	30%	None
Placement Service Deposit	5 Years	30%	None

N/A - Not applicable

EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the California Government Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2021.

Investment Type	Remaining Maturity (in Months)			
	12 Months or Less	13 to 24 Months	25 to 60 Months	Total
U.S. Treasury Obligations	\$ 508,125	\$ 3,666,242	\$ 1,584,141	\$ 5,758,508
Government-Sponsored Entities Securities	1,252	229,724	482,016	712,992
Supranationals	-	134,672	-	134,672
Municipal Bonds	-	-	19,959	19,959
Corporate Medium-Term Notes	-	-	1,067,103	1,067,103
Commercial Paper	384,880	-	-	384,880
Negotiable Certificates of Deposit	190,092	-	-	190,092
Asset-Backed Securities	-	10,498	353,503	364,001
LAIF	7,278,185	-	-	7,278,185
CAMP - Money Market	921,104	-	-	921,104
Total	<u>\$ 9,283,638</u>	<u>\$ 4,041,136</u>	<u>\$ 3,506,722</u>	<u>\$ 16,831,496</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the minimum ratings required by (where applicable) the California Government Code, the District's investment policy, or debt agreements and the actual Moody's credit rating as of June 30, 2021, for each investment type.

Investment Type	Minimum Legal Rating	Total as of June 30, 2021	Not Rated	Aaa	Aa	A	P1
U.S. Treasury Obligations	N/A	\$ 5,758,508	\$ -	\$ 5,758,508	\$ -	\$ -	\$ -
Government-Sponsored Entities Securities	AA	712,992	-	712,992	-	-	-
Supranationals	AA	134,672	-	134,672	-	-	-
Municipal Bonds	A	19,959	-	-	-	19,959	-
Corporate Medium-Term Notes	A	1,067,103	-	-	42,765	1,024,338	-
Commercial Paper		384,880					384,880
Negotiable Certificates of Deposit	AA	190,092	-	-	-	-	190,092
Asset-Backed Securities	AA	364,001	105,001	259,000	-	-	-
LAIF	N/A	7,278,185	7,278,185	-	-	-	-
CAMP - Money Market	N/A	921,104	921,104	-	-	-	-
Total		<u>\$ 16,831,496</u>	<u>\$ 8,304,290</u>	<u>\$ 6,865,172</u>	<u>\$ 42,765</u>	<u>\$ 1,044,297</u>	<u>\$ 574,972</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code with the exception of banker's acceptances, commercial paper, and money market funds, which are limited to an investment in any one issuer of 5%, 5%, and 10%, respectively.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Local Agency Investment Fund (LAIF)).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2021, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Investment in State Investment Pool

The District is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the California State Treasurer. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investment in California Asset Management Program

The California Asset Management Program (CAMP) is a public joint powers authority that provides California public agencies with investment management services for surplus funds and comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of tax-exempt financings. CAMP currently offers the cash reserve portfolio, a short-term investment portfolio, as a means for public agencies to invest these funds. Public agencies invest in the pool (participants) purchase shares of beneficial interest. Participants may also establish individual, professionally managed investment accounts (individual portfolios) by separate agreement with an investment advisor.

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

June 30, 2021	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Obligations	\$ -	\$ 5,758,508	\$ -	\$ 5,758,508
Government-Sponsored Entities				
Securities	-	712,992	-	712,992
Supranationals	-	134,672	-	134,672
Municipal Bonds	-	19,959	-	19,959
Corporate Medium-Term Notes	-	1,067,103	-	1,067,103
Commercial Paper	-	384,880	-	384,880
Negotiable Certificates of Deposit	-	190,092	-	190,092
Asset-Backed Securities	-	364,001	-	364,001
Total Leveled Investments	<u>\$ -</u>	<u>\$ 8,632,207</u>	<u>\$ -</u>	<u>8,632,207</u>
LAIF*				7,278,185
CAMP - Money Market*				921,104
Total Investments				<u>\$ 16,831,496</u>

* Not subject to fair value measurement hierarchy.

EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 CAPITAL ASSETS

Major capital asset additions during the year include upgrades and extensions of the District's water and wastewater pumping, water transmission and distribution systems, and plant facilities in the following schedules.

A summary of changes in capital assets for the year ended June 30, 2021, is as follows:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets, not Depreciated:				
Land, Mineral, and Water Rights	\$ 7,451,586	\$ -	\$ -	\$ 7,451,586
Construction in Progress	793,303	2,964,999	(693,969)	3,064,333
Total Capital Assets, not Depreciated	8,244,889	2,964,999	(693,969)	10,515,919
Capital Assets, Being Depreciated:				
Capacity Rights	342,382	-	-	342,382
Source of Supply	19,985,656	9,019	-	19,994,675
Pumping	22,212,785	99,764	(80,426)	22,232,123
Treatment	40,565,475	100,749	-	40,666,224
Transmission and Collection	65,370,618	107,488	-	65,478,106
General Plant Facilities	14,547,787	368,535	(153,016)	14,763,306
Total Capital Assets, Being Depreciated	163,024,703	685,555	(233,442)	163,476,816
Less Accumulated Depreciation for:				
Capacity Rights	(246,541)	(6,846)	-	(253,387)
Source of Supply	(11,533,292)	(386,069)	-	(11,919,361)
Pumping	(13,322,797)	(908,837)	80,426	(14,151,208)
Treatment	(28,561,090)	(1,231,914)	-	(29,793,004)
Transmission and Collection	(14,070,400)	(1,315,438)	-	(15,385,838)
General Plant Facilities	(12,097,936)	(496,453)	153,016	(12,441,373)
Total Accumulated Depreciation	(79,832,056)	(4,345,557)	233,442	(83,944,171)
Total Capital Assets, Being Depreciated, Net	83,192,647	(3,660,002)	-	79,532,645
Total Capital Assets, Net	\$ 91,437,536	\$ (695,003)	\$ (693,969)	\$ 90,048,564

Construction in Progress

The District is involved in various construction projects throughout the year. Once completed, those projects are capitalized and depreciated over the life of the asset. The balance of construction in progress was \$3,064,333 as of June 30, 2021.

Construction in progress consisted of the following projects as of June 30, 2021:

Project Description	2021
Oso Lift Station Improvement	\$ 2,176,595
Recycled Water Distribution System Expansion	344,315
Filter Plant Site Use Plan	127,246
Various Other Minor Projects <\$100,000	416,177
Total Construction in Progress	\$ 3,064,333

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 COMPENSATED ABSENCES

A summary of changes to compensated absences for the year ended June 30, 2021, is as follows:

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Current Portion	Noncurrent Portion
\$ 1,482,461	\$ 580,276	\$ (494,153)	\$ 1,568,584	\$ 183,176	\$ 1,385,408

NOTE 5 LONG-TERM DEBT

The following is a summary of long-term liabilities at June 30, 2021:

	July 1, 2020	Additions	Deletions	June 30, 2021	One Year	Than One Year
Direct Borrowings:						
Loans Payable:						
Main Extension Contract	\$ 6,180	\$ -	\$ -	\$ 6,180	\$ 6,180	\$ -
SRF Loan - 2010	2,616,216	-	(187,508)	2,428,708	192,571	2,236,137
SRF Loan - 2013	21,066,724	-	(1,244,824)	19,821,900	1,265,986	18,555,914
Baker Water Treatment Plant - Refinance Loan	8,529,750	-	(419,840)	8,109,910	432,855	7,677,055
SRF Loan - 2018	3,732,639	-	(345,591)	3,387,048	351,466	3,035,582
Total Loans Payable	<u>\$ 35,951,509</u>	<u>\$ -</u>	<u>\$ (2,197,763)</u>	<u>\$ 33,753,746</u>	<u>\$ 2,249,058</u>	<u>\$ 31,504,688</u>

Main Extension Contracts

Main extension contracts are payable to developers without interest. The payments are based on a percentage of revenue received from units served by the water main. The contracts must be repaid in not more than 25 years but may be paid off in advance at the option of the District. The outstanding balance at June 30, 2021 was \$6,180.

State Revolving Fund Loan 2010 – Northline Lift Station Improvement Project

In October 2010, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a State Revolving Fund Loan (SRF Loan) in an amount of \$3,918,590 for the Northline Lift Station Improvement project. The loan carries an interest rate of 2.70% per annum. The loan is scheduled to mature in 2032. Principal and interest are payable annually at the interest rate of 2.70%.

Future annual debt service requirements on the loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 192,571	\$ 65,575	\$ 258,146
2023	197,770	60,376	258,146
2024	203,110	55,036	258,146
2025	208,594	49,552	258,146
2026	214,226	43,920	258,146
2027 - 2032	1,412,437	136,436	1,548,873
Total	<u>\$ 2,428,708</u>	<u>\$ 410,895</u>	<u>\$ 2,839,603</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 LONG-TERM DEBT (CONTINUED)

State Revolving Fund Loan 2013 – Recycled Water Treatment Plan Project

In February 2013, the District entered into an agreement with the California SWRCB for an SRF Loan in an amount of \$28,002,378 with an interest rate of 1.70% per annum for the Recycled Water Treatment Plan project. The loan is scheduled to mature in 2035. Principal and interest are payable annually at the interest rate of 1.70%.

Future annual debt service requirements on the loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,265,986	\$ 336,972	\$ 1,602,958
2023	1,287,507	315,451	1,602,958
2024	1,309,395	293,563	1,602,958
2025	1,331,655	271,303	1,602,958
2026	1,354,293	248,665	1,602,958
2027 - 2031	7,124,738	890,052	8,014,790
2032 - 2035	6,148,326	265,116	6,413,442
Total	<u>\$ 19,821,900</u>	<u>\$ 2,621,122</u>	<u>\$ 22,443,022</u>

Baker Water Treatment Plant Agreement and Refinance Loan

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%.

Future annual debt service requirements on the loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 432,855	\$ 251,407	\$ 684,262
2023	446,274	237,989	684,263
2024	460,108	224,154	684,262
2025	474,372	209,891	684,263
2026	489,077	195,185	684,262
2027 - 2031	2,682,429	738,884	3,421,313
2032 - 2036	3,124,795	296,518	3,421,313
Total	<u>\$ 8,109,910</u>	<u>\$ 2,154,028</u>	<u>\$ 10,263,938</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 LONG-TERM DEBT (CONTINUED)

State Revolving Fund Loan 2018 – Phase II Recycled Water Distribution System Expansion Project

In December 2018, the District entered into an agreement with the California SWRCB for an SRF Loan in an amount of \$4,085,782 with an interest rate of 1.70% per annum for the Phase II Recycled Water Distribution System Expansion project. The loan is scheduled to mature in 2030. Principal and interest are payable annually at the interest rate of 1.70%.

Future annual debt service requirements on the loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 351,466	\$ 57,580	\$ 409,046
2023	357,441	51,605	409,046
2024	363,518	45,528	409,046
2025	369,698	39,349	409,047
2026	375,982	33,064	409,046
2027 - 2030	1,568,943	67,242	1,636,185
Total	<u>\$ 3,387,048</u>	<u>\$ 294,368</u>	<u>\$ 3,681,416</u>

NOTE 6 DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

The District contributes to the El Toro Water District Retirement Savings Plan and Trust (the Plan), which is a qualified defined contribution pension plan under Section 401(k) of the Internal Revenue Code (IRC). The Plan is administered by the District. The District's Board of Directors has approved the funding of this benefit and may change the percentage as deemed necessary.

Additionally, the District offers a 457 deferred compensation plan. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting/or Internal Revenue Code Section 457 Deferred Compensation Plans*, the District has little administrative involvement and does not perform the investing function for the Plan, and the assets and related liabilities are not presented in the accompanying financial statements in accordance with GASB Statement No. 32.

As of February 1, 2016, the District executed an amendment to the Plan authorizing the District (as employer) to match an amount equal to 75% of each participant's total contributions to either 401(k) or 457 plans, but no more than 10% of their annual compensation. However, the District's contributions can be deposited to the 401(k) plan only.

In addition, the District contributes an amount equal to 9% of compensation for a Plan year for all qualified participants regardless of whether they are an employee on the last day of the Plan year and regardless of whether they made any salary deferrals to the Plan. Employees are immediately vested in their employer contributions. District contributions to the 401(k) plan were \$972,682 as of June 30, 2021.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The District pays all or a portion of the cost of health insurance for retirees (including prescription drug benefits) under any group plan offered by the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) Health Program, subject to certain restrictions as determined by the District. The District's plan is a single employer plan.

Benefits

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Certain spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District's ACWA/JPIA Health Program. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

Employees Covered

At the June 30, 2020, measurement date, the following current and former employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	22
Active Employees	59
Total	81

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2020, was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020.
Measurement Date	June 30, 2020
Actuarial Assumptions:	
Discount Rate	2.21%
Projected Salary Increase	3% per year
Inflation	2.75% per year
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study (2% @ 55 rates for Tiers 1-3, modified rates for Tier 4
Mortality Improvement	Mortality projected fully generational with Scale MP-2020
Medical Trend	
Non-Medicare	7% for 2022, decreasing to 4% in 2076
Medicare (Non-Kaiser)	6.1% for 2022, decreasing to 4% in 2076
Medicare (Kaiser)	5% for 2022, decreasing to 4% in 2076
Healthcare Participation at Retirement	
Actives	95% Tiers 1-3, 90% Tier 4
Retirees	100%
Spouse Healthcare Participation at Retirement	
Spouse Currently Covered	100% Tiers 1-3, 50% Tier 4
Spouse not Currently Covered	0%
Medical Plan Election at Retirement	Same as currently elected

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contribution

The obligation of the District to contribute to the plan is established and may be amended by the Board of Directors. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due) and an implied subsidy determined by an actuary. For the year ended June 30, 2021, the District made payments of \$280,577 for premiums and the implied subsidy was \$30,548, thereby resulting in payments of \$311,125.

Discount Rate

The discount rate used to measure the 2020 total OPEB liability was 2.21%. This discount rate is the Bond Buyer 20-Bond GO index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the measurement period ended June 30, 2020:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.31%)
Total OPEB Liability at June 30, 2020	\$ 22,705,271	\$ 19,149,868	\$ 16,337,176

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates for the measurement period ended June 30, 2020:

	1% Decrease	Healthcare Cost Trend Rates (a)	1% Increase
Total OPEB Liability at June 30, 2020	\$ 16,064,425	\$ 19,149,868	\$ 23,103,282

- (a) Non-Medicare - 7% for 2022, decreasing to 4% in 2076
 Medicare (Non-Kaiser) - 6.1% for 2024, decreasing to 4% in 2076
 Medicare (Kaiser) - 5% for 2022, decreasing to 4% in 2076

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Change in Total OPEB Liability

A summary of change in total OPEB liability for the measurement date June 30, 2020, is as follows:

Balance at June 30, 2019 (Measurement Date)	\$ 16,843,879
Changes in the Year:	
Service Cost	468,321
Interest on the Total OPEB Liability	600,602
Differences Between Actual and Expected Experience	(1,334,563)
Changes in Assumptions	2,875,924
Benefit Payments	(304,295)
Net Changes	<u>2,305,989</u>
Balance at June 30, 2020 (Measurement Date)	<u><u>\$ 19,149,868</u></u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, OPEB expense in the amount of \$1,926,591 is included in the accompanying statement of revenues, expenses and changes in net position. For the year ended June 30, 2021, the District reported deferred outflows or inflows of resources related to OPEB due to the initial valuation of OPEB under GASB Statement No. 75 as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB Contributions Subsequent to Measurement Date	\$ 311,125	\$ -
Differences Between Actual and Expected Experience	564,234	(1,143,911)
Change in Assumptions	4,593,749	-
Total	<u><u>\$ 5,469,108</u></u>	<u><u>\$ (1,143,911)</u></u>

The \$311,125 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date during the year ended June 30, 2020, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
(Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for measurement period June 30, 2020, are recognized as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 857,668
2023	857,668
2024	857,668
2025	857,666
2026	350,207
Thereafter	233,195

Change of Assumptions

The following assumptions were changed from the June 30, 2018 actuarial valuation to the June 30, 2020 actuarial valuation: (1) mortality improvement scale was updated from Scale MP-2018 to Scale MP-2020, (2) discount rate was updated from 3.50% to 2.21% and (3) healthcare trend changed from 7.50% non-Medicare and 6.50% Medicare to 7.00% non-Medicare and 6.1% Medicare (non-Kaiser) and 5% Medicare (Kaiser).

NOTE 8 NET POSITION

Net investment in capital assets at June 30, 2021, consisted of the following:

Capital Assets - Not Being Depreciated	\$ 10,515,919
Capital Assets, Net - Being Depreciated	79,532,645
Loans Payable - Current	(2,249,058)
Loans Payable - Noncurrent	(31,504,688)
Retention	(101,805)
Accounts Payable for Construction Projects	(84,609)
Net Investment in Capital Assets	<u>\$ 56,108,404</u>

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the ACWA/JPIA, an intergovernmental risk-sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2021, the District participated in the liability and property programs of the ACWA/JPIA as follows:

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 RISK MANAGEMENT (CONTINUED)

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

- General and auto liability and public officials' and employees' errors and omissions: The JPIA pools for the first \$5 million. The JPIA purchases additional excess coverage layers: \$55 million per occurrence for general, auto, and public officials' liability, which increases the limits on the insurance coverage noted above. Additionally, there are lower limits related to terrorism (\$5 million), communicable disease (\$10 million), subsidence (\$35 million), lead (\$35 million), and mold (\$35 million).
- Employee dishonesty coverage of up to \$3,000,000 with a \$1,000 deductible per loss, includes public employee dishonesty, forgery or alteration, and use of computer to transfer covered property coverage.
- Property loss coverage for boiler and machinery is up to \$100,000,000 with a \$25,000 deductible except for turbine or power generation equipment which is \$50,000. Coverage for earthquakes is up to \$2,500,000 in program aggregate, with a deductible of 5% of the total insurable value which is \$50,874,753. Coverage for floods is up to \$25,000,000, with a deductible of \$100,000. Real property has a deductible of \$1,000; the ACWA/JPIA is self-insured for up to \$100,000; excess insurance has been purchased.
- For underground storage tank pollution liability, the District is insured for up to \$3,000,000 with a \$10,000 deductible; the ACWA/JPIA is self-insured for up to \$500,000; excess insurance coverage has been purchased to cover losses up to \$3,000,000.
- Dam failure liability coverage of up to \$9,000,000 million per occurrence; the ACWA/JPIA is self-insured up to \$1,000,000; excess insurance coverage has been purchased.
- Workers' compensation insurance for up to California statutory limits for all work-related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured for up to \$2.0 million; excess insurance coverage has been purchased with a \$4,000,000 aggregate limit.
- Cyber security coverage is \$5,000,000 per occurrence and \$5,000,000 in aggregate with a deductible up to \$50,000 per occurrence based on annual revenues.
- Fiduciary liability coverage of up to \$3,000,000 with a deductible of \$5,000 for claims resulting from a breach in fiduciary duty associated with its retirement pension plan.

Settled claims have not exceeded any of the coverage amounts, and there were no reductions in the District's insurance coverage during the year ended June 30, 2021. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2021.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 COMMITMENTS AND CONTINGENCIES

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions. As of June 30, 2021, the District had engineering design and construction commitments of approximately \$556,000.

Litigation

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

EL TORO WATER DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*

Fiscal Year	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:				
Service Cost	\$ 468,321	\$ 410,098	\$ 267,270	\$ 260,117
Interest on Total OPEB Liability	600,602	598,626	430,926	409,009
Differences Between Actual and Expected Experience	(1,334,563)	-	987,411	-
Assumption Changes	2,875,924	923,090	2,564,813	-
Benefit Payments	(304,295)	(292,405)	(237,713)	(228,570)
Net Change in Total OPEB Liability	2,305,989	1,639,409	4,012,707	440,556
Total OPEB Liability - Beginning of Year	16,843,879	15,204,470	11,191,763	10,751,207
Total OPEB Liability - End of Year (a)	<u>\$ 19,149,868</u>	<u>\$ 16,843,879</u>	<u>\$ 15,204,470</u>	<u>\$ 11,191,763</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%
Covered - Employee Payroll	\$ 5,980,908	\$ 5,889,881	\$ 5,709,337	\$ 5,696,461
Total OPEB Liability as Percentage of Covered - Employee Payroll	320.18%	285.98%	266.31%	196.47%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From measurement date of June 30, 2019 to June 30, 2020:

Discount rate was updated based on municipal bond rate as of the measurement date from 3.5% to 2.21%

Mortality schedule updated from Scale MP-2018 to Scale MP-2020

* Fiscal year 2018 was the first year of implementation and therefore only four years are shown.

SUPPLEMENTARY INFORMATION

EL TORO WATER DISTRICT
SCHEDULE OF REVENUE BY CATEGORY
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

OPERATING REVENUES	<u>2021</u>	<u>2020</u>
Water Consumption Sales		
Unrestricted	\$ 8,824,016	\$ 8,066,268
Restricted - Conservation	100,000	100,000
Restricted - Recycled Water	<u>647,546</u>	<u>539,718</u>
Total Water Consumption Sales	9,571,562	8,705,986
Water Service Charges		
Operations & Maintenance	3,805,648	3,695,636
Capital Replacement & Refurbishment	<u>1,264,678</u>	<u>1,281,975</u>
Total Water Service Charges	5,070,326	4,977,611
Sewer Service Charges		
Wastewater Service Charges		
Operations & Maintenance	7,549,752	7,705,618
Capital Replacement & Refurbishment	1,605,820	1,606,851
Recycled Consumption Sales	1,898,113	1,355,119
Recycled Service Charges		
Operations & Maintenance	308,199	258,409
Capital Replacement & Refurbishment	<u>134,773</u>	<u>118,345</u>
Total Sewer Service Charges	11,496,657	11,044,342
Reimbursements from Others		
Recycled Water Rebates	270,175	217,125
Shared Facility Charges	<u>131,050</u>	<u>111,185</u>
Total Reimbursements from Others	401,225	328,310
Other Charges for Service		
Miscellaneous Revenue	104,198	16,542
Miscellaneous Charges for Service	10,975	27,435
Refunds/Rebates	<u>55,036</u>	<u>97,104</u>
Total Other Charges for Service	170,209	141,081
TOTAL OPERATING REVENUES	26,709,979	25,197,330
NONOPERATING REVENUES		
Property Taxes		
Water System	439,052	479,696
Wastewater System	570,730	474,652
Recycled Water System	87,807	82,987
Rental Revenue	236,357	242,187
Investment Income	21,511	424,110
Other Non-Operating Revenue	<u>42,826</u>	<u>40,917</u>
TOTAL NONOPERATING REVENUES	1,398,283	1,744,549
TOTAL REVENUE	<u>\$ 28,108,262</u>	<u>\$ 26,941,879</u>

EL TORO WATER DISTRICT
SCHEDULE OF EXPENSES BY CATEGORY
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

OPERATING EXPENSES	<u>2021</u>	<u>2020</u>
Source of Supply	\$ 8,763,806	\$ 8,085,299
Pumping		
Water System	841,888	788,663
Wastewater System	<u>575,327</u>	<u>571,252</u>
Total Pumping	1,417,215	1,359,915
Treatment		
Water System	47,884	56,226
Wastewater System	3,524,731	3,332,452
Recycled System	<u>379,064</u>	<u>374,993</u>
Total Treatment	3,951,679	3,763,671
Transmission & Distribution		
Water System	2,036,245	2,149,885
Wastewater System	750,678	644,381
Recycled System	2,580	-
Operations Support	<u>2,668,619</u>	<u>2,384,700</u>
Total Transmission & Distribution	5,458,122	5,178,966
Customer Service	533,039	603,473
General & Administrative		
Administration	3,159,403	3,164,196
OPEB Charges	<u>1,615,466</u>	<u>1,341,903</u>
Total General & Administrative	4,774,869	4,506,099
Depreciation & Amortization	<u>4,345,557</u>	<u>4,483,607</u>
TOTAL OPERATING EXPENSES	29,244,287	27,981,030
NONOPERATING EXPENSES		
Interest Expense	<u>758,339</u>	<u>777,511</u>
TOTAL NONOPERATING EXPENSES	758,339	777,511
TOTAL EXPENSES	<u><u>\$ 30,002,626</u></u>	<u><u>\$ 28,758,541</u></u>

STATISTICAL SECTION (UNAUDITED)

**EL TORO WATER DISTRICT
INDEX TO STATISTICAL SECTION
YEARS ENDED JUNE 30, 2021**

	<u>Page Number</u>
FINANCIAL TRENDS:	49
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
REVENUE CAPACITY:	51
These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	
DEBT CAPACITY:	58
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
DEMOGRAPHIC INFORMATION:	60
This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	
OPERATING INFORMATION:	63
This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	

El Toro Water District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years

	Fiscal Year				
	2012	2013	2014	2015	2016
Changes in net position:					
Operating revenues ^(see Schedule 2)	\$ 21,323,356	\$ 22,592,576	\$ 23,188,691	\$ 23,124,200	\$ 22,516,781
Operating expenses ^(see Schedule 3)	(22,010,956)	(22,785,966)	(24,484,521)	(24,469,909)	(23,990,984)
Operating income (loss)	(687,600)	(193,390)	(1,295,830)	(1,345,709)	(1,474,203)
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	691,377	753,865	774,568	815,554	843,301
Rental revenue	-	-	165,282 (2)	246,196	172,665
Investment earnings	208,446	124,439	51,881	76,804	147,447
Interest expense	(487,724)	(327,684)	(185,655)	(132,375)	(397,680)
Other non-operating revenues	527,254	463,981	56,564	218,824	188,701
Other non-operating expenses	-	(1,571,619) (1)	-	-	-
Total non-operating revenues(expenses), net	939,353	(557,018)	862,640	1,225,003	954,434
Net income before capital contributions	251,753	(750,408)	(433,190)	(120,706)	(519,769)
Capital contributions	124,071	3,092,146	1,648,257	-	577,471
Changes in net position	\$ 375,824	\$ 2,341,738	\$ 1,215,067	\$ (120,706)	\$ 57,702
Net position by component:					
Net investment in capital assets	\$ 45,207,184	\$ 53,386,647	\$ 57,218,606	\$ 52,204,625	\$ 57,306,311
Restricted:					
Debt Service	3,888,332	3,326,941	2,772,564	2,285,068	1,602,958
Capital Projects	1,221,358	29,640	83,771	571,268	577,471
Total restricted	5,109,690	3,356,581	2,856,335	2,856,336	2,180,429
Unrestricted	15,723,773	11,639,157	9,522,511	14,415,785	10,047,708
Total net position	\$ 66,040,647	\$ 68,382,385	\$ 69,597,452	\$ 69,476,746	\$ 69,534,448

El Toro Water District
Changes in Net Position and Net Position by Component (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2017	2018	2019	2020	2021
Changes in net position:					
Operating revenues ^(see Schedule 2)	\$ 24,032,874	\$ 25,445,261	\$ 24,663,457	\$ 25,197,330	\$ 26,709,979
Operating expenses ^(see Schedule 3)	(25,287,726)	(26,859,040)	(26,928,835)	(27,981,030)	(29,244,287)
Operating income (loss)	(1,254,852)	(1,413,779)	(2,265,378)	(2,783,700)	(2,534,308)
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	888,973	927,672	1,012,576	1,037,335	1,097,589
Rental revenue	181,491	188,183	204,160	242,187	236,357
Investment earnings	75,113	124,001	500,786 (5)	424,110	21,511
Interest expense	(706,683) (3)	(790,753)	(753,794)	(777,511)	(758,339)
Other non-operating revenues	152,710	59,653	910,351 (6)	40,917	42,826
Other non-operating expenses	-	-	-	-	-
Total non-operating revenues(expenses), net	591,604	508,756	1,874,079	967,038	639,944
Net income before capital contributions	(663,248)	(905,023)	(391,299)	(1,816,662)	(1,894,364)
Capital contributions	85,821	45,853	1,985,903	2,894	8,708
Changes in net position	\$ (577,427)	\$ (859,170)	\$ 1,594,604	\$ (1,813,768)	\$ (1,885,656)
Net position by component:					
Net investment in capital assets	\$ 57,194,565	\$ 60,300,968	\$ 56,355,138	\$ 55,486,027	\$ 56,108,404
Restricted:					
Debt Service	1,602,958	1,602,958	2,012,004	2,270,150	2,270,150
Capital Projects	23,081	45,853	64,514	2,895	2,895
Total restricted	1,626,039	1,648,811	2,076,518	2,273,045	2,273,045
Unrestricted	10,136,417	1,008,665 (4)	6,121,392 (4)	4,980,208	2,472,175
Total net position	\$ 68,957,021	\$ 62,958,444	\$ 64,553,048	\$ 62,739,280	\$ 60,853,624

(1) Refund to Golden Rain Foundation the Sinking fund balance in connection with the agreement that ETWD to provide Disinfected Tertiary Recycled Water for irrigation within the Laguna Woods Village Golf Course.

(2) In FY 13/14 the District created a separate line item for cell tower rental income. In the prior years this revenue was included with other non-operating revenues.

(3) Starting with FY 16/17 expenses included the Baker Water Treatment Plant loan interests with Texas Capital.

(4) The decrease/increase in Unrestricted due to the implementation of GASB Statement No. 75 in recording OPEB liability.

(5) Investment Earnings increase was resulted from higher interests rate earned on short-term LAIF and CAMP investments.

(6) The increase was attributed to a refund from South Orange County Waste Water Authority (SOCWA).

**El Toro Water District
Operating Revenues by Source
Last Ten Fiscal Years**

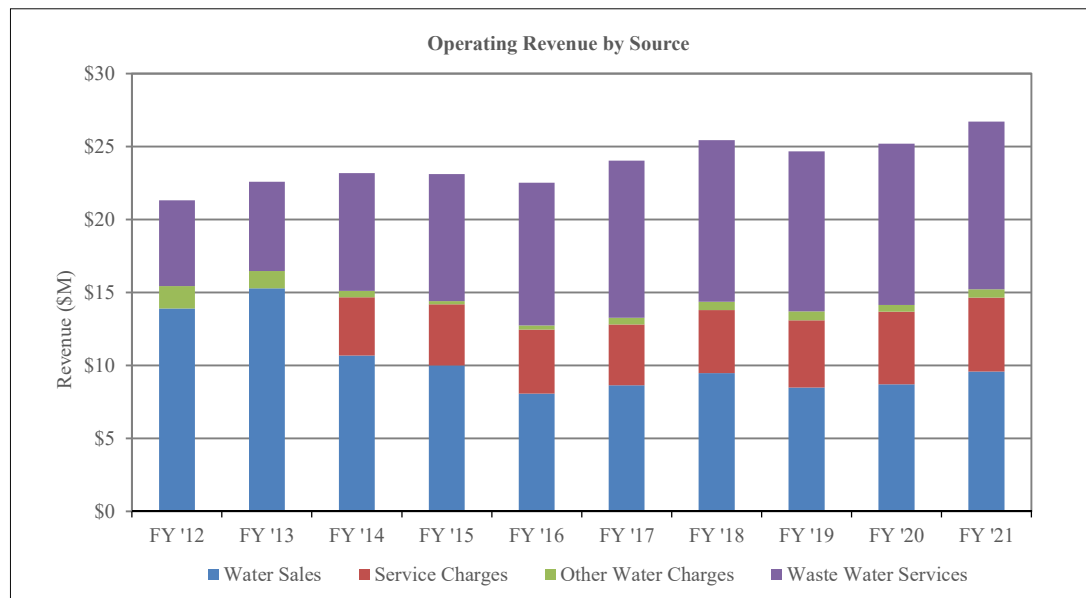
Fiscal Year	Water Sales	Service Charges	Other Water Charges	Waste Water Services	Total Operating Revenue
2012	13,902,298	-	1,538,758	5,882,300	21,323,356
2013	15,293,372	-	1,169,883	6,129,321	22,592,576
2014	10,687,396	3,979,752 (1)	443,673 (2)	8,077,870	23,188,691
2015	9,998,985	4,183,699	216,108	8,725,408	23,124,200
2016	8,069,726	4,381,402	294,329	9,771,324	22,516,781
2017	8,635,462	4,177,505	459,926	10,759,981	24,032,874
2018	9,459,453	4,325,454	574,644	11,085,710	25,445,261
2019	8,474,791	4,623,068	610,360	10,955,238	24,663,457
2020	8,705,986	4,977,611	469,391	11,044,342	25,197,330
2021	9,571,562	5,070,326	571,434	11,496,657	26,709,979

Other Water Charges - by Category

Fiscal Year	Standby Charge	Reimbursement	Other	Total Other Water Charges
2012	970,517	171,014	397,227	1,538,758
2013	984,847	117,364	67,672	1,169,883
2014	10,623	124,353	308,697	443,673
2015	4,818 (2)	116,957	94,333	216,108
2016	3,292	233,000	58,037	294,329
2017	1,525	331,179	127,222	459,926
2018	418	403,445	170,781	574,644
2019	247	383,810	226,303	610,360
2020	63	328,310	141,018	469,391
2021	-	401,225	170,209	571,434

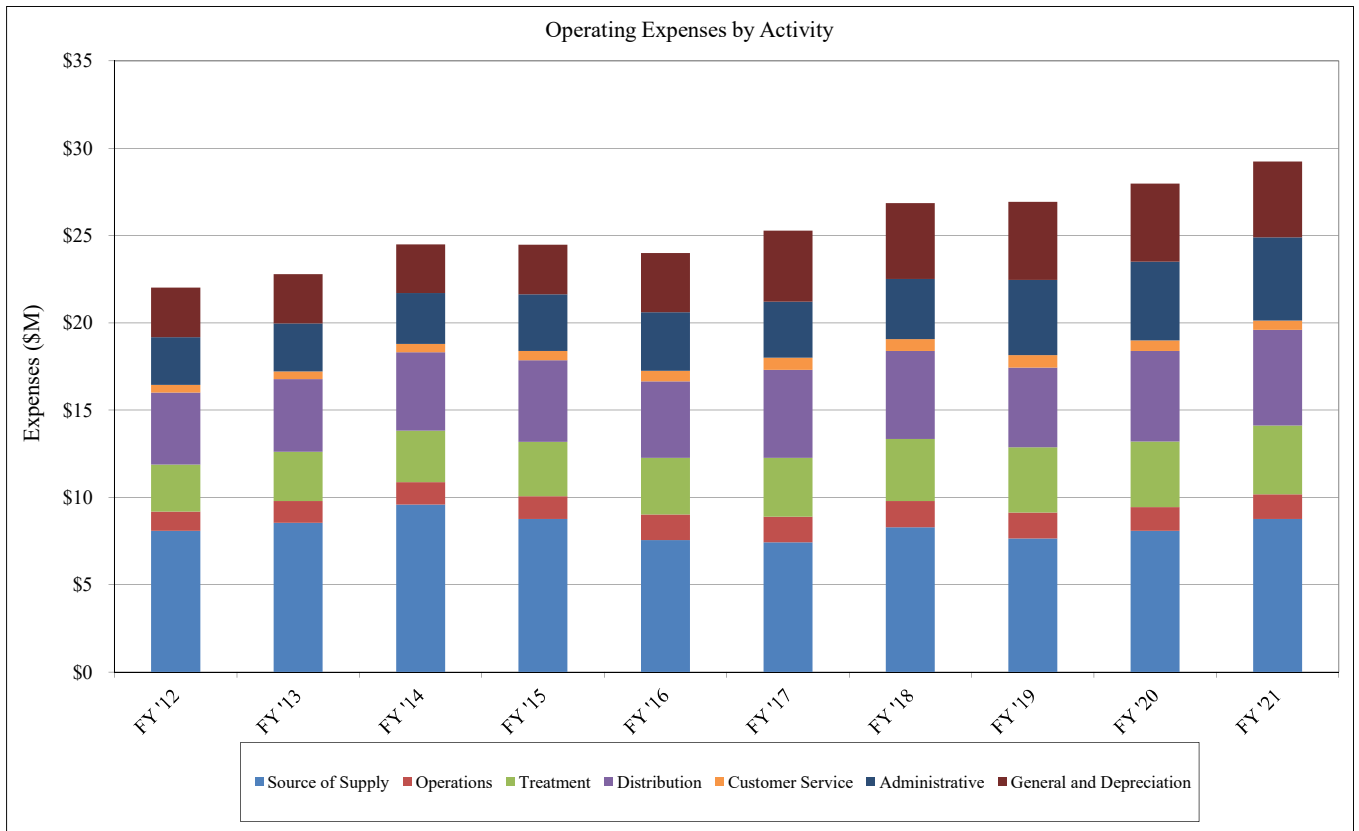
(1) Starting in 2014, Service Charge Revenues was separated from Water Sales Revenues.

(2) The Standby Charge was for the Water Recycling Project, and collections of this fee were not needed after FY 12/13.



**El Toro Water District
Operating Revenues by Source
Last Ten Fiscal Years**

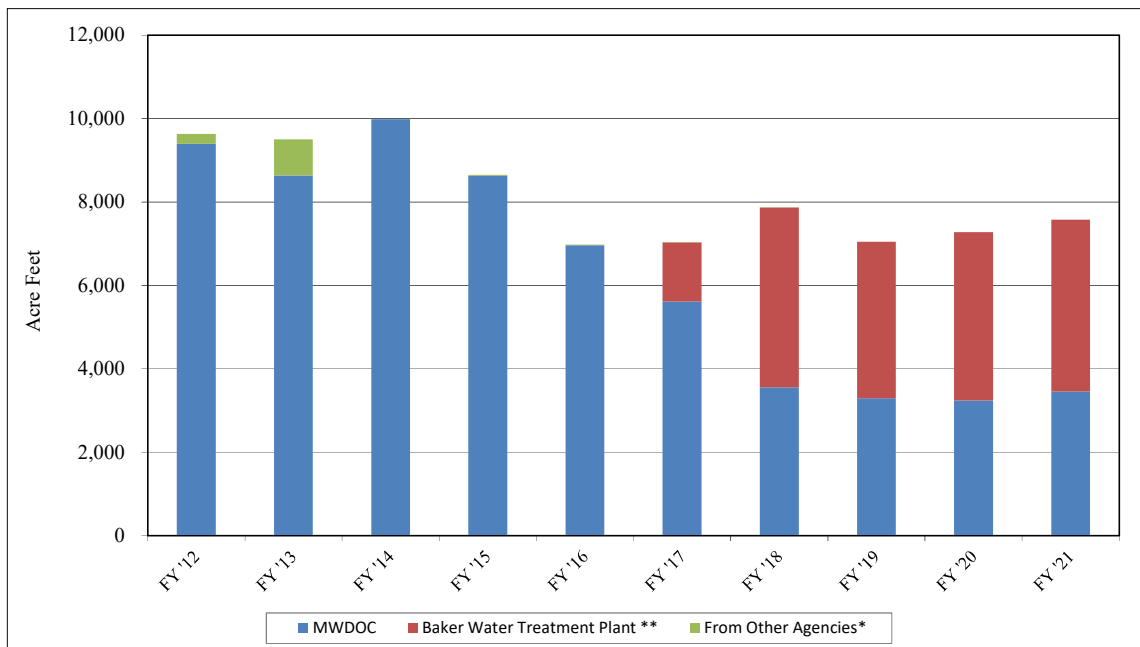
Fiscal Year	Source of Supply	Pumping Operations	Water Treatment	Water Distribution	Customer Service	General and Administrative	Depreciation	Operating Expenses
2012	8,096,104	1,096,347	2,688,844	4,124,778	440,218	2,732,748	2,831,917	22,010,956
2013	8,554,214	1,232,213	2,831,190	4,160,251	438,053	2,753,292	2,816,753	22,785,966
2014	9,584,718	1,293,752	2,953,328	4,492,432	465,163	2,913,731	2,781,397	24,484,521
2015	8,771,110	1,295,650	3,126,545	4,673,922	516,361	3,255,140	2,831,181	24,469,909
2016	7,555,626	1,466,757	3,243,194	4,388,871	592,405	3,365,722	3,378,409	23,990,984
2017	7,435,534	1,460,096	3,380,526	5,037,124	694,479	3,211,224	4,068,743	25,287,726
2018	8,294,019	1,491,273	3,567,648	5,035,094	686,217	3,434,736	4,350,053	26,859,040
2019	7,650,468	1,480,556	3,744,102	4,561,123	720,714	4,305,441	4,466,431	26,928,835
2020	8,085,299	1,359,915	3,760,193	5,182,444	603,473	4,506,099	4,483,607	27,981,030
2021	8,763,806	1,417,215	3,942,249	5,467,552	533,039	4,774,869	4,345,557	29,244,287



**El Toro Water District
Source of Water for Sales
Last Ten Fiscal Years**

Source of Water for Sales (AF)

Fiscal Year	MWDOC	Baker Water Treatment Plant **	From Other Agencies*	Total Production
2012	9,395	-	235	9,630
2013	8,640	-	861	9,501
2014	9,986	-	-	9,986
2015	8,631	-	19	8,650
2016	6,967	-	8	6,976
2017	5,616	1,417	1	7,034
2018	3,559	4,312	3	7,874
2019	3,297	3,754	-	7,051
2020	3,245	4,032	-	7,277
2021	3,460	4,121	-	7,581



Note: See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

*The District has inter-connections with Moulton Niguel Water District, Irvine Ranch Water District, and Santa Margarita Water District. Water is purchased from one of the three agencies in the case of repairs or upgrades to the District's infrastructure, which would necessitate a temporary alternate source of water.

**The Baker Water Treatment Plant (WTP) is a joint regional project by five South Orange County water districts, located in the City of Lake Forest, provides 28.1 million gallons per day (mgd) of drinking water. The District has the capacity right of 3.2 mgd.

**El Toro Water District
Water Operation Rates and Charges
Last Ten Fiscal Years**

Water Rates ⁽¹⁾					
Rate per CCF⁽²⁾					Rate per AF
Fiscal Year	Tier 1	Tier 2	Tier 3	Tier 4	Commercial / Industrial
2012	1.92	2.32	4.50	6.06	2.15
2013	2.07	2.47	4.79	6.35	2.30
2014	2.19	2.59	4.91	6.47	2.42
2015	2.34	2.68	5.04	7.04	2.63
2016	2.46	2.83	5.61	7.18	2.79
2017	2.46	2.83	5.61	7.18	2.79
2018	2.52	2.91	6.08	7.82	2.89
2019	2.52	2.91	6.08	7.82	2.89
2020	2.58	2.97	6.14	7.88	2.95
2021	2.65	3.04	6.21	7.95	3.02

Monthly Water Service Charge					
Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 ½" Meter	2" Meter
2012	7.60	10.14	15.20	27.87	53.22
2013	8.56	11.42	17.12	31.38	59.93
2014	9.31	12.42	18.61	34.12	65.15
2015	9.98	13.31	19.95	36.56	69.81
2016	9.98	13.31	19.95	36.56	69.81
2017	10.93	14.58	21.86	40.06	76.48
2018	11.80	15.82	23.85	43.92	84.07
2019	12.96	17.37	26.20	48.25	92.36
2020	14.14	18.99	28.70	52.98	101.52
2021	15.17	20.33	30.66	56.48	108.11

Monthly Water Capital Replacement and Refurbishment (CR&R) Charge					
Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 ½" Meter	2" Meter
2012	4.66	4.66	7.78	18.91	47.47
2013	4.66	4.66	7.78	18.91	47.47
2014	4.66	4.66	7.78	18.91	47.47
2015	4.66	4.66	7.78	18.91	47.47
2016	4.66	4.66	7.78	18.91	47.47
2017	4.66	4.66	7.78	18.91	47.47
2018	4.66	4.66	7.78	18.91	47.47
2019	4.66	4.66	7.78	18.91	47.47
2020	4.66	4.66	7.78	18.91	47.47
2021	4.66	4.66	7.78	18.91	47.47

Notes:

(1) The District is required to follow the rules of Proposition 218 when raising or adjusting its rates.

For more information, goto http://www.lao.ca.gov/1996/120196_prop_218/understanding_prop218_1296.html

(2) CCF = 100 Cubic Feet = 748 gallons

For more information on the District's rate structure, visit <http://etwd.com/governance/rate-structure/>

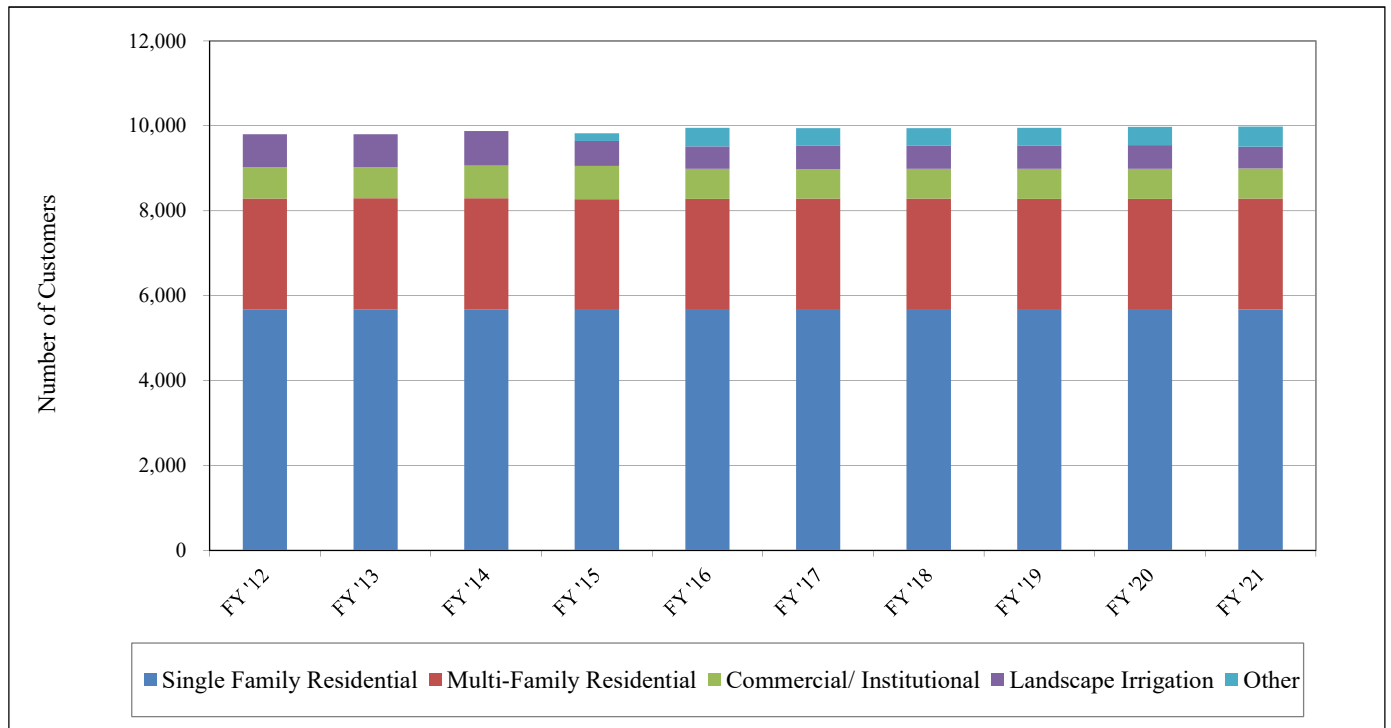
**El Toro Water District
Sewer Operation Rates and Charges
Last Ten Fiscal Years**

Sewer Rates by Customer Class										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential Rates (monthly charge per EDU)										
Residential Unrestricted	\$ 17.49	\$ 17.77	\$ 18.99	\$ 20.50	\$ 22.02	\$ 23.11	\$ 23.63	\$ 24.30	\$ 24.30	\$ 24.30
Multi-Family Restricted	13.87	14.09	15.06	16.26	17.46	18.33	18.74	19.28	19.28	19.28
Multi-Family Unrestricted	16.49	16.75	17.90	19.33	20.76	21.79	22.28	22.92	22.92	22.92
Commercial Rates (per ccf of water used)										
Animal Kennel / Hospital	\$ 2.86	\$ 2.91	\$ 3.11	\$ 3.36	\$ 3.61	\$ 3.79	\$ 3.88	\$ 3.99	\$ 3.99	\$ 3.99
Car Wash	2.84	2.89	3.09	3.34	3.59	3.77	3.86	3.97	3.97	3.97
Department / Retail Store	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99
Dry Cleaners	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50
Golf Course / Camp / Park	2.49	2.53	2.71	2.93	3.15	3.31	3.39	3.49	3.49	3.49
Health Spa	2.85	2.90	3.10	3.35	3.60	3.78	3.87	3.98	3.98	3.98
Hospital / Convalescent Home	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50
Hotel	4.33	4.40	4.71	5.09	5.47	5.74	5.87	6.04	6.04	6.04
Market	5.68	5.77	6.17	6.67	7.17	7.53	7.70	7.92	7.92	7.92
Mortuary	5.66	5.75	6.15	6.64	7.14	7.50	7.67	7.89	7.89	7.89
Nursery / Greenhouse	2.54	2.58	2.76	2.98	3.20	3.36	3.44	3.54	3.54	3.54
Professional / Financial Office	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99
Public Institution	2.80	2.85	3.05	3.30	3.55	3.73	3.82	3.93	3.93	3.93
Repair / Service Station	2.85	2.90	3.10	3.35	3.60	3.78	3.87	3.98	3.98	3.98
Restaurant	2.69	2.74	2.93	3.17	3.41	3.58	3.66	3.77	3.77	3.77
Schools	2.95	3.00	3.21	3.47	3.73	3.92	4.01	4.13	4.13	4.13
Theater	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99
Warehouse / Storage	2.25	2.29	2.45	2.65	2.85	3.00	3.07	3.16	3.16	3.16
Basic Commercial	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50

Monthly Sewer Capital Replacement and Refurbishment (CR&R) Charge										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential Charge (Per EDU)										
Single Family	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
Multi-Family Restricted	3.95	3.95	3.95	3.95	3.95	3.91	3.91	3.91	3.91	3.91
Multi-Family Unrestricted	4.69	4.69	4.69	4.69	4.69	4.65	4.65	4.65	4.65	4.65
Commercial (per Meter)										
5/8" Meter	\$ 6.42	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34
3/4" Meter	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34
1" Meter	12.38	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55
1 ½" Meter	25.60	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07
2" Meter	68.77	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96
Public Authority (per Meter)										
1" Meter	\$ 4.55	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
1 ½" Meter	20.48	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65
2" Meter	35.20	39.71	39.71	39.71	39.71	39.71	39.71	39.71	39.71	39.71

**El Toro Water District
Water Customers by Type*
Last Ten Fiscal Years**

Number of Customers by Type						
As of June 30	Single Family Residential	Multi-Family Residential	Commercial/ Institutional	Landscape Irrigation	Other	Total
2012	5,677	2,613	735	777	-	9,802
2013	5,683	2,610	735	775	-	9,803
2014	5,683	2,610	774	813	-	9,880
2015	5,662	2,610	785	583	187	9,827
2016	5,667	2,612	709	526	439	9,953
2017	5,668	2,616	694	559	406	9,943
2018	5,668	2,618	700	555	407 ⁽¹⁾	9,948
2019	5,665	2,614	706	556	408	9,949
2020	5,667	2,615	707	554	434	9,977
2021	5,670	2,617	707	511	478	9,983



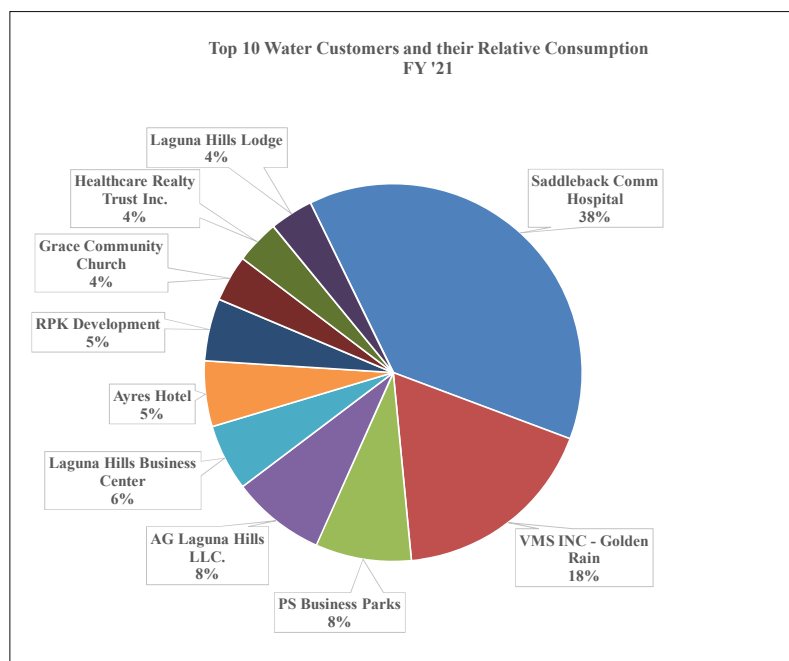
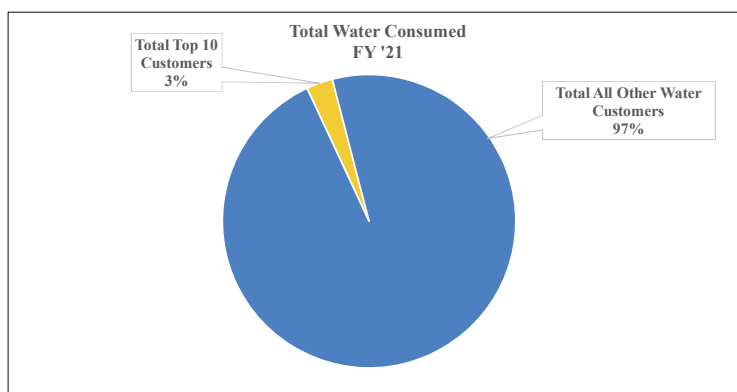
(1) The District did not track "Other" connections in total prior to FY 14/15.

*The District is completely built out and has had 8,950 sewer connections for the past 10 years.

**El Toro Water District
Top Ten Water Customers
Last Ten Fiscal Years**

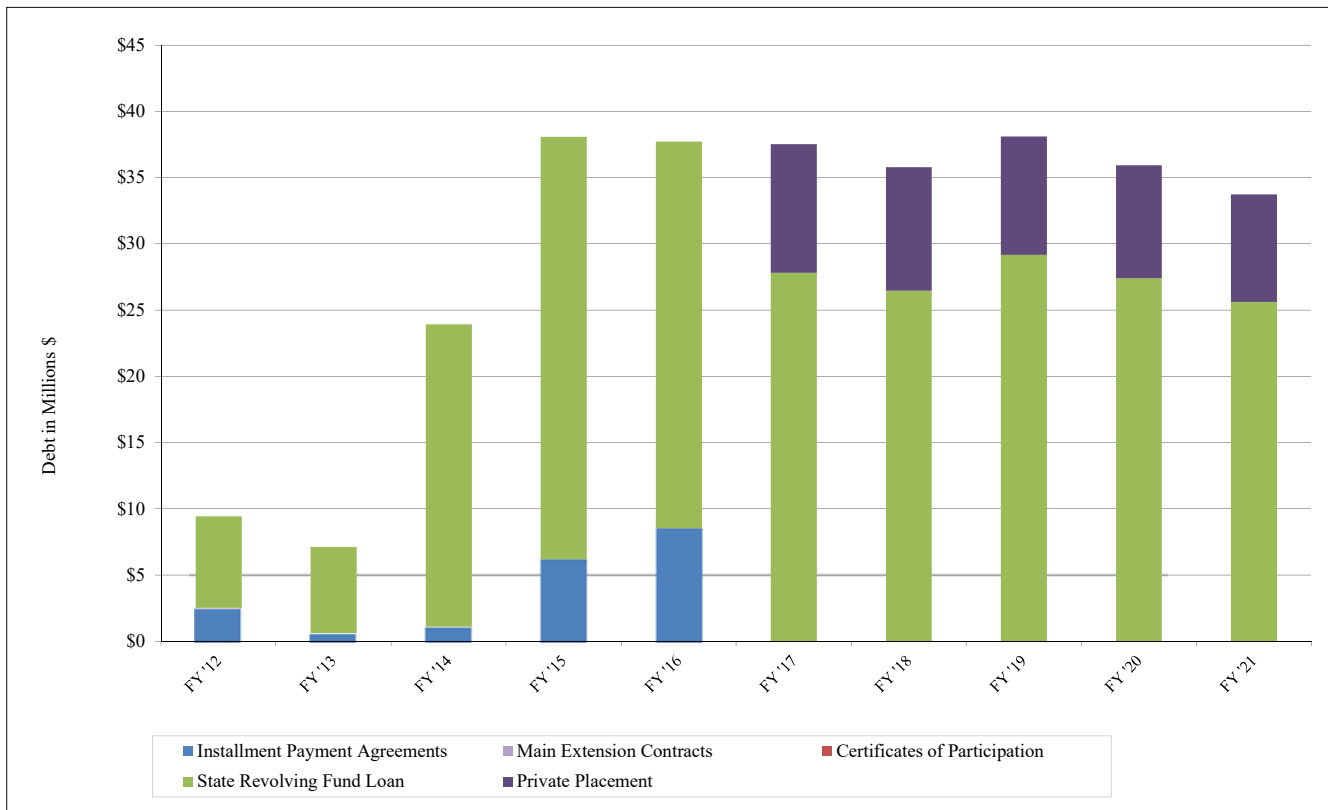
Customer	FY '12		Customer	FY '21	
	Annual Usage (HCF)	Percent of Total		Annual Usage (HCF)	Percent of Total
Saddleback Comm Hospital	53,578	1.41%	Saddleback Comm Hospital	40,755	1.11%
Country Villa Laguna Hills	9,641	0.25%	VMS INC - Golden Rain	19,102	0.52%
PS Business Parks	9,376	0.25%	PS Business Parks	8,815	0.24%
VMS INC - Golden Rain	8,198	0.22%	AG Laguna Hills LLC.	8,621	0.23%
Simon Properties #4665	6,804	0.18%	Laguna Hills Business Center	6,118	0.17%
Laguna Hills Business Center	6,544	0.17%	Ayres Hotel	6,039	0.16%
RPK Development	6,362	0.17%	RPK Development	5,734	0.16%
Ayres Hotel	5,590	0.15%	Grace Community Church	4,275	0.12%
BJ'S Restaurant Brewhouse Site#438	5,274	0.14%	Healthcare Realty Trust Inc.	4,028	0.11%
Ralphs Grocery Store	5,047	0.13%	Laguna Hills Lodge	3,988	0.11%
Total Top 10 Customers	116,414	3.06%	Total Top 10 Customers	107,475	2.92%
Total All Other Water Customers	3,688,127	96.94%	Total All Other Water Customers	3,566,889	97.08%
Total Water Consumed	3,804,541	100.00%	Total Water Consumed	3,674,364	100.00%

HCF = 100 cubic feet



**El Toro Water District
Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Certificates of Participation	Installment Payment Agreements	State Revolving Fund Loan	Main Extension Contracts	Private Placement	Total Debt	Total Debt per Capita	Total Debt as % of Personal Income
2012	-	2,535,858	6,920,615	6,180	-	9,462,653	196	0.35%
2013	-	621,878	6,505,874	6,180	-	7,133,932	147	0.27%
2014	-	1,123,184 ⁽¹⁾	22,823,592 ⁽²⁾	6,180	-	23,952,956	494	0.86%
2015	-	6,215,863 ⁽¹⁾	31,873,740 ⁽²⁾	6,180	-	38,095,783	784	1.28%
2016	-	8,562,088 ⁽¹⁾	29,159,616 ⁽²⁾	6,180	-	37,727,884	778	1.24%
2017	-	-	27,827,408	6,180	9,715,035	37,548,623	766	1.17%
2018	-	-	26,470,867	6,180	9,331,939 ⁽¹⁾	35,808,986	736	1.06%
2019	-	-	29,175,315	6,180	8,936,967	38,118,462	791	1.10%
2020	-	-	27,415,579	6,180	8,529,750	35,951,509	750	1.05% ⁽³⁾
2021	-	-	25,637,656	6,180	8,109,910	33,753,746	701	N/A ⁽³⁾



Notes:

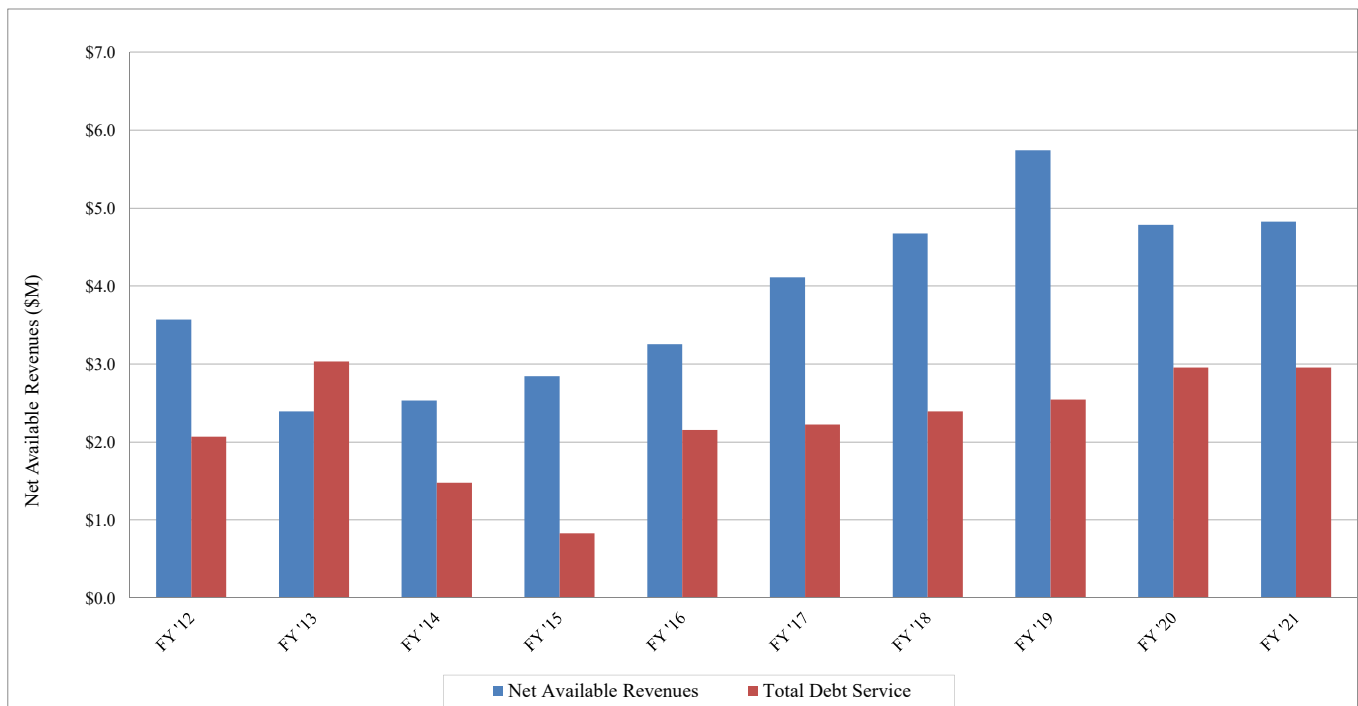
(1) In Dec 2013 the District entered into an agreement for the Baker Water Treatment Plant with five other entities. Additions in 2013 and 2014 were \$1,123,184 and \$5,092,679 respectively. This project was completed and refinanced in December 2016 with Texas Capital Bank for a lower interest rate.

(2) In 2013 the District entered into a loan agreement with the State Water Resources Control Board for the Recycled Water Treatment Plan Project. Additions in 2013 and 2014 were \$16,995,763 and \$9,741,814 respectively. Interest rate on the loan is 1.7% per annum.

(3) Personal Income data is not available for 2020 & 2021. The Bureau of Economic Analysis typically releases this information in late November of the following year.

**El Toro Water District
Debt Service Coverage
Last Ten Fiscal Years**

Fiscal Year	Net Revenue			Debt Service			
	Total Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Principal	Interest	Total Debt Service	Coverage Ratio
2012	22,750,433	19,179,039	3,571,394	1,663,826	406,826	2,070,652	1.72
2013	23,934,861	21,540,832	2,394,029	2,673,722	359,134	3,032,856	0.79
2014	24,236,986	21,703,124	2,533,862	1,299,923	179,490	1,479,413	1.71
2015	24,481,578	21,638,728	2,842,850	691,667	137,746	829,413	3.43
2016	23,868,895	20,612,575	3,256,320	1,697,913	459,070	2,156,983	1.51
2017	25,331,161	21,218,983	4,112,178	1,532,173	691,970	2,224,143	1.85
2018	26,744,770	22,068,431	4,676,339	1,739,638	655,145	2,394,783	1.95
2019	27,291,330	21,549,152	5,742,178	1,776,305	769,061	2,545,366	2.26
2020	26,941,879	22,155,520	4,786,359	2,166,953	787,460	2,954,413	1.62
2021	28,108,262	23,283,264	4,824,998	2,197,763	756,649	2,954,412	1.63

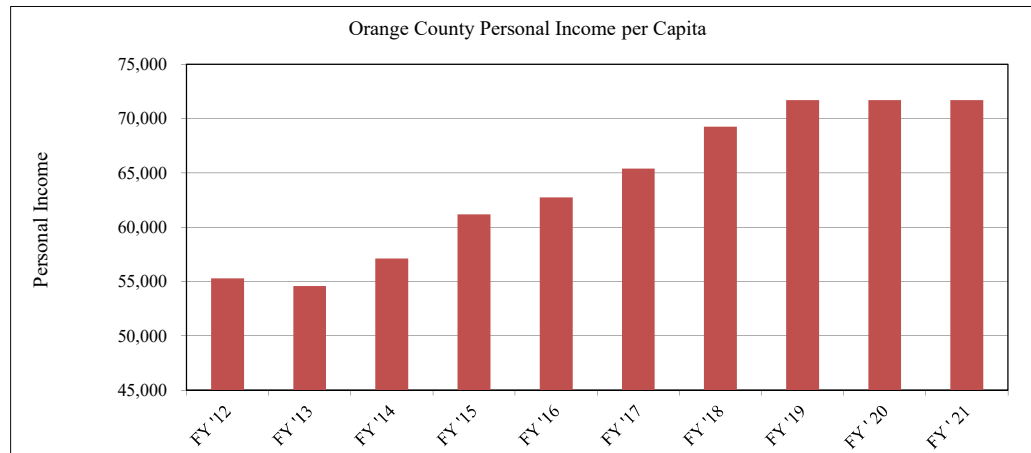
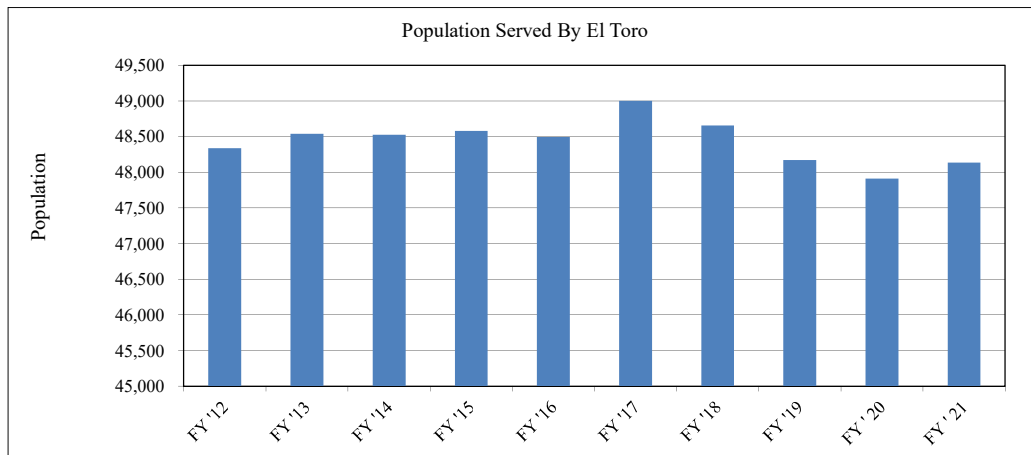


Notes:

(1) Operating expenses less depreciation and amortization, interest, and OPEB Accounting charges.

**El Toro Water District
Demographics and Economic Statistics - County of Orange
Last Ten Fiscal Years**

Calendar Year	Population Served by El Toro ¹	Orange County		
		Personal Income ² (thousands \$)	Personal Income per Capita	Unemployment Rate at 6/30
2012	48,339	170,609,148	55,296	8.3%
2013	48,541	169,986,956	54,594	6.9%
2014	48,529	179,141,029	57,110	5.5%
2015	48,579	193,358,936	61,178	4.5%
2016	48,498	199,441,555	62,763	4.3%
2017	49,003	208,653,019	65,400	3.8%
2018	48,657	220,684,684	69,268	3.3%
2019	48,174	227,732,561	71,711	3.0%
2020 ⁽³⁾	47,911	227,732,561	71,711	13.3%
2021 ⁽³⁾	48,135	227,732,561	71,711	6.4%



Source: State of California, Employment Development Department, <http://www.edd.ca.gov>

Source: Municipal Water District of Orange County (MWDOC)

N/A - Data not available for time period

1 The district population data is estimated by the Center for Demographic Research (CDR) at California State University Fullerton.

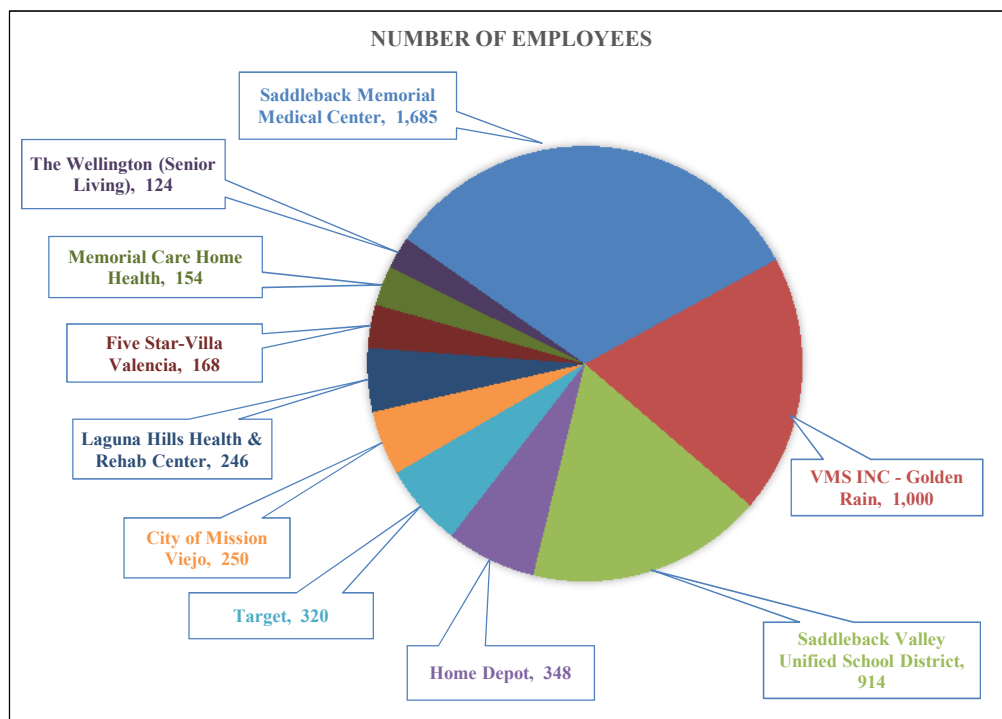
2 Data from the Bureau of Economic Analysis, <http://www.bea.gov>

3 The income data for 2020 & 2021 was not available at the time this report was published

El Toro Water District Principal Employers Current Fiscal Year

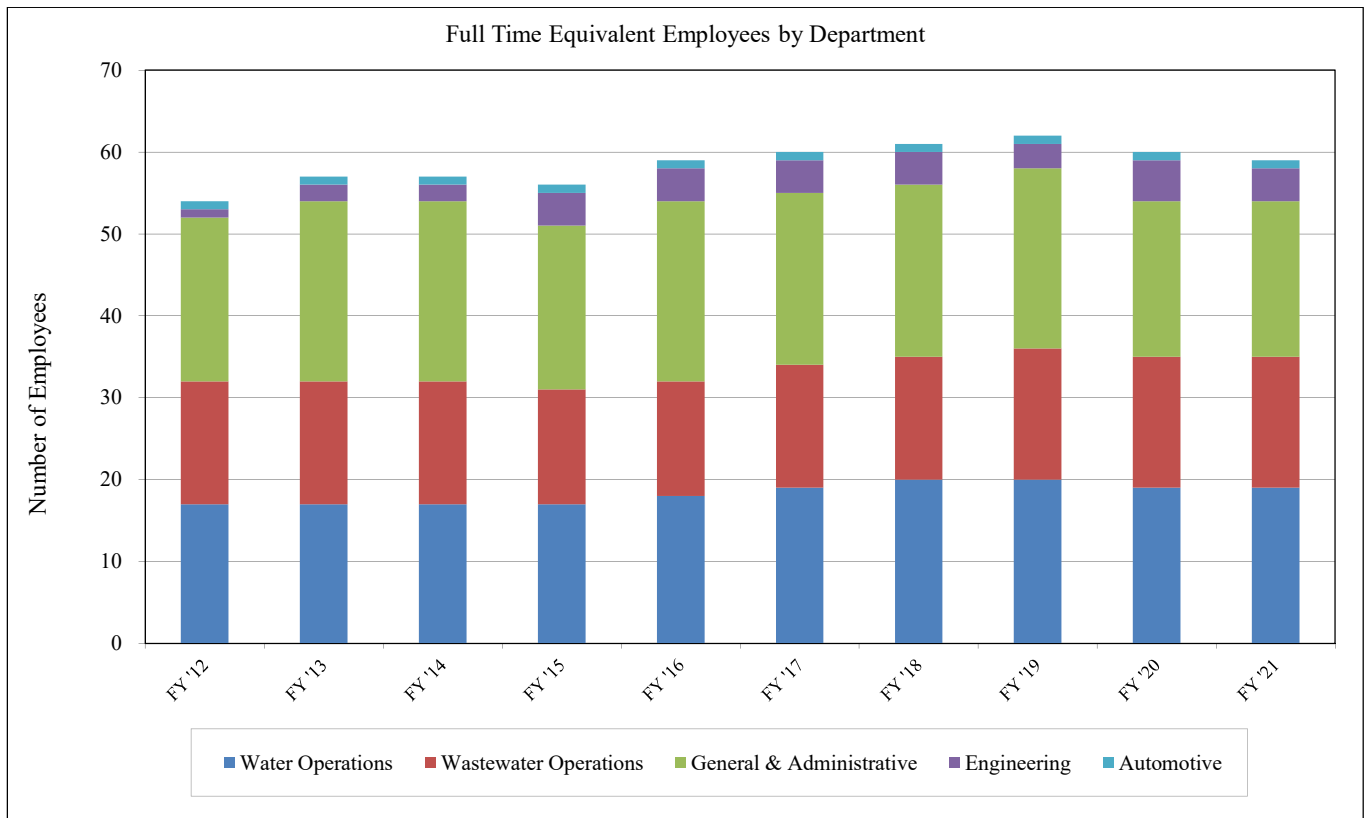
Employer	Number of Employees at 06/30/20	Percent of Total
Saddleback Memorial Medical Center	1,685	32.35%
VMS INC - Golden Rain	1,000	19.20%
Saddleback Valley Unified School District	914	17.55%
Home Depot	348	6.68%
Target	320	6.14%
City of Mission Viejo	250	4.80%
Laguna Hills Health & Rehab Center	246	4.72%
Five Star-Villa Valencia	168	3.23%
Memorial Care Home Health	154	2.96%
The Wellington (Senior Living)	124	2.38%
Total Principal Employers	5,209	100.00%

Service Area: Covers about 5,430 acres including all of the city of Laguna Woods (36%), and portions of the cities of Laguna Hills (21%), Mission Viejo (12%), Lake Forest (27%) and Aliso Viejo (4%). The district used data from the fiscal year end 2020 CAFRs for the service area cities listed. Nine years prior information comparison is not available since the district started filing for the CAFR from fiscal year end 2016.



**El Toro Water District
Full Time Equivalent Employees by Department
Last Ten Fiscal Years**

Fiscal Year	Water Operations	Wastewater Operations	General & Administrative	Engineering	Automotive	Total
2012	17	15	20	1	1	54
2013	17	15	22	2	1	57
2014	17	15	22	2	1	57
2015	17	14	20	4	1	56
2016	18	14	22	4	1	59
2017	19	15	21	4	1	60
2018	20	15	21	4	1	61
2019	20	16	22	3	1	62
2020	19	16	19	5	1	60
2021	19	16	19	4	1	59



**El Toro Water District
Operating and Capacity Indicators
Last Ten Fiscal Years**

Fiscal Year	Water System			
	Miles of Water Mains	Service Connections	Annual Potable Import (MG)	Average Daily Potable Import (MGD)
2012	170	9,802	3,138	8.60
2013	170	9,803	3,138	8.60
2014	170	9,880	3,254	8.91
2015	170	9,828	2,819	7.72
2016	170	9,953	2,273	6.23
2017	170	9,943	2,292	6.28
2018	170	9,948	2,566	7.03
2019	170	9,949	2,298	6.29
2020	170	9,977	2,371	6.50
2021	170	9,983	2,470	6.77

Fiscal Year	Sewer System			
	Miles of Sewers Lines	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
2012	114	9,802	1,442	3.95
2013	114	9,803	1,396	3.82
2014	114	9,880	1,262	3.46
2015	114	9,828	1,242	3.40
2016	114	9,953	1,096	3.00
2017	114	9,943	1,146	3.14
2018	114	9,948	1,105	3.03
2019	114	9,949	1,122	3.07
2020	114	9,977	1,140	3.12
2021	114	9,983	1,057	2.90

Fiscal Year	Recycled Water			
	Miles of Recycled Pipe	Service Connections	Annual Production (MG)	Daily Production (MGD)
2012	19	1	244.39	0.67
2013	19	1	190.26	0.52
2014	19	1	142.58	0.39
2015	19	70 (1)	159.56	0.44
2016	19	138 (1)	337.87	0.93
2017	19	210 (1)	462.49	1.27
2018	26 (2)	210	502.12	1.38
2019	26	210	418.89	1.15
2020	26	229	447.32	1.23
2021	26	275	583.58	1.60

Notes:

MG - Millions of Gallons

MGD - Millions of Gallons per Day

(1) The increase in Recycled Connections was a result of Recycled Water Project to transition irrigation customers to recycled water.

(2) The increase in Miles of Recycled Pipe was due to the completion of The Phase II Recycled Water Distribution System Expansion Project.



STAFF REPORT

To: Board of Directors

Meeting Date: January 24, 2022

From: Dennis Cafferty, General Manager

Subject: Joint Exercise of Powers Agreement between El Toro Water District and California Statewide Communities Development Authority

At the January 2 Special Board Meeting, the Board and staff conducted a robust discussion about the best option for issuing debt to refinance the existing SRF Loans and to finance several upcoming large capital projects. The Board and staff reached a consensus that the best interests of the District were served by forming a Joint Powers Authority (JPA) with the California Statewide Communities Development Authority (CSCDA) and utilize this entity to issue revenue bonds.

While the issuance of revenue bonds differs from the method the District used in the past to issue debt, Staff has been advised by its financial advisor (NHA Advisors) and bond counsel that this method of issuing debt complies with all applicable California Statutes, is not any more difficult to manage during the issuance or compliance processes, and potentially has some advantages in the bond marketplace because revenue bonds are well understood and accepted by all potential purchasers of local government debt.

The District's bond counsel, Stradling, prepared a draft JPA Agreement. The proposed agreement has been reviewed by staff as well as Gil Granito, District counsel. The attached JPA Agreement has been approved by staff and counsel and has been provided to CSCDA for consideration at the February 3rd CSCDA Board meeting.

Approval of the JPA Agreement will keep the District on track for the aggressive schedule to price and issue the bonds in late February.

Recommended Action: Staff recommends the Board approve Resolution No. 22-1-1 authorizing the creation of the El Toro Water District Financing Authority and approving the Joint Exercise of Powers Agreement with the California Statewide Communities Development Authority.

RESOLUTION NO. 22-1-1

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EL TORO WATER DISTRICT
AUTHORIZING THE CREATION OF THE
EL TORO WATER DISTRICT FINANCING AUTHORITY AND
APPROVING THE JOINT EXERCISE OF POWERS AGREEMENT WITH THE
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

RESOLUTION NO. 22-1-1

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EL TORO WATER DISTRICT
AUTHORIZING THE CREATION OF THE
EL TORO WATER DISTRICT FINANCING AUTHORITY AND
APPROVING THE JOINT EXERCISE OF POWERS AGREEMENT WITH THE
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**

WHEREAS, under the Joint Exercise of Powers Act, California Government Code § 6500 *et seq.* (the “**JPA Act**”), El Toro Water District (the “**District**”) may enter into a joint exercise of powers agreement with one or more public agencies to jointly exercise any power common to them and to exercise additional powers granted under the JPA Act; and

WHEREAS, it is in the District’s best interests to enter into a Joint Powers Agreement with the California Statewide Communities Development Authority (“**CSCDA**”) in order to form a joint powers authority, to be known as the “El Toro Water District Financing Authority” (the “**Authority**”) for the purpose of assisting the District in financing and refinancing capital improvement projects of the District and in financing working capital for the District; and

WHEREAS, under the JPA Act and the herein-defined JPA Agreement, the Authority will be a public entity that is separate and apart from the District and CSCDA, and the debts, liabilities and obligations of the Authority will not be the debts, liabilities or obligations of the District or CSCDA or any representative of the District serving on the governing body of the Authority; and

WHEREAS, the Board of Directors of the District (the “**Board**”), with the aid of its staff and consultants, has reviewed the Joint Exercise of Powers Agreement (the “**JPA Agreement**”) that is attached as Exhibit A, and intends by this Resolution to authorize execution of the JPA Agreement and to approve the creation of the Authority and related matters.

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

1. Creation of Authority. The Board hereby authorizes the Board President to execute the JPA Agreement with CSCDA in substantially the form attached as Exhibit A, together with any such changes as the Board President may deem appropriate, and hereby approves the creation of the Authority for the purpose of assisting the District in financing and refinancing capital improvement projects of the District and in financing working capital for the District.

2. Other Actions Authorized. The Board President is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the this Resolution, including but not limited to causing a notice of the JPA Agreement to be prepared and filed within 30 days of the date of adoption of this Resolution with the California Secretary of State in the manner set forth in Section 6503.5 of the JPA Act and with the California State Controller's office.

3. Effective Date. This Resolution is effective from the date of its adoption.

ADOPTED, SIGNED AND APPROVED, this 24th day of January 2022.

KATHRYN FRESHLEY, President
El Toro Water District and of the
Board of Directors thereof

ATTEST:

DENNIS P. CAFFERTY, Secretary
El Toro Water District and of the
Board of Directors thereof

EXHIBIT A
JOINT EXERCISE OF POWERS AGREEMENT

JOINT EXERCISE OF POWERS AGREEMENT

between

EL TORO WATER DISTRICT

and

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

creating the

EL TORO WATER DISTRICT FINANCING AUTHORITY

Dated as of February 1, 2022

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JOINT EXERCISE OF POWERS AGREEMENT

THIS JOINT EXERCISE OF POWERS AGREEMENT (this “**Agreement**”) is dated as of February 1, 2022, and is entered into by and between the EL TORO WATER DISTRICT, a California Water District that is organized and existing under and by virtue of the laws of the State of California, including but not limited to Division 13 of the Water Code of the State of California (the “**District**”), and CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, a joint exercise of powers authority that is organized and existing under and by virtue of the laws of the State of California (“**CSCDA**”).

DECLARATION OF PURPOSE

A. Chapter 5 of Division 7 of Title 1 of the California Government Code (the “**Act**”) authorizes the District and CSCDA to create a joint exercise of powers entity which has the power to exercise any powers common to the District and CSCDA and to exercise additional powers granted to such entity under the Act. This Agreement creates such an agency, which shall be known as the “El Toro Water District Financing Authority” (the “**Authority**”) for the purposes and to exercise the powers described herein.

B. The District is authorized to buy, sell, lease and use property and to incur indebtedness for public purposes pursuant to California Water Code §§ 35401, 35403, 35405 and 35425 and other laws of the State of California.

C. CSCDA is authorized to buy, sell and lease property and to issue bonds, expend bond proceeds and borrow and loan money for any of its corporate purposes pursuant to the Act and an Amended and Restated Joint Exercise of Powers Agreement forming the California Statewide Communities Development Authority, dated as of June 1, 1998, as amended, by and among the cities, counties, districts and other political subdivisions that are parties to that agreement.

D. Article 4 of the Act (known as the “Marks-Roos Local Bond Pooling Act of 1985”) authorizes and empowers the Authority to issue bonds and to purchase bonds issued by, or to make loans to, the District or CSCDA for financing public capital improvements, working capital, liability and other insurance needs or projects whenever there are significant public benefits, as determined by the District or CSCDA. The Marks-Roos Local Bond Pooling Act of 1985 further authorizes and empowers the Authority to sell bonds so issued or purchased to public or private purchasers at public or negotiated sale.

TERMS OF AGREEMENT

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section 1 shall for all purposes of this Agreement have the meanings herein specified.

“**Act**” means Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended.

“**Agreement**” means this Joint Exercise of Powers Agreement, as it may be amended from time to time, creating the Authority.

“**Authority**” means the El Toro Water District Financing Authority created by this Agreement.

“Board” means the governing board of the Authority.

“Brown Act” means the Ralph M. Brown Act (Chapter 9 of Part 1 of Division 2 of Title 5 of the California Government Code), or any successor legislation hereafter enacted.

“CSCDA” means California Statewide Communities Development Authority, a joint exercise of powers authority that is duly organized and existing under and by virtue of the laws of the State.

“District” means the El Toro Water District, a California Water District that is duly organized and existing under and by virtue of the laws of the State, including but not limited to Division 13 of the Water Code of the State.

“District Board” means the governing board of the District.

“Indenture” means each indenture, trust agreement, fiscal agent agreement, lease, sublease, loan agreement, or other instrument pursuant to which Obligations are issued or incurred.

“Member” or **“Members”** means the members of the Authority from time to time as may be modified in accordance with this Agreement. As of the date of this Agreement, the Members are the District and CSCDA.

“Obligations” means bonds and any other evidence of indebtedness of the Authority authorized and issued pursuant to the Act.

“State” means the State of California.

Section 2. Purpose. This Agreement is made pursuant to the Act for the purpose of assisting in the financing and refinancing of capital improvement projects of the District and the financing of working capital for the District by exercising the powers referred to in this Agreement.

Section 3. Term. This Agreement becomes effective as of the date hereof and shall continue in full force and effect until terminated by a supplemental agreement of CSCDA and the District; *provided, however*, that in no event shall this Agreement terminate while any Obligations of the Authority remain outstanding under the terms of any Indenture or other instrument pursuant to which such Obligations are issued or incurred.

Section 4. The Authority.

(a) Creation of the Authority.

(1) There is hereby created pursuant to the Act an authority and public entity to be known as the “El Toro Water District Financing Authority.” As provided in the Act, the Authority shall be a public entity separate from the Members. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the Members.

(2) Within 30 days after the effective date of this Agreement or any amendment hereto, the Authority will cause a notice of this Agreement or amendment to be prepared and filed with the office of the California Secretary of State in the manner set forth in Section 6503.5 of the Act. Such notice shall also be filed with the office of the State Controller.

(3) In addition, as required by Section 53051 of the California Government Code, within 70 days after the effective date of this Agreement, the Authority shall file with the Secretary of State on a form prescribed by the Secretary of State and also with the County Clerk of Orange County, a statement of the following facts: (1) the full, legal name of the Authority; (2) the official mailing address of the Board; (3) the name and residence or business address of each member of the Board; and (4) the name, title, and residence or business address of the Chair and Secretary of the Authority, and within 10 days after any change in the facts required to be stated pursuant to the foregoing, an amended statement containing such information shall be filed with the Secretary of State on a form prescribed by the Secretary of State and also with the County Clerk of Orange County.

(b) Governing Board.

(1) The Authority will be administered by the Board, which will consist of the members of the District Board. The term of office as a member of the Board will terminate when such member of the Board ceases to hold his or her respective seat on the District Board, and the successor to such seat on the District Board will automatically become a member of the Board upon assuming such office.

(2) Members of the Board will not receive any compensation for serving as such, but will be entitled to reimbursement for necessary expenses actually incurred in connection with serving as a member if the Board determines that such expenses will be reimbursed and there are unencumbered funds available for such purpose.

(c) Meetings of Board.

(1) Time and Place. The time and place for holding Board meetings shall be established, and may be changed at any time, by resolution of the Board. Initially, the Board shall conduct regular meetings on the same date, at the same time and at the same location as the regular meetings of the District Board; provided that the first regular meeting of the Board shall occur on February 14, 2022. Such regular meetings may occur either during or after the regular meetings of the District Board, but may not commence earlier than the starting time for the regular meetings of the District Board. If the Secretary does not post an agenda for a regular meeting pursuant to the Brown Act, then such failure to post shall be deemed to be a determination by the Chair that no items require discussion and, therefore, that the regular meeting has been cancelled, except as otherwise provided in the Brown Act. The Board may hold special meetings at any time and from time to time in accordance with law.

(2) Legal Notice. All regular and special meetings of the Board shall be called, noticed, held and conducted subject to the provisions of the Brown Act.

(3) Minutes. The Secretary of the Authority shall cause minutes of all meetings of the Board to be kept and shall, as soon as practicable after each meeting, cause a copy of the minutes to be forwarded to each member of the Board and to the Members.

(4) Quorum. A majority of the members of the Board shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn meetings from time to time.

(d) Officers; Duties; Bonds.

(1) The officers of the Authority shall be the Chair, Vice Chair, Executive Director, Secretary and Treasurer. The Chair shall be the person serving as the President of the District Board; the Vice-Chair shall be the person serving as the Vice President of the District Board; the Executive Director shall be the person serving as the General Manager of the District; the Treasurer shall be the Chief Financial Officer of the District; and the Secretary shall be the person serving as the Secretary of the District Board. The officers shall perform the duties normal to their respective offices and such other duties as may be imposed by the Board. The foregoing officers shall sign all contracts on behalf of the Authority and shall perform such other duties as may be imposed by the Board; provided that the Board may, by resolution, authorize other officers of the Authority to sign contracts on behalf of the Authority. The Vice Chair shall act, sign contracts, and perform all of the Chair's duties in the absence of the Chair. The Secretary shall perform such duties as may be imposed by the Board and cause a copy of this Agreement, and any amendment to this Agreement, to be filed with the California Secretary of State pursuant to the Act. These officers shall have such additional powers and duties as may be determined by the Board from time to time by resolution. The General Counsel for the District shall serve as the General Counsel of the Authority.

(2) Pursuant to Section 6505.6 of the Act, the Chief Financial Officer of the District is hereby designated as the Treasurer of the Authority. The Treasurer of the Authority is designated as the public officer or person who has charge of, handles, or has access to any property of the Authority, and such officer shall file an official bond in the amount of \$25,000 as required by section 6505.1 of the Act; provided, that such bond shall not be required if the Authority does not possess or own property or funds with an aggregate value of greater than \$500 (excluding amounts held by a trustee or other fiduciary in connection with any Obligations). The cost of the bond, if necessary, shall be paid by the District.

(3) So long as required by Section 6505 6505.5 of the Act, the Treasurer of the Authority shall prepare or cause to be prepared: (a) a special audit as required pursuant to Section 6505 of the Act every year during the term of this Agreement; and (b) a report in writing on the first day of July, October, January and April of each year to the Board, the District and CSCDA which report shall describe the amount of money held by the Treasurer of the Authority, the amount of receipts since the last such report and the amount paid out since the last such report (which may exclude amounts held by a trustee or other fiduciary in connection with any Obligations to the extent that such trustee or other fiduciary provides regular reports covering such amounts).

(4) The services of the officers shall be without compensation by the Authority. The District will provide such other administrative services as required by the Authority, and shall not receive economic remuneration from the Authority for the provision of such services.

(5) The Board shall have the power to appoint such other officers and employees as it may deem necessary and to retain independent counsel, consultants and accountants.

(6) All of the privileges and immunities from liability, exemptions from laws, ordinances and rules, all pension, relief, disability, worker's compensation and other benefits which apply to the activities of officers, agents or employees of the Members when performing their respective functions within the territorial limits of their respective Member, shall apply to them to the same degree and extent while engaged in the performance of any of their functions and duties extraterritorially under the provisions of this Agreement.

(7) None of the officers, agents or employees, if any, directly employed by the Authority shall be deemed, by reason of their employment by the Authority, to be employed by any Member or, by reason of their employment by the Authority, to be subject to any of the requirements of any Member.

(8) The Members hereby confirm their intent and agree that, as provided in Section 4(a) hereof and in the Act, the debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the District or CSCDA, and they do not intend by the following sentence to impair this provision. Notwithstanding Section 4(a) hereof and the Act, the District and the Authority shall indemnify, defend and hold harmless CSCDA and each of CSCDA's officers, directors, employees, attorneys, Commission members and agents from and against any and all costs, expenses, losses, claims, damages and liabilities directly or indirectly arising out of or in connection with the activities of the Authority, including but not limited to any transaction or series of transactions undertaken by or for the benefit of the District. CSCDA may elect to defend itself in any such action with counsel of its choice, the reasonable fees of such counsel to be paid by the District. The Authority and the District shall be jointly and severally liable for any indemnity obligation owed to CSCDA or any other indemnified party under this paragraph. Notwithstanding the provisions of Section 895.6 of the California Government Code, the District shall not have any right to contribution from CSCDA. This paragraph (8) shall survive the termination of this Agreement.

(9) In any event, the Authority or the District shall cause all records regarding the Authority's formation, existence, operations, any Obligations issued or incurred by the Authority, obligations incurred by it and proceedings pertaining to its termination to be retained for at least six years following termination of the Authority or final payment of any Obligations issued or incurred by the Authority, whichever is later.

(10) Confirmation of officers shall be the first order of business at the first meeting of the Authority, regular or special, held in each calendar year.

(11) No Board member, officer, agent or employee of the Authority, without prior specific or general authority by a vote of the Board, shall have any power or authority to bind the Authority by any contract, to pledge its credit, or to render it liable for any purpose in any amount.

Section 5. Powers.

(a) The Authority shall have any and all powers which are common powers of the Members, and the powers separately conferred by law upon the Authority. All such powers, whether common to the Parties or separately conferred by law upon the Authority, are specified as powers of the Authority except any such powers which are specifically prohibited to the Authority by applicable law. Except as otherwise set forth herein as permitted by law, the Authority's exercise of its powers is subject to the restrictions upon the manner of exercising the powers of the District.

(b) The Authority is hereby authorized, in its own name, to do all acts necessary or convenient for the exercise of its powers, including, but not limited to, any or all of the following: to sue and be sued; to make and enter into contracts; to employ agents, consultants, attorneys, accountants and employees; to acquire, hold or dispose of property, whether real or personal, tangible or intangible, wherever located; to issue bonds or otherwise incur debts, liabilities or Obligations to the extent authorized by the Act or any other applicable provision of law and to pledge any property or revenues or the rights thereto as security for such Obligations.

(c) Notwithstanding the foregoing, the Authority shall have any additional powers conferred under the Act or under applicable law, insofar as such additional powers may be necessary to accomplish the purposes set forth in Section 2 hereof.

(d) Notwithstanding anything to the contrary in this Agreement, the Authority shall not have the power or the authority to enter into any retirement contract with any public retirement system (as defined in Section 6508.2 of the California Government Code) for any reason. The provision in this paragraph is intended to benefit the Members and to be a confirming irrevocable obligation of the Authority which may be enforced by the Members, individually or collectively.

Section 6. Termination of Powers. The Authority shall continue to exercise the powers herein conferred upon it until the termination of this Agreement in accordance with Section 3 hereof.

Section 7. Fiscal Year. Unless and until changed by resolution of the Board, the fiscal year of the Authority shall be the period from July 1 of each year to and including the following June 30, except for the first fiscal year which shall be the period from the date of this Agreement to June 30, 2022.

Section 8. Disposition of Assets. Upon termination of this Agreement pursuant to Section 3 hereof, any surplus money in possession of the Authority or on deposit in any fund or account of the Authority shall be returned in proportion to any contributions made as required by section 6512 of the Act. The Board is vested with all powers of the Authority for the purpose of concluding and dissolving the business affairs of the Authority. After rescission or termination of this Agreement pursuant to Section 3 hereof, all property of the Authority, both real and personal, shall be distributed to the District, subject to Section 9 hereof.

Section 9. Contributions and Advances. Contributions or advances of public funds and of personnel, equipment or property may be made to the Authority by the Members for any of the purposes of this Agreement. Payment of public funds may be made to defray the cost of any such contribution. Any such advance made in respect of a revenue-producing facility shall be made subject to repayment, and shall be repaid, in the manner agreed upon by the District or CSCDA, as the case may be, and the Authority at the time of making such advance, as provided by Section 6512.1 of the Act. It is mutually understood and agreed that neither the District nor CSCDA has any obligation to make advances or contributions to the Authority to provide for the costs and expenses of administration of the Authority, even though either may do so. The Members may allow the use of personnel, equipment or property in lieu of other contributions or advances to the Authority.

Section 10. Obligations.

(a) Authority to Issue or Incur Obligations. When authorized by the Act or other applicable provisions of law and by resolution of the Board, the Authority may issue or incur Obligations for the purpose of raising funds for the exercise of any of its powers or to otherwise carry out its purposes under this Agreement. Said Obligations shall have such terms and conditions as are authorized by the Board.

(b) Limited Obligations.

(1) The Obligations, including the principal and any purchase price thereof, and the interest and premium, if any, thereon, shall be special obligations of the Authority

payable solely from, and secured solely by, the revenues, funds and other assets pledged therefor under the applicable Indenture(s) and shall not constitute a charge against the general credit of the Authority or any Member. The Obligations shall not be secured by a legal or equitable pledge of, or lien or charge upon or security interest in, any property of the Authority or any of its income or receipts except the property, income and receipts pledged therefor under the applicable Indenture(s). The Obligations shall not constitute a debt, liability or obligation of the State or any public agency thereof, including any Member, other than the special obligation of the Authority as described above. Neither the faith and credit nor the taxing power of the State or any public agency thereof, including the Members, shall be pledged to the payment of the principal or purchase price of, or the premium, if any, or interest on the Obligations nor shall the State or any public agency or instrumentality thereof, including the Members, in any manner be obligated to make any appropriation for such payment. The Authority shall have no taxing power.

(2) No covenant or agreement contained in any Obligation or Indenture shall be deemed to be a covenant or agreement of any director, officer, agent or employee of the Authority or any Member, in his or her individual capacity, and no director or officer of the Authority executing an Obligation shall be liable personally on such Obligation or be subject to any personal liability or accountability by reason of the issuance of such Obligation.

Section 11. Agreement not Exclusive. This Agreement shall not be exclusive and shall not be deemed to amend or alter the terms of other agreements between the District and CSCDA, except as the terms of this Agreement shall conflict therewith, in which case the terms of this Agreement shall prevail.

Section 12. Accounts and Reports.

(a) Books and Records. All funds of the Authority shall be strictly accounted for in books of account and financial records maintained by the Authority, including a report of all receipts and disbursements. The Authority shall establish and maintain such funds and accounts as may be required by generally accepted accounting principles and by each Indenture for outstanding Obligations (to the extent such duties are not assigned to a trustee for owners of Obligations). The books and records of the Authority shall be open to inspection at all reasonable times by the Members and their representatives.

(b) Indentures. The Authority shall require that each Indenture provide that the trustee appointed thereunder shall establish suitable funds, furnish financial reports and provide suitable accounting procedures to carry out the provisions of such Indenture. Said trustee may be given such duties in said Indenture as may be desirable to carry out the requirements of this Section 12.

(c) Audits. The Treasurer of the Authority shall cause an independent audit to be made of the books of accounts and financial records of the Authority in compliance with the requirements of the Act. Any costs of the audit, including contracts with, or employment of, certified public accountants or public accountants in making an audit pursuant to this Section 12, shall be borne by the Authority and shall be a charge against any unencumbered funds of the Authority available for that purpose.

(d) Audit Reports. The Treasurer of the Authority, as soon as practicable after the close of each Fiscal Year but in any event within the time necessary to comply with the requirements of the Act shall file a report of the audit performed pursuant to this Section 12 as required by the Act

and shall send a copy of such report to public entities and persons in accordance with the requirements of the Act.

Section 13. Funds. Subject to the provisions of each Indenture for outstanding Obligations providing for a trustee to receive, have custody of and disburse funds which constitute Authority funds, the Treasurer of the Authority shall receive, have the custody of and disburse Authority funds pursuant to accounting procedures approved by the Board and shall make the disbursements required by this Agreement or otherwise necessary to carry out the provisions and purposes of this Agreement.

Section 14. Conflict of Interest Code. The Authority shall, by resolution, adopt a Conflict of Interest Code to the extent required by law. Such Conflict of Interest Code may be the conflict of interest code of the District.

Section 15. Breach. If default shall be made by the District or CSCDA in any covenant contained in this Agreement, such default shall not excuse either the District or CSCDA from fulfilling its obligations under this Agreement, and the District and CSCDA shall continue to be liable for the performance of all conditions herein contained. The District and CSCDA hereby declare that this Agreement is entered into for the benefit of the Authority created hereby and the District and CSCDA hereby grant to the Authority the right to enforce by whatever lawful means the Authority deems appropriate all of the obligations of each of the parties hereunder. Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative and the exercise of one right or remedy shall not impair the right of the Authority to any or all other remedies.

Section 16. Notices. Notices and other communications hereunder to the parties shall be sufficient if delivered to the clerk or secretary of the governing body of each party.

Section 17. Withdrawals and Additions of Members.

(a) Withdrawals. Any Member may withdraw from the Authority by filing with the Board a certified copy of a resolution of the governing body of the Member expressing its desire to so withdraw, whereupon the withdrawing Member shall no longer be considered a Member for any reason or purpose under this Agreement and its rights and obligations under this Agreement shall terminate. The withdrawal of a Member shall not affect the existence of the Authority nor the effectiveness of any Obligations of the Authority. If such withdrawal results in the termination of the Authority, such termination shall be subject to the limitations of Section 3 and the Member shall pay all of its outstanding obligations to the Authority prior to such termination becoming effective.

(b) Additional Members. Any public agency may be added as a party to this Agreement, and become a Member, by filing with the Board a certified copy of a resolution of the governing body of such public agency whereby it agrees to the provisions of this Agreement and requests to become a Member. The Board may accept or reject any such proposal in its sole discretion, and if accepted, such public agency shall become a Member when: (i) its admission is approved by a vote of a majority of the Board voting on the matter; (ii) such public agency agrees to bear its future share of the costs and expenses incurred by the Authority in the course of its activities; and (iii) such public agency signs this Agreement. Upon satisfaction of the provisions of this clause (b), such public agency shall be a Member for all purposes of this Agreement. The effectiveness of such membership shall not constitute or require an amendment or modification of this Agreement.

Section 18. Effectiveness. This Agreement shall become effective and be in full force and effect and a legal, valid and binding obligation of CSCDA and the District, as the initial Members, when each party has executed a counterpart of this Agreement.

Section 19. Severability. Should any part, term, or provision of this Agreement be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions hereof shall not be affected thereby.

Section 20. Successors; Assignment. This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties. Except to the extent expressly provided herein, neither party may assign any right or obligation hereunder without the consent of the other.

Section 21. Amendment of Agreement. This Agreement may be amended by supplemental agreement executed by the Members at any time; provided, however, that this Agreement may be terminated only in accordance with Section 3 hereof; and provided further that such supplemental agreement shall be subject to any restrictions contained in any Obligations or documents related to any Obligations to which the Authority is a party.

Section 22. Form of Approvals. Whenever an approval is required in this Agreement, unless the context specifies otherwise, it shall be given, in the case of CSCDA, by resolution duly adopted by the governing board of CSCDA, and, in the case of the District, by resolution duly adopted by the District Board, and, in the case of the Authority, by resolution duly adopted by the Board. Whenever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

Section 23. Waiver of Personal Liability. No member, officer, employee, attorney, agent, and, with respect to CSCDA, Commission member, of the Authority, the District or CSCDA shall be individually or personally liable for any claims, losses, damages, costs, injury and liability of any kind, nature or description arising from the actions of the Authority or the actions undertaken pursuant to this Agreement, and the District shall defend such members, officers, employees, attorneys, agents or, with respect to CSCDA, Commission member, against any such claims, losses, damages, costs, injury and liability. Without limiting the generality of the foregoing, no member, officer, employee, attorney, agent or, with respect to CSCDA, Commission member, of the Authority or of any Member shall be personally liable on any Obligations or be subject to any personal liability or accountability by reason of the issuance of Obligations pursuant to the Act and this Agreement. To the full extent permitted by law, the Board shall provide for indemnification by the Authority of any person who is or was a member of the Board, or an officer, employee or other agent of the Authority, and who was or is a party or is threatened to be made a party to a proceeding by reason of the fact that such person is or was such a member of the Board, or an officer, employee or other agent of the Authority, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if such person acted in good faith and in the course and scope of his or her office, employment or agency. In the case of a criminal proceeding, the Board may provide for indemnification and defense of a member of the Board, or an officer, employee or other agent of the Authority to the extent permitted by law.

Section 24. Notices. Notices to the District hereunder shall be sufficient if delivered to the General Manager, and notices to CSCDA hereunder shall be sufficient if delivered to CSCDA staff.

Section 25. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Agreement.

Section 26. Miscellaneous.

(a) This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(b) Where reference is made to duties to be performed for the Authority by a public official or employee, such duties may be performed by that person's duly authorized deputy or assistant. Where reference is made to actions to be taken by a Member, such action may be exercised through the officers, staff or employees of such Member, in the manner provided by law.

(c) This Agreement is made in the State of California, under the Constitution and laws of California and is to be construed as a contract made and to be performed in California.

(d) This Agreement is the complete and exclusive statement of the agreement among the parties with respect to the subject matter hereof, which supersedes and merges all prior proposals, understandings, and other agreements, whether oral, written, or implied in conduct, between the parties relating to the subject matter of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their proper officers or officials thereunto duly authorized.

EL TORO WATER DISTRICT

By _____

KATHRYN FRESHLEY, President
El Toro Water District and of the
Board of Directors thereof

Attest:

DENNIS P. CAFFERTY, Secretary
El Toro Water District and of the
Board of Directors thereof

Approved as to Form:
Redwine & Sherrill, LLP

By: _____
Its: General Counsel

Approved as to Form:
Stradling Yocca Carlson & Rauth, a
Professional Corporation

By: _____
Its: Bond Counsel

CALIFORNIA STATEWIDE
COMMUNITIES DEVELOPMENT
AUTHORITY

By: _____
Authorized Signatory



STAFF REPORT

To: Board of Directors

Meeting Date: January 24, 2022

From: Dennis Cafferty, General Manager

Subject: El Toro Water District Debt Management Policy

The Securities and Exchange Commission requires municipal agencies issuing public debt to maintain a Debt Management Policy. Staff, working with its financial advisors, developed the attached Debt Management Policy for consideration for approval by the Board.

The proposed policy is largely consistent with existing practices and procedures and is not anticipated to result in significant additional administrative burden.

Recommended Action: Staff recommends the Board approve Resolution No. 21-1-2 adopting El Toro Water District Policy Statement 2022-23 (IV) Debt Management Policy.

RESOLUTION NO. 22-1-2

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EL TORO WATER DISTRICT
ADOPTING EL TORO WATER DISTRICT POLICY STATEMENT 2022-23 (IV)
DEBT MANAGEMENT POLICY

Attachments

- Resolution 22-1-2
- El Toro Water District Policy Statement 2022-23 (IV) Debt Management Policy

RESOLUTION NO. 22-1-2

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EL TORO WATER DISTRICT
ADOPTING EL TORO WATER DISTRICT POLICY STATEMENT 2022-23 (IV)
DEBT MANAGEMENT POLICY**

WHEREAS, the Board of Directors of the El Toro Water District deems it to be in the best interest of the District to adopt Policy Statement 2022-23 (IV) regarding the El Toro Water District Debt Management Policy; and

WHEREAS, the Board of Directors of the El Toro Water District has reviewed the policy as set forth in Exhibit "A" which is attached hereto and incorporated by this reference.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of the El Toro Water District does hereby adopt El Toro Water District Policy Statement 2022-23 (IV) Debt Management Policy, as amended and set forth in Exhibit "A", which is attached hereto, effective January 24, 2022.

ADOPTED, SIGNED AND APPROVED, this 24th day of January 2022.

KATHRYN FRESHLEY, President
El Toro Water District and of the
Board of Directors thereof

ATTEST:

DENNIS P. CAFFERTY, Secretary
El Toro Water District and of the
Board of Directors there of

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POLICY STATEMENT

This policy documents the El Toro Water District (“ETWD” or the “District”) goals for the use of debt instruments and provides guidelines for the use of debt for financing the District’s infrastructure needs. While capital programs are primarily funded by reserves in accordance with the District’s existing practice and while the District intends to limit long-term borrowing to capital improvements or projects that cannot be financed from current revenues, the District will evaluate on a case by case basis the merits of debt financing as part of the successful implementation of its goals and objectives.

ETWD’s primary objective when issuing debt is to respond to and provide for the infrastructure and capital project needs of its customers while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality. The District issues debt instruments, administers District-held debt proceeds and makes debt service payments, acting with prudence, diligence, and attention to prevailing economic conditions.

ETWD will endeavor to pay for all infrastructure and other projects from a combination of current revenues, user fees (rates), use of available reserves on a pay-as-you-go basis and prudently issued debt. The pay-as-you-go method (using current revenues to pay for long-term infrastructure and other projects) may be the preferred means of financing when sufficient revenues and reserves are available as it avoids interest expense. It is ETWD’s intent to issue debt only when necessary to meet the capital improvement costs which exceed amounts reasonably available through pay-as-you-go funding, where a dedicated use-based revenue stream is attached to the project. The District believes that upon approval by its Board the issuance of debt can provide not only an equitable means of financing projects but also access to new capital that is needed for future infrastructure and project needs. Debt will be used to finance projects if: (i) there is an identified source of repayment, (ii) the debt meets the goals of equitable treatment of all customers, both current and future, including the concept of inter-generational equity, (iii) the debt is the most cost effective means available, and (iv) it is fiscally prudent, responsible, and diligent under the prevailing economic conditions.

1.0 PURPOSE OF POLICY

ETWD’s debt management policy is designed to:

- A. Establish parameters for issuing debt;

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- B. Provide guidance to decision makers with respect to options available to finance infrastructure and other capital projects so that the most prudent, equitable and/or cost-effective method of financing can be chosen;
- C. Document the objectives to be achieved by staff both prior to issuance and subsequent to issuance;
- D. Promote objectivity in the decision-making process; and
- E. Facilitate the financing process by establishing important policy decisions in advance.

When issuing public debt, ETWD will adhere to the following legal requirements:

- A. The state law which authorizes the issuance of the debt;
- B. The federal and state laws which govern the eligibility of the debt for tax-exempt status;
- C. The federal and state laws which govern the issuance of taxable debt; and
- D. The federal and state laws which govern disclosure, sale and trading of the debt.

2.0 **GENERAL PROVISIONS**

- A. ETWD will provide for a periodic review of its financial performance and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting and rate setting process.
- B. Necessary appropriations for annual debt service requirements will be routinely included in ETWD's annual budget.
- C. The District will maintain proactive communication with the investment community, rating agencies, credit enhancers and investors, as needed and if applicable, to ensure future capital market access at the lowest possible rates.

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- D. ETWD utilizes a Capital Improvement Plan (“CIP”) to determine its long-term infrastructure and other project needs with a specific emphasis on the next 5 years. The District’s CIP is reviewed and adjusted annually. ETWD evaluates each project in relation to established levels of reserves, current rate structure, expected asset life/replacement timeline, and available revenue sources to ensure that adequate financial resources are available to support the District’s financial obligations.
- E. ETWD’s Reserve Policy and Investment Policy are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such the following principles outline the District’s approach to debt management:
1. ETWD will evaluate funding for each capital project on a case-by-case basis. The District will assess whether to pay for such projects from current revenues and available reserves prior to or in combination with the use of debt. In general, debt will only be issued when necessary to meet the CIP costs which exceed amounts reasonably available through pay-as-you-go funding, where a dedicated use-based revenue stream is attached to the project.
 2. ETWD will not issue debt to cover operating or minor routine repair and replacement needs.
 3. ETWD will issue debt only in the case where there is an identified source of repayment. Bonds will be issued to the extent that (i) projected existing revenues and reserves are sufficient to pay for the proposed debt service together with all existing debt service covered by such existing revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.
 4. Rates and charges will be set at adequate levels, which are fair and nondiscriminatory, to generate sufficient revenues to pay all operation and administration expenses, to maintain sufficient operating reserves, and to pay debt service costs.

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3.0 CONDITIONS FOR DEBT ISSUANCE

The following guidelines formally establish parameters for evaluating, issuing, and managing ETWD's debt to promote sound financial management.

In issuing debt, ETWD's objectives will be to:

- ◆ Achieve the lowest cost of capital;
- ◆ Ensure ratepayer equity;
- ◆ Maintain high credit ratings and access to credit enhancement, if applicable, and
- ◆ Preserve financial flexibility.

A. Standards for Use of Debt Financing

When appropriate, ETWD will use long-term debt financing to achieve an equitable allocation of capital costs/charges between current and future customers, to provide more manageable rates in the near and medium term, and to minimize rate volatility.

ETWD shall not construct or acquire a project if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the project throughout its expected life.

Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.

B. Financing Criteria

Each debt issuance should be evaluated on an individual basis within the framework of ETWD's Long Term Finance Projection, as well as within the context of ETWD's overall financing objectives and current market conditions.

ETWD will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions.

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1. *Credit Enhancement* – ETWD will consider the use of credit enhancement on a case-by-case basis if and as applicable. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.
2. *Cash-Funded Reserve vs. Surety* – If the issuance of debt requires a cash-funded Debt Service Reserve Fund, then ETWD may purchase a surety policy or replace an already existing cash-funded Debt Service Reserve Fund when deemed prudent and advantageous. ETWD may permit the use of guaranteed investment agreements for the investment of reserve funds pledged to the repayment of any ETWD debt when it is approved by the Board.
3. *Call Provisions* – In general, ETWD's securities should include optional call provisions. ETWD will avoid the sale of non-callable, long-term fixed rate bonds, absent careful evaluation of the cost and value of the call option.
4. *Additional Bonds Test/Rate Covenants* – The amount and timing of debt issuance will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and these policies.
5. *Short-Term Debt* – ETWD may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bond issues.
6. *Variable Rate Debt* – Variable rate debt products can take various forms, some products are rolling series of short-term investments that are resold periodically and others are long-dated with adjustable interest rates. Each product is priced at the short-end of the yield curve. Variable rate debt may be appropriate for the District's portfolio, especially in an environment where increased interest earnings on invested funds offset the increased cost of variable rate debt. Variable rate debt products include variable rate demand obligations, commercial paper, and short-term notes. The District may consider the use of variable rate debt products to achieve a lower cost of borrowing or for short-term borrowing. In determining to use variable rate debt, the District will consult with its Municipal Advisor to analyze the benefits and risks associated with the variable rate debt products, including derivative products.
7. *Investment of Bond Proceeds* – Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction, unless further restricted or limited in ETWD's Investment Policy. ETWD will seek to maximize investment earnings within the investment

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parameters set forth in the respective debt financing documentation. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a “net” debt service basis, where appropriate.

C. Refinancing Outstanding Debt

The Chief Financial Officer in consultation with the General Manager and the Board, as applicable, shall have the responsibility to evaluate potential refunding opportunities. ETWD will consider the following issues when analyzing potential refinancing opportunities:

1. *Debt Service Savings* – ETWD shall establish a target savings level greater than or equal to **3%** of the par of debt refunded on a net present value (NPV) basis for current refundings and **5%** for advance refundings. These figures will serve only as a guideline; ETWD shall evaluate each refunding opportunity on a case-by-case basis. In addition to the savings guideline, the following shall be taken into consideration:

- The remaining time to maturity;
- Size of the issue;
- Current interest rate environment;
- Annual cash flow savings; and
- The value of the call option.

The decision to take all savings upfront or on a deferred basis will be reviewed and ultimately approved by the General Manager in consultation with the Board, as applicable.

2. *Restructuring* – ETWD may seek to refinance a bond issue on a non-economic basis, in order to restructure debt, to mitigate irregular debt service payments, accommodate revenue shortfalls, release reserve funds, or comply with and/or eliminate rate/bond covenants.
3. *Term/Final Maturity* – ETWD may consider the extension of the final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is legal. The term of the bonds shall not extend beyond the reasonably expected useful life of the asset being financed. ETWD may also consider shortening the final maturity of the bonds. The remaining useful life of

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the assets and the concept of inter-generational equity should guide these decisions.

4. *Economic versus Legal Defeasance* – When evaluating an economic versus legal defeasance, ETWD shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. ETWD shall take all necessary steps to optimize the yield on its refunding defeasance escrows investments and avoid negative arbitrage. A defeasance escrow is efficient if the yield on the defeasance escrow is as close as possible (i.e., generally less than 100th of a basis point) to the arbitrage yield on the refunding bonds. The Chief Financial Officer will select the appropriate defeasance securities.

D. Outstanding Debt Limitations

Prior to issuance of new debt, ETWD shall consider and review the latest credit rating agency reports and guidelines, if applicable, and/or projected future credit ratings, if applicable, to ensure ETWD's financial flexibility remain at levels consistent with the most highly-rated comparable public agencies.

E. Method of Issuance

ETWD will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation. Unless otherwise recommended, the District shall issue debt through a negotiated sale.

1. *Competitive Sale* – In a competitive sale, ETWD's bonds shall be awarded to the bidder providing the lowest true interest cost ("TIC"), as long as the bid adheres to requirements set forth in the official notice of sale.
2. *Negotiated Sale* – ETWD recognizes that some bond issues are best sold through negotiation with a selected underwriter. ETWD has identified the following circumstances below in which this would likely be the case:
 - Issuance of variable rate or taxable bonds;
 - Complex structures or credit considerations (such as non-rated bonds), which require a strong pre-marketing effort;
 - Significant par value, which may limit the number of potential bidders;

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- Unique/proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process;
 - Market volatility, such that ETWD would be better served by flexibility in the timing of its sale in a changing interest rate environment;
 - When an underwriter has identified new financing opportunities or presented alternative structures that financially benefit ETWD; and
 - As a result of an underwriter's familiarity with the project/financing, that enables ETWD to take advantage of efficiency and timing considerations.
3. *Private Placement* – From time to time ETWD may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable or inefficient at the given point in time and timing considerations require that a financing be completed.

F. Market Communication, Debt Administration and Reporting Requirements

1. *Rating Agencies* – Once ETWD has established a credit profile, the General Manager, or his (her) designee, shall be responsible for maintaining ETWD's relationships with Standard & Poor's Rating Services, Fitch Ratings and Moody's Investors Service, as applicable. ETWD may, from time to time, choose to deal with one, two, or all of these agencies as circumstances dictate. In addition to general communication, the General Manager shall: (1) communicate with credit analysts at least once each fiscal year or as requested by the rating agencies and (2) prior to each competitive or negotiated sale, offer conference calls with agency analysts in connection with the planned sale.
2. *Observance of Debt Covenants* – The General Manager shall periodically, and at least annually, ensure that ETWD is, and is expected to remain, in compliance with all legal covenants for each debt issue.
3. *Board Communication* – The General Manager shall include in an annual report to the Board feedback from rating agencies and/or investors and the

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District's independent auditor regarding ETWD's financial strengths and weaknesses and recommendations for addressing any weaknesses.

4. *Continuing Disclosure* – ETWD shall remain in compliance with Rule 15c2-12(b)(5) by filing its annual financial statements and other financial and operating data for the benefit of its bondholders as covenanted in each applicable debt issue's Continuing Disclosure Agreement.
5. *Record-Keeping* – A copy of all debt-related records shall be retained at ETWD's offices. At minimum, these records shall include all official statements, bid documents, bond documents / transcripts, resolutions, trustee statements, leases, and title reports for each ETWD financing (to the extent available). To the extent possible, ETWD shall retain an electronic copy of each document.
6. *Arbitrage Rebate* – The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code Arbitrage Rebate Requirements. The General Manager shall ensure that all bond proceeds and investments are tracked in a manner which facilitates accurate calculation and that if a rebate payment is due, such payment is made in a timely manner.
7. *State Reporting Requirements* – Pursuant to Government Code section 8855(k), the District will submit annual debt transparency reports for any debt for which it has submitted a report of final sale on or after January 21, 2017 every year until the later date on which the debt is no longer outstanding and the proceeds have been fully spent. Pursuant to Government Code Section 5852.1, the District shall disclose specified good faith estimates in a public meeting prior to the authorization of the issuance of debt.
8. *Internal Controls* - In order to comply with CDIAC rules and regulations promulgated pursuant to SB 1029, the following internal controls shall be followed:

The Chief Financial Officer, or duly appointed designee, and the District's designated project manager for the project shall share responsibility to assure that disbursements are made only after each request for disbursement is substantiated with appropriate invoices, requisitions and other supporting documentation. Each of the aforementioned shall

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thoroughly review any request for disbursement and may request further documentation as may be deemed appropriate.

Proceeds of any Debt shall be managed and accounted for in accordance with its governing documents and this Policy. No disbursements shall be made without the written approval of the Chief Financial Officer, or designee. All draw requests shall be provided to the District by the designated project manager for the project with the consent of the Chief Financial Officer, or designee. Approval shall only be provided when the Chief Financial Officer, or designee, is in receipt of all appropriate certifications with supporting invoices from suppliers and or contractors evidencing appropriate expenses in connection with the project.



STAFF REPORT

To: Board of Directors

Meeting Date: January 24, 2022

From: Dennis Cafferty, General Manager

Subject: El Toro Water District Investment Policy

Attached for the Board's review and consideration for approval are redlined and clean copies of a revised version of the El Toro Water District Investment Policy. The revisions to the policy are relatively minor as noted in the redlined copy.

The Chief Financial Officer had discussions with the District's investment advisor about the maximum percent of the portfolio that could be allocated to each type of investment and remains comfortable with the current limits.

Recommended Action: Staff recommends the Board approve Resolution No. 21-1-3 amending El Toro Water District Policy Statement 1985-3 (IV) Investment Policy.

RESOLUTION NO. 22-1-3

RESOLUTION OF THE BOARD OF DIRECTORS OF THE EL TORO WATER DISTRICT AMENDING EL TORO WATER DISTRICT POLICY STATEMENT 1985-3 (IV) INVESTMENT POLICY

Attachments

- Resolution 22-1-3
- Revised El Toro Water District Policy Statement 1985-3 (IV) Investment Policy (Version that is not redlined).
- Redlined El Toro Water District Policy Statement 1985-3 (IV) Investment Policy.

RESOLUTION NO. 22-1-3

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EL TORO WATER DISTRICT
AMENDING EL TORO WATER DISTRICT POLICY STATEMENT 1985-3 (IV)
INVESTMENT POLICY**

WHEREAS, the Board of Directors of the El Toro Water District deems it to be in the best interest of the District to amend Policy Statement 1985-3 (IV) regarding the El Toro Water District's Investment Policy; and

WHEREAS, the Board of Directors of the El Toro Water District has reviewed the amended policy as set forth in Exhibit "A" which is attached hereto and incorporated by this reference.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of the El Toro Water District does hereby adopt El Toro Water District Policy Statement 1985-3 (IV) Investment Policy, as amended and set forth in Exhibit "A", which is attached hereto, effective January 24, 2022.

ADOPTED, SIGNED AND APPROVED, this 24th day of January 2022.

KATHRYN FRESHLEY, President
El Toro Water District and of the
Board of Directors thereof

ATTEST:

DENNIS P. CAFFERTY, Secretary
El Toro Water District and of the
Board of Directors there of

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1.0 **Policy**

It is the duty of the El Toro Water District ("ETWD" or the "District") to invest ETWD funds in a manner that is consistent with safe and prudent management to maximize yield while preserving safety and liquidity. Cash in excess of immediate operating requirements shall be invested in institutions meeting all legal requirements for the deposit of public funds.

The primary objectives of this Investment Policy are to maintain a mix of investments that:

- A. Preserves the safety of the District's funds;
- B. Provides liquidity to meet the daily cash flow needs of the District;
- C. Obtains the highest return on investments available after ensuring the safety and liquidity of the District's funds.

2.0 **Scope**

This Investment Policy applies to all financial assets of ETWD. These funds are accounted for in ETWD's Books & Records and Annual Financial Report and include:

- A. General Funds
- B. Capital Project Funds
- C. Other Funds as Approved by the Board

Bond proceeds shall be invested in the securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, bond proceeds will be invested in the securities permitted by this policy. Notwithstanding the other provisions of this policy, the percentage or dollar portfolio limitations listed elsewhere in this policy do not apply to bond proceeds. In addition to the securities listed in Section 8.0, bond proceeds may be invested in a structured investment product if approved by the Chief Financial Officer.

3.0 **Standard of Care**

The Standard of Care to be used by all participants in the investment process shall be the "Prudent Investor Standard" as set forth in Government Code Section 53600.3 and shall be applied in the context of managing an overall portfolio. Investments shall be made with care, skill, prudence and diligence under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of ETWD. Investments shall be made in a manner that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and like aims.

Investment Officers acting in accordance with this written procedure and Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and that appropriate action is taken to control adverse developments. Collectively, the General Manager and the Chief Financial Officer are hereby defined as Investment Officers.

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4.0 **Objective**

In accordance with Government Code Section 53600.5, the primary objectives, in priority order, for ETWD's Investment activities shall be as follows:

- A Safety:** Safety of principal is the foremost objective of the investment program. Investments of ETWD funds shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required so that potential losses on individual securities are minimal in comparison to the overall portfolio and do not exceed the income generated from the remainder of the portfolio.
- B Liquidity:** ETWD's investment portfolio will remain sufficiently liquid to enable ETWD to meet all reasonably anticipated operating requirements.
- C Return on Investment:** ETWD's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account ETWD's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 **Delegation of Authority**

Authority to manage ETWD's Investment Program is derived from the approval of Resolution 85-3-1 which adopted policy statement 1985-3 (IV) Investment Policy as well as a series of superseding resolutions adopting periodic updates to the Investment Policy. Management responsibility for the program is hereby delegated to the Chief Financial Officer of ETWD until such time as the Board may decide to change the delegation of management responsibility. The Chief Financial Officer, through the approval of this Investment Policy, has established procedures for the operation of the Investment Program. No person may engage in an investment transaction except as provided under the terms of this policy and other procedures that may be established by the Chief Financial Officer.

As authorized by the Board of Directors, ETWD may engage an Investment Advisor to assist with its investment program. The Investment Advisor shall be responsible for all transactions undertaken. Investments made by the Investment Advisor will conform to this Policy and the limitations of the Government Code. The Chief Financial Officer shall provide monitoring and oversight of the investments made by the Investment Manager.

6.0 **Ethics and Conflicts of Interests**

Investment Officers, Board Members and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Board Members and employees involved in the investment process shall disclose to the General Manager any material financial interests in financial institutions that conduct business with the District, and they shall further disclose any personal financial/investment positions that could be related to the performance of ETWD's portfolio. Affected Employees and Investment Officers shall sub-ordinate their personal investment transactions to those of ETWD, particularly with regard to the time of purchases and sales. The General Manager,

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Chief Financial Officer, affected employees, and the Investment Advisor, if one is used, will be required to prepare an Annual Conflict of Interest Statement (FPPC Form 700).

7.0 Authorized Financial Institutions

No public deposit shall be made except in a qualified public depository as established by state laws.

If Broker/Dealers are required to complete a transaction, they should be associated with Primary Dealers. For transactions initiated through the Investment Advisor, the firm may use their own list of approved broker/dealers and financial institutions, which it will maintain and review periodically.

8.0 Authorized and Suitable Investments

Sections 53600 et. seq. of the California Government Code provides basic investment limits and guidelines for government entities. In the event an apparent discrepancy is found between this policy and the Government Code, the more restrictive parameters will take precedence.

- A. U.S. Treasury Instruments.** United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the full faith and credit of the United States is pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio invested in this category.
- B. Federal Agency and Instrumentality Securities.** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio invested in this category.
- C. Supra-nationals.** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by a Nationally Recognized Statistical Rating Organization ("NRSRO") and shall not exceed 30% of the portfolio.
- D. Municipal Debt.** Registered treasury notes or bonds of any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any state.

Bonds, notes, warrants, or other evidences of indebtedness of any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

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Purchases are limited to securities rated in a rating category of "A" or its equivalent or better by an NRSRO. A maximum of 10% of ETWD's portfolio may be invested in this category.

- E. Medium-Term Notes.** Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases are limited to securities rated in a rating category of "A" or its equivalent or better by an NRSRO. A maximum of 30% of ETWD's portfolio may be invested in this category.
- F. Asset-Backed Securities.** Asset-backed securities include mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, and consumer receivable-backed bonds. Purchases are limited to securities rated in a rating category of "AA" or its equivalent or better by an NRSRO. Additionally, securities must have a maximum remaining maturity of 5 years or less. A maximum of 20% of the portfolio may be invested in this category.
- G. Commercial Paper.** Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions:
- (i) Is organized and operating in the United States as a general corporation
 - (ii) Has total assets in excess of five hundred million dollars (\$500,000,000)
 - (iii) Has debt other than commercial paper that is rated in a rating category of "AA" or its equivalent or better by an NRSRO. Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10% of the outstanding paper of an issuing corporation.

A maximum of 25% of ETWD's portfolio may be invested in this category.

- H. Negotiable Certificates of Deposit.** Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases are limited to institutions which have long-term debt rated in a rating category of "A" or its equivalent or better by an NRSRO; and/or have short-term debt rated "A-1" or its equivalent or better by an NRSRO. A maximum of 30% of ETWD's portfolio may be invested in this category.
- I. Placement Service Deposit.** Deposit placed through a deposit placement service shall meet the requirements under Government Code Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by Federal Deposit Insurance. A maximum of 30% of ETWD's portfolio may be invested in this category.

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J. State of California's Local Agency Investment Fund (LAIF). If ETWD has funds invested in LAIF, ETWD shall maintain on file LAIF's current investment policy and its requirements for participation, including limitations on deposits or withdrawals. In addition, ETWD's investments in LAIF should be reviewed periodically. A maximum of \$30 million dollars may be invested in the State pool.

K. Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following). The company shall have met either of the following criteria:

- (i) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
- (ii) Retained an investment adviser registered or exempt from registration with the SEC with not less than 5 years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

A maximum of 10% of ETWD's portfolio may be invested in this category.

L. California Asset Management Program (CAMP). If ETWD has funds invested in CAMP, ETWD shall maintain on file CAMP's current investment policy and its requirements for participation, including limitations on deposits and withdrawals. In addition, ETWD's investments in CAMP should be reviewed periodically. A maximum of 60% of ETWD's portfolio may be invested in this category.

M. Bank Deposits. FDIC insured or fully collateralized demand deposit accounts, savings accounts, market rate accounts, time certificates of deposits ("TCDs") or other bank deposits in financial institutions located in California. The amount on deposit in any financial institution shall not exceed the shareholder's equity. To be eligible to receive ETWD deposits, the financial institution must have received a minimum overall satisfactory rating, under the Community Redevelopment Act, for meeting the credit needs of California Communities in its most recent evaluation. Bank deposits are required to be collateralized as specified under Government Code Section 53630 et. seq.

The Chief Financial Officer, at his/her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. ETWD shall have a signed agreement with any depository accepting ETWD funds per Government Code Section 53649. The maximum maturity of TCDs is one (1) year and the District should limit its investment in a TCD to \$250,000 per institution to protect the investment through FDIC insurance unless a collateral agreement covering the TCD is in place with the Institution. A maximum of 20% of ETWD's portfolio may be invested in TCDs

9.0 **Safekeeping and Custody**

All cash and securities in ETWD's portfolio, including those that are being managed by the Investment Advisor, shall be held in ETWD's name. All deliverable securities shall be held by a third-party bank trust department, acting as agent for the ETWD under the terms of a custody agreement executed by the bank and ETWD. If an Investment Advisor is used by ETWD, they may never take possession of ETWD's cash or assets.

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All deliverable securities will be received and delivered using standard delivery-versus-payment (DVP) procedures. ETWD's third-party bank trust department will only release payment for a security after the security has been properly delivered. The only exception to the foregoing shall be depository accounts and securities purchases made with (i) local government investment pools; (ii) bank deposits; and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each these investments will be held by ETWD.

10.0 Diversification

The purpose of Diversification is to reduce overall portfolio risks while obtaining Market Average Rates of return and avoiding losses. The investment portfolio shall be diversified among security types, issuers and maturities to prevent incurring unreasonable and avoidable risks regarding specific security types, individual financial institutions or maturity segments. In addition to the percentage limitations specified in Section 8.0 Permitted Investments, the maximum amount of the portfolio ETWD may invest with any one issuer in the following categories (Medium-Term Notes, Asset-Backed Securities, Commercial Paper, Bankers' Acceptances, and Negotiable Certificates of Deposit) is 3%. In addition, the maximum amount of the portfolio ETWD may invest in these categories in aggregate is limited to 40%.

Percentage holding and diversification limits listed in this section Policy apply at the time the security is purchased. If a holding or diversification limit listed in this Policy is exceeded due a subsequent change in this Policy or in the portfolio's size, those securities may be held to maturity while still remaining in compliance with this Policy.

11.0 Maximum Maturities

To the extent possible, ETWD will attempt to match its investments with anticipated cash flow requirements. The maximum maturity of individual investments shall not exceed the limits set forth in Section 8.0. Where no maturity limit is stated, no investment shall exceed a maturity of five years from the date of purchase unless the Board of Directors has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board of Directors no less than three months prior to the investment.

Reserve funds may be invested in securities exceeding (2) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

12.0 Internal Control

The Chief Financial Officer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

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13.0 **Performance Standards**

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account ETWD's investment risk constraints and cash flow needs.

Market Yield (Benchmark): ETWD's investment strategy is active. Given this strategy, the Chief Financial Officer or the Investment Advisor, shall select an appropriate, readily available index to use as a performance benchmark.

14.0 **Reporting**

The Chief Financial Officer is charged with the responsibility of providing monthly reports to the Board. The monthly reports shall encompass all investments and monies held by ETWD, and/or under management of any outside party and shall include the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, current market value on all securities (including the source of this valuation), a statement that the portfolio is in compliance with this policy or the manner in which it is not in compliance and a statement that ETWD has the ability to meet its expenditure requirements for the next six months or an explanation as to why sufficient money may not be available. The Chief Financial Officer shall report whatever additional information or data the Board may deem necessary.

Credit Ratings Changes

In the event a security held by ETWD is subject to a rating change that brings it below the minimum credit ratings specified in this policy, the Chief Financial Officer should notify the Board of the change. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the rate drop, prognosis for recovery or further rate drops, and the market price of the security.

15.0 **Investment Policy Adoption**

ETWD's investment policy shall be adopted by resolution of the ETWD's Board of Directors. The policy shall be reviewed on an annual basis by the Chief Financial Officer and the Board of Directors. Any modifications made thereto must be approved in the form of a resolution by the Board of Directors.

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Superseded by Resolution: 04-04-01	Date: 04/22/04
Superseded by Resolution: 05-02-01	Date: 02/04/05
Superseded by Resolution: 08-9-1	Date: 09/23/08
Superseded by Resolution: 11-9-3	Date: 09/22/11
Superseded by Resolution: 15-9-1	Date: 09/24/15
Superseded by Resolution: 16-9-1	Date: 09/22/16
Superseded by Resolution: 17-9-1	Date: 09/26/17
Superseded by Resolution: 20-1-3	Date: 01/21/20
Superseded by Resolution: 21-1-1	Date: 01/25/21
Superseded by Resolution: 22-1-3	Date: 01/24/22

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1.0 Policy

It is the duty of the El Toro Water District's ("ETWD" or the "District") ~~Chief Financial Officer~~ to invest ETWD funds in a manner that is consistent with safe and prudent management -to maximize yield while preserving safety and liquidity. Cash in excess of immediate operating requirements shall be invested in institutions meeting all legal requirements for the deposit of public funds.

The primary objectives of this Investment Policy are to maintain a mix of investments that:

- A. ~~preserves~~ Preserves the safety of the District's funds;
- B. Provides liquidity to meet the daily cash flow needs of the District;
- C. Obtains the highest return on investments available after ensuring the safety and liquidity of the District's funds.

2.0 Scope

This Investment Policy applies to all financial assets of ETWD. These funds are accounted for in ETWD's Books & Records and Annual Financial Report and include:

- A. General Funds
- B. Capital Project Funds
- C. Other Funds as Approved by the Board

Bond proceeds shall be invested in the securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, bond proceeds will be invested in the securities permitted by this policy. Notwithstanding the other provisions of this policy, the percentage or dollar portfolio limitations listed elsewhere in this policy do not apply to bond proceeds. In addition to the securities listed in Section 8.0, bond proceeds may be invested in a structured investment product if approved by the Chief Financial Officer.

3.0 Standard of Care

The Standard of Care to be used by all participants in the investment process shall be the "Prudent Investor Standard" as set forth in Government Code Section 53600.3 and shall be applied in the context of managing an overall portfolio. Investments shall be made with care, skill, prudence and diligence under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of ETWD. Investments shall be made in a manner that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and like aims.

Investment Officers acting in accordance with this written procedure and Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are

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reported in a timely fashion and that appropriate action is taken to control adverse developments. Collectively, the General Manager and the Chief Financial Officer are hereby defined as Investment Officers.

4.0 **Objective**

In accordance with Government Code Section 53600.5, the primary objectives, in priority order, for ETWD's Investment activities shall be as follows:

- A Safety:** Safety of principal is the foremost objective of the investment program. Investments of ETWD funds shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required so that potential losses on individual securities are minimal in comparison to the overall portfolio and do not exceed the income generated from the remainder of the portfolio.
- B Liquidity:** ETWD's investment portfolio will remain sufficiently liquid to enable ETWD to meet all reasonably anticipated operating requirements.
- C Return on Investment:** ETWD's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account ETWD's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 **Delegation of Authority**

Authority to manage ETWD's Investment Program is derived from the approval of Resolution 85-3-1 which adopt~~ed~~ing policy statement 1985-3 (IV) Investment Policy as well as a series of superseding resolutions adopting periodic updates to the Investment Policy. Management responsibility for the program is hereby delegated to the Chief Financial Officer of ETWD until such time as the Board may decide to change the delegation of management responsibility. The Chief Financial Officer, through the approval of this Investment Policy, has established procedures for the operation of the Investment Program. No person may engage in an investment transaction except as provided under the terms of this policy and other procedures that may be established by the Chief Financial Officer.

As authorized by the Board of Directors, ETWD may engage an Investment Advisor to assist with its investment program. The Investment Advisor shall be responsible for all transactions undertaken. Investments made by the Investment Advisor will conform to this Policy and the limitations of the Government Code. The Chief Financial Officer shall provide monitoring and oversight of the investments made by the Investment Manager.

6.0 **Ethics and Conflicts of Interests**

Investment Officers, Board Members and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Board Members and employees involved in the investment process shall disclose

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to the General Manager any material financial interests in financial institutions that conduct business with the District, and they shall further disclose any personal financial/investment positions that could be related to the performance of ETWD's portfolio. Affected Employees and Investment Officers shall sub-ordinate their personal investment transactions to those of ETWD, particularly with regard to the time of purchases and sales. The General Manager, Chief Financial Officer, affected employees, and the Investment Advisor, if one is used, will be required to prepare an Annual Conflict of Interest Statement (FPPC Form 700).

7.0 **Authorized Financial Institutions**

No public deposit shall be made except in a qualified public depository as established by state laws.

If Broker/Dealers are required to complete a transaction, they should be associated with Primary Dealers. For transactions initiated through the Investment Advisor, the firm may use their own list of approved broker/dealers and financial institutions, which it will maintain and review periodically.

8.0 **Authorized and Suitable Investments**

Sections 53600 et. seq. of the California Government Code provides basic investment limits and guidelines for government entities. In the event an apparent discrepancy is found between this policy and the Government Code, the more restrictive parameters will take precedence.

- A. U.S. Treasury Instruments.** United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the full faith and credit of the United States is pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio invested in this category.
- B. Federal Agency and Instrumentality Securities.** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio invested in this category.
- C. Supra-nationals.** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by a Nationally Recognized Statistical Rating Organization ("NRSRO") and shall not exceed 30% of the portfolio.
- D. Municipal Debt.** Registered treasury notes or bonds of any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any state.

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Bonds, notes, warrants, or other evidences of indebtedness of any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Purchases are limited to securities rated in a rating category of "A" or its equivalent or better by an NRSRO. A maximum of 10% of ETWD's portfolio may be invested in this category.

E. Medium-Term Notes. Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases are limited to securities rated in a rating category of "A" or its equivalent or better by an NRSRO. A maximum of 30% of ETWD's portfolio may be invested in this category.

F. Asset-Backed Securities. Asset-backed securities include mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, and consumer receivable-backed bonds. Purchases are limited to securities rated in a rating category of "AA" or its equivalent or better by an NRSRO. Additionally, securities must have a maximum remaining maturity of 5 years or less. A maximum of 20% of the portfolio may be invested in this category.

G. Commercial Paper. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions:

- (i) Is organized and operating in the United States as a general corporation
- (ii) Has total assets in excess of five hundred million dollars (\$500,000,000)
- (iii) Has debt other than commercial paper, ~~if any,~~ that is rated in a rating category of "AA" or its equivalent or better by an NRSRO. Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10% of the outstanding paper of an issuing corporation.

A maximum of 25% of ETWD's portfolio may be invested in this category.

H. Negotiable Certificates of Deposit. Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases are limited to institutions which have long-term debt rated in a rating category of "A" or its equivalent or better by an NRSRO; and/or have short-term debt rated "A-1" or its equivalent or better by an NRSRO. A maximum of 30% of ETWD's portfolio may be invested in this category.

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I. Placement Service Deposit. Deposit placed through a deposit placement service shall meet the requirements under Government Code Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by Federal Deposit Insurance. A maximum of 30% of ETWD's portfolio may be invested in this category.

J. State of California's Local Agency Investment Fund (LAIF). If ETWD has funds invested in LAIF, ETWD shall maintain on file LAIF's current investment policy and its requirements for participation, including limitations on deposits or withdrawals. In addition, ETWD's investments in LAIF should be reviewed periodically. A maximum of \$30 million dollars may be invested in the State pool.

K. Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following). The company shall have met either of the following criteria:

- (i) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
- (ii) Retained an investment adviser registered or exempt from registration with the SEC with not less than 5 years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

A maximum of 10% of ETWD's portfolio may be invested in this category.

L. California Asset Management Program (CAMP). If ETWD has funds invested in CAMP, ETWD shall maintain on file CAMP's current investment policy and its requirements for participation, including limitations on deposits and withdrawals. In addition, ETWD's investments in CAMP should be reviewed periodically. A maximum of 60% of ETWD's portfolio may be invested in this category.

M. Bank Deposits. FDIC insured or fully collateralized demand deposit accounts, savings accounts, market rate accounts, time certificates of deposits ("TCDs") or other bank deposits in financial institutions located in California. The amount on deposit in any financial institution shall not exceed the shareholder's equity. To be eligible to receive ETWD deposits, the financial institution must have received a minimum overall satisfactory rating, under the Community Redevelopment Act, for meeting the credit needs of California Communities in its most recent evaluation. Bank deposits are required to be collateralized as specified under Government Code Section 53630 et. seq.

The Chief Financial Officer, at his/her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. ETWD shall have a signed agreement with any depository accepting ETWD funds per Government Code Section 53649. The maximum maturity of TCDs is one (1) year and the District should limit its investment in a TCD to \$250,000 per institution to protect the investment through FDIC insurance unless a collateral agreement covering the TCD is in place with the Institution. A maximum of 20% of ETWD's portfolio may be invested in TCDs

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9.0 **Safekeeping and Custody**

All cash and securities in ETWD's portfolio, including those that are being managed by the Investment Advisor, shall be held in ETWD's name. All deliverable securities shall be held by a third-party bank trust department, acting as agent for the ETWD under the terms of a custody agreement executed by the bank and ETWD. If an Investment Advisor is used by ETWD, they may never take possession of ETWD's cash or assets.

All deliverable securities will be received and delivered using standard delivery-versus-payment (DVP) procedures. ETWD's third-party bank trust department will only release payment for a security after the security has been properly delivered. The only exception to the foregoing shall be depository accounts and securities purchases made with (i) local government investment pools; (ii) bank deposits; and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each these investments will be held by ETWD.

10.0 **Diversification**

The purpose of Diversification is to reduce overall portfolio risks while obtaining Market Average Rates of return and avoiding losses. The investment portfolio shall be diversified among security types, issuers and maturities to prevent incurring unreasonable and avoidable risks regarding specific security types, individual financial institutions or maturity segments. In addition to the percentage limitations specified in Section 8.0 Permitted Investments, the maximum amount of the portfolio ETWD may invest with any one issuer in the following categories (Medium-Term Notes, Asset-Backed Securities, Commercial Paper, Bankers' Acceptances, and Negotiable Certificates of Deposit) is 3%. In addition, the maximum amount of the portfolio ETWD may invest in these categories in aggregate is limited to 40%.

Percentage holding and diversification limits listed in this section Policy apply at the time the security is purchased. If a holding or diversification limit listed in this Policy is exceeded due a subsequent change in this Policy or in the portfolio's size, those securities may be held to maturity while still remaining in compliance with this Policy.

11.0 **Maximum Maturities**

To the extent possible, ETWD will attempt to match its investments with anticipated cash flow requirements. The maximum maturity of individual investments shall not exceed the limits set forth in Section 8.0. Where no maturity limit is stated, no investment shall exceed a maturity of five years from the date of purchase unless the Board of Directors has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board of Directors no less than three months prior to the investment.

Reserve funds may be invested in securities exceeding (2) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

12.0 **Internal Control**

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The Chief Financial Officer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

13.0 **Performance Standards**

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account ETWD's investment risk constraints and cash flow needs.

Market Yield (Benchmark): ETWD's investment strategy is active. Given this strategy, the Chief Financial Officer or the Investment Advisor, shall select an appropriate, readily available index to use as a performance benchmark.

14.0 **Reporting**

The Chief Financial Officer is charged with the responsibility of providing monthly reports to the Board. The monthly reports shall encompass all investments and monies held by ETWD, and/or under management of any outside party and shall include the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, current market value on all securities (including the source of this valuation), a statement that the portfolio is in compliance with this policy or the manner in which it is not in compliance and a statement that ETWD has the ability to meet its expenditure requirements for the next six months or an explanation as to why sufficient money may not be available. The Chief Financial Officer shall report whatever additional information or data the Board may deem necessary.

Credit Ratings Changes

In the event a security held by ETWD is subject to a rating change that brings it below the minimum credit ratings specified in this policy, the Chief Financial Officer should notify the Board of the change. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the rate drop, prognosis for recovery or further rate drops, and the market price of the security.

15.0 **Investment Policy Adoption**

ETWD's investment policy shall be adopted by resolution of the ETWD's Board of Directors. The policy shall be reviewed on an annual basis by the Chief Financial Officer and the Board of Directors. Any modifications made thereto must be approved in the form of a resolution by the Board of Directors.

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STAFF REPORT

To: Board of Directors **Meeting Date:** January 24, 2022

From: Nancy Laursen, Accountant/Insurance Administrator
Judy Cimorell, Human Resources Manager

Subject: Quarterly Insurance Report

Liability Program

The Liability for Auto & General Liability Coverage has been renewed for another year by JPIA effective October 1, 2021. Premium for this year is \$118,953.00. Last year's premium was \$192,860.80. The premium reduction is based on a significant reduction in the District's loss history.

Property Insurance

There is nothing new to report this quarter.

Excess Public Employee Fidelity Program

There is nothing new to report this quarter.

Underground Storage Tank Pollution Liability

There is nothing new to report this quarter.

Dam Failure Liability

Dam Failure Liability was renewed on October 2021 for \$10,000,000.00 on ETWD Reservoir & \$5,000,000.00 for Rossmoor Dam by JPIA. The premium for this year \$45,427.00. Last year's premium was \$34,078.00.

Fiduciary Liability Policy

There is nothing new to report this quarter.

Liability & Property Claims

There is nothing new to report this quarter.

Workers' Compensation Policy

The Workers' Compensation Policy renewed as of July 1, 2021 and runs through June 30, 2022.

Workers' Compensation Claims

There were three workers' compensation claims this quarter, a dog bite, a slip and fall, and a mechanical malfunction. All three employees are back to their regular full-time work.

Medical Insurance

The District offers three medical plans as follows:

Kaiser Health - \$10 office co-pay with no annual deductibles.

Anthem Blue Cross – HMO; Offers a \$10 copay with no annual deductibles.

Anthem Blue Cross – PPO; this plan offers benefits within the physician network and outside of the network. In network there is a co-pay of \$15.00 with an annual deductible of \$200 per person and \$600 per family. Out of the network, benefits are offered at 20% cost to the employee for all covered services with the same annual deductibles.

January 1, 2022 two new medical plans will be effective, a Kaiser Consumer Driven Health Plan and an Anthem Consumer Driven Health Plan along with an HSA.

Average cost per month per employee for the second quarter is \$1500.00.

Vision Insurance

VSP provides vision coverage to our employees, Directors and dependents. It provides an annual eye exam and discounted rates for frames, lenses and contacts.

The cost per month per employee for the second quarter is \$17.21.

Dental Insurance

The District provides dental coverage with Delta Dental. Our dental insurance pays up to \$1,500 for the upcoming year for covered services. All preventative services are offered every six months with the copay waived.

Average cost per month per employee for the second quarter is \$80.57.

Long and Short Term Disability Insurance

The District offers Long and Short Term Disability Program through Lincoln National Life Insurance Company. The Long Term Disability program provides a maximum monthly benefit of \$10,000.

The Short Term Disability program provides a maximum weekly benefit of \$ 1,500.

Both Short and Long Term Disability Programs are paid by the District and provides disability payments up to 66 2/3 of an employee's weekly or monthly salary if the claim is approved.

Average cost per month per employee for the second quarter is \$52.85.

Long Term Care Insurance

Long Term care is a program that provides a monthly benefit of \$2,500 to be applied to home health care or an assisted living facility.

Average cost per month per employee for the second quarter is \$10.53.

Life Insurance Coverage

The District offers Life Insurance coverage through Lincoln National Life Insurance Company at twice the employee's annual salary up to a maximum of \$300,000.

Lincoln National Life Insurance Company also provides life insurance coverage for the Directors.

Premium rates are based on age and salary of insured employees. The premium is adjusted on the employee's birthday every fifth year.

Average cost per month per employee for the second quarter is \$45.00.

Employee Assistance Program (EAP) Coverage

UNUM is our carrier for our Employee Assistance Program. This program offers assistance in many areas such as: childcare, eldercare, legal consultations, and health information, personal relationship issues, financial planning assistance, stress management and career development. This benefit also comes with a \$5,000 portable term life insurance benefit.

The cost per month per employee for the second quarter is \$1.70.

An insurance report of Budget vs. Actual Costs for fiscal year 2021/2022 is attached for the Board's review as well as a summary of currently held District insurance policies.

Budget vs. Actual - Q2 2021/2022
1/1/2022

	Annual Budget	Actual Paid to Date	Difference	
Insurance Coverage				
Liability	\$195,000	\$118,953	(\$76,047)	
Property	\$75,000	\$86,689	\$11,689	
Fiduciary Liability	\$6,300	\$11,152	\$4,852	
Dam Ins. (includes Excess)	\$25,500	\$45,427	\$19,927	
less SMWD- 50% &	(\$7,950)	(\$22,714)	(\$14,764)	
MNWD 5% - R-6	(\$795)	(\$2,271)	(\$1,476)	
Underground Storage Tank	\$1,500	\$1,555	\$55	
Excess Crime	\$2,100	\$2,095	(\$5)	
Total Insurance	\$296,655	\$240,886	(\$55,769)	
	Annual Budget	Q2 Budget	Accumulative Q2 Actual	Difference
Benefits - Directors				
Long Term Care	\$16,702	\$8,351	\$13,509	\$5,158
Medical Employer Paid	\$21,807	\$10,904	\$8,825	(\$2,079)
Dental	\$2,401	\$1,201	\$1,200	(\$1)
Vision	\$1,033	\$517	\$516	(\$1)
Life	\$138	\$69	\$69	\$0
Total Benefits Directors	\$42,081	\$21,041	\$24,119	\$3,078
Retiree Benefits				
Medical Employer Paid	\$302,967	\$151,484	\$138,398	(\$13,086)
Total retiree benefits	\$302,967	\$151,484	\$138,398	(\$13,086)
Employee Benefits				
Emp.Assistance Program	\$1,281	\$641	\$583	(\$58)
Medical Employer Paid	\$1,123,254	\$561,627	\$525,294	(\$36,333)
Life/AD&D	\$32,025	\$16,013	\$15,931	(\$82)
Dental	\$57,283	\$28,642	\$28,295	(\$347)
Vision	\$12,724	\$6,362	\$6,143	(\$219)
LTD/STD	\$39,391	\$19,696	\$18,576	(\$1,120)
LTC Employer Paid	\$10,980	\$5,490	\$3,862	(\$1,628)
Workers comp.	\$125,050	\$62,525	\$65,390	\$2,865
Total Employee Benefits	\$1,401,988	\$700,994	\$664,074	(\$36,920)

SUMMARY OF COVERAGE

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Type of Coverage	<u>GENERAL LIABILITY</u>	Coverage Term: 10/21-22
Coverage Includes	1. Commercial General Liability 2. Contractual Liability 3. Products/Completed Operations 4. Personal Injury	Premium - \$118,953
Coverage Limits	Insurance Carrier	Policy Number
	Pooled Self-insured	MOLC - 100110

Type of Coverage	<u>AUTO LIABILITY</u>	Coverage Term: 10/21-22
Coverage Includes	1. Owned Automobiles/Trucks 2. Non-owned Automobiles/Trucks 3. Hired Automobiles/Trucks	Premium - Included
Coverage Limits	Insurance Carrier	Policy Number
	Pooled Self-insured	MOLC - 100110

Type of Coverage	<u>PUBLIC OFFICIALS LIABILITY</u>	Coverage Term: 10/21-22
Coverage Includes	1. Errors & Omissions	Premium - Included
Coverage Limits	Insurance Carrier	Policy Number
	Pooled Self-insured	MOLC - 100110

Type of Coverage	<u>PROPERTY</u>	Coverage Term: 7/21 - 22
Coverage Includes	1. Basic Property Values- Building, Fixed Equipment, Personal Property 2. Mobile Equipment Value 3. Licensed Vehicle - Comprehensive & Collision - Private Passenger, Light Truck, Sport Utility, Other Vehicles	Premium - \$86,689
Automobile Physical Damage Comprehensive - 83 Vehicles Collision - 83 Vehicles		
Coverage Limits	Insurance Carrier	Policy Number
	Pooled Self-insured	MOLC - 100110

Type of Coverage	<u>EXCESS CRIME PROGRAM</u>	Coverage Term: 7/21 - 22
Coverage Includes	1. Public Employee Dishonesty 2. Forgery or Alteration 3. Computer Fraud 4. Faithful Performance of Duty 5. Treasurer/Tax Collector/Board Members (included)	Premium - \$2,095
Coverage Limits	Insurance Carrier	Policy Number
	Pooled Self-insured	MOLC - 100110

Type of Coverage	<u>UNDERGROUND STORAGE TANK POLLUTION LIABILITY</u>	Coverage Term: 7/21 - 22
Coverage Includes	1. Claims-Made 2. Environmental Incident	Premium - \$1,555
Covers 1 Tank Located at: 23542 Moulton Parkway Laguna Woods, CA 92637		
Coverage Limits	Insurance Carrier	Policy Number
	Pooled Self-insured	MOLC - 100110

Type of Coverage	<u>DAM FAILURE LIABILITY</u>	Coverage Term: 10/21-09/22
Coverage (Includes Excess Ins. for El Toro Reservoir)	\$10,000,000.00	Premium - \$45,427
Covers: El Toro Reservoir Rossmoor Dam	\$5,000,000.00	
Coverage Limits	Insurance Carrier	Policy Number
		MOLC - 100110

Type of Coverage	<u>FIDUCIARY LIABILITY</u>	Coverage Term: 9/21-22
Coverage Includes	1. Executive Protection Policy	Premium - \$6,300
Parent Organization: ETWD Retirement Savings Plan & Trust Agreement		
Coverage Limits	Insurance Carrier	Policy Number
	Hudson Insurance Company	SFD31211603

Type of Coverage	<u>WORKERS' COMPENSATION</u>	Coverage Term: 7/21 - 6/22
Coverage Includes	1. Coverage A - Workers' Compensation 2. Coverage B - Employer's Liability	2nd Quarter Premium \$33,131
Coverage Limits	Insurance Carrier	Policy Number
Coverage A		
\$0 - \$2 Million	Pooled Self-insured	MOLC - 100110
\$2 Million to Statutory		
Coverage Limits	Insurance Carrier	Policy Number
Coverage B		
\$0 - \$2 Million	Pooled Self-insured	MOLC - 100110
\$2 Million excess of \$2 Million SIR		

Type of Coverage	<u>LIFE & ACCIDENT</u>	2nd Quarter Premium \$8,135
Coverage Includes	Coverage - 2 X Annual Income (Max. of \$300,000)	
Insurance Carrier	Lincoln National Life Insurance Co.	Policy # 10218807
Eligibility Period	2 Months After Hire	
Plan Wait or Deductible	60 Days	

Type of Coverage	<u>LONG / SHORT TERM DISABILITY</u>	2nd Quarter Premium \$9,513
Coverage Includes	66 2/3 Insured Earnings Max. of \$10,000	
Insurance Carrier	Lincoln National Life Insurance Co.	Policy # 10218808
Eligibility Period	1 Year After Hire	
Plan Wait or Deductible	30 Days STD 90 Days or 9 Weeks LTD	

Type of Coverage	<u>LONG TERM CARE</u>	2nd Quarter Premium \$1,895
Coverage Includes	\$2,500/Month \$150,000 Total Benefit	
Insurance Carrier	UNUM	Policy # 220384
Eligibility Period	1 Year After Hire	
Plan Wait or Deductible	365 Days	

Type of Coverage	<u>MEDICAL</u>	2nd Quarter Premium \$343,471
Coverage Includes	HMO or PPO by Employee Choice	
Insurance Carrier	Anthem Blue Cross / Kaiser Insurance thru ACWA	Policy #229CA
Eligibility Period	1 Month After Hire	
Plan Wait or Deductible	30 Days * Premium includes Employees, Retirees & Directors	

Type of Coverage	<u>DENTAL</u>	2nd Quarter Premium \$15,102
Coverage Includes	\$25.00 or \$50.00/Family	
Insurance Carrier	Delta Dental Plan of California	Policy #399-1012
Eligibility Period	2 Months After Hire	
Plan Wait or Deductible	60 Days	

Type of Coverage	<u>VISION</u>	2nd Quarter Premium \$3,374
Coverage Includes	Annual Exam/Frame Every 2 Years	
Insurance Carrier	Vision Service Plan thru ACWA	Policy #399-1012
Eligibility Period	2 Months After Hire	
Plan Wait or Deductible	60 Days	

Type of Coverage	<u>PERSONAL ACCIDENT INSURANCE</u>	2nd Quarter Premium Employee Paid
Coverage Includes	\$50,000 or \$100,000	
Insurance Carrier	CIGNA	Policy # OKH-1253-56
Eligibility Period	Optional	
Plan Wait or Deductible	None	

Type of Coverage	<u>Supplemental Financial Insurance Program</u>	2nd Quarter Premium Employee Paid
Coverage Includes	Voluntary - Life, Accident / Injury, Hospital, Critical Care, Short-term Disability, Dental	
Insurance Carrier	AFLAC	Policy # E3B26
Eligibility Period	Optional	
Plan Wait or Deductible	None	

EL TORO WATER DISTRICT
FINANCIAL REPORT
January 24, 2022

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**EL TORO WATER DISTRICT
BALANCE SHEET**

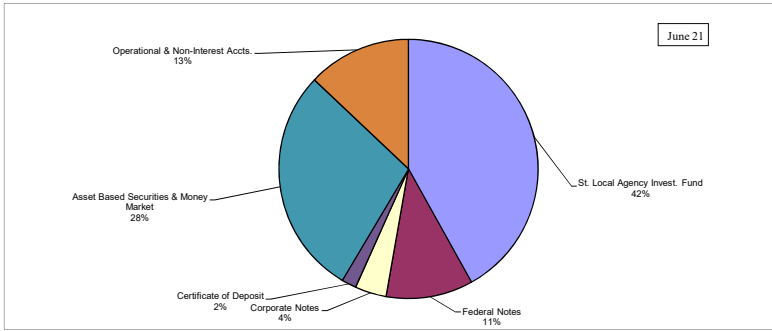
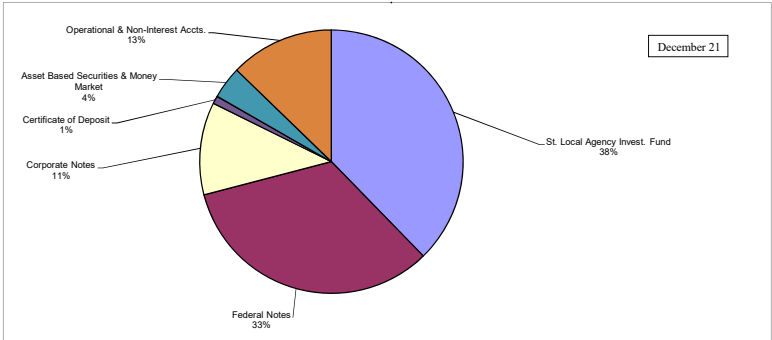
	12/31/21 (Unaudited)	June 30, 2021 (Audited)
ASSETS		
Current Assets		
Cash	\$2,465,296	\$3,118,166
Investments:		
Investments Cash	6,296,351	7,043,535
Investments FMV Adjustment	604	604
Receivables:		
Accounts Receivable	3,773,002	3,633,876
Inventories	707,908	714,751
Prepaid Expenses	322,357	159,944
Total Current Assets	<u>\$13,565,518</u>	<u>14,670,875</u>
Restricted Assets		
Cash & Investments	<u>10,504,841</u>	<u>9,787,357</u>
Total Restricted Assets	<u>10,504,841</u>	<u>9,787,357</u>
Non-Current Assets		
Utility Plant:		
Land & Easements	7,451,585	7,451,585
Long Term Leases	342,382	342,382
Equipment	121,999,727	121,940,111
Collection & Impound Reservoirs	6,243,706	6,243,706
Structure & Improvements	34,977,506	34,950,613
Total Utility Plant	<u>171,014,907</u>	<u>170,928,398</u>
Less Accumulated Depreciation & Amortization	<u>(86,079,642)</u>	<u>(83,944,167)</u>
Net Utility Plant	84,935,265	86,984,231
Construction Work in Progress	3,843,249	3,064,334
Deferred Outflow OPEB	5,469,108	5,469,108
Total Non-current Assets	<u>94,247,622</u>	<u>95,517,673</u>
TOTAL ASSETS	<u><u>\$118,317,982</u></u>	<u><u>\$119,975,906</u></u>

**EL TORO WATER DISTRICT
BALANCE SHEET**

	12/31/21 (Unaudited)	June 30, 2021 (Audited)
LIABILITIES and EQUITY		
Liabilities		
Current Liabilities Payable		
Accounts Payable	\$1,601,722	\$2,732,736
Current Portion of Long-Term Debt	439,035	2,249,058
Other Current Liabilities	2,350,231	2,342,021
Total Current Liabilities Payable		
From Current Assets	4,390,988	7,323,815
Long Term Debt		
Long Term Debt	51,798,466	51,798,466
Total Long Term Debt	51,798,466	51,798,466
Total Liabilities	56,189,454	59,122,282
Fund Equity		
Retained Earnings - Reserved	17,034,893	17,034,893
Contributed Capital	8,744,767	8,744,767
Retained Earnings - Unreserved	35,073,964	36,959,626
Net Income	1,274,903	(1,885,662)
Total Fund Equity	62,128,527	60,853,624
Total Liabilities & Fund Equity	\$118,317,982	\$119,975,906

CASH & INVESTMENTS (General Fund)
SUMMARY OF INVESTMENTS BY TYPE

	Maturity Dates	Par	Market Value 12/31/21	Financial Institution	YTM 12/31/21	Original Cost 12/31/21
State Local Agency Investment Fund	NA	NA	\$7,287,958	LAIF	0.21%	\$7,287,958
US Treasury N/B - Coupon Rate 1.875%	5/31/2022	450,000	453,164	US Bank/CAMP	0.09%	457,400
US Treasury N/B - Coupon Rate 0.125%	7/31/2022	550,000	549,656	US Bank/CAMP	0.11%	550,107
US Treasury N/B - Coupon Rate 0.125%	9/30/2022	420,000	419,475	US Bank/CAMP	0.11%	420,082
US Treasury N/B - Coupon Rate 1.875%	10/31/2022	250,000	253,125	US Bank/CAMP	0.10%	256,328
US Treasury N/B - Coupon Rate 1.875%	10/31/2022	400,000	405,000	US Bank/CAMP	0.12%	410,422
US Treasury N/B - Coupon Rate 0.125%	11/30/2022	200,000	199,531	US Bank/CAMP	0.11%	200,055
US Treasury N/B - Coupon Rate 0.125%	12/31/2022	400,000	398,750	US Bank/CAMP	0.11%	400,125
US Treasury N/B - Coupon Rate 0.125%	1/31/2023	200,000	199,313	US Bank/CAMP	0.13%	199,977
US Treasury N/B - Coupon Rate 0.125%	1/31/2023	400,000	398,625	US Bank/CAMP	0.11%	400,141
US Treasury N/B - Coupon Rate 0.250%	6/15/2023	400,000	398,125	US Bank/CAMP	0.14%	401,047
US Treasury N/B - Coupon Rate 0.125%	7/15/2023	200,000	198,531	US Bank/CAMP	0.19%	199,688
US Treasury N/B - Coupon Rate 0.125%	7/15/2023	400,000	397,062	US Bank/CAMP	0.14%	399,828
US Treasury N/B - Coupon Rate 0.125%	8/15/2023	500,000	495,859	US Bank/CAMP	0.23%	498,809
US Treasury N/B - Coupon Rate 0.250%	11/15/2023	90,000	89,255	US Bank/CAMP	0.26%	89,982
US Treasury N/B - Coupon Rate 0.125%	2/15/2024	300,000	296,109	US Bank/CAMP	0.27%	298,734
US Treasury N/B - Coupon Rate 0.375%	8/15/2024	165,000	162,809	US Bank/CAMP	0.42%	164,807
US Treasury N/B - Coupon Rate 0.375%	9/15/2024	35,000	34,502	US Bank/CAMP	0.52%	34,854
Intl BK of Recon and Dev Note - Coupon Rate 0.126%	4/20/2023	135,000	134,236	US Bank/CAMP	0.23%	134,721
Inter-American Devel BK Note - Coupon Rate 0.500%	9/23/2024	185,000	182,634	US Bank/CAMP	0.52%	184,863
NJ TPK Auth -B- Txbi Muni Bond - Coupon Rate 0.897%	1/1/2025	20,000	19,719	US Bank/CAMP	0.90%	20,000
FHMS K724 A2 - Coupon Rate 3.062%	11/1/2023	60,000	61,563	US Bank/CAMP	0.58%	64,052
FHMS K133 A1 - Coupon Rate 0.440%	12/1/2025	6,513	6,386	US Bank/CAMP	0.44%	6,512
Federal Farm Credit Bank Note - Coupon Rate 0.125%	2/3/2023	230,000	229,235	US Bank/CAMP	0.15%	229,871
Freddie Mac Notes - Coupon Rate 0.250%	11/6/2023	155,000	153,630	US Bank/CAMP	0.23%	155,087
Fannie Mae Notes - Coupon Rate 0.250%	11/27/2023	250,000	247,674	US Bank/CAMP	0.24%	250,107
Federal Notes		6,401,513	6,383,969			6,427,599
Toyota Motor Credit Corp Corporate Note - Coupon Rate 0.450%	1/1/2024	70,000	69,384	US Bank/CAMP	0.45%	69,996
John Deere Corp Notes - Coupon Rate 0.450%	1/17/2024	55,000	54,230	US Bank/CAMP	0.48%	54,961
Morgan Stanley Corp Notes - Coupon Rate 0.529%	1/25/2024	55,000	54,791	US Bank/CAMP	0.53%	55,000
PACCAR Financial Corp Corporate Note - Coupon Rate 0.350%	2/2/2024	65,000	64,135	US Bank/CAMP	0.39%	64,925
Microsoft Corp (Callable) Note - Coupon Rate 2.875%	2/6/2024	45,000	46,841	US Bank/CAMP	0.95%	46,864
National Rural Util Coop Corporate Note - Coupon Rate 0.350%	2/8/2024	25,000	24,611	US Bank/CAMP	0.37%	24,983
Apple Inc (Callable) Note - Coupon Rate 3.000%	2/9/2024	50,000	52,041	US Bank/CAMP	0.87%	52,381
Goldman Sachs Corp Notes - Coupon Rate 4.000%	3/3/2024	40,000	42,408	US Bank/CAMP	0.69%	44,062
Merck & Co Inc Corp Notes - Coupon Rate 2.900%	3/7/2024	30,000	31,225	US Bank/CAMP	0.88%	31,377
Goldman Sachs Corp Notes - Coupon Rate 0.673%	3/8/2024	20,000	19,922	US Bank/CAMP	0.67%	20,000
JPMorgan Chase & Co Corp Note Call - Coupon Rate 0.697%	3/16/2024	70,000	69,838	US Bank/CAMP	0.70%	70,000
Charles Schwab Corp Note - Coupon Rate 0.750%	3/18/2024	30,000	29,863	US Bank/CAMP	0.77%	29,985
Suntrust Bank (Callable) Corp Note - Coupon Rate 3.200%	4/1/2024	60,000	62,715	US Bank/CAMP	0.96%	63,197
Comcast Corp (Callable) Corp Note - Coupon Rate 3.700%	4/15/2024	50,000	53,140	US Bank/CAMP	0.96%	53,305
Bank of NY Mellon Corp Note - Coupon Rate 0.500%	4/26/2024	55,000	54,302	US Bank/CAMP	0.54%	54,941
Novartis Capital Corp Note - Coupon Rate 3.400%	5/6/2024	50,000	52,748	US Bank/CAMP	0.89%	53,112
Amazon.com Inc Corp Note - Coupon Rate 0.450%	5/12/2024	80,000	79,167	US Bank/CAMP	0.50%	79,883
Unitedhealth Group Inc Corp Note - Coupon Rate 0.550%	5/15/2024	30,000	29,613	US Bank/CAMP	0.59%	29,969
Caterpillar Finl Service Corp Note - Coupon Rate 0.450%	5/17/2024	45,000	44,406	US Bank/CAMP	0.50%	44,940
Astrazeneca Finance LLC (Callable) Corp - Coupon Rate 0.700%	5/28/2024	50,000	49,543	US Bank/CAMP	0.70%	49,996
John Deere Capital Corp Notes - Coupon Rate 0.450%	6/7/2024	10,000	9,869	US Bank/CAMP	0.49%	9,988
Target Corp Notes - Coupon Rate 3.500%	7/1/2024	30,000	31,793	US Bank/CAMP	1.04%	31,879
American Express Co Corp Notes - Coupon Rate 2.500%	7/30/2024	35,000	36,111	US Bank/CAMP	1.14%	36,253
American Honda Finance Corp Notes - Coupon Rate 0.750%	8/9/2024	30,000	29,658	US Bank/CAMP	0.77%	29,980
American Honda Finance Corp Notes - Coupon Rate 0.750%	8/9/2024	35,000	34,601	US Bank/CAMP	0.72%	35,025
Caterpillar Finl Service Corp Notes - Coupon Rate 0.600%	9/13/2024	20,000	19,684	US Bank/CAMP	0.65%	19,973
Bank of NY Mellon Corp Note - Coupon Rate 0.850%	10/25/2024	25,000	24,782	US Bank/CAMP	0.87%	24,984
Apple Inc Corp Note - Coupon Rate 2.750%	1/13/2025	40,000	41,809	US Bank/CAMP	0.89%	42,786
Merck & Co Inc Corp Note - Coupon Rate 2.750%	2/10/2025	20,000	20,903	US Bank/CAMP	0.94%	21,389
JPMorgan Chase & Co Corp Note Call - Coupon Rate 0.563%	2/16/2025	30,000	29,553	US Bank/CAMP	0.56%	30,000
Lockheed Martin Corp Note - Coupon Rate 2.900%	3/1/2025	20,000	20,924	US Bank/CAMP	1.06%	21,422
Bank of America Corp Notes - Coupon Rate 3.458%	3/15/2025	40,000	41,773	US Bank/CAMP	1.53%	42,714
Burlington North Santa Fe Corp Note Call - Coupon Rate 3.000%	4/1/2025	20,000	20,997	US Bank/CAMP	1.07%	21,533
Bank of America Corp Notes (Callable) - Coupon Rate 0.976%	4/22/2025	70,000	69,421	US Bank/CAMP	0.98%	70,000
Bank of NY Mellon Corp Note - Coupon Rate 1.600%	4/24/2025	45,000	45,306	US Bank/CAMP	0.97%	46,148
Pepsico Inc Corp Note Call - Coupon Rate 2.750%	4/30/2025	20,000	20,922	US Bank/CAMP	1.02%	21,400
Citigroup Inc Corp Notes - Coupon Rate 0.981%	5/1/2025	35,000	34,684	US Bank/CAMP	0.98%	35,000
Morgan Stanley Corp Notes (Callable) - Coupon Rate 0.790%	5/30/2025	10,000	9,867	US Bank/CAMP	0.79%	10,000
Honeywell Intl Corp Note - Coupon Rate 1.350%	6/1/2025	20,000	20,009	US Bank/CAMP	0.91%	20,360
JPMorgan Chase & Co Corp Note - Coupon Rate 0.824%	6/1/2025	25,000	24,702	US Bank/CAMP	0.82%	25,000
Citigroup Inc Corp Notes - Coupon Rate 1.281%	11/3/2025	20,000	19,912	US Bank/CAMP	1.28%	20,000
Collat Comm Paper V Co Comm Paper - Coupon Rate 0.000%	4/4/2022	285,000	284,706	US Bank/CAMP	0.16%	284,712
Credit Agricole CIB NY Comm Paper - Coupon Rate 0.000%	4/29/2022	300,000	299,768	US Bank/CAMP	0.14%	299,686
Corporate Notes		2,160,000	2,176,676			2,194,108
Barclays Bank PLC NY CD- Coupon Rate 0.290%	2/4/2022	190,000	190,022	US Bank/CAMP	0.29%	190,000
Certificate of Deposit		190,000	190,022			190,000
MBalt 2021-1 A3 - Coupon Rate 0.250%	1/16/2024	15,000	14,954	US Bank/CAMP	0.25%	14,998
BMWLT 2021-1 A3 - Coupon Rate 0.290%	1/25/2024	15,000	14,958	US Bank/CAMP	0.29%	15,000
BMWLT 2021-1 A3 - Coupon Rate 0.290%	1/25/2024	55,000	54,846	US Bank/CAMP	0.31%	54,976
FordL 2021-A A3 - Coupon Rate 0.260%	2/15/2024	25,000	24,939	US Bank/CAMP	0.26%	24,997
Carmx 2021-1 A2A- Coupon Rate 0.220%	2/15/2024	45,524	45,495	US Bank/CAMP	0.24%	45,495
GMALT 2021-1 A3 - Coupon Rate 0.260%	2/20/2024	30,000	29,906	US Bank/CAMP	0.26%	29,997
FordO 2019-C A3 - Coupon Rate 1.870%	3/15/2024	32,054	32,263	US Bank/CAMP	1.38%	32,498
Woart 2021-C A2 - Coupon Rate 0.220%	9/16/2024	55,000	54,850	US Bank/CAMP	0.22%	54,999
FordL 2021-B A3 - Coupon Rate 0.370%	10/15/2024	60,000	59,608	US Bank/CAMP	0.38%	59,989
Harot 2021-A A3 - Coupon Rate 0.270%	4/21/2025	25,000	24,832	US Bank/CAMP	0.27%	25,000
Fordo 2021-A A3 - Coupon Rate 0.300%	8/15/2025	30,000	29,800	US Bank/CAMP	0.30%	29,997
Harot 2021-2 A3 - Coupon Rate 0.330%	8/15/2025	40,000	39,641	US Bank/CAMP	0.33%	39,998
GMCar 2021-1 A3 - Coupon Rate 0.350%	10/16/2025	15,000	14,905	US Bank/CAMP	0.35%	14,998
Harot 2021-3 A3 - Coupon Rate 0.410%	11/18/2025	40,000	39,549	US Bank/CAMP	0.41%	39,999
Carmx 2021-1 A3 - Coupon Rate 0.340%	12/15/2025	15,000	14,872	US Bank/CAMP	0.34%	14,997
Harot 2021-4 A3 - Coupon Rate 0.880%	1/21/2026	25,000	24,947	US Bank/CAMP	0.89%	24,995
TAOT 2021-D A3 - Coupon Rate 0.710%	4/15/2026	30,000	29,806	US Bank/CAMP	0.71%	29,999
Hart 2021-C A3 - Coupon Rate 0.740%	5/15/2026	20,000	19,867	US Bank/CAMP	0.75%	19,996
COPAR 2021-1 A3 - Coupon Rate 0.770%	9/15/2026	25,000	24,813	US Bank/CAMP	0.77%	25,000
DCENT 2021-A1 A1 - Coupon Rate 0.580%	9/15/2026	55,000	54,155	US Bank/CAMP	0.58%	54,988
GMCar 2021-14 A3 - Coupon Rate 0.680%	9/16/2026	25,000	24,808	US Bank/CAMP	0.68%	24,999
Comet 2021-A3 A3 - Coupon Rate 1.040%	11/16/2026	50,000	49,792	US Bank/CAMP	1.04%	49,993
CAMP Money Market Fund	NA	NA	38,988	US Bank/CAMP	0.05%	38,988
Asset Based Securities & Money Market		727,578	762,594			766,898
Total Camp Investments		9,479,090	9,513,261			9,578,605
Operational & Non-Interest Bearing Accounts						
ETWD General Cash Account	NA	NA	2,461,701	Union Bank of Cal.	0.00%	2,461,701
ETWD Capital Facilities Reserve Account	NA	NA	2,895	Union Bank of Cal.	0.00%	2,895
ETWD Payroll Account	NA	NA	0	Union Bank of Cal.	0.00%	0
ETWD Petty Cash Account	NA	NA	700	Union Bank of Cal.	0.00%	700
Operational & Non-Interest Accts.			2,465,296			2,465,296
			\$19,266,515	Total Investments & Cash		\$19,331,858



LIQUIDITY					
	December 31, 2021			June 30, 2021	
	\$		%	\$	%
DEMAND	\$ 9,792,242		50.65%	\$ 12,245,220	61.74%
30 Days	\$ -		0.00%	\$ 208,880	1.05%
31-180 Days	\$ 1,231,799		6.37%	\$ 1,161,829	5.86%
181 - 360	\$ 1,836,994		9.50%	\$ 1,771,413	8.93%
361-1800 Days	\$ 6,470,824		33.47%	\$ 4,447,532	22.42%
TOTAL	\$ 19,331,858		100.00%	\$ 19,834,874	100.00%

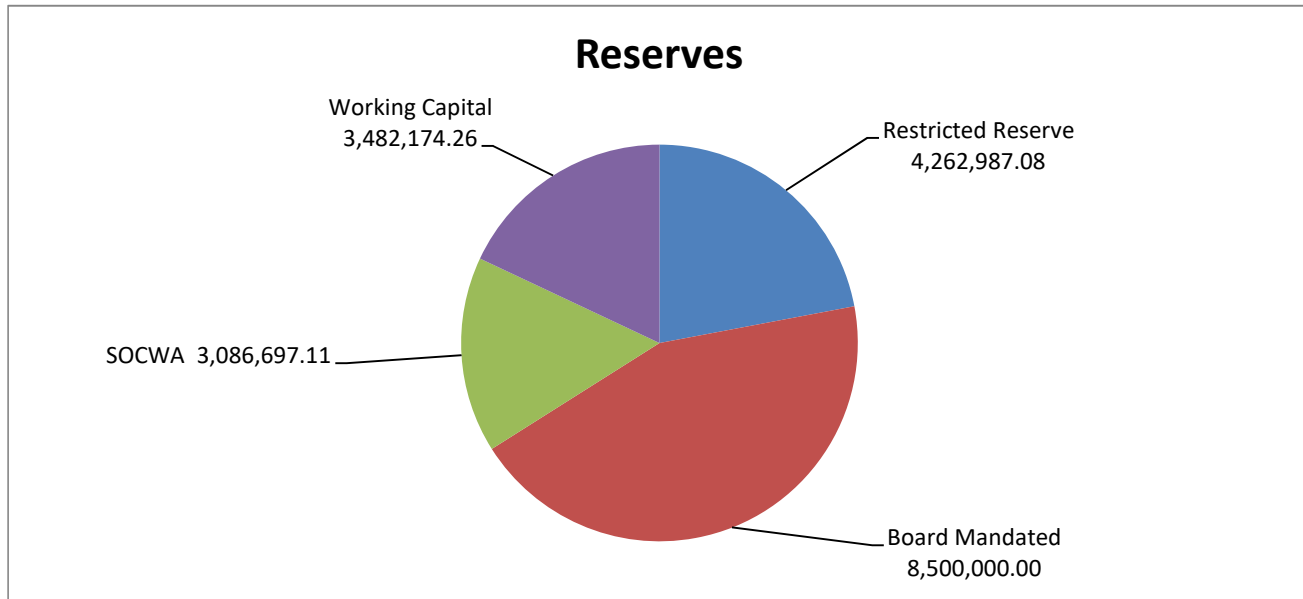
* The portfolio is in compliance with the investment policy.

** PFM Investment Advisory Services (10bp on first \$25 mm, 8bp over)

EL TORO WATER DISTRICT

RESERVE ANALYSIS

31-Dec-21



Restricted Reserve	\$	4,262,987
Board Mandated	\$	8,500,000
SOCWA	\$	3,086,697
Capital Cash Flow / Compliance	\$	3,482,174
Total	\$	19,331,858

Restricted Reserve

State Revolving Fund Loans	\$	2,270,150
Capital Facilities Reserve	\$	2,895
Tiered Cons Fund	\$	1,163,239
Baker Funding	\$	826,703
Total	\$	4,262,987

Board Mandated Minimum Reserve Levels

Capital Construction	\$	3,000,000
Rate Stabilization	\$	2,200,000
Operations	\$	1,300,000
Working Capital	\$	2,000,000
Total	\$	8,500,000

Six months operating expense requirement: \$12,800,791
 Cash less restricted reserve on hand: \$15,068,871

ETWD has the ability to meet its expenditure requirements for the next six months.

EL TORO WATER DISTRICT CHANGE IN RESERVES

	<u>December 31, 2021</u>	<u>Year to Date</u>	<u>Year Ended June 30, 2021</u>
Operating Revenue	2,109,720	13,967,344	26,393,477
Non-operating Revenue	437,686	1,252,128	1,723,488
Total Revenue	<u>2,547,406</u>	<u>15,219,472</u>	<u>28,116,965</u>
Operating Expenses	1,809,277	11,453,326	25,497,573
Depreciation & Amortization	355,912	2,135,475	4,345,555
Non-operating Expenses	59,295	355,767	159,499
Total Expenses	<u>2,224,484</u>	<u>13,944,569</u>	<u>30,002,627</u>
NET INCOME	322,922	1,274,903	(1,885,662)
Add Depreciation & Amortization	355,912	2,135,475	4,112,113
Net Cash Provided by Operating Activities	(1,791,651)	(3,945,009)	604,322
Net Cash Provided by Investing Activities	(71,481)	(865,424)	(2,723,140)
Net Cash Provided by Financing Activities	-	-	(627,412)
Net Increase/(Decrease) Cash for the Period	<u>(1,184,297)</u>	<u>(1,400,055)</u>	<u>(519,779)</u>
Cash at End of Period from Balance Sheet		8,762,250	
Restricted Cash		10,504,841	
Unrealized (Gains)/Losses Fair Market Value		<u>(604)</u>	
Cash at End of Period		19,266,488	
Net (Increase)/Decrease Cash for the Period		1,184,297	
Net (Increase)/Decrease in Restricted Cash for the Period		(131,748)	
Net Increase/(Decrease) in Unrealized Gains/(Losses) Fair Market Value		46,864	
Void Checks in Prior Period		-	
Cash at Beginning of Period		<u>20,365,901</u>	

EL TORO WATER DISTRICT
Cash Sheet
For the month ending December 31, 2021

CHECK NUMBER	PAYMENT DATE	VENDOR NAME	PAYMENT AMOUNT
91530	12/09/2021	STATE WATER RESOURCES CONTROL BOARD	1,602,958.00
91517	12/09/2021	MUNICIPAL WATER DISTRICT OF ORANGE CO.	485,075.04
91483	12/02/2021	SO. CALIFORNIA EDISON CO.	172,379.69
91556	12/16/2021	J.R. FILANC CONSTRUCTION CO., INC.	163,536.79
91543	12/16/2021	ACWA HEALTH BENEFITS AUTHORITY	126,565.28
91585	12/23/2021	SO. CALIFORNIA EDISON CO.	103,182.93
TOTAL CHECKS OVER \$50,000			\$ 2,653,697.73
TOTAL CHECKS IN REGISTER			\$ 3,010,238.80

DEBIT TRANSFERS

12/03/2021	PAYROLL DIRECT DEPOSIT	146,971.27
12/03/2021	FEDERAL DEPOSIT LIABILITY	34,546.88
12/03/2021	SDI & STATE TAX	12,908.71
12/03/2021	WAGE GARNISHMENTS	282.50
12/03/2021	PRUDENTIAL (401K)	53,213.64
12/03/2021	PRUDENTIAL (457)	16,965.21
12/15/2021	PAYROLL BOARD OF DIRECTOR	6,369.04
12/15/2021	SS, MEDICARE, SDI & STATE TAX	1,999.41
12/15/2021	PRUDENTIAL (457)	2,788.97
12/17/2021	PAYROLL DIRECT DEPOSIT	146,448.42
12/17/2021	FEDERAL DEPOSIT LIABILITY	33,940.93
12/17/2021	SDI & STATE TAX	12,658.87
12/17/2021	WAGE GARNISHMENTS	282.50
12/17/2021	PRUDENTIAL (401K)	51,521.45
12/17/2021	PRUDENTIAL (457)	16,993.55
12/30/2021	PAYROLL DIRECT DEPOSIT	152,027.73
12/30/2021	FEDERAL DEPOSIT LIABILITY	37,394.99
12/30/2021	SDI & STATE TAX	14,029.49
12/30/2021	PRUDENTIAL (401K)	55,718.92
12/30/2021	PRUDENTIAL (457)	17,146.88
12/31/2021	ADP AND BANK FEES	6,312.81

TOTAL INTERBANK WIRES / DEBIT TRANSFERS \$ 820,522.17

TOTAL DISBURSEMENTS \$ 3,830,760.97

REIMBURSEMENTS TO ETWD EMPLOYEES

CHECK NUMBER	PAYMENT DATE	PAYEE (DESCRIPTION)	PAYMENT AMOUNT
91538	12/14/2021	DANIEL OROZCO (WEF & CWEA Membership & Certification)	597.00
91503	12/09/2021	CESAR CASSANI (Waste Water Operator Test)	295.00
91534	12/09/2021	WILLIAM WESSON (Workboots)	161.00
91542	12/14/2021	STEVEN HANCOCK (Water Distribution Certification)	155.00
91557	12/16/2021	JEFF WEBSTER (American Water Collage Distribution Review)	129.95

TOTAL CHECKS TO EMPLOYEES \$ 1,337.95

REINBURSEMENTS TO ETWD DIRECTORS

CHECK NUMBER	PAYMENT DATE	PAYEE (DESCRIPTION)	PAYMENT AMOUNT
91539	12/14/2021	KATHRYN FRESHLEY (Travel Expenses)	227.86
91540	12/14/2021	MARK MONIN (Travel Expenses)	205.41
91541	12/14/2021	MICHAEL GASKINS (Travel Expenses)	112.40

TOTAL CHECKS TO DIRECTORS \$ 545.67

EL TORO WATER DISTRICT 401K PLAN SUMMARY

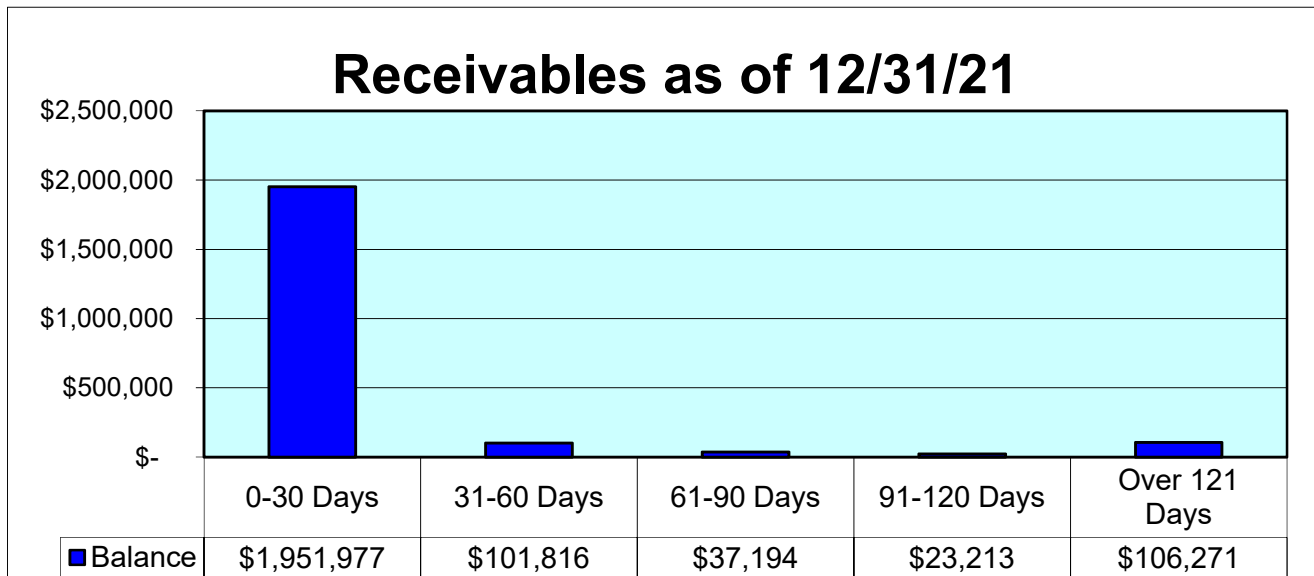
401K PLAN MARKET VALUE



MARKET VALUE SUMMARY							
	Growth Under 40 yrs. Old	Capital Appreciation 40 to 44 yrs. Old	Balanced 45 to 49 yrs. Old	Balanced Income 50 to 54 yrs. Old	Income & Growth 55 to 59 yrs. Old	Income 60 to 64 yrs. Old	Capital Pres. Port Over 65 yrs. Old
Balance at June 30, 2021	\$ 2,516,132.58	\$931,857.47	\$871,612.09	\$6,330,364.56	\$8,272,782.08	\$5,493,756.18	\$1,392,123.44
Contributions	172,552.12	56,114.88	73,463.93	76,720.31	158,854.23	165,450.36	73,581.81
Withdrawals	0.00	0.00	0.00	0.00	(676,063.27)	(36,214.30)	(61,663.54)
Transfers	(745,997.45)	644,927.49	101,069.96	(2,550,556.21)	789,398.55	1,375,194.76	385,962.90
Interest, dividends and appreciation net of fees and charges	82,105.00	61,139.74	(11,119.02)	118,399.44	212,691.17	131,845.45	13,750.36
Balance at December 31, 2021	\$ 2,024,792.25	\$1,694,039.58	\$1,035,026.96	\$3,974,928.10	\$8,757,662.76	\$7,130,032.45	\$1,803,754.97
Average return YTD December 31, 2021	3.26%	6.56%	-1.28%	1.87%	2.57%	2.40%	0.99%

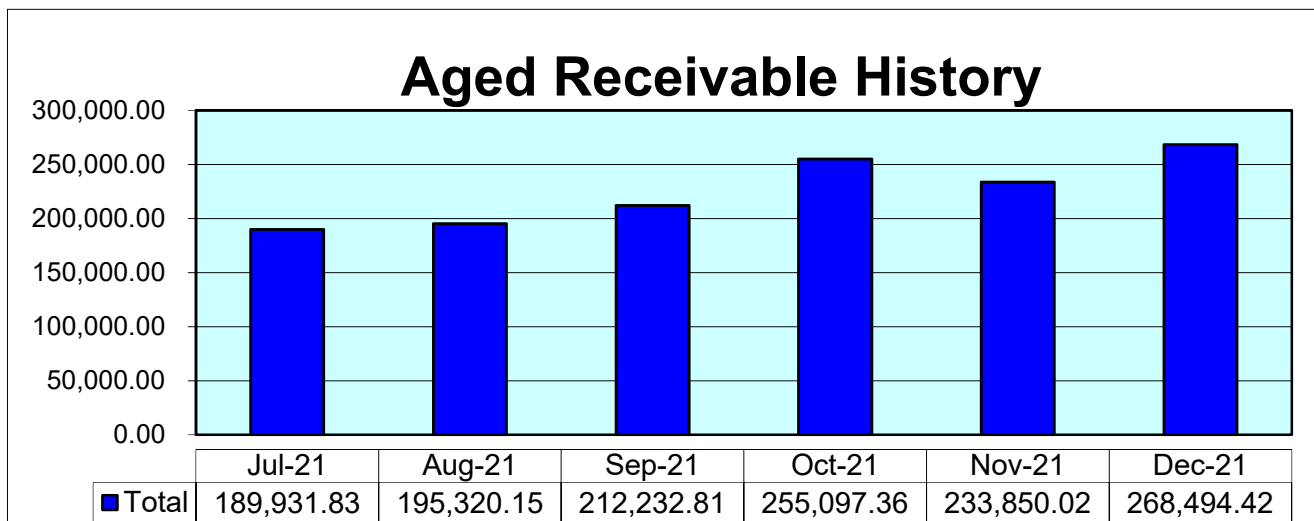
Average return is calculated by dividing the interest, dividends and appreciation, net of fees by beginning fiscal year fund balance.

RECEIVABLES AGEING



	0-30 Days	31-60 Days	61-90 Days	91-120 Days	Over 121 Days
Dec-20	1,863,056	145,683	45,819	18,062	50,602

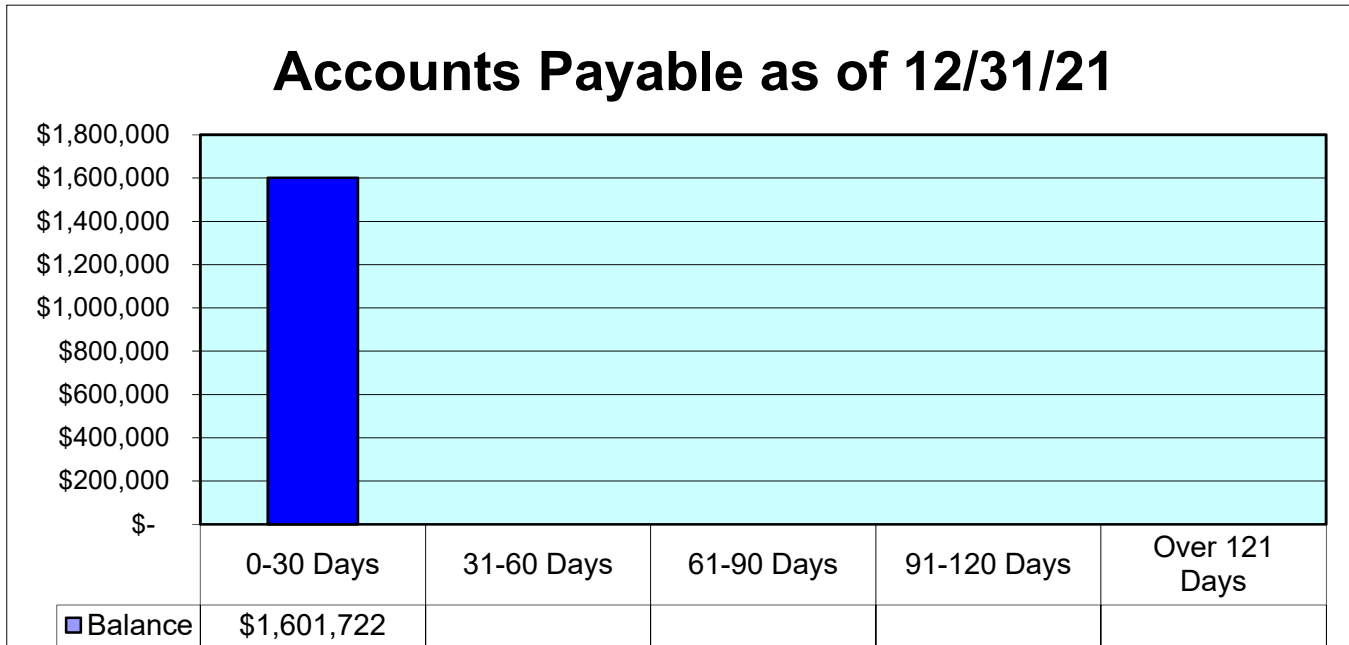
Bad Debts Year to Date: 1,199.49



Total receivables greater than 30 Days

	31-60 Days	61-90 Days	91-120 Days	Over 121 Days	Total
Jul-21	76,309.78	28,777.71	15,490.65	69,353.69	189,931.83
Aug-21	76,551.23	30,465.15	15,824.39	72,479.38	195,320.15
Sep-21	83,213.57	32,333.09	18,923.16	77,762.99	212,232.81
Oct-21	119,232.14	30,349.44	18,901.53	86,614.25	255,097.36
Nov-21	83,432.31	35,387.77	19,531.49	95,498.45	233,850.02
Dec-21	101,816.14	37,194.34	23,213.22	106,270.72	268,494.42

PAYABLES AGEING

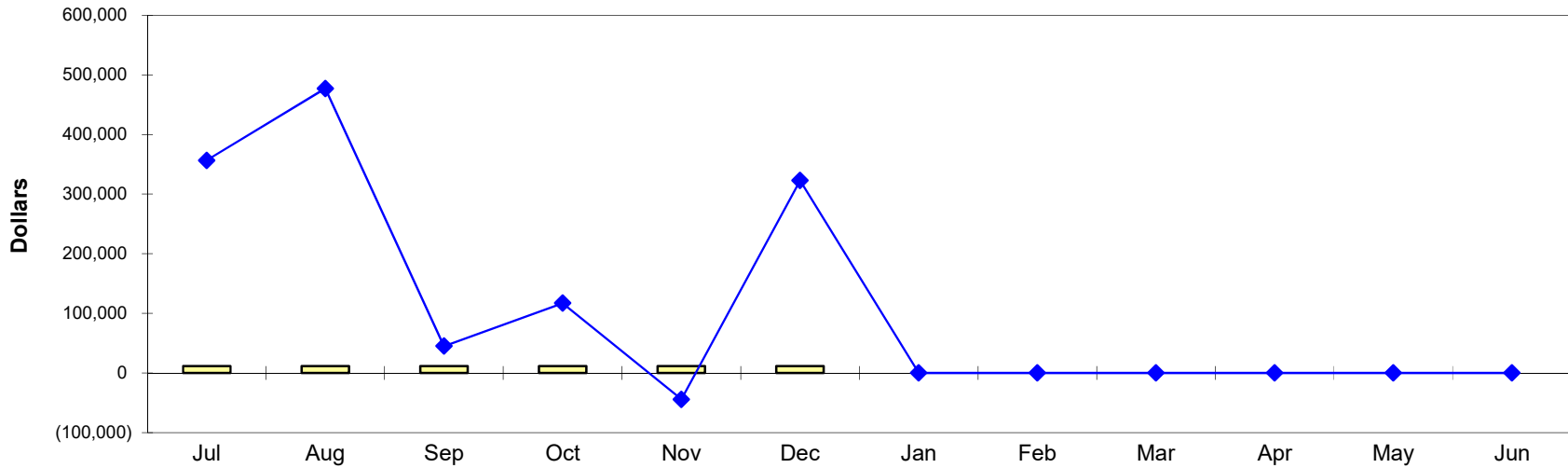


Year to Date Discounts Taken: \$619

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El Toro Water District
Income Statement
December 2021

	Dec 21	Budget	% of Budget	Jul - Dec 20	Jul - Dec 21	YTD Budget	% of Budget	Annual Budget
Income								
4600 · Water Service Charge	351,110.05	352,427.49	99.63%	1,862,422.05	2,078,350.18	2,114,564.94	98.29%	4,229,130.00
4700 · Sanitary Service	668,445.20	686,461.43	97.38%	3,833,491.70	4,076,592.29	4,118,768.58	98.98%	8,237,537.00
4722 · Recycled Water Tertiary Sales	89,399.42	150,935.17	59.23%	1,016,289.34	1,083,677.32	905,611.02	119.66%	1,811,222.00
4724 · Service Charge - Recycled Water	31,141.60	32,325.00	96.34%	144,735.63	183,404.04	193,950.00	94.56%	387,900.00
4750 · Capital Facilities Charge	250,349.81	252,122.00	99.3%	1,502,675.76	1,502,976.25	1,512,732.00	99.36%	3,025,468.00
4800 · Commodity Charge	718,109.18	770,280.00	93.23%	5,212,564.63	5,014,887.66	4,621,680.00	108.51%	9,243,364.00
4950 · Other Operating Income	1,165.00	4,583.00	25.42%	8,218.32	16,456.46	27,498.00	59.85%	55,000.00
4960 · Other Income	350,806.70	48,469.00	723.78%	302,612.44	724,797.76	290,807.00	249.24%	581,625.00
4967 · SMWD	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%	0.00
4970 · Charges for Service/Facilities	0.00	11,126.00	0.0%	11,000.00	11,000.00	66,744.00	16.48%	133,500.00
4980 · Investment Income	-11,433.74	8,333.00	-137.21%	45,824.11	-34,012.61	49,998.00	-68.03%	100,000.00
4990 · Property Taxes	98,312.88	90,833.00	108.24%	542,167.86	561,342.62	544,994.00	103.0%	1,090,000.00
Total Income	2,547,406.10	2,407,895.09	105.79%	14,482,001.84	15,219,471.97	14,447,347.54	105.34%	28,894,746.00
Gross Profit	2,547,406.10	2,407,895.09	105.79%	14,482,001.84	15,219,471.97	14,447,347.54	105.34%	28,894,746.00
Expense								
5100 · Personnel Cost	802,774.39	752,739.00	106.65%	4,051,335.71	4,338,966.18	4,516,366.00	96.07%	9,032,900.00
5405 · Water Purchases	451,265.44	677,626.40	66.6%	4,349,058.75	3,989,060.40	4,065,758.33	98.11%	8,131,516.73
5410 · Electrical Power	85,069.35	104,216.69	81.63%	658,686.84	760,135.93	625,299.86	121.56%	1,250,600.00
5415 · Repair Parts & Materials	34,920.40	34,308.29	101.78%	139,965.34	186,993.37	205,850.26	90.84%	411,700.00
5420 · Equipment Maintenance & Repair	2,559.18	8,283.35	30.9%	56,628.91	39,594.83	49,699.90	79.67%	99,400.00
5425 · Pump Maintenance & Repair	0.00	6,958.34	0.0%	38,757.81	12,406.50	41,749.96	29.72%	83,500.00
5430 · Motor Maintenance & Repair	0.00	3,375.01	0.0%	1,184.95	0.00	20,249.94	0.0%	40,500.00
5440 · Electrical/Contl Maint & Repair	0.00	7,641.65	0.0%	40,312.87	7,626.26	45,850.10	16.63%	91,700.00
5445 · Meter Maintenance & Repair	0.00	833.34	0.0%	1,672.52	5,173.46	4,999.96	103.47%	10,000.00
5455 · Chemicals	11,883.97	19,249.99	61.74%	108,983.67	103,496.75	115,500.06	89.61%	231,000.00
5460 · Structure Maint & Repair	0.00	1,862.53	0.0%	27,506.95	18,760.25	11,174.82	167.88%	22,350.00
5465 · Asphalt Maintenance & Repair	11,454.00	6,416.68	178.5%	11,970.00	11,454.00	38,499.92	29.75%	77,000.00
5470 · Consultants	777.25	5,125.00	15.17%	11,643.95	17,643.75	30,750.00	57.38%	61,500.00
5475 · Contractors	97,194.26	101,524.97	95.73%	603,616.48	598,864.69	609,150.18	98.31%	1,218,300.00
5480 · Engineers	1,504.12	5,333.33	28.2%	95,136.02	9,513.99	32,000.02	29.73%	64,000.00
5482 · Dump Fees	1,452.98	1,500.00	96.87%	8,154.86	5,036.71	9,000.00	55.96%	18,000.00
5485 · Laboratory	2,415.38	2,775.00	87.04%	13,864.18	16,678.47	16,650.00	100.17%	33,300.00
5490 · License & Permits	84,560.96	15,116.68	559.39%	72,439.65	104,836.13	90,699.92	115.59%	181,400.00
5495 · Gas & Oil	8,567.02	8,500.00	100.79%	45,994.78	55,319.54	51,000.00	108.47%	102,000.00
5500 · Equipment Rental	464.60	1,616.67	28.74%	8,826.30	6,496.07	9,699.98	66.97%	19,400.00
5505 · Landscaping	5,760.87	13,683.34	42.1%	68,192.58	74,643.60	82,099.96	90.92%	164,200.00
5510 · Small Tools & Equipment	6,695.38	6,116.69	109.46%	25,148.25	28,784.45	36,699.86	78.43%	73,400.00
5515 · Security	0.00	1,600.01	0.0%	9,615.20	1,608.84	9,599.94	16.76%	19,200.00
5520 · Operating Supplies	8,801.15	4,933.33	178.4%	41,382.41	24,768.17	29,600.02	83.68%	59,200.00
5525 · Safety Equipment	9,219.33	3,458.32	266.58%	10,839.14	17,035.85	20,750.08	82.1%	41,500.00
5530 · Temporary Help	0.00	1,458.33	0.0%	0.00	0.00	8,750.02	0.0%	17,500.00
5535 · Other Employee Cost	12,902.37	11,333.33	113.84%	99,750.66	66,067.70	68,000.02	97.16%	136,000.00
5540 · Depreciation	355,342.00	362,500.00	98.03%	2,149,710.00	2,132,052.00	2,175,000.00	98.03%	4,350,000.00
5545 · Insurance	25,668.71	27,608.33	92.98%	159,465.04	167,031.00	165,650.02	100.83%	331,300.00
5548 · Retiree Medical Insurance	20,921.70	27,083.33	77.25%	138,170.81	136,710.05	162,500.02	84.13%	325,000.00
5555 · Advertising & Publicity	0.00	166.67	0.0%	6,200.00	0.00	999.98	0.0%	2,000.00
5560 · Amortization	570.49	575.00	99.22%	3,422.94	3,422.94	3,450.00	99.22%	6,900.00
5570 · Annual Event	10,476.13	500.00	2,095.23%	3,866.19	10,476.13	3,000.00	349.2%	6,000.00
5575 · Audit	2,200.00	2,141.67	102.72%	20,700.00	19,100.00	12,849.98	148.64%	25,700.00
5580 · Bad Debts	0.00	1,666.67	0.0%	4,687.33	1,199.49	9,999.98	12.0%	20,000.00
5585 · Bank Charges	6,312.81	5,916.67	106.7%	30,462.89	37,370.91	35,499.98	105.27%	71,000.00
5590 · Data Processing Supply & Access	384.10	2,499.99	15.36%	11,853.71	5,585.54	15,000.06	37.24%	30,000.00
5595 · Data Processing Equipment	3,827.25	2,916.65	131.22%	25,277.57	24,923.86	17,500.10	142.42%	35,000.00
5600 · Data Processing Consultants	0.00	5,000.00	0.0%	1,800.00	5,153.58	30,000.00	17.18%	60,000.00
5605 · Directors Fees	10,950.00	10,583.33	103.47%	62,415.00	64,824.00	63,500.02	102.09%	127,000.00
5610 · Dues & Memberships	24,183.08	7,266.67	332.8%	39,150.33	69,354.40	43,599.98	159.07%	87,200.00
5615 · Education & Training	670.95	1,300.00	51.61%	4,943.60	8,055.44	7,800.00	103.28%	15,600.00
5620 · Election Expense	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%	0.00
5625 · Employee Service Awards	0.00	316.67	0.0%	2,850.00	-403.04	1,899.98	-21.21%	3,800.00
5630 · Software Maintenance & Licenses	12,999.98	15,416.67	84.32%	67,883.70	102,482.37	92,499.98	110.79%	185,000.00
5640 · Interest Expense	59,294.54	59,833.33	99.1%	378,324.00	355,767.24	359,000.02	99.1%	718,000.00
5645 · Janitorial	6,715.49	3,750.00	179.08%	39,803.50	40,690.20	22,500.00	180.85%	45,000.00
5650 · Legal	21,579.55	8,791.66	245.46%	70,282.33	57,811.52	52,750.04	109.6%	105,500.00
5655 · Meets, Conventions & Travel	1,370.38	2,416.67	56.71%	4,786.76	13,506.18	14,499.98	93.15%	29,000.00
5657 · Meets, Con & Travel - Directors	721.89	3,658.31	19.73%	3,173.00	11,542.52	21,950.14	52.59%	43,900.00
5660 · Office Supplies	878.74	1,650.00	53.26%	10,329.77	9,354.48	9,900.00	94.49%	19,800.00
5665 · Office Support	0.00				3,156.77			
5670 · Postage	132.00	1,716.67	7.69%	3,861.20	3,948.51	10,299.98	38.34%	20,600.00
5675 · Printing & Reproduction	384.35	1,550.00	24.8%	5,096.13	1,310.38	9,300.00	14.09%	18,600.00
5680 · Property Tax	861.81	425.00	202.78%	3,845.85	3,850.84	2,550.00	151.01%	5,100.00
5685 · Public Education & Outreach	3,283.98	19,683.33	16.68%	45,134.70	82,522.50	118,100.02	69.88%	236,200.00
5690 · Publications & Subscriptions	0.00	125.00	0.0%	0.00	0.00	750.00	0.0%	1,500.00
5695 · Communications	11,525.46	9,474.99	121.64%	52,905.56	61,688.94	56,850.06	108.51%	113,700.00
5700 · Utilities	2,985.92	2,150.00	138.88%	8,440.94	11,114.00	12,900.00	86.16%	25,800.00
Total Expense	2,224,483.71	2,396,269.55	92.83%	13,959,511.63	13,944,568.64	14,377,549.43	96.99%	28,755,266.73
	Dec 21	Budget	% of Budget	Jul - Dec 20	Jul - Dec 21	YTD Budget	% of Budget	Annual Budget
Net Income	322,922.39	11,625.54	2,777.7%	522,490.21	1,274,903.33	69,798.11	1,826.56%	139,479.27

ANALYSIS OF REVENUE & EXPENSE
Fiscal Year 2021/2022

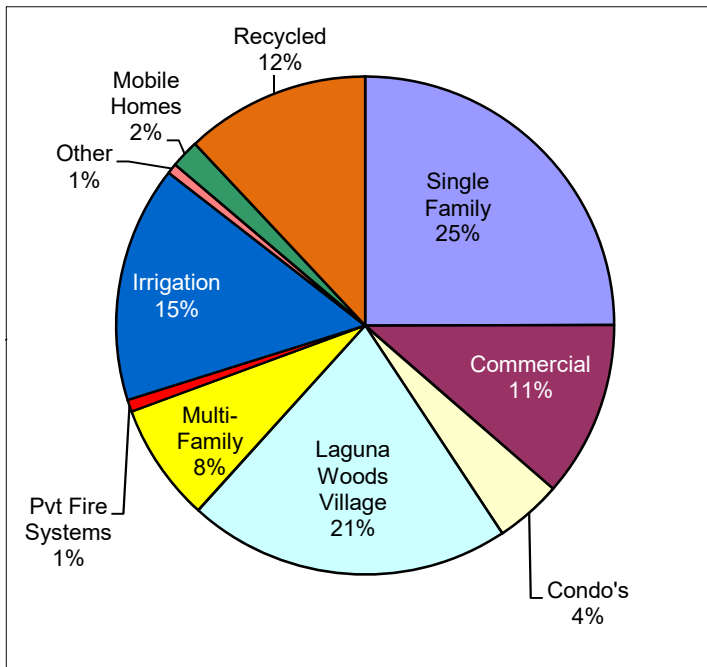
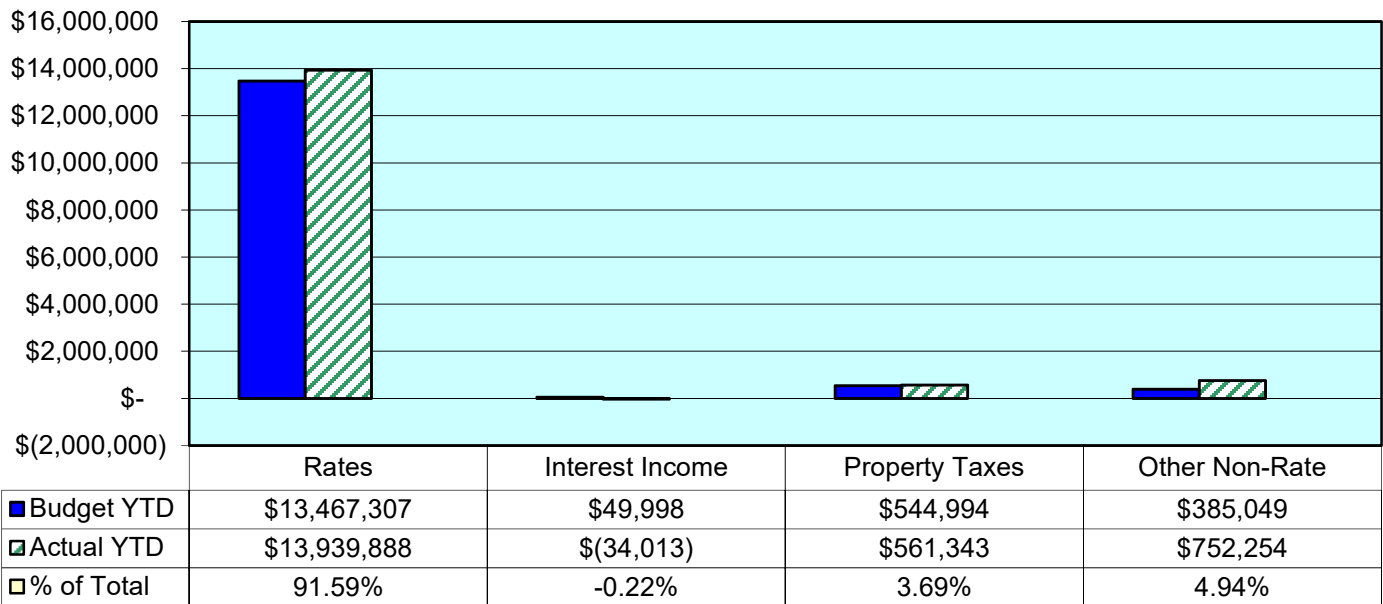


ANALYSIS OF REVENUES & EXPENSES
BUDGET COMPARED TO ACTUAL
FISCAL YEAR 2021/2022

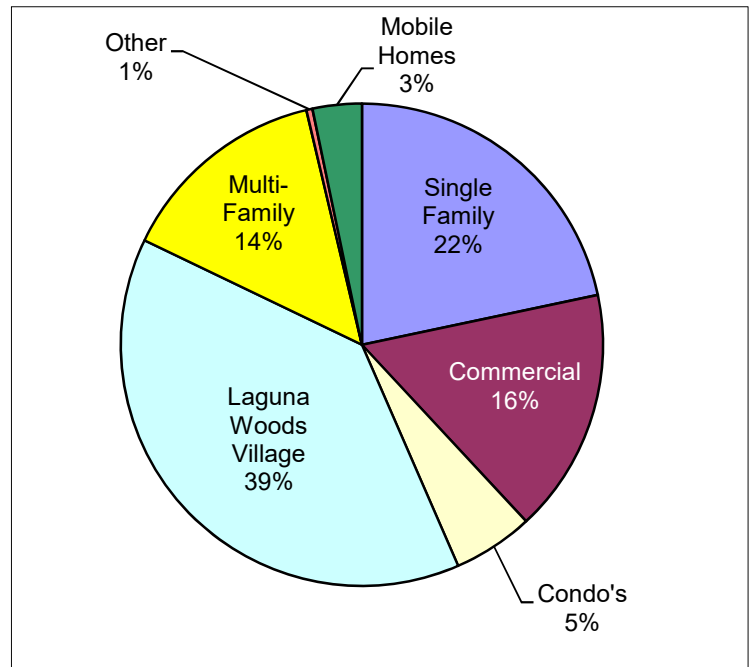
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Budget												
Revenue	2,407,889	2,407,889	2,407,889	2,407,890	2,407,895	2,407,895						
Expense	2,396,253	2,396,253	2,396,253	2,396,253	2,396,270	2,396,270						
Profit/Loss	11,636	11,637	11,637	11,638	11,626	11,626	0	0	0	0	0	0
Actual												
Revenue	2,694,337	2,834,487	2,557,301	2,448,880	2,137,061	2,547,406						
Expense	2,337,720	2,357,260	2,512,164	2,331,695	2,181,247	2,224,484						
Profit/Loss	356,617	477,227	45,137	117,185	(44,185)	322,922	0	0	0	0	0	0

EL TORO WATER DISTRICT REVENUES FROM WATER & WASTE WATER SALES AS OF 12/31/21

Where the Money Comes From



WATER REVENUE YTD 2021/2022



WASTE WATER REVENUE YTD 2021/2022

**EL TORO WATER DISTRICT
REVENUE COMPARISON
For the Month Ended December 31, 2021**

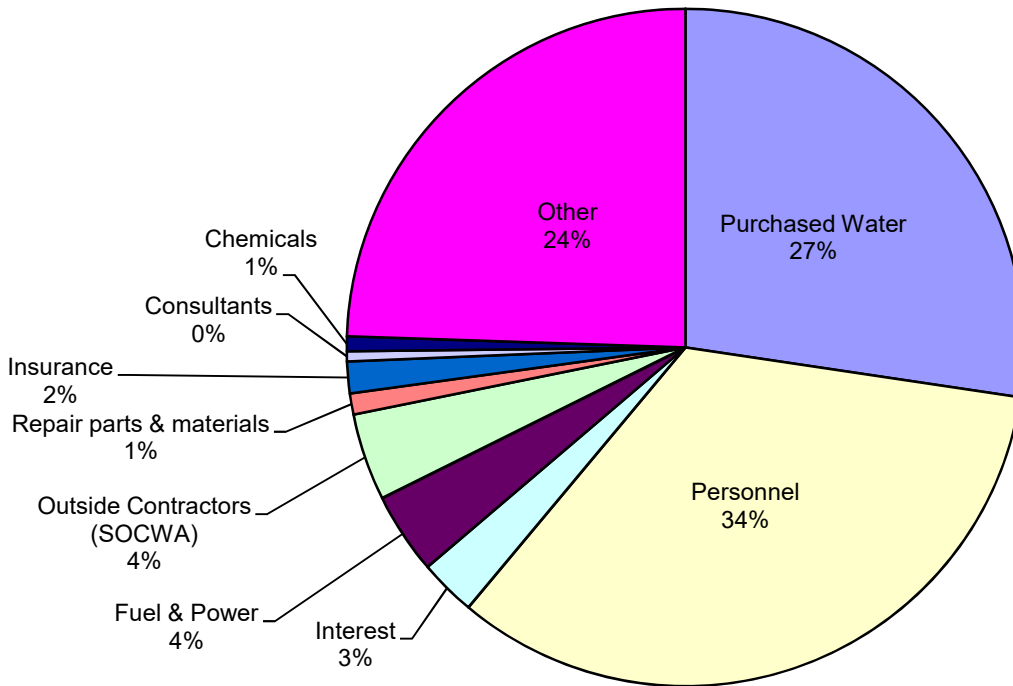
	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	BUDGET	REMAINING BUDGET
<u>From Rates</u>										
Capital Facilities Charge	\$ 250,350	\$ 252,122	\$ (1,772)	-1%	\$ 1,502,976	\$ 1,512,732	\$ (9,756)	-1%	\$ 3,025,468	\$ 1,522,492
Water sales - Commodity	718,109	770,280	(52,171)	-7%	5,014,888	4,621,680	393,208	9%	9,243,364	4,228,476
Water sales - Fixed Meter	351,110	352,427	(1,317)	0%	2,078,350	2,114,565	(36,215)	-2%	4,229,130	2,150,780
Waste water sales	668,445	686,461	(18,016)	-3%	4,076,592	4,118,769	(42,176)	-1%	8,237,537	4,160,945
Recycled water tertiary sales	89,399	150,935	(61,536)	-41%	1,083,677	905,611	178,066	20%	1,811,222	727,545
Service charge - Recycled water	31,142	32,325	(1,183)	-4%	183,404	193,950	(10,546)	-5%	387,900	204,496
TOTAL FROM RATES	2,108,555	2,244,551	(135,996)	-6%	13,939,888	13,467,307	472,581	4%	26,934,621	12,994,733
<u>Non-rate Revenue</u>										
Admin fee	1,050	1,600	(550)	-34%	16,222	9,600	6,622	69%	19,200	2,978
48 Hour notice fee	-	2,451	(2,451)	-100%	-	14,708	(14,708)	-100%	29,416.44	29,416
Restoration fee	-	370	(370)	-100%	-	2,220	(2,220)	-100%	4,440	4,440
Unpaid check fee	115	150	(35)	-23%	235	900	(665)	-74%	1,800	1,565
Cut lock fee	-	12	(12)	-100%	-	72	(72)	-100%	144	144
TOTAL NON-RATE	1,165	4,583	(3,418)	-75%	16,457	27,500	(11,044)	-40%	55,000	38,544
<u>Other Revenue</u>										
Investment Income	(11,434)	8,333	(19,767)	-237%	(34,013)	49,998	(84,011)	-168%	100,000	134,013
Property taxes	98,313	90,833	7,480	8%	561,343	544,994	16,349	3%	1,090,000	528,657
Other	350,807	48,469	302,337	624%	724,798	290,807	433,991	149%	581,625	(143,173)
TOTAL OTHER REVENUE	437,686	147,635	290,051	196%	1,252,128	885,799	366,329	41%	1,771,625	519,497
<u>Contract Service</u>										
Santa Margarita W. D.	-	-	-	0%	-	-	-	0%	0	0
Moulton Niguel W. D.	-	11,126	(11,126)	-100%	11,000	66,744	(55,744)	-84%	133,500	122,500
TOTAL CONTRACT SERVICES	-	11,126	(11,126)	-100%	11,000	66,744	(55,744)	-84%	133,500	122,500
 TOTAL REVENUE	 \$ 2,547,406	 \$ 2,407,895	 \$ 139,511	 6%	 \$ 15,219,472	 \$ 14,447,350	 \$ 772,122	 5%	 \$ 28,894,746	 \$ 13,675,274

**EL TORO WATER DISTRICT
NON-RATE REVENUE ANALYSIS
FOR THE MONTH ENDING December 31, 2021**

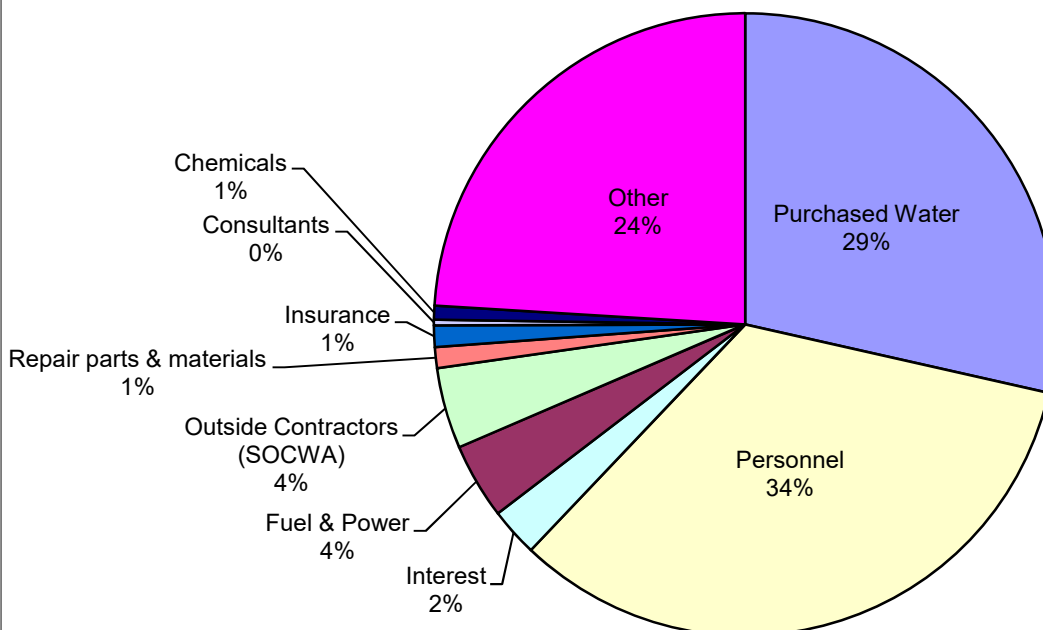
	Dec-21 Actual	Dec-21 Budget	Jul 21- Dec 21 YTD Actual	Jul 21- Dec 21 YTD Budget
Site Leases	3,863	19,582	101,061	117,492
MWD Recycled Water LRP Rebate	28,550	27,219	302,890	163,313
JPIA Refund	-	-	-	-
SOCWA Refund	317,081	-	317,081	-
Recycled Metal	1,146	-	2,367	-
Diesel Fuel Tax Refund	166	-	166	-
Sale of District Trucks	-	-	-	-
Purchase Discounts Taken		-	619	-
Misc Work for Customers		1,666	614	9,996
	<u>\$ 350,807</u>	<u>\$ 48,467</u>	<u>\$ 724,798</u>	<u>\$ 290,801</u>
Other Operating Income				
Sales to Santa Margarita	-		-	
Sales to Moulton Niguel	-		-	
	<u>-</u>		<u>-</u>	
	<u>-</u>		<u>-</u>	
Total	<u>350,807</u>		<u>724,798</u>	

WHERE THE MONEY GOES

YTD EXPENSES AT 12/31/21



EXPENSES YEAR ENDING 6/30/21



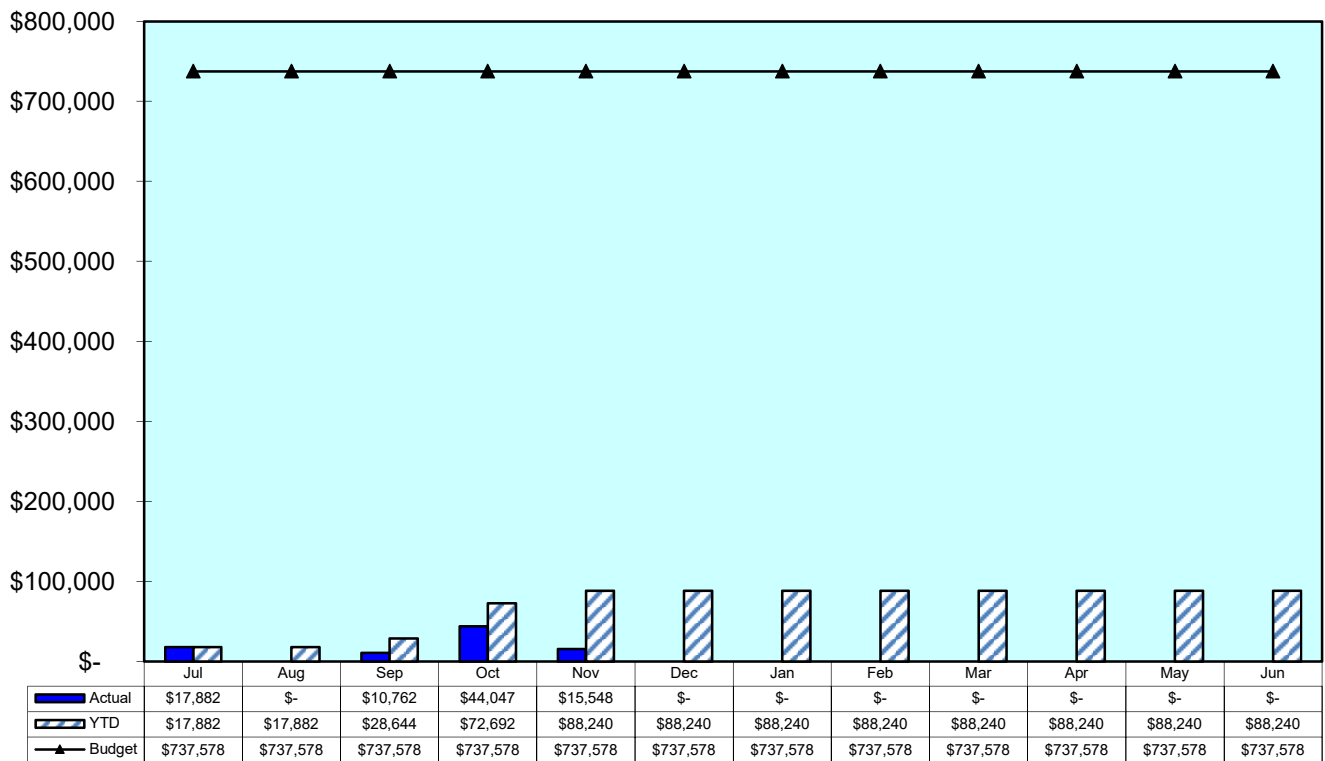
EL TORO WATER DISTRICT
Expense Comparison
For the Month Ended December 31, 2021

	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	Annual BUDGET	REMAINING BUDGET
<u>Operating Expenses</u>										
Personnel cost	\$802,774	\$752,739	(\$50,035)	-7%	\$4,338,966	\$4,516,366	\$177,400	4%	\$9,032,900	4,693,934
Purchased water	451,265	677,626	226,361	33%	3,989,060	4,065,758	76,698	2%	8,131,517	4,142,456
Electrical power	85,069	104,217	19,147	18%	760,136	625,300	(134,836)	-22%	1,250,600	490,464
Repair parts & materials	34,920	34,308	(612)	-2%	186,993	205,850	18,857	9%	411,700	224,707
Equipment repairs & maintenance	2,559	8,283	5,724	69%	39,595	49,700	10,105	20%	99,400	59,805
Pump repairs & maintenance	0	6,958	6,958	100%	12,407	41,750	29,343	70%	83,500	71,094
Motor repairs & maintenance	0	3,375	3,375	100%	0	20,250	20,250	100%	40,500	40,500
Electrical repairs & maintenance	-	7,642	7,642	100%	7,626	45,850	38,224	83%	91,700	84,074
Meter repairs & maintenance	0	833	833	100%	5,173	5,000	(174)	-3%	10,000	4,827
Chemicals	11,884	19,250	7,366	38%	103,497	115,500	12,003	10%	231,000	127,503
Structure repairs & maintenance	-	1,863	1,863	100%	18,760	11,175	(7,585)	-68%	22,350	3,590
Asphalt repairs & maintenance	11,454	6,417	(5,037)	-79%	11,454	38,500	27,046	70%	77,000	65,546
Consultants - outside	777	5,125	4,348	85%	17,644	30,750	13,106	43%	61,500	43,856
Contractors - outside	97,194	101,525	4,331	4%	598,865	609,150	10,285	2%	1,218,300	619,435
Engineers - outside	1,504	5,333	3,829	72%	9,514	32,000	22,486	70%	64,000	54,486
Dump fees	1,453	1,500	47	3%	5,037	9,000	3,963	44%	18,000	12,963
Laboratories	2,415	2,775	360	13%	16,678	16,650	(28)	0%	33,300	16,622
License & permits	84,561	15,117	(69,444)	-459%	104,836	90,700	(14,136)	-16%	181,400	76,564
Automotive fuel & oil	8,567	8,500	(67)	-1%	55,320	51,000	(4,320)	-8%	102,000	46,680
Equipment rental	465	1,617	1,152	71%	6,496	9,700	3,204	33%	19,400	12,904
Landscaping	5,761	13,683	7,922	58%	74,644	82,100	7,456	9%	164,200	89,556
Small tools & equipment	6,695	6,117	(579)	-9%	28,784	36,700	7,915	22%	73,400	44,616
Security	0	1,600	1,600	100%	1,609	9,600	7,991	83%	19,200	17,591
Operating supplies	8,801	4,933	(3,868)	-78%	24,768	29,600	4,832	16%	59,200	34,432
Safety equipment	9,219	3,458	(5,761)	-167%	17,036	20,750	3,714	18%	41,500	24,464
Temporary help	0	1,458	1,458	100%	0	8,750	8,750	100%	17,500	17,500
Other employee cost	12,902	11,333	(1,569)	-14%	66,068	68,000	1,932	3%	136,000	69,932
Employee service awards	0	317	317	100%	(403)	1,900	2,303	121%	3,800	4,203
Education & training	671	1,300	629	48%	8,055	7,800	(255)	-3%	15,600	7,545
Total Operating Expenses	1,640,913	1,809,203	168,290	9%	10,508,618	10,855,149	346,531	3%	21,710,467	11,201,848

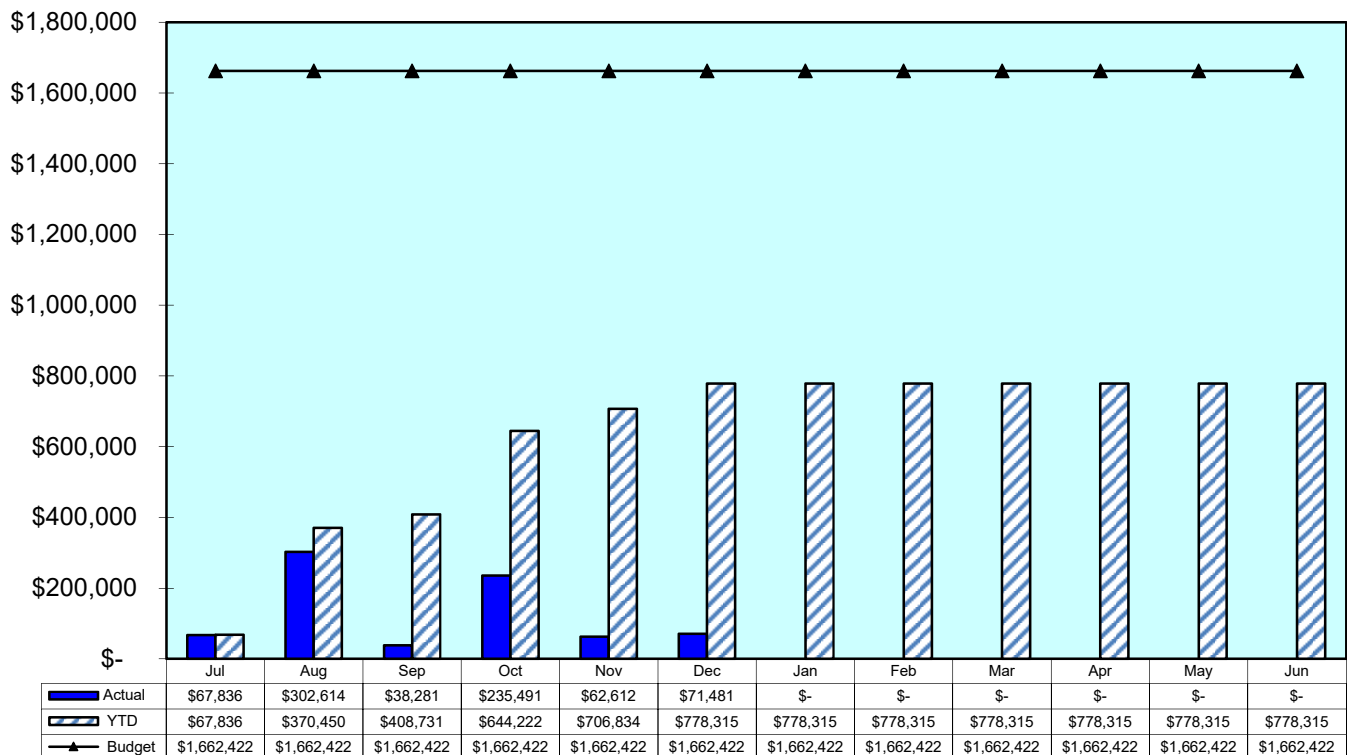
EL TORO WATER DISTRICT
Expense Comparison
For the Month Ended December 31, 2021

	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	Annual BUDGET	REMAINING BUDGET
<u>Indirect Cost</u>										
Depreciation	355,342	362,500	7,158	2%	2,132,052	2,175,000	42,948	2%	4,350,000	2,217,948
Amortization	570	575	5	1%	3,423	3,450	27	1%	6,900	3,477
Insurance	25,669	27,608	1,940	7%	167,031	165,650	(1,381)	-1%	331,300	164,269
Retiree Medical Insurance	20,922	27,083	6,162	23%	136,710	162,500	25,790	16%	325,000	188,290
Data processing supplies & assc.	384	2,500	2,116	85%	5,586	15,000	9,415	63%	30,000	24,414
Data processing equipment	3,827	2,917	(911)	-31%	24,924	17,500	(7,424)	-42%	35,000	10,076
Data processing consultants	-	5,000	5,000	100%	5,154	30,000	24,846	83%	60,000	54,846
Software maintenance & licenses	13,000	15,417	2,417	16%	102,482	92,500	(9,982)	-11%	185,000	82,518
Janitorial	6,715	3,750	(2,965)	-79%	40,690	22,500	(18,190)	-81%	45,000	4,310
Printing & reproduction	384	1,550	1,166	75%	1,310	9,300	7,990	86%	18,600	17,290
Publications & subscriptions	0	125	125	100%	0	750	750	100%	1,500	1,500
Communications - voice	1,535	1,333	(201)	-15%	7,453	8,000	547	7%	16,000	8,547
Communications - data	7,027	5,058	(1,969)	-39%	33,748	30,350	(3,398)	-11%	60,700	26,952
Communications - mobile	2,964	3,083	119	4%	20,488	18,500	(1,988)	-11%	37,000	16,512
Utilities	2,986	2,150	(836)	-39%	11,114	12,900	1,786	14%	25,800	14,686
Total Indirect Cost	441,325	460,650	19,325	4%	2,692,165	2,763,900	71,735	3%	5,527,800	2,835,635
<u>Overhead Cost</u>										
Annual events	10,476	500	(9,976)	-1995%	10,476	3,000	(7,476)	-249%	6,000	(4,476)
Audit	2,200	2,142	(58)	-3%	19,100	12,850	(6,250)	-49%	25,700	6,600
Bad debts	-	1,667	1,667	100%	1,199	10,000	8,800	88%	20,000	18,801
Bank charges	6,313	5,917	(396)	-7%	37,371	35,500	(1,871)	-5%	71,000	33,629
Directors fees	10,950	10,583	(367)	-3%	64,824	63,500	(1,324)	-2%	127,000	62,176
Dues & memberships	24,183	7,267	(16,916)	-233%	69,354	43,600	(25,754)	-59%	87,200	17,846
Election Expense	0	0	0	0%	0	0	0	0%	0	0
Interest	59,295	59,833	539	1%	355,767	359,000	3,233	1%	718,000	362,233
Legal	21,580	8,792	(12,788)	-145%	57,812	52,750	(5,061)	-10%	105,500	47,688
Meetings, conventions & travel	1,370	2,417	1,046	43%	13,506	14,500	994	7%	29,000	15,494
Meets, con & travel - Directors	722	3,658	2,936	80%	11,543	21,950	10,408	47%	43,900	32,357
Office supplies	879	1,650	771	47%	9,354	9,900	546	6%	19,800	10,446
Office support	-	-	0	0%	3,157	0	(3,157)	0%	0	(3,157)
Postage	132	1,717	1,585	92%	3,949	10,300	6,351	62%	20,600	16,651
Property taxes	862	425	(437)	-103%	3,851	2,550	(1,301)	-51%	5,100	1,249
Advertising & Publicity	0	167	167	100%	-	1,000	1,000	100%	2,000	2,000
Public education & outreach	3,284	19,683	16,399	83%	82,523	118,100	35,578	30%	236,200	153,678
Total Overhead Cost	142,245	126,417	(15,828)	-13%	743,785	758,500	14,715	2%	1,517,000	773,215
TOTAL EXPENSES	\$2,224,484	\$2,396,270	\$171,786	7%	\$13,944,569	\$14,377,549	\$432,981	3%	\$28,755,267	\$14,810,698

CAPITAL COST ANALYSIS - EQUIPMENT 12/21



CAPITAL COST ANALYSIS - PROJECTS 12/21



MINUTES OF THE REGULAR MEETING
& OF THE
ENGINEERING COMMITTEE MEETING

December 13, 2021

At approximately 9:30 a.m. Director Vergara called the Engineering Committee meeting to order.

Committee Members MIKE GASKINS , KATHRYN FRESHLEY, JOSE VERGARA, MARK MONIN, and KAY HAVENS participated.

Also participating were DENNIS P. CAFFERTY, General Manager, JASON HAYDEN, CFO, GILBERT J. GRANITO, General Counsel, SCOTT HOPKINS, Operations Superintendent, HANNAH FORD, Engineering Manager, SHERRI SEITZ, Public Relations/Emergency Preparedness Administrator, and POLLY WELSCH, Recording Secretary.

Consent Calendar

Director Vergara asked for a Motion.

Motion: Director Monin made a Motion, seconded by Director Havens and carried across the Board to approve the Consent Calendar.

Roll Call Vote:

Director Havens	aye
Vice President Freshley	aye
Director Vergara	aye
President Gaskins	aye
Director Monin	aye

Engineering Action Items

WRP Headworks Wash Press System Project

Ms. Ford stated that the headworks includes two sets of screens; one captures larger material and the other downstream of the grit chamber to capture finer material. Ms. Ford further stated the coarse screenings and grit are hauled to the landfill while the fine screenings are combined with the sludge for disposal to SOCWA. Ms. Ford explained that, typically, the coarse screenings and grit are trucked to the landfill one to three times per month, and staff dump the fine screenings tipping bin into the sludge storage tank twice per day. She further stated that during the pilot, trucks disposed of washed and compacted fine screenings to the landfill.

Ms. Ford stated that with the wash press operating, staff noticed a decrease in coarse screenings hauling, which occurred only once every three months. She further stated that the reduced load of fine screenings to SOCWA significantly decreased disposal costs.

Ms. Ford stated that in addition to cost savings, the wash press would reduce staff time and water loss.

Director Vergara asked for a Motion.

Motion: Director Monin made a Motion, seconded by Vice President Freshley, and unanimously carried across the Board to authorize the General Manager to enter into a purchase order contract with JWC Environmental in the amount of \$63,062.84 for the purchase of the equipment necessary for the WRP Headworks Wash Press System Project.

Roll Call Vote:

Director Havens	aye
Vice President Freshley	aye
Director Vergara	aye
President Gaskins	aye
Director Monin	aye

Engineering General Information Items

Capital Projects Status Report

R-6 Floating Cover Replacement & Improvement Project

Ms. Ford stated that staff is working to develop the valve pre-purchase package for Board approval in early 2022, and the design consultant is working to submit the 60% design this month for staff review.

Joint Transmission Main (JTM) Pump Station Project

Ms. Ford stated that proposals are due at the end of December so award can take place in January at a special board meeting.

Master Plan Update

Ms. Ford stated that staff is working to hire a consultant for master planning services and plans to recommend award in February 2022.

WRP Effluent Pump Station Rehab Project

Ms. Ford stated that staff plans to solicit bids this month for potential board approval of a construction contract in January.

Grit Chamber Rehab Project

Ms. Ford stated that staff has awarded the contract to SS Mechanical and is working on issuing the Notice to Proceed this month.

R-2 Reservoir Interior Recoating Project

Ms. Ford stated that staff submitted documentation in pursuit of grant funding from DWR and is working with the low bidder, Associated Tank Constructors, to delay start of construction until February 2022 in order to use potential grant funding.

Filter Plan Building/WEROC EOC

Ms. Ford stated that the consultant has kicked off the project, conducted two site visits, and plans to maintain schedule of design review and architectural renderings in March 2022.

Oso List Station

Ms. Ford stated that this project is in the process of completion.

Phase II Recycled Water Distribution System Expansion Project

Ms. Ford stated that staff has received the final rebate payments from MET and has closed this project.

Energy Efficiency Analysis

Mr. Cafferty stated that staff is working with SoCalRen and AESC to understand implementation costs and electrical cost savings and plans to review a short list of alternatives with the Board early 2022.

Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

Comments Regarding Non-Agenda Engineering Committee Items

Mr. Cafferty stated that he has been discussing with an architect the possibility of expanding the Board room and installing new technology.

Director Vergara stated that staff should list the District's accomplishments at our CAG meetings and advertise on the website and in the Laguna Woods Globe.

Adjournment

There being no further business, the Engineering Committee meeting was adjourned at approximately 10:00 a.m.

Attorney Report

Mr. Granito stated that there is no need for a Closed Session today and as such, regular session continued.

Adjournment

At approximately 10:00 a.m. the meeting was adjourned.

Respectfully submitted,

POLLY WELSCH
Recording Secretary

APPROVED:

KATHRYN FRESHLEY, President
of the El Toro Water District and the
Board of Directors thereof

DENNIS P. CAFFERTY, Secretary
of the El Toro Water District and the
Board of Directors thereof



STAFF REPORT

To: Board of Directors

Meeting Date: January 24, 2022

From: Hannah Ford, Engineering Manager

Subject: Capital Project Status Report

I. R-6 Floating Cover and Liner Replacement Project

To reduce the planned R-6 Reservoir outage by 2 months, the District plans to pre-purchase large valves required for this project from the existing vendor (no equal). Staff submitted the valve pre-purchase package to the vendor and awaits final quotation for board approval next month.



The design consultant, HGC, submitted the 60% design last month. District staff reviewed, conducted a design review meeting and site visit, and returned comments on the 60% design this month. The design engineer's revised project cost estimate, based on contractor review of the 60% design, is approximately \$2 million higher than originally estimated.

Staff submitted the final revised preliminary design report to Division of Drinking Water and Division Safety of Dams for review and approval. Staff is also working on coordinating with other agencies on a contingency plan to maintain supply reliability during the time the R-6 Reservoir is out of service.

Table 1 summarizes the total budget, timeframe, and percent complete for the current design contract with HGC. The amendment to add the liner design was executed at the end of November, so HGC is working to ramp up those efforts and maintain schedule to complete the bidding process by July 2022.

Table 1 – R-6 Design Contract Schedule and Budget Status

Current Design Contract	Total	Percent Complete
Budget	\$671,236	39%
Schedule	May 28, 2021 – July 8, 2022	58%

II. Joint Transmission Main (JTM) Pump Station Project

District staff executed the final design contract with Black and Veatch this month. To keep the project on track, the team prioritized confirming pump suction conditions. The District, South Coast Water District, and Black and Veatch met to discuss hydraulic assumptions for the JTM pump station. A formal interactive kickoff workshop to confirm preliminary design will take place later this month.

Staff has also been working with Dudek to develop the mitigated negative declaration documentation to comply with the California Environmental Quality Act (CEQA). As part of this effort, District staff initiated tribal consultation this month.

III. Water and Sewer Master Plan Update

The purpose of this project is to update the District's water and wastewater hydraulic models and determine recommendations for system improvements based on that modeling. Staff invited six consultants to respond to a request for proposals (RFP) to hire a consultant for master planning services. Five consultants attended the pre-proposal meeting. Staff plans to recommend award in February 2022.

IV. Ocean Outfall Pump Station (OOPS) Generator Replacement Project

The contractor, Filanc, mobilized to the WRP site in December. Conduit was installed and concrete encased, and the existing generator was disconnected and removed from the site. Concrete placement for conduit is in progress. Delivery of the generator from the manufacturer is on track for April 2022. Filanc will commission the generator and complete the project by July 2022.



Table 2 summarizes the total budget, timeframe, and percent complete for Filanc's construction contract. Original construction completion was scheduled for November 29, 2021, but material delays have extended schedule to July 2022, which explains higher schedule than budget expenditure. Budget is anticipated to increase via change order due to pandemic-related schedule delays and additional safety design features requested by District staff after bidding.

Table 2 – OOPS Generator Replacement Construction Schedule and Budget Status

Construction Contract	Total	Percent Complete
Budget	\$384,523	26%
Schedule	April 19, 2021 – July 15, 2022	60%

V. Water Recycling Plant (WRP) Effluent Pump Station (EPS) Rehabilitation Project

District staff invited five contractors to bid on this project at the end of December 2021, who all attended the mandatory preproposal meeting on January 11. Bids are due next month for potential Board approval of a construction contract in February 2022.

VI. Wash Press System at Headworks

District staff ordered the new Wash Press equipment in December and expects to receive the equipment in March. Recent quotations for electrical components appear lower than initially estimated, so the required budget will likely be less than anticipated.

Table 3 –Wash Press System at Headworks Construction Schedule and Budget Status

Construction Contract	Total	Percent Complete
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Budget	\$103,063	0%
Schedule	December 23, 2021 – May 15, 2022	17%

VII. Aliso Creek Emergency Generator Replacement Project

The Aliso Creek Lift Station plays a crucial role in pumping wastewater to the WRP from the southern portion of the District's service area called the Aliso Creek Zone. Its emergency generator is aging and requires replacement to preserve reliability and comply with the latest Air Quality management district requirements. The project components consist of removal and replacement of the generator and its automatic transfer switch.



District staff is self-performing the design of this project and aims to invite contractors to bid next month for potential award in March 2022.

VIII. Grit Chamber Rehabilitation Project

Staff issued the notice to proceed (NTP) last month, conducted a preconstruction meeting, and are currently reviewing submittals. The contractor, SS Mechanical, is developing a construction schedule, which may require more than the anticipated 120 calendar days to complete the work due to pandemic-related supply chain issues.

IX. R-2 Reservoir Interior Recoating Project

The District awarded the project to Associated Tank Constructors but plans to delay start of significant construction until next month, when award of Department of Water Resources (DWR) grant funding is anticipated.

X. Filter Plant Building / Water Emergency Response Organization of Orange County (WEROC) Emergency Operations Center (EOC)

The design team conducted two site visits, including a utility meet and mark. The architect met with Municipal Water District of Orange County (MWDOC) to develop the design of the EOC. The District and MWDOC plan to work with the architect to confirm which building material type is most effective (steel or masonry). The team plans to maintain schedule for a 30% design review, including architectural renderings in March 2022.

XI. Main Office HVAC Replacement and Improvement Project

Scott Wallace Structural Engineers Inc (SWSE) confirmed the structural requirements for roof modifications in order to replace the existing five air conditioning units in kind, and staff is working on obtaining pricing for the required modifications. Once the cost is confirmed, staff will evaluate the best approach for this project and potentially put together bid documents for Board award in early 2022.

XII. Aeration Basin Diffuser Project

The contractor, Filanc Construction (Filanc), is still awaiting delivery of the materials, which is slated to occur in February 2022. The preconstruction meeting will take place at the end of this month.

Table 4 summarizes the total budget, timeframe, and percent complete for Filanc's construction contract. Original construction completion was scheduled for December 1, 2021, but material delays have extended schedule to April 2022, which explains the schedule far exceeding budget expenditure.

Table 4 – Aeration Basin Construction Schedule and Budget Status

Construction Contract	Total	Percent Complete
Budget	\$203,650	3%
Schedule	April 5, 2021 – April 29, 2022	74%

XIII. WRP Main Electrical Power Breakers Replacement Project

Schneider Electric USA Inc. is fabricating the new breakers for installation in March 2022.

Table 4 summarizes the total budget, timeframe, and percent complete for this project. The District has not yet received the invoice for the new equipment fabrication, which explains higher schedule than budget expenditure.

Table 4 – WRP Main Electrical Power Breaker Schedule and Budget Status

Construction Contract	Total	Percent Complete
Budget	\$134,491	11%
Schedule	April 29, 2021 – April 29, 2022	72%

XIV. Oso Lift Station Improvement Project

Staff is reviewing record drawings provided by the design engineer and working toward project closeout.

Staff is working with the City of Laguna Woods to finalize the Lot Line Adjustment for the additional property incorporated into the site. At the City Council Meeting on January 19 the City approved an amendment to the to the agreement for acquisition of real property with the District to transfer the portion of a City-owned parcel to the District. The agreement amendment is presented for approval by the ETWD Board at the January 27 Regular Board Meeting.

Table 5 summarizes the project financials to date. Higher costs for geotechnical and Change Orders to the construction contract caused an anticipated negative contingency of \$3,225. (Note that anticipated expenditure is lower than contract amount due to efficiencies in speciality inspections and engineering services during construction.)

Table 5 – Oso Lift Station Construction Cost Estimate Summary

	Contract Amount	Billed to Date	Anticipated Expenditure
Total Construction Contract Bid Amount	\$1,954,236	\$1,906,498	\$1,954,236
Approved Change Orders	\$133,294	\$133,294	\$133,294
Anticipated Deduct Change Order	(\$17,488)	0	(\$17,488)
Specialty Inspections (Env., Geotech)	\$32,685	\$24,462	\$25,000
Eng. Services During Construction	\$96,000	\$84,780	\$93,000
Property Ownership Legal Costs	\$78,622	\$78,622	\$78,622
Utility Costs (SCE/AT&T)	\$18,147	\$18,147	\$18,147
Permit Costs	\$6,650	\$6,650	\$6,650
Contingency	(\$13,910)	\$0	(\$3,225)
Total	\$2,288,236	\$2,252,453	\$2,288,236

XV. Phase II Recycled Water Distribution System Expansion Project

MWD requested a virtual inspection of the final on-site retrofits, so staff is working on responding to that request prior to formally closing out the project.

XVI. Energy Efficiency Analysis

SoCalREN provided a draft “Preliminary Measures List” late in 2021 providing initial recommendations to optimize energy consumption. Staff reviewed the document and provided comments on the report. SoCalREN recently provided a revised report. Staff is reviewing the revised report and working with SoCalREN and AESC to understand implementation costs and associated anticipated electrical cost savings of each recommendation.

**F.Y. 2021/22 CAPITAL REPLACEMENT AND REFURBISHMENT PROGRAM BUDGET ITEMS > \$50,000
BOARD APPROVAL SCHEDULE**

Category	Project Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	CRRP Budget	Board Approved Cost
2021/22 Capital Projects															
	R-2 Reservoir Interior Recoating	E	E	E	B	A			C	C	C	C		\$605,000	\$806,000
	Wash Press System at Headworks			E	E	E	A	O		R	C	C		\$200,000	\$103,063
2021/22 Capital Equipment															
	Aeration Basin No. 1 Diffusers	C	C	C	C	C	C	C	C	C	C			\$245,000	\$245,190
	Effluent Pump Station Rehabilitation			E	E	E	B	B	A	C	C	C	C	\$150,000	-
	WRP Main Electrical Power Breaker Upgrades	A	C	C	C	C	C	C	C	C	C			\$140,000	\$134,491
	DAF Unit #2 Rehabilitation Project							E	E	B	A	C	C	\$150,000	-
	Aliso Creek Emergency Generator Replacement Project					E	E	E	B	A	C	C	C	\$275,000	-
Previous Fiscal Year Carryover															
	Oso Lift Station Improvement Project	C	C	C	C									\$2,950,432	\$2,288,236
	Grit Chamber Rehab/Recoating	E	E	E	B	A	C	C	C	C				\$85,000	\$416,000
	OOPS Emergency Generator Replacement	C	C	C	C	C	C	C	C	C	C	C	C	\$220,000	\$414,523
	Main Office/Field Office HVAC Replacement & Improvement Project	ET	ET	ET	ET	ET	ET	ET	B	A	C	C	C	\$322,500	-
	Master Plan Update			E	E	E	RFP	ET	A	E	E	E	E	\$350,000	-
	Caltrans Widening Utility Relocations									C	C	C	C	\$0	\$769,777
Pending (Not Yet Budgeted)															
	R-6 Reservoir Floating Cover	E	E	E	E	A	E	E	E	E	E	E	B	\$0	\$671,236
	Filter Plant Site Use Plan Investigation and Design	RFP	RFP	ET	A	E	E	E	E	BP	E	E	E	\$0	\$475,633
	Phase III Recycled Water Expansion		E	E	E	BP								\$0	-
	JTM Pump Station		E	E	BP	RFP	ET	A	E	E	E	B	A	\$0	\$177,845
Total														\$6,292,932	\$6,501,994

Key:

	Water
	Wastewater
	Split between Water and Wastewater
	Board Involvement

Abbreviations:

A = Approve by Board
B = Bid
BP = Board Presentation
C = Construction

E = Engineering/Study
ET = Evaluate
L = Legal
N = Negotiate

O = Order
P = Permit
RFP = Request for Proposal
R = Receive

EL TORO WATER DISTRICT

Glossary of Water Terms

Accumulated overdraft: The amount of water necessary to be replaced in the intake area of the groundwater basin to prevent the landward movement of ocean water into the fresh groundwater body.

Acre-foot, AF: A common water industry unit of measurement. An acre-foot is 325,851 gallons, or the amount of water needed to cover one acre with water one foot deep. An acre-foot serves annual needs of two typical California families.

ACWA: Association of California Water Agencies.
A statewide group based in Sacramento that actively lobbies State and Federal Government on water issues.

Advanced treatment: Additional treatment processes used to clean wastewater even further following primary and secondary treatment. Also known as tertiary treatment.

AFY: Acre-foot per year.

Alluvium: A stratified bed of sand, gravel, silt, and clay deposited by flowing water.

AMP: Allen McCulloch pipeline.

Major pipeline transporting treated water to water districts between Yorba Linda, where it starts to El Toro Water District reservoir, where it terminates.

Annexation: The inclusion of land within a government agency's jurisdiction.

Annual overdraft: The quantity by which the production of water from the groundwater supplies during the water year exceeds the natural replenishment of such groundwater supplies during the same water year.

Aqueduct: A man-made canal or pipeline used to transport water.

Aquifer: An underground geologic formation of rock, soil or sediment that is naturally saturated with water; an aquifer stores groundwater.

Arid: Dry; deserts are arid places. Semi-arid places are almost as dry as a desert.

Artesian: An aquifer in which the water is under sufficient pressure to cause it to rise above the bottom of the overlying confining bed, if the opportunity is provided.

Artificial recharge: The addition of surface water to a groundwater reservoir by human activity, such as putting surface water into recharge basins. (See also: groundwater recharge and recharge basin.)

AWWA American Water Works Association
Nationwide group of public and private water purveyors and related industrial suppliers.

Base flow: The portion of river surface flow which remains after deduction of storm flow and/or purchased imported water.

Bay-Delta: The Sacramento-San Joaquin Bay-Delta is a unique natural resource of local, state and national significance. The Delta is home to more than 500,000 people; contains 500,000 acres of agriculture; provides habitat for 700 native plant and animal species; provides water for more than 25 million Californians and 3 million acres of agriculture; is traversed by energy, communications and transportation facilities vital to the economic health of California; and supports a \$400 billion economy.

BIA: Building Industry Association.

Biofouling: The formation of bacterial film (biofilm) on fragile reverse osmosis membrane surfaces.

Biosolids: Solid organic matter recovered from a sewage treatment process and used especially as fertilizer.

BMP: Best Management Practice. An engineered structure or management activity, or combination of these, that eliminates or reduces adverse environmental effects.

Brackish water: A mixture of freshwater and saltwater.

Brown Act: Ralph M. Brown Act enacted by the State legislature governing all meetings of legislative bodies. Also known as the Open Meeting requirements.

Canal: A ditch used to move water from one location to another.

CASA: California Association of Sanitation Agencies The sanitation equivalent of ACWA concerned solely with issues affecting the treatment and disposal of solid waste and wastewater.

CEQA: California Environmental Quality Act.

CERCLA: Comprehensive Environmental Response, Compensation and Liability Act. This federal law establishes the Superfund program for hazardous waste sites. It provides the legal basis for the United States EPA to regulate and clean up hazardous waste sites, and if appropriate, to seek financial compensation from entities responsible for the site.

CFS: Cubic feet per second.

Chloramines: A mixture of ammonia and chlorine used to purify water.

Clarify: To make clear or pure by separation and elimination of suspended solid material.

Coagulation: The clumping together of solids so they can more easily be settled out or filtered out of water. A chemical called aluminum sulfate (alum) is generally used to aid coagulation in water treatment and reclamation.

Coastkeepers: A non-profit organization dedicated to the protection and preservation of the marine habitats and watersheds of Orange County through programs of education, restoration, enforcement and advocacy.

Colored water: Groundwater extracted from the basin that is unsuitable for domestic use without treatment due to high color and odor exceeding drinking water standards.

Condensation: The process of water vapor (gas) changing into liquid water. An example of condensation can be seen in the tiny water droplets that form on the outside of a glass of iced tea as warmer air touches the cooler glass.

Confined aquifer: An aquifer that is bound above and below by dense layers of rock and contains water under pressure.

Conjunctive use: Storing imported water in a local aquifer, in conjunction with groundwater, for later retrieval and use.

Contaminate: To make unclean or impure by the addition of harmful substances.

CPCFA: California Pollution Control Financing Authority. State agency providing funds for wastewater reclamation projects.

Crisis:

1. **a:** The turning point for better or worse **b:** a paroxysmal attack of pain, distress, or disordered function **c:** an emotionally significant event or radical change of status in a person's life <a midlife crisis>
2. The decisive moment (as in a literary plot)
3. **a:** An unstable or crucial time or state of affairs in which a decisive change is impending; *especially* : one with the distinct possibility of a highly undesirable outcome <a financial crisis> **b:** a situation that has reached a critical phase

CTP Coastal Treatment Plant

CWPCA California Water Pollution Control Association. A 7000 member non-profit educational organization dedicated to water pollution control.

Dam: A barrier built across a river or stream to hold water.

Decompose: To separate into simpler compounds, substances or elements.

Deep percolation: The percolation of surface water through the ground beyond the lower limit of the root zone of plants into a groundwater aquifer.

Degraded water: Water within the groundwater basin that, in one characteristic or another, does not meet primary drinking water standards.

Delta: Where the rivers empty; an outlet from land to ocean, also where the rivers deposit sediment they carry forming landforms.

Delta Vision: Delta Vision is intended to identify a strategy for managing the Sacramento-San Joaquin Delta as a sustainable ecosystem that would continue to support environmental and economic functions that are critical to the people of California.

Demineralize: To reduce the concentrations of minerals from water by ion exchange, distillation, electro-dialysis, or reverse osmosis.

De-nitrification: The physical process of removing nitrate from water through reverse osmosis, microfiltration, or other means.

Desalting (or desalination): Removing salts from salt water by evaporation or distillation. Specific treatment processes, such as reverse osmosis or multi-stage flash distillation, to demineralize seawater or brackish (saline) waters for reuse. Also sometimes used in wastewater treatment to remove salts other pollutants.

Desilting: The physical process of removing suspended particles from water.

Dilute: To lessen the amount of a substance in water by adding more water.

Disinfection: Water treatment which destroys potentially harmful bacteria.

Drainage basin: The area of land from which water drains into a river, for example, the Sacramento River Basin, in which all land area drains into the Sacramento River. Also called catchment area, watershed, or river basin.

Drought: A prolonged period of below-average precipitation.

DPHS: California Department of Public Health Services. Regulates public water systems; oversees water recycling projects; permits water treatment devices; certifies drinking water treatment and distribution operators; supports and promotes water system security; provides support for small water systems and for improving technical, managerial, and financial (TMF) capacity; provides funding opportunities for water system improvements.

DVL: Diamond Valley Lake. Metropolitan's major reservoir near Hemet, in southwestern Riverside County.

DWR: California Department of Water Resources. Guides development/management of California's water resources; owns/operates State Water Project and other water facilities.

Endangered Species: A species of animal or plant threatened with extinction.

Endangered Species Act of 1973 (ESA): The most wide-ranging of the dozens of United States environmental laws passed in the 1970s. As stated in section 2 of the act, it was designed to protect critically imperiled species from extinction as a "consequence of economic growth and development untended by adequate concern and conservation.

Ecosystem: Where living and non-living things interact (coexist) in order to survive.

Effluent: Wastewater or other liquid, partially or completely treated or in its natural state, flowing from a treatment plant.

Evaporation: The process that changes water (liquid) into water vapor (gas).

Estuary: Where fresh water meets salt water.

Evapotranspiration: The quantity of water transpired (given off), retained in plant tissues, and evaporated from plant tissues and surrounding soil surface. Quantitatively, it is expressed in terms of depth of water per unit area during a specified period of time.

FCH Federal Clearing House – Environmental Review/Processing

FEMA Federal Emergency Management Agency

Filtration: The process of allowing water to pass through layers of a porous material such as sand, gravel or charcoal to trap solid particles. Filtration occurs in nature when rain water soaks into the ground and it passes through hundreds of feet of sand and gravel. This same natural process of filtration is duplicated in water and wastewater treatment plants, generally using sand and coal as the filter media.

Flocculation: A chemical process involving addition of a coagulant to assist in the removal of turbidity in water.

Forebay: A reservoir or pond situated at the intake of a pumping plant or power plant to stabilize water level; also, a portion of a groundwater basin where large quantities of surface water can recharge the basin through infiltration.

Gray water reuse: Reuse, generally without treatment, of domestic type wastewater for toilet flushing, garden irrigation and other non-potable uses. Excludes water from toilets, kitchen sinks, dishwashers, or water used for washing diapers.

Green Acres Project (GAP): A 7.5 million gallons per day (MGD) water reclamation project that serves tertiary treated recycled water to irrigation and industrial users in Costa Mesa, Fountain Valley, Huntington Beach, Newport Beach, and Santa Ana.

God Squad: A seven-member committee that is officially called the "Endangered Species Committee". Members consist of Secretary of the Interior, the Secretary of Agriculture, the Secretary of the Army, the Chairman of the Council of Economic Advisers, the Administrator of the National Oceanic and Atmospheric Administration and one individual from the affected state. The squad was established in 1978 by an amendment to the 1973 Endangered Species Act (ESA). It has only been called into action three times to deal with proposed federal agency actions that have been determined to cause "jeopardy" to any listed species. Such actions may receive an exemption from the ESA if five members of the committee determine that the action is of regional or national significance, that the benefits of the action clearly outweigh the benefits of conserving the species and that there are no reasonable and prudent alternatives to the action.

Groundwater: Water that has percolated into natural, underground aquifers; water in the ground, not water puddled on the ground.

Groundwater basin: A groundwater reservoir defined by the overlying land surface and the underlying aquifers that contain water stored in the reservoir. Boundaries of success-ively deeper aquifers may differ and make it difficult to define the limits of the basin.

Groundwater mining: The withdrawal of water from an aquifer in excess of recharge over a period of time. If continued, the underground supply would eventually be exhausted or the water table could drop below economically feasible pumping lifts.

Groundwater overdraft: The condition of a groundwater basin in which the amount of water withdrawn by pumping exceeds the amount of water that recharges the basin over a period of years during which water supply conditions approximate average.

Groundwater recharge: The action of increasing groundwater storage by natural conditions or by human activity. See also: Artificial recharge.

Ground Water Replenishment System (GWRS): A joint project of the Orange County Water District and the Orange County Sanitation District that will provide up to 100,000 acre-feet of reclaimed water annually. The high-quality water will be used to expand an existing underground seawater intrusion barrier and to replenish the groundwater basin underlying north and central Orange County.

Groundwater table: The upper surface of the zone of saturation (all pores of subsoil filled with water), except where the surface is formed by an impermeable body.

GPM: Gallons per minute.

Ground Water Replenishment System (GWRS): Orange County Water District's state-of-the-art, highly advanced, waste-water treatment facility.

Hydrologic balance: An accounting of all water inflow to, water outflow from, and changes in water storage within a hydrologic unit over a specified period.

Hydrologic cycle: The process of water constantly circulating from the ocean, to the atmosphere, to the earth in a form of precipitation, and finally returning to the ocean.

Imported water: Water that has originated from one hydrologic region and is transferred to another hydrologic region.

Inflatable rubber dams: Designed to replace temporary sand levees that wash out during heavy storm flow, the dams hold back high-volume river flows and divert the water into the off-river system for percolation.

Influent: Water or wastewater entering a treatment plant, or a particular stage of the treatment process.

Irrigation: Applying water to crops, lawns or other plants using pumps, pipes, hoses, sprinklers, etc.

JPIA Joint Powers Insurance Authority. A group of water agencies providing self-insurance to members of the ACWA.

LAIF Local Agency Investment Fund. Statewide pool of surplus public agency money managed by State Treasurer.

Leach: To remove components from the soil by the action of water trickling through.

MAF: Million acre feet.

MCL: Maximum contaminant level set by EPA for a regulated substance in drinking water. According to health agencies, the maximum amount of a substance that can be present in water that's safe to drink and which looks, tastes and smells good.

MET: Metropolitan Water District of Southern California.

MGD: Million gallons per day.

Microfiltration: A physical separation process where tiny, hollow filaments members separate particles from water.

Microorganism: An animal or plant of microscopic size.

MWD: Metropolitan Water District of Southern California.

MWDOC: Municipal Water District of Orange County. Intermediate wholesaler between MWD and 27 member agencies including ETWD.

Non-point source pollution: Pollution that is so general or covers such a wide area that no single, localized source of the pollution can be identified.

NPDES National Pollution Discharge Elimination System

OCBC: Orange County Business Council.

OCEMA Orange County Environmental Management Agency

OCWD: Orange County Water District.

Opportunity:

1. A favorable juncture of circumstances.
2. A good chance for advancement or progress .

Organism: Any individual form of life, such as a plant, animal or bacterium.

PCM Professional Community Management, Inc. Property Management company providing services to Laguna Woods Village and other homeowner associations.

Perched groundwater: Groundwater supported by a zone of material of low permeability located above an underlying main body of groundwater with which it is not hydrostatically connected.

Percolation: The downward movement of water through the soil or alluvium to the groundwater table.

Permeability: The capability of soil or other geologic formations to transmit water.

Point source: A specific site from which waste or polluted water is discharged into a water body, the source of which is identified. See also: non-point source.

Potable water: Suitable and safe for drinking.

PPB: Parts per billion.

Precipitation: Water from the atmosphere that falls to the ground as a liquid (rain) or a solid (snow, sleet, hail).

Primary treated water: First major treatment in a wastewater treatment facility, usually sedimentation but not biological oxidation.

Primary treatment: Removing solids and floating matter from wastewater using screening, skimming and sedimentation (settling by gravity).

Prior appropriation doctrine: Allocates water rights to the first party who diverts water from its natural source and applies the water to beneficial use. If at some point the first appropriator fails to use the water beneficially, another person may appropriate the water and gain rights to the water. The central principle is beneficial use, not land ownership.

Pumping Plant: A facility that lifts water up and over hills.

Recharge: The physical process where water naturally percolates or sinks into a groundwater basin.

Recharge basin: A surface facility, often a large pond, used to increase the infiltration of surface water into a groundwater basin.

Reclaimed wastewater: Wastewater that becomes suitable for a specific beneficial use as a result of treatment. See also: wastewater reclamation.

Reclamation project: A project where water is obtained from a sanitary district or system and which undergoes additional treatment for a variety of uses, including landscape irrigation, industrial uses, and groundwater recharge.

Recycling: A type of reuse, usually involving running a supply of water through a closed system again and again. Legislation in 1991 legally equates the term "recycled water" to reclaimed water.

Reservoir: A place where water is stored until it is needed. A reservoir can be an open lake or an enclosed storage tank.

Reverse osmosis: (RO) A method of removing salts or other ions from water by forcing water through a semi-permeable membrane.

RFP Request for Proposal

Riparian: Of or on the banks of a stream, river, or other body of water.

RO: Reverse osmosis. See the listing under "reverse osmosis."

R-O-W Right-of-way

Runoff: Liquid water that travels over the surface of the Earth, moving downward due to gravity. Runoff is one way in which water that falls as precipitation returns to the ocean.

RWQCB Regional Water Quality Control Board. State agency regulating discharge and use of recycled water.

Safe Drinking Water Act (SDWA): The Safe Drinking Water Act (SDWA) was originally passed by Congress in 1974 to protect public health by regulating the nation's public drinking water supply. The law was amended in 1986 and 1996 and requires many actions to protect drinking water and its sources: rivers, lakes, reservoirs, springs, and ground water wells. (SDWA does not regulate private wells which serve fewer than 25 individuals.) SDWA authorizes the United States Environmental Protection Agency (US EPA) to set national health-based standards for drinking water to protect against both naturally-occurring and man-made contaminants that may be found in drinking water. US EPA, states, and water systems work together to make sure that these standards are met.

Safe yield: The maximum quantity of water that can be withdrawn from a groundwater basin over a long period of time without developing a condition of overdraft, sometimes referred to as sustained yield.

SAFRA Santa Ana River Flood Protection Agency

Salinity: Generally, the concentration of mineral salts dissolved in water. Salinity may be measured by weight (total dissolved solids - TDS), electrical conductivity, or osmotic pressure. Where seawater is known to be the major source of salt, salinity is often used to refer to the concentration of chlorides in the water.

SAWPA: Santa Ana Watershed Project Authority.

SCADA Supervisory Control and Data Acquisition

SCAP Southern California Alliance of Publicly. Newly formed group of public agencies seeking reasonable regulation of sewer industry.

SCH State Clearing House – Environmental Review/Processing

Seasonal storage: A three-part program offered by Metropolitan Water District of Southern California:

STSS (Short Term Seasonal Storage) financially encourages agencies with local groundwater production capabilities to produce a higher percentage of their demand in the summer from their local groundwater supplies, thus shifting a portion of their demand on the MWD system from the summer to winter;

LTSS (Long Term Seasonal Storage) financially encourages retail agencies to take and store additional amounts of MWD water above their normal annual demands for later use; Replenishment Water provides less expensive interruptible water that is generally available and used to increase the operating yield of groundwater basins.

Seawater intrusion: The movement of salt water into a body of fresh water. It can occur in either surface water or groundwater basins.

Seawater barrier: A physical facility or method of operation designed to prevent the intrusion of salt water into a body of freshwater.

Secondary treatment: The biological portion of wastewater treatment which uses the activated sludge process to further clean wastewater after primary treatment. Generally, a level of treatment that produces 85 percent removal efficiencies for biological oxygen demand and suspended solids. Usually carried out through the use of trickling filters or by the activated sludge process.

Sedimentation: The settling of solids in a body of water using gravity.

Settle: To clarify water by causing impurities/solid material to sink to a container's bottom.

Sewer: The system of pipes that carries wastewater from homes and businesses to a treatment plant or reclamation plant. Sewers are separate from storm drains, which is a system of drains and pipes that carry rain water from urban streets back to the ocean. Overwatering your yard can also cause water to run into the streets and into storm drains. Storm drain water is not treated before it is discharged.

SigAlert: Any unplanned event that causes the closing of one lane of traffic for 30 minutes or more, as opposed to a planned event, like road construction, which is planned.

SJBA San Juan Basin Authority

Sludge: The solids that remain after wastewater treatment. This material is separated from the cleaned water, treated and composted into fertilizer. Also called biosolids.

SOCWA South Orange County Wastewater Authority. Regional Joint Powers Authority formed for collection and treatment of sewerage (previously known as AWMA/SERRA/SOCRA). SOCWA member agencies:

CSC – City of San Clemente

CSJC – City of San Juan Capistrano

CLB – City of Laguna Beach

ETWD – El Toro Water District

EBSD – Emerald Bay Service District

IRWD – Irvine Ranch Water District

MNWD – Moulton Niguel Water District

SCWD – South Coast Water District

SMWD – Santa Margarita Water District

TCWD – Trabuco Canyon Water District

SRF State Revolving Fund

Storm Drain: The system of pipes that carries rain water from urban streets back to the ocean. Overwatering your yard can also cause water to run into the streets and into storm drains. Storm drain

water is not treated before it is discharged. Storm drains are separate from sewers, which is a separate system of pipes to carry wastewater from homes and businesses to a treatment plant or reclamation plant for cleaning.

Storm flow: Surface flow originating from precipitation and run-off which has not percolated to an underground basin.

SWP: State Water Project. An aqueduct system that delivers water from northern California to central and southern California.

SWRCB State Water Resources Control Board

TDS: Total dissolved solids. A quantitative measure of the residual minerals dissolved in water that remain after evaporation of a solution. Usually expressed in milligrams per liter.

Tertiary treatment: The treatment of wastewater beyond the secondary or biological stage. Normally implies the removal of nutrients, such as phosphorous and nitrogen, and a high percentage of suspended solids.

THM: Trihalomethanes. Any of several synthetic organic compounds formed when chlorine or bromine combine with organic materials in water.

TMA: Too many acronyms.

TMDL: Total maximum daily load; A quantitative assessment of water quality problems, contributing sources, and load reductions or control actions needed to restore and protect bodies of water.

Transpiration: The process in which plant tissues give off water vapor to the atmosphere as an essential physiological process.

Turbidity: Thick or opaque with matter in suspension; muddy water.

Ultraviolet light disinfection: A disinfection method for water that has received either secondary or tertiary treatment used as an alternative to chlorination.

VE Value Engineering

VOC: Volatile organic compound; a chemical compound that evaporates readily at room temperature and contains carbon.

Wastewater: Water that has been previously used by a municipality, industry or agriculture and has suffered a loss of quality as a result.

Water Cycle: The continuous process of surface water (puddles, lakes, oceans) evaporating from the sun's heat to become water vapor (gas) in the atmosphere. Water condenses into clouds and then falls back to earth as rain or snow (precipitation). Some precipitation soaks into the ground (percolation) to replenish groundwater supplies in underground aquifers.

Water rights: A legally protected right to take possession of water occurring in a natural waterway and to divert that water for beneficial use.

Water-use Efficiency: The water requirements of a particular device, fixture, appliance, process, piece of equipment, or activity.

Water year (USGS): The period between October 1st of one calendar year to September 30th of the following calendar year.

Watermaster: A court appointed person(s) that has specific responsibilities to carry out court decisions pertaining to a river system or watershed.

Water Reclamation: The treatment of wastewater to make it suitable for a beneficial reuse, such as landscape irrigation. Also called water recycling.

Watershed: The total land area that from which water drains or flows to a river, stream, lake or other body of water.

Water table: The top level of water stored underground.

WEF Water Environment Federation. Formerly – Water Pollution Control Federation (WPCF). International trade group advising members of sewage treatment techniques and their effect on the environment.

Weir box: A device to measure/control surface water flows in streams or between ponds.

Wellhead treatment: Water quality treatment of water being produced at the well site.

Wetland: Any area in which the water table stands near, at, or above the land surface for a portion of the year. Wetlands are characterized by plants adapted to wet soil conditions.

Xeriscape: Landscaping that requires minimal water.