

I hereby certify that the following agenda was posted at least 24 hours prior to the time of the meeting so noticed below at 24251 Los Alisos Boulevard, Lake Forest, California.



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



## **A G E N D A**

### **EL TORO WATER DISTRICT SPECIAL MEETING OF THE BOARD OF DIRECTORS BOARD BUDGET WORKSHOP**

**May 3, 2023  
1:30 p.m.**

**BOARDROOM, DISTRICT OFFICE  
24251 LOS ALISOS BLVD., LAKE FOREST, CA 92630**

**Vice President Vergara will be attending remotely from:  
27231 Eastridge Drive  
Lake Forest, CA 92630**

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This meeting will be held in person. As a convenience for the public, the meeting may also be accessed by Zoom and will be available by either computer or telephone audio as indicated below. Because this is an in-person meeting and the virtual component is not required, but rather is being offered as a convenience, if there are any technical issues during the meeting, this meeting will continue and will not be suspended.

Members of the public who wish to comment on any item within the jurisdiction of the District or on any item on the agenda, may 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/88620746536> (Meeting ID: 886 2074 6536).

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 MEETING TO ORDER – President Havens**

**PLEDGE OF ALLEGIANCE – Director Gaskins**

## ROLL CALL (Determination of a Quorum)

## ORAL COMMENT AND PUBLIC COMMUNICATIONS

Members of the public may address the Committee at this time or they may reserve this opportunity with regard to an item on the agenda, until the Committee discusses said item later in the meeting.

1. **CONSIDER BOARD MEMBER'S REQUEST FOR REMOTE PARTICIPATION (AB 2449)**
2. **REVIEW MINUTES OF THE APRIL 25, 2023 BUDGET COMMITTEE MEETING**

The Committee will consider approving the April 25, 2023 Budget Committee meeting minutes.

**Recommended Action:** The Board will consider approving the April 25, 2023 Budget Committee meeting minutes.

3. **EL TORO WATER DISTRICT DRAFT 2023/24 BUDGET**

Staff and the Committee will review and discuss the Draft 2023/24 Budget Assumptions and Associated Fiscal Implications, the Draft Cost of Service Rate Study, the Draft Proposition 218 Notice and the Schedule to Distribute and Conduct a Public Hearing on same.

**Recommended Action:** Subject to Board input, Staff and the Committee recommend that the Board of Directors approve the El Toro Water District:

- a. 2023/24 Operating & Capital Budget
- b. 2023/24 Water, Recycled Water, and Wastewater Rate Study
- c. 2023/24 Proposition 218 Notice and authorize distribution of same in accordance with applicable public noticing requirements
- d. Authorize noticing of a Rate Public Hearing to be scheduled for July 27, 2023

## 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 BOARD BUDGET COMMITTEE  
MEETING OF THE  
EL TORO WATER DISTRICT

April 25, 2023

President Havens called the meeting of the Board Budget Committee of the Board of Directors of the ELTORO WATER DISTRICT to order at 12:00 p.m. on April 25, 2023.

President KAY HAVENS and Director MIKE GASKINS were present.

Also present were DENNIS P. CAFFERTY, General Manager, and JASON HAYDEN, CFO.

ORAL COMMUNICATIONS - PUBLIC COMMENT

President Havens stated that at this time members of the public may address the Board or they may reserve this opportunity with regard to an item on the agenda, until said item is discussed by the Board later in the meeting.

There was no public.

ETWD's Draft 2023/24 Budget and Cost of Service Implications

The Budget Committee and staff discussed the draft 2023/24 Budget and Cost of Service implications.

ADJOURNMENT

There being no further business to come before the Board the meeting was adjourned at 1:57 p.m. to Wednesday, May 3, 2023 for the full Board Budget Workshop at 1:30 p.m.

Respectfully submitted,

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Polly Welsch  
Recording Secretary

APPROVED:

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KAY HAVENS, President of  
the El Toro Water District and  
the Board of Directors thereof

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





## STAFF REPORT

**To: Board of Directors**

**Meeting Date: May 3, 2023**

**From: Dennis Cafferty, General Manager  
Jason Hayden, Chief Financial Officer**

**Subject: Fiscal Year 2023/24 Budget**

The proposed 2023-2024 budget is being developed in the context of a challenging economic environment with inflation at elevated levels and the Federal Reserve increasing interest rates at an unprecedented rate. These two factors are causing economic challenges that may lead to a recession for the US economy and will definitely have a significant impact on the District's 2023-2024 budget.

The District remains committed to keeping rates as low as possible for customers but the price increases that are happening in the economy are a severe impediment to achieving this goal. In particular, the District's commitment in prior years to keeping rate increases to less than 5% is unrealistic in the current environment when District expenses, particularly those over which District Staff has limited control, are projected to increase an average of 9.6%. Some examples:

- Purchased water expense is projected to increase \$556,800 or 6.5%;
- Electrical Power expense is projected to increase \$277,500 or 18.4%;
- SOCWA contract expense is projected to increase \$130,500 or 13.4%;
- Insurance cost is projected to increase \$34,000 or 9.9%;
- Chemical purchases (including treatment and laboratory chemicals) are projected to increase \$115,800 or 44.7%.

In contrast to these expenses, which are necessary for District operations, Staff has strived to limit increases in expenses that are to some extent controllable. Examples include:

- Personnel costs are relatively controlled with a total increase of \$368,130 or 3.72%; employee turnover has allowed Staff to control the total increase with new employees coming in with lower costs than retiring employees;
- Professional Development expenses (education, training, and travel expenses for those activities) increase only \$7,000 or 2.6%;
- Legal Services expenses remain stable in the 2023-2024 Budget;

In addition to the inflation challenge, another significant challenge the District needs to begin addressing in the 2023-2024 Budget is the essential need to increase capital rate revenue to fund

systematic capital improvements. Engineering Staff have been working on a revised master plan as well as an asset management plan for the District's infrastructure and the preliminary results from these efforts indicate a significant need to increase the investment in the District's capital equipment and infrastructure, especially at the Water Recycling Plant which is now sixty years old. The District needs to begin preparing for this elevated level of capital investments in 2023-2024 with higher capital rates because the projects will become operationally critical during the 2025-2030 period.

After taking all of the factors discussed above into consideration, the proposed 2023-2024 Budget presented to the Committee proposes a rate increase that would increase the utility bill for a single family residence by 9.4% for the 2023-2024 period. The rate increase would be implemented on August 1, 2023 as discussed at various Finance & Insurance Committee meetings. The Board will need to consider the impact of higher rates on customers while understanding the factors that are driving the rate increases. The inflation in expenses and the need to invest in the capital equipment and infrastructure of the District are likely to be factors driving rate increases for the next several budget cycles.

Following the normal budget preparation process, staff and management evaluated current and projected expenses and revenue requirements to develop the initial 2023/24 Draft Budget and Cost of Service (COS) detail. Expenses and revenues are based on historical budget to actual experience, projected resource/asset investment requirements and certain underlying assumptions regarding internal and external factors. Internal factors include the District's operating strategy, implementation/operation of existing and new resources, planned capital replacement and restoration projects/programs and staff implications of succession planning/implementation and organizational changes. External factors include staff's best estimate of expenses that are generally out of the District's control, i.e. purchased water, energy, insurance, interest rates, SOCWA, regulatory mandates/fees and inflation.

#### **Summary of 2023/24 Fiscal Results Assuming Proposed Budget is Approved as Presented**

- Commodity revenue increase to offset the increase in purchased water expense would equal \$569,500 or 6.6%.
- Total Cost of Service revenue increases would equal \$1,126,100 or 8.5%:
  - Water enterprise - \$241,400
  - Sewer enterprise - \$855,000
  - Recycled Water enterprise - \$29,700.
- Fixed Meter Charge increases for Water and Recycled Water will range from 3.5% to 7.4% depending on meter size in 2023-2024. The Water System enterprise is balanced on a cash flow basis in 2023-2024 and will remain balanced through the end of the ten year planning horizon
- MWDOC/Met pass through Water Supply Tier 1 increase of \$0.19/CCF, representing an increase of 6.4%.
- Wastewater Rate increase of 9.5%.
- Property Tax Revenue increase of \$35,000 (3.1%) from \$1,120,000 to \$1,155,000.
- Total labor increase inclusive of base salaries, the performance based merit pool, benefits and workers compensation premiums at \$606,500 or 6.3%.
- Projected Reserve replenishment of \$31,420 in 2023-2024 from the Water and Wastewater Systems, as projected in the 2022-2023 budget, due to the proposed increase in fixed meter rates. The 2022-2023 Budget included a utilization of reserves by the Water and Wastewater

systems with the understanding they would replenish the reserve utilizations over a four year period beginning in 2023-2024.

- Staff is proposing utilizing the additional revenue from the 2023-2024 Capital Rate increase to fully fund all debt service activities. The Capital Construction reserve is proposed to be fully restored to the designated \$3,000,000 over a period of four years. Under the proposed budgetary plan, by fiscal year 2026-2027, the Capital Construction Reserve is fully funded at \$3 million, all debt service expenses would be fully funded from recurring revenue, and the District would be funding at least \$5 million per year of capital improvements from recurring revenue.
- The total ending reserve balance, including all categories of reserves, will remain above the Board established \$8.5 million minimum.
- Debt Coverage Ratio will equal 143% in 2023-2024 (the 2022 Bonds requirement is 110%).
- The rate increases included in the proposed 2023-2024 Budget are higher than the 5% maximum rate increase threshold for single family residences established by the Board. The net impact of all rate changes included in the 2023-2024 Budget will increase a utility bill for a single family residence by 9.4%.

In the last couple of budget cycles, the Board and Staff working together have been able to find solutions to several long term challenges for the District, including:

- Establishing Water Commodity, Fixed Meter, and Wastewater Rates at levels that fully funded the cost of providing services;
- Identifying a method to fund significant capital projects to ensure the reliability of the water supply system (R-6 Cover/Liner Project), improve the redundancy of the District's water supply (JTM Pump Station and South Orange County Pipeline Turnout), improve the District's operations (demolition of the old water filtration plant and construction of a storage warehouse), and fund the District's capital obligations at SOCWA. Providing funding for these projects was one of the major challenges identified during the 2021-2022 Budget process and this challenge was resolved with the issuance of the 2022 Revenue Bonds;
- The District completed a comprehensive Cost of Service Study for the 2022-23 fiscal year, working with Raftelis Financial Consultants, which resulted in significant changes to the recommended rate structure based on changes that have occurred in customer usage patterns and residential occupancy data as well as changes in the District's operations and capital assets. The completion of this Study aligns the District's rates with current legal requirements and insulates the District from potential rate challenges;

The District has resolved several significant challenges in the last couple of budget cycles but will need to overcome different challenges in the 2023-2024 Budget and future budgets. The proposed 2023-2024 Budget implements a rate increase strategy that will provide sufficient funding for operations, capital improvements, and debt service for the 2022 Revenue Bonds. Staff looks forward to discussing the proposed 2023-2024 Budget with the Board and working together to resolve future challenges.

## **Attachments**

- Attachment 1 – 2023 – 2024 Proposed Budget Presentation
- Attachment 2 – Revenue and Expense Summary
- Attachment 3 – Expense Summary by Cost Center
- Attachment 4 – Expense Accounts with Totals Greater than \$200,000
- Attachment 5 – 2023/24 Purchased Water Budget
- Attachment 6 – Personnel Section of Budget Document
- Attachment 7 – 2023/24 Medical Insurance Premium Analysis
- Attachment 8 – Analysis of Variable and Fixed Revenues and Expenses
- Attachment 9 – Statement of Revenues, Expenses, and Changes in Net Position
- Attachment 10 – Ten Year Projected Changes in Cash from Operating and Restricted Reserve Activities
- Attachment 11 – Ten Year Projected Changes in Cash from Capital Improvement Activities
- Attachment 12 – Analysis of Projected Changes in Reserve Balances
- Attachment 13 – Proposed Water, Sewer and Recycled Water Rates
- Attachment 14 – Customer Sensitivity Analysis
- Attachment 15 – 2023-2024 Capital Improvement Plan
- Attachment 16 – Raftelis Rate Study
- Attachment 17 – Draft Proposition 218 Notice
- Attachment 18 – Draft 2023 – 2024 Budget Document

**Attachment 1**  
**2023 – 2024 Proposed Budget Presentation**

Attached please find a presentation that provides a comprehensive overview of the proposed 2023 – 2024 Budget.






El Toro Water District

# **2023/24 Special Board Budget Workshop Meeting**

**May 3, 2023**

# BUDGET & RATE DEVELOPMENT PROCESS



-  **Review and Scrutiny of Current and Projected Expenses and Revenue Requirements**
-  **Consideration of Established Financial Objectives and Principles**
-  **In Depth Meeting with the Board Designated Budget Committee**

# REVENUE, RATE AND RESERVE FINANCIAL OBJECTIVES








-  **Revenue and projected Cash Flow to Fund Operating and Capital Budgets as well as Debt Service Requirements**
-  **Reliable, Stable and Predictable Rate Strategy**
-  **Cost Containment Strategies and Practices to Cost Effectively Maintain Reliable Service Levels**



# STRATEGIC FINANCIAL PLANNING PRINCIPLES









-  **Annual MWDOC / MET / Baker Pass-Thru**
-  **Annual Cost of Service Evaluation & Adjustments**
-  **Comprehensive review of all budgeted expenditures to ensure efficient operations**
-  **Maintain appropriate reserve levels**
-  **Maintain Required Minimum Debt Coverage Ratios**

# REVENUE PLAN










EL TORO WATER DISTRICT

 <b>Potable Water Sales</b>	<b>6,700 AF</b>
 <b>Tertiary RW Sales</b>	<b>1,485 AF</b>
 <b>Potable Water Use Charge</b>	<b>\$0.19 Increase</b>
 <b>Tertiary RW Water Use Charge</b>	<b>\$0.17 Increase</b>
 <b>Capital Charge Revenue</b>	<b>\$4.09 Million</b>
 <b>Cost of Service Revenue Increase</b>	<b>\$1,127,200</b>

# REVENUE PLAN CONTINUED



EL TORO WATER DISTRICT

 <b>Property Tax Revenue</b>	<b>\$ 1,155,000</b>
 <b>Restricted Reserve Revenue</b>	<b>\$ 826,900</b>
 <b>Interest Income</b>	<b>\$ 250,000</b>
 <b>Rate Stabilization Replenishment</b>	<b>\$ 33,920</b>
 <b>Capital Reserves Replenishment</b>	<b>\$98,678</b>
 <b>Net Fixed Meter Revenue Increase</b>	<b>5.4%</b>
 <b>Wastewater Revenue Increase</b>	<b>10.1%</b>

# 2023/2024 Proposed Revenue



EL TORO WATER DISTRICT

Income	Actual 2021/22	Budget 2022/23	Proposed 2023/24	Change	%
410 · Water Service Charge – Potable	\$ 4,177,675	\$ 4,449,000	\$ 4,691,400	\$ 242,400	5.4%
410 · Sanitary Sewer Service Charge	8,042,358	8,495,200	9,350,200	855,000	10.1%
400 · Recycled Water Sales	2,012,144	1,850,000	1,962,000	112,000	7.4%
410 · Recycled Service Charge	372,728	402,500	432,300	29,800	7.4%
420 · Capital Facilities Charge	3,005,881	3,262,200	4,086,200	824,000	25.3%
400 · Potable Water Sales	9,212,404	9,456,200	10,025,700	569,500	6%
440 · Other Operating Income	19,829	52,800	52,200	(600)	(1%)
480 · Other Non-operating Income	233,605	256,000	249,400	(6,600)	(2.6%)
430 · Charges for Service	21,459	125,000	125,000	0	0%
450 · Grants, Rebates, Reimbursements	578,785	356,700	371,000	14,300	4%
470 · Investment Income	(257,395)	100,000	250,000	150,000	150%
460 · Property Taxes	1,121,299	1,120,000	1,155,000	40,900	3.8%
	<b>28,706,780</b>	<b>29,923,600</b>	<b>32,750,400</b>	<b>2,826,800</b>	<b>9.4%</b>

# 2023/2024 Proposed Expenses



EL TORO WATER DISTRICT

	<b>Actual 2021/22</b>	<b>Budget 2022/23</b>	<b>Proposed 2023/24</b>	<b>Change</b>	<b>%</b>
<b>Purchased Water</b>	<b>\$ 8,641,026</b>	<b>\$ 8,540,000</b>	<b>\$ 9,096,800</b>	<b>\$556,800</b>	<b>6.5%</b>
<b>Labor and Benefits</b>	<b>8,877,738</b>	<b>9,890,930</b>	<b>10,259,060</b>	<b>368,130</b>	<b>3.7%</b>
<b>Depreciation</b>	<b>4,287,777</b>	<b>4,372,300</b>	<b>4,906,900</b>	<b>534,600</b>	<b>12.2%</b>
<b>Interest Expense</b>	<b>1,072,567</b>	<b>2,704,700</b>	<b>1,928,200</b>	<b>(776,500)</b>	<b>(28.7%)</b>
<b>Other Operating</b>	<b>8,272,419</b>	<b>6,897,650</b>	<b>7,668,100</b>	<b>770,450</b>	<b>11.2%</b>
<b>Total Expenses</b>	<b>31,151,527</b>	<b>32,405,580</b>	<b>33,859,690</b>	<b>1,453,480</b>	<b>4.5%</b>
<b>Total Less Interest &amp; Depreciation</b>	<b>25,791,183</b>	<b>25,328,580</b>	<b>27,023,960</b>	<b>1,695,380</b>	<b>6.7%</b>

# 2023/2024 Purchased Water



EL TORO WATER DISTRICT

	2021/2022 Actual	2022/2023 Budget	2023/2024 Projected	Delta Budget to Budget
Purchased Water Volume	7,086 AF	7,000 AF	7,000 AF	
MWD Cost	5,355,605	4,691,176	5,012,837	267,506
MWDOC Cost	124,289	125,000	125,000	4,317
Baker WTP Cost	3,161,132	3,714,800	3,950,951	138,160
Pipeline Charges		9,024	8,012	(1,012)
Total Purchased Water Cost	8,641,026	8,540,000	9,096,800	556,800

# 2023/2024 Labor



EL TORO WATER DISTRICT

	2021/2022 Actual	2022/2023 Budget	2023/2024 Proposed	Delta Budget to Proposed	% Change Budget to Proposed
Salaries	6,517,030	7,309,830	7,623,100	313,270	4.3%
Health Insurance Premiums	973,306	1,131,500	1,138,900	7,410	0.7%
401k/457b Contributions	1,024,814	1,050,490	1,094,400	43,910	4.2%
All Other Benefits	362,588	399,120	402,660	3,540	0.9%
Total Labor Cost	8,877,738	9,890,930	10,259,060	368,130	3.7%

# 2023/24 Proposed Reserves Operating Activities 5 Year Cash Flow



EL TORO WATER DISTRICT

	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
Rate Charge Revenue	\$ 25,636,100	\$ 27,021,600	\$ 28,526,800	\$ 30,111,300	\$ 31,716,700
Other Revenue	2,402,600	2,386,400	2,377,000	2,367,000	2,359,000
Operations & Maintenance	27,023,960	28,357,964	29,800,212	31,367,027	32,944,186
Transfer for Debt Service	980,820	985,174	996,160	1,009,356	1,020,054
Cash Flow Surplus/(Deficit)	33,920	64,862	107,428	102,817	111,460

**Five Year Reserve Replenishment: \$420,487**



# 2023/24 Proposed Reserves

## Restricted Reserve 5 Year Cash Flow



EL TORO WATER DISTRICT

	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
Tiered Rate Revenue	\$826,900	\$826,900	\$826,900	\$826,900	\$826,900
Conservation Activities	200,000	200,000	200,000	200,000	200,000
Recycled Debt Service	905,880	854,276	781,240	687,044	655,946
Cash Flow Surplus/(Deficit)	(278,980)	(227,376)	(154,340)	(60,144)	(29,046)
Beginning Balance	1,107,162	828,182	600,806	446,466	386,322
Ending Balance	828,182	600,806	446,466	386,322	357,276

In 2028-2029, the Tiered Rates Restricted Reserve would begin to be replenished, with total replenishment from 2028-2029 through 2032-2033 equal to \$1,422,069. The ending ten year balance would equal \$1,779,345, more than the beginning balance.

# 2023/24 Proposed Reserves Capital Improvement 5 Year Cash Flow



EL TORO WATER DISTRICT

	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
Capital Rate Revenue	\$ 4,086,200	\$ 5,129,928	\$ 6,412,129	\$ 8,015,167	\$ 8,416,043
Transfers In	1,886,800	1,840,550	1,778,600	1,697,600	1,677,300
Other Reserve Utilizations	127,070	933,221	0	0	0
Total Funding Available	6,100,070	7,903,699	8,190,729	9,712,767	10,093,343
Capital Improvements	1,990,782	3,293,911	3,894,337	4,992,054	6,073,743
Debt Service	4,010,600	4,018,350	4,020,800	4,019,500	4,019,600
Reserve Replenishment	98,678	591,438	275,592	701,213	0

# 2023/24 Proposed Capital Improvement Program



EL TORO WATER DISTRICT

	Proposed 2023/24	Proposed 2024/25	Proposed 2025/26	Proposed 2026/27	Proposed 2027/28
Capital Projects	1,013,891	2,366,207	2,759,337	4,297,554	5,550,743
Capital Equipment	976,901	927,704	1,135,000	694,500	523,000
Totals	1,990,792	3,293,911	3,894,337	4,992,054	6,073,743

# 2023/24 Proposed Cost of Service Rate Adjustments



EL TORO WATER DISTRICT

## Water & Recycled Water

Meter Size	Current	Proposed	%
5/8"	\$17.46	\$18.07	3.5%
3/4"	\$23.62	\$24.72	4.7%
1"	\$35.93	\$38.02	5.8%
1-1/2"	\$66.70	\$71.27	6.9%
2"	\$128.25	\$137.76	7.4%

## Wastewater

Category	Current	Proposed	%
Residential	\$34.67	\$37.98	9.6%
Multi-Family (Restricted)	\$16.47	\$18.05	9.6%
Multi-Family (Un-Restricted)	\$25.34	\$27.76	9.6%
Commercial Basic	\$5.07	\$5.54	9.3%

# 2023/24 Proposed Revenue Commodity Rate Adjustments



EL TORO WATER DISTRICT

	Current Rate \$/ccf	Proposed Rate \$/ccf	%
<b>Potable Water Usage Charges</b>			
Tier I - Indoor Efficient	\$ 2.82	\$ 3.00	6.4%
Tier II - Outdoor Efficient	\$ 3.18	\$ 3.37	6.0%
Tier III - Inefficient	\$ 6.50	\$ 6.70	3.1%
Tier IV - Excessive	\$ 8.35	\$ 8.67	3.8%
Commercial, Institutional and Industrial	\$ 3.31	\$ 3.49	5.4%
 Recycled Water	 \$2.86	 \$3.03	 5.8%

# 2023/24 Commodity Rate Components



EL TORO WATER DISTRICT

	<b>Proposed Rate \$/ccf</b>	<b>Water Supply \$/ccf</b>	<b>Peak Delivery \$/ccf</b>	<b>Recycled Water \$/ccf</b>	<b>Conservation \$/ccf</b>	<b>Tier 1 Offset \$/ccf</b>
<b>Potable Water Usage Charges</b>						
<b>Tier I - Indoor Efficient</b>	<b>\$ 3.00</b>	<b>\$ 3.07</b>	<b>\$ 0.05</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>(\$ 0.12)</b>
<b>Tier II - Outdoor Efficient</b>	<b>\$ 3.37</b>	<b>\$ 3.07</b>	<b>\$ 0.30</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Tier III - Inefficient</b>	<b>\$ 6.70</b>	<b>\$ 3.07</b>	<b>\$ 0.30</b>	<b>\$ 2.33</b>	<b>\$ 0.99</b>	<b>\$ 0.00</b>
<b>Tier IV - Excessive</b>	<b>\$ 8.67</b>	<b>\$ 3.07</b>	<b>\$ 0.55</b>	<b>\$ 4.05</b>	<b>\$ 0.99</b>	<b>\$ 0.00</b>
<b>Commercial, Institutional and Industrial</b>	<b>\$ 3.49</b>	<b>\$ 3.07</b>	<b>\$ 0.10</b>	<b>\$ 0.32</b>	<b>\$ 0.10</b>	<b>(\$ 0.10)</b>

# 2023/24 Proposed Water & Recycled Water Capital Charges



EL TORO WATER DISTRICT

## Water & Recycled Water

Meter Size	Current	Proposed	% Change
5/8"	\$ 5.09	\$ 6.37	25.1%
3/4"	\$ 5.09	\$ 6.37	25.1%
1"	\$ 8.50	\$ 10.63	25.1%
1-1/2"	\$ 20.65	\$ 25.82	25%
2"	\$ 51.84	\$ 64.80	25%

# 2023/24 Proposed Wastewater Capital Charges



EL TORO WATER DISTRICT

## Residential

Category	Current	Proposed	% Change
Residential	\$ 7.09	\$ 8.87	25.1%
Multi-Family (Restricted)	\$ 3.37	\$ 4.21	25%
Multi-Family (Un-Restricted)	\$ 5.18	\$ 6.48	25%

## Commercial

Flow Strength	Current	Proposed	% Change
Low Strength	\$ 0.84	\$ 1.04	23.8%
Medium Strength	\$ 1.04	\$ 1.29	24%
High Strength	\$ 1.93	\$ 2.47	28%
Restaurants	\$ 1.05	\$ 1.32	25.4%
Public Institutions	\$ 1.04	\$ 1.29	24%



# 2023/24 Proposed Single Family Residential Sensitivity



EL TORO WATER DISTRICT

## Single Family Residence ¾" Meter

	Current	Proposed	% Change
Tier I (10 ccf)	\$ 28.20	\$30.00	6.38%
Water Fixed Meter	\$ 23.62	\$24.72	4.66%
Water Capital R & R	\$ 5.09	\$6.37	25.11%
Total Water	\$ 56.91	\$ 61.09	7.34%
Sewer Fixed Meter	\$ 25.76	\$ 34.67	9.55%
Sewer Capital R & R	\$ 4.93	\$ 7.09	25.11%
Total Sewer	\$ 41.76	\$ 46.85	12.19%
Total Bill	\$ 98.67	\$ 107.94	9.39%
	Increase	\$ 9.27	

# HOA & Cities Sensitivity



EL TORO WATER DISTRICT

Organization	2022/23 Estimated Annual charges	2023/24 Estimated Annual charges	Increase Amount	%
<b><u>HOA's</u></b>				
Third Mutual	\$ 5,134,480	\$ 5,623,858	\$ 489,378	9.5%
United Mutual	4,052,897	4,448,216	395,319	9.8%
Golden Rain Foundation	906,180	970,505	64,326	7.1%
Mutual 50	211,636	231,144	19,508	9.2%
Laguna Woods Total	10,305,192	11,273,404	968,531	9.4%
<b><u>Cities</u></b>				
Laguna Woods	\$ 46,402	\$ 50,164	\$3,762	8.1%
Lake Forest	307,714	330,087	22,373	7.3%
Mission Viejo	104,068	112,006	7,938	7.6%
Laguna Hills	153,276	166,105	12,829	8.4%

# PROPOSED SCHEDULE



 <b>May Finance Committee Meeting</b>	<b>5/22/2023</b>
 <b>CAG Meeting</b>	<b>5/17/2023</b>
 <b>Distribute Prop 218 Notice</b>	<b>6/09/2023</b>
 <b>Finance Committee Budget Update</b>	<b>6/19/2023</b>
 <b>Finance Committee Budget Update</b>	<b>7/24/2023</b>
 <b>Public Hearing</b>	<b>7/27/2023</b>
 <b>Approve 2023/24 Rates</b>	<b>7/27/2023</b>
 <b>Rate Implementation</b>	<b>8/01/2023</b>

# RECOMMENDED ACTION



**Subject to Board input, Staff and Board Budget Committee recommend that the Board of Directors:**

- 💧 Approve the 2023/24 Operating Budget**
- 💧 Approve the 2023/24 Water, Sewer and Recycled Water Cost of Service Study Report**
- 💧 Approve the 2023/24 Proposition 218 Notice and authorize Staff to Distribute the Notice in Accordance with Applicable Noticing Requirements**
- 💧 Authorize noticing of a rate public hearing scheduled for July 27, 2023**

## **Attachment 2**

### **Revenue and Expense Summary**

Attachment 2 is a comprehensive summary of all revenues and expenses for the District from fiscal year 2019-2022 through budget year 2023-2024. The expenses have been organized into the major categories used in the Springbrook Software. These categories include:

- Salaries
- Benefits
- Contracted/Purchased Services
- Commodities
- Professional Development
- Other Operating Expenses

Within each category, the total for each expense account across Funds and Cost Centers is presented. This information can be used to understand how the District is expending its resources to provide services to customers. Budget and actual revenue and expense totals are presented for fiscal years 2019-2020 through 2021-2022 and correspond to the audited financial statements. For Fiscal Year 2022-2023, the budget, July to January actual, January to June projected actual, and total projected actual are presented. The proposed Budget is presented for 2023-2024.

On the final page of the Attachment, a calculation of the Cash Generated by Operational Activities is presented to provide an illustration of cash that is being generated by the revenues and expenses of the District's operating activities.

Attachment 2. Revenue and Expense Summary												
	2019 - 2020		2020 - 2021		2021 - 2022		2022 - 2023					
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Jul - Dec Actual	Jan - Jun Projected	Projected Actual	2023 - 2024	
											Budget	% Change
Revenues												
Commodity Supply Charges	11,042,867	10,061,105	10,568,243	11,469,675	11,054,586	11,224,548	11,306,200	5,838,041	4,658,001	10,496,042	11,989,100	6.04%
Service Provision Charges	11,715,211	11,659,663	11,935,394	11,663,599	12,854,567	12,592,761	13,346,700	6,601,589	6,705,300	13,306,889	14,473,900	8.45%
Capital Facilities Charges	3,014,656	3,007,171	3,015,000	3,005,271	3,025,468	3,005,881	3,262,200	1,607,431	1,652,800	3,260,231	4,086,200	25.26%
Charges for Services	124,440	100,185	124,500	120,050	133,500	21,459	123,000	3,975	116,000	119,975	125,000	1.63%
Other Operating Income	55,000	43,914	55,000	115,173	55,000	19,829	52,800	15,520	17,600	33,120	52,200	-1.14%
Grants, Rebates, Reimbursements	321,000	353,261	297,250	336,210	337,625	578,785	356,700	207,335	100,400	307,735	371,000	4.01%
Property Taxes	925,000	1,037,398	1,053,500	1,097,589	1,090,000	1,121,299	1,120,000	559,998	560,050	1,120,048	1,155,000	3.13%
Investment Income	200,000	424,110	350,000	21,511	100,000	(257,395)	100,000	85,661	74,100	159,761	250,000	150.00%
Other Non-operating Income	250,000	255,070	255,000	279,183	255,000	233,605	256,000	117,705	116,600	234,305	249,400	-2.58%
Donations/Contributions	-	2,894	-	8,708	-	166,008	-	-	-	-	-	-
Revenues - Total	27,648,174	26,944,771	27,653,887	28,116,969	28,905,746	28,706,780	29,923,600	15,037,255	14,000,851	29,038,106	32,751,800	9.45%
Salary Expenses												
51100 · Director's Fees	110,000	115,633	120,000	127,896	127,000	127,239	131,400	63,510	66,101	129,611	131,400	0.00%
51200 · Exempt Salaries	-	1,509,836	-	1,609,793	1,419,000	1,467,431	1,262,330	711,132	672,631	1,383,763	1,407,000	11.46%
51210 · Non-Exempt Salaries	8,546,083	4,355,502	8,589,395	4,282,035	4,553,100	4,694,386	5,343,800	2,653,742	2,596,104	5,249,846	5,513,800	3.18%
51220 · Other Salary Pmnts (TOR, Vacation)	-	-	-	-	-	-	189,420	704	-	704	188,400	-0.54%
51300 · Overtime	-	213,129	-	177,184	175,000	177,431	230,020	83,908	139,300	223,208	230,000	-0.01%
51300 · Overtime - On-Call	-	-	-	-	-	-	72,800	14,350	37,100	51,450	72,700	-0.14%
51400 · Stipends & Allowances	-	22,200	-	40,200	125,380	50,661	74,900	6,594	29,064	35,658	74,800	-0.13%
51500 · Employee Service Awards	3,800	2,679	4,100	4,400	2,280	(118)	5,160	1,100	3,900	5,000	5,000	-3.10%
Salary Expenses - Total	8,659,883	6,218,979	8,713,495	6,241,509	6,401,760	6,517,030	7,309,830	3,535,040	3,544,200	7,079,240	7,623,100	4.29%
Benefit Expenses		951,660		972,684		1,024,814				1,094,623		
52100 · Medical Insurance	-	987,949	-	1,021,640	1,083,700	973,306	1,131,490	511,252	518,615	1,029,867	1,138,900	0.65%
52110 · HSA Contributions	-	-	-	-	-	-	4,500	-	2,520	2,520	4,500	0.00%
52140 · Dental Insurance	-	58,799	-	55,769	55,300	51,968	60,980	27,341	30,845	58,186	60,300	-1.12%
52150 · Vision Insurance	-	12,839	-	12,062	12,300	11,308	13,320	5,959	8,389	14,348	13,100	-1.65%
52200 · Life Insurance	-	31,148	-	31,613	30,900	1,149	36,600	8,763	13,170	21,933	36,600	0.00%
52210 · Disability Insurance	-	-	-	-	-	33,838	39,590	-	38,286	38,286	33,300	-15.89%
52220 · Long Term Care Insurance	-	44,995	-	47,963	49,700	47,778	11,620	3,439	8,837	12,276	17,900	54.04%
52300 · Workers Compensation Insurance	-	92,582	-	112,288	114,500	129,345	128,900	66,525	73,499	140,024	129,100	0.16%
52310 · State Unemployment Insurance	-	1,479	-	2,814	-	-	3,010	-	2,750	2,750	3,060	1.66%
53100 · 401K Retirement Contributions	-	951,660	-	971,898	965,300	1,004,120	594,290	309,292	302,116	611,408	622,600	4.76%
53110 · 401K Employer Match Contributions	-	-	-	-	-	18,862	-	187,519	185,932	373,451	235,900	-
53200 · 457B Employer Match Contributions	-	-	-	786	-	1,832	456,200	53,482	56,282	109,764	235,900	-48.29%
53300 · Medicare Insurance	-	85,596	-	86,626	86,500	87,201	100,600	47,720	48,056	95,776	104,800	4.17%
53310 · FICA	-	-	-	-	-	-	-	2,942	3,498	6,440	-	-
Total Benefit Expenses	-	2,267,047	-	2,343,460	2,398,200	2,360,708	2,581,100	1,224,233	1,292,795	2,517,028	2,635,960	2.13%
Commodity Purchased for Resale												
54100 · Water Purchases · MWDOC	7,406,003	7,264,258	7,222,652	7,872,943	7,344,277	7,920,605	4,024,200	1,635,404	1,650,000	3,285,404	4,228,600	5.08%
54110 · Water Purchases · MWDOC Fixed	-	-	-	-	-	-	667,000	325,560	340,000	665,560	784,200	17.57%
54120 · Water Purchases · AMP/SAC	8,000	1,334	8,000	3,168	8,000	8,046	9,000	16,164	16,800	32,964	-	-100.00%
54120 · Regional Water Supply Expenses	-	-	-	-	-	-	-	2,781	3,000	5,781	8,000	-
54200 · Water Purchases · Baker	627,946	602,896	648,094	683,710	779,240	712,374	2,935,900	1,357,501	1,475,000	2,832,501	3,120,500	6.29%
54210 · Baker Plant O&M Costs	-	-	-	-	-	-	778,900	397,828	398,000	795,828	830,500	6.62%
54300 · Water Purchases · Other Agencies	-	-	-	-	-	-	-	57,798	250,000	307,798	-	-
54400 · Water Purchases · MWDOC Meter Charge	-	-	-	-	-	-	125,000	116,224	-	116,224	125,000	0.00%
Commodity Purchased for Resale - Total	8,041,949	7,868,488	7,878,746	8,559,821	8,131,517	8,641,026	8,540,000	3,909,260	4,132,800	8,042,060	9,096,800	6.52%

Attachment 2. Revenue and Expense Summary												
	2019 - 2020		2020 - 2021		2021 - 2022		2022 - 2023					
	Budget	Actual	Budget	Actual	Budget	Actual	Jul - Dec		Jan - Jun		Projected	
							Budget	Actual	Projected	Actual	Budget	% Change
Contracted/Purchased Services												
55100 · Consultants	63,800	135,256	56,350	89,299	61,500	13,667	70,000	17,050	77,058	94,108	61,500	-12.14%
55110 · Engineering Services	76,000	77,390	139,000	170,908	64,000	56,985	52,000	1,308	29,500	30,808	48,000	-7.69%
55130 · Audit/Accounting Services	48,000	27,500	34,280	27,760	34,280	23,960	28,560	15,000	8,300	23,300	45,600	59.66%
55140 · Technology Services	57,000	47,072	31,420	6,561	51,420	62,721	60,000	54,290	33,000	87,290	60,000	0.00%
55150 · SOCWA Contract	900,000	928,786	950,000	972,231	978,500	986,679	969,500	466,618	466,618	933,236	1,100,000	13.46%
55160 · Contractors	369,900	267,628	225,966	290,050	239,800	345,000	224,690	67,088	116,795	183,883	271,500	20.83%
55170 · Contracted Employees	36,500	27,324	27,500	-	17,500	21,007	-	30,341	16,800	47,141	-	-
55200 · Legal Services - General Counsel	100,000	119,696	107,300	106,953	105,500	107,807	110,000	29,379	65,000	94,379	90,000	-18.18%
55210 · Legal Services - Special Counsel	-	36,846	-	52,547	-	29,540	5,000	3,467	12,000	15,467	25,000	400.00%
55220 · Other Legal Services	-	-	-	-	-	-	-	65	934	999	-	-
55250 · Employee Recruitment & Compliance Exper	-	-	-	-	-	-	5,000	1,552	26,500	28,052	5,000	0.00%
55260 · Employee Health & Wellness Expenses	-	-	-	-	-	-	17,000	8,051	14,500	22,551	6,000	-64.71%
55270 · Employee Relations Expenses	-	-	-	-	-	-	2,000	6,742	12,200	18,942	1,960	-2.00%
55290 · Professional Services	-	-	-	-	-	3,157	-	18,360	8,000	26,360	-	-
55300 · Landscaping Contracts	147,280	155,586	164,040	138,525	164,200	117,510	166,900	50,684	126,800	177,484	150,000	-10.13%
55310 · Janitorial Contracts	33,800	49,163	37,600	79,552	45,000	74,010	45,000	13,041	29,000	42,041	45,000	0.00%
55400 · Equipment Rental	20,100	18,533	20,100	14,913	19,400	14,041	17,000	3,593	8,450	12,043	15,000	-11.76%
55440 · Uniform Rental	-	-	-	-	-	-	20,000	5,421	8,400	13,821	15,000	-25.00%
55500 · Laboratory	35,900	40,644	28,900	29,374	33,300	32,112	42,000	3,013	38,000	41,013	31,800	-24.29%
55510 · Disposal Services	23,000	20,188	27,360	24,410	30,700	31,264	34,000	36,851	38,400	75,251	59,000	73.53%
55520 · Security Services	19,060	19,162	19,060	17,659	19,200	23,867	24,800	7,895	20,106	28,001	29,500	18.95%
55530 · Insurance	557,755	435,395	311,773	335,462	331,300	337,816	344,000	348,655	-	348,655	378,000	9.88%
55540 · Financial Service Fees	57,000	59,261	63,000	67,714	71,000	77,372	55,000	14,738	20,500	35,238	55,000	0.00%
55570 · Printing & Reproduction	18,000	21,939	18,600	16,190	18,600	27,831	23,020	11,939	16,383	28,322	8,020	-65.16%
55580 · Advertising & Publicity Services	2,000	960	2,000	11,360	2,000	11,545	11,000	2,341	2,700	5,041	8,100	-26.36%
55590 · Postage	20,500	7,760	20,500	15,641	20,600	31,053	19,740	984	3,468	4,452	11,620	-41.13%
55600 · Public Relations & Education Services	150,000	81,650	184,700	70,851	236,200	121,260	190,600	76,236	97,500	173,736	49,000	-74.29%
55610 · Water Use Efficiency Services	-	-	-	-	-	-	-	-	-	-	100,000	-
55700 · Licenses & Permits	150,393	148,009	180,306	155,084	181,400	169,120	189,460	15,834	182,800	198,634	200,500	5.83%
55760 · Software Licenses & Maintenance	165,000	137,295	161,000	185,482	185,000	227,791	217,930	80,967	132,900	213,867	240,900	10.54%
55800 · Electrical Power	1,125,400	1,116,170	1,123,400	1,179,588	1,250,600	1,557,007	1,508,500	791,912	890,572	1,682,484	1,786,000	18.40%
55810 · Natural Gas	3,000	4,121	4,300	4,670	4,100	6,907	4,500	1,473	3,939	5,412	4,500	0.00%
55820 · Cable	9,000	10,551	13,650	9,203	9,000	4,691	11,500	1,760	2,500	4,260	9,000	-21.74%
55830 · Telecommunications	40,000	21,127	22,000	15,204	16,000	16,005	20,000	8,818	9,900	18,718	20,000	0.00%
55840 · Mobile Telecommunications	26,070	37,329	36,000	60,832	37,000	35,856	35,000	15,690	17,500	33,190	38,100	8.86%
55850 · Data Access	39,470	56,614	57,000	41,261	60,700	69,531	65,000	25,990	30,000	55,990	60,000	-7.69%
55900 · Equipment Maintenance & Repair	123,125	144,829	125,430	142,010	99,400	104,049	100,800	64,278	105,300	169,578	139,000	37.90%
55910 · Pump Maintenance & Repair	113,800	101,104	99,500	124,583	83,500	156,211	103,500	26,974	88,000	114,974	142,000	37.20%
55920 · Motor Maintenance & Repair	26,300	30,192	33,500	30,591	40,500	23,308	81,500	-	20,000	20,000	91,000	11.66%
55940 · Electric Controllor Maintenance & Repair	71,650	68,150	77,600	73,743	91,700	80,704	136,400	18,031	69,500	87,531	157,000	15.10%
55950 · Meter Maintenance & Repair	8,000	2,989	5,850	7,446	10,000	7,716	14,800	3,641	40,500	44,141	30,900	108.78%
55970 · Structure Maintenance & Repair	30,288	49,780	32,331	50,789	22,350	40,003	23,000	27,657	24,300	51,957	22,000	-4.35%
55980 · Asphalt Maintenance & Repair	92,600	70,843	83,000	74,725	77,000	74,545	58,600	29,392	54,000	83,392	110,600	88.74%
Other Employee Cost (Old Account)	89,300	101,170	111,000	164,087	136,000	117,097	-	-	-	-	-	-
Total Contracted/Purchased Services	4,848,991	4,678,012	4,635,316	4,857,258	4,848,250	5,240,745	5,107,300	2,407,116	2,968,623	5,375,739	5,721,100	12.02%

Attachment 2. Revenue and Expense Summary												
	2019 - 2020		2020 - 2021		2021 - 2022		2022 - 2023					
	Budget	Actual	Budget	Actual	Budget	Actual	Jul - Dec		Jan - Jun		Projected	
							Budget	Actual	Projected	Actual	Budget	% Change
Commodities							(5,240,745)					
56100 · Repair Parts & Materials	430,332	290,349	405,375	323,763	411,767	268,263	389,500	135,775	221,816	357,591	437,810	12.40%
56200 · Tools & Small Equipment	70,000	61,323	67,000	52,935	70,400	58,688	66,700	25,633	55,800	81,433	78,510	17.71%
56210 · Safety Equipment	20,300	26,426	36,000	28,538	40,581	25,651	38,000	12,116	17,600	29,716	25,010	-34.18%
56220 · Employee Tools & Safety Equipment	-	-	-	-	-	-	23,500	7,608	15,700	23,308	23,800	1.28%
56220 · Laboratory Tools & Small Equipment	-	5,326	-	-	-	-	-	-	2,000	2,000	6,000	-
56270 · Technology Tools & Small Equipment	36,000	32,866	30,000	38,212	31,000	45,444	35,000	34,984	18,000	52,984	46,000	31.43%
56300 · Chemicals	209,400	201,605	218,700	217,457	228,000	247,990	259,200	119,143	152,115	271,258	322,000	24.23%
56310 · Laboratory Chemicals	-	2,162	-	-	-	-	-	-	13,000	13,000	53,000	-
56350 · Gasoline & Oil	95,000	98,930	105,000	93,097	102,000	122,147	160,000	56,336	60,000	116,336	140,000	-12.50%
56400 · Operating Supplies & Accessories	52,000	52,781	56,260	66,968	56,200	49,965	49,510	21,103	49,350	70,453	34,760	-29.79%
56450 · Office Supplies & Accessories	19,800	16,051	19,800	14,781	19,800	21,470	23,910	5,529	13,657	19,186	21,170	-11.46%
56460 · Technology Supplies & Accessories	23,000	24,438	25,000	16,362	28,000	15,679	31,000	11,708	32,700	44,408	36,500	17.74%
56470 · Laboratory Supplies & Accessories	-	-	-	-	-	-	-	508	7,000	7,508	22,000	-
56480 · Meetings/Events Supplies & Food	-	-	-	-	-	-	27,000	14,503	28,583	43,086	46,540	72.37%
56490 · Water Use Efficiency Supplies	-	-	-	-	-	-	15,000	-	-	-	18,000	20.00%
Total Commodities	955,832	812,257	963,135	852,113	987,748	855,297	1,118,320	444,946	687,321	1,132,267	1,311,100	17.24%
Professional Development												
57100 · Education & Training	43,000	48,041	34,000	11,000	15,600	32,358	46,940	13,994	16,600	30,594	43,550	-7.22%
57120 · Licenses & Certifications	-	-	-	-	-	-	-	234	1,600	1,834	7,200	-
57200 · Dues & Memberships	93,390	92,385	87,340	90,113	87,200	96,278	105,230	88,314	11,600	99,914	101,400	-3.64%
57300 · Meetings & Conferences	39,000	26,031	39,000	6,899	29,000	27,085	39,600	5,101	8,902	14,003	36,700	-7.32%
57310 · Meetings & Conferences - Directors	29,690	18,772	42,500	8,013	43,900	23,368	9,000	6,623	8,810	15,433	9,000	0.00%
57400 · Travel Reimbursement	-	-	-	-	-	-	30,840	12,799	14,398	27,197	40,250	30.51%
57410 · Travel Reimbursement - Directors	-	-	-	-	-	-	35,000	5,527	10,954	16,481	35,000	0.00%
57500 · Publications & Subscriptions	3,000	662	3,000	561	1,500	613	3,020	-	-	-	2,000	-33.77%
Total Professional Development	208,080	185,891	205,840	116,586	177,200	179,702	269,630	132,593	72,864	205,457	275,100	2.03%
Miscellaneous												
58100 · Employee Appreciation Expenses	-	-	-	-	-	-	4,000	-	2,200	2,200	5,000	25.00%
58110 · Event Related Expenses	6,000	5,136	6,000	3,866	6,000	10,485	10,960	50	4,000	4,050	8,000	-27.01%
58200 · Election Expense	-	-	35,000	-	-	-	35,000	-	-	-	-	-100.00%
58300 · Property Taxes	5,500	4,926	8,600	9,403	5,100	5,141	10,000	2,502	1,500	4,002	10,000	0.00%
58400 · NSFs & Uncollectible Accounts	20,000	6,216	20,000	18,672	20,000	2,097	20,400	9,756	5,000	14,756	17,000	-16.67%
58420 · Refund Overcharges	-	-	-	-	-	-	-	8,412	4,000	12,412	18,000	-
58510 · Damage/Repair Reimbursements	-	-	-	-	-	-	2,040	1,400	1,500	2,900	2,800	37.25%
Total Miscellaneous Expenses	31,500	16,278	69,600	31,941	31,100	17,723	82,400	22,120	18,200	40,320	60,800	-26.21%



Attachment 2. Revenue and Expense Summary												
	2019 - 2020		2020 - 2021		2021 - 2022		2022 - 2023					
							Jul - Dec		Jan - Jun	Projected	2023 - 2024	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Projected	Actual	Budget	% Change
Other Operating Expenses												
53400 · Retiree Medical Insurance	-	108,574	294,645	280,577	325,000	218,946	320,000	106,979	142,500	249,479	300,000	-6.25%
53500 · OPEB Charge	-	1,341,903	-	1,615,466	-	1,595,561	-	-	-	-	-	-
58500 · Depreciation Expense	4,481,600	4,476,759	4,896,000	4,338,709	4,362,100	4,280,933	4,362,100	1,744,866	1,744,900	3,489,766	4,900,000	12.33%
58510 · Amortization Expense	6,850	6,846	6,850	6,846	6,900	6,846	6,900	3,423	3,423	6,846	6,900	0.00%
58900 · Interest Expense	731,557	777,511	756,649	758,339	718,000	1,072,567	2,704,700	1,140,747	1,140,747	2,281,494	2,203,700	-18.52%
58990 · Bond Issuance/Administration	-	-	-	-	-	164,445	-	-	-	-	-	-
Total Other Operating Expenses	5,220,007	6,711,593	5,954,144	6,999,937	5,412,000	7,339,298	7,393,700	2,996,015	3,031,570	6,027,585	7,410,600	0.23%
Total Expenses	27,966,242	28,758,545	28,420,276	30,002,625	28,387,775	31,151,529	32,402,280	14,671,323	15,748,373	30,419,696	34,134,560	5.35%
Net Revenues	(318,068)	(1,813,774)	(766,389)	(1,885,656)	517,971	(2,444,749)	(2,478,680)	365,932	(1,747,522)	(1,381,590)	(1,382,760)	

Cash Generated by Operational Activities												
Revenue from Operating Activities <sup>(1)</sup>	24,633,518	23,937,600	24,638,887	25,111,698	25,880,278	25,700,899	26,661,400	13,429,824	12,348,051	25,777,875	28,036,700	
Expenses from Operating Activities <sup>(2)</sup>	22,746,235	22,155,526	22,760,777	23,283,265	23,300,775	24,195,622	25,328,580	11,782,287	12,859,303	24,641,590	27,023,960	
Transfer from Recycled for Debt Service											980,820	
Cash Generated from Operations	1,887,283	1,782,074	1,878,110	1,828,433	2,579,503	1,505,277	1,332,820	1,647,537	(511,252)	1,136,285	31,920	

Notes

(1) Excludes Capital Replacement & Refurbishment Charge and \$628,900 from Tiered Rates Restricted Revenue.

(2) Excludes non-cash expenses (Depreciations, Amortization, OPEB Charge) and Interest Expense

### **Attachment 3**

### **Expense Summary by Cost Center**

The third attachment provides a summary of the expenses consolidated into operating cost centers. The operating cost centers changed in the 2022-2023 Budget to adapt to the Springbrook Accounting System. Attachment 3 provides an overview of cost center expenses in prior years (2019-2020 through 2021-2022) and illustrates the allocation of expenses to cost centers in the 2022-2023 fiscal year and 2023-2024 budget year.

Attachment 3. Expense Totals by Cost Center												
	2019 - 2020		2020 - 2021		2021 - 2022		2022 - 2023			2023 - 2024		
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Projected	Actual	Budget	% Change
Expense Budget by Cost Center												
General & Administrative												
Administration (500)	1,818,920	3,055,622	1,707,871	2,878,828	4,113,860	3,840,235	1,231,360	570,910	598,102	1,169,012	1,169,180	-5.05%
Finance & Risk Management (510)	-	-	-	-	-	-	1,267,070	756,920	479,676	1,236,596	1,322,700	4.39%
Human Resources (520)	-	-	-	-	-	-	460,970	248,859	292,060	540,919	470,180	2.00%
Technology Services (530)	-	-	-	-	-	-	717,180	354,027	413,700	767,727	767,300	6.99%
Public Relations & Conservation (540)	-	-	-	-	-	-	566,200	234,051	257,700	491,751	542,300	-4.22%
Customer Service (550)	-	603,473	-	533,039	-	662,834	844,400	407,079	445,200	852,279	990,400	17.29%
General & Administrative - Total	1,818,920	3,659,095	1,707,871	3,411,867	4,113,860	4,503,069	5,087,180	2,571,847	2,486,438	5,058,285	5,262,060	3.44%
Operations & Maintenance												
Engineering & Compliance (600)	-	-	-	-	-	-	943,000	425,113	379,520	804,633	980,000	3.92%
Operations Support (610)	286,480	1,985,813	334,920	2,256,253	1,492,100	1,988,429	915,600	416,873	501,780	918,653	893,500	-2.41%
Fleet Services (620)	8,817,420	398,887	8,875,070	402,950	368,500	393,197	466,700	214,932	268,400	483,332	505,000	8.21%
Water Supply & Treatment (630)	8,193,453	8,085,299	8,023,991	8,763,806	8,355,415	8,811,309	9,016,500	4,168,601	4,385,400	8,554,001	9,586,200	6.32%
Water Treatment	40,851	51,037	35,341	47,884	39,500	54,839	-	-	-	-	-	-
Water Pumping Operations (640)	256,281	788,663	263,623	841,888	608,600	1,065,350	608,000	270,429	299,850	570,279	766,400	26.05%
Water Transmission & Distribution (650)	625,807	2,149,885	565,547	2,036,230	2,052,100	1,359,618	1,541,200	626,726	953,999	1,580,725	1,496,500	-2.90%
Wastewater Pumping Operations (640)	335,724	571,252	305,835	575,327	1,538,200	637,019	934,900	449,180	496,067	945,247	1,017,300	8.81%
Wastewater Collections (660)	300,450	644,381	187,975	747,308	693,000	138,988	1,058,500	369,114	526,000	895,114	1,178,700	11.36%
Wastewater Treatment (670)	854,949	2,104,585	910,959	2,213,644	1,968,400	3,106,835	3,314,200	1,619,603	1,796,318	3,415,921	3,771,900	13.81%
Outside Treatment	913,500	1,228,917	963,500	1,311,087	1,215,200	1,300,348	-	-	-	-	-	-
Recycled Transmission & Distribution (650)	6,000	-	6,000	15,380	60,200	6,624	243,700	121,525	126,800	248,325	250,800	2.91%
Recycled Tertiary Treatment (680)	296,400	379,132	285,500	379,064	470,700	446,606	879,100	421,365	496,231	917,596	1,015,600	15.53%
Operations & Maintenance - Total	20,927,315	18,387,851	20,758,261	19,590,821	18,861,915	19,309,162	19,921,400	9,103,462	10,230,365	19,333,827	21,461,900	7.73%
Other Operating Expenses (910)												
Depreciation & Amortization	4,488,450	4,483,605	4,902,850	4,345,555	4,369,000	4,287,779	4,369,000	1,748,289	1,748,323	3,496,612	4,906,900	12.31%
Interest Expense	731,557	777,511	756,649	758,339	718,000	1,072,567	2,704,700	1,140,747	1,140,747	2,281,494	2,203,700	-18.52%
Total Expenses	27,966,242	28,758,539	28,420,276	30,002,625	28,387,775	31,151,529	32,402,280	14,671,323	15,748,373	30,419,696	34,134,560	5.35%

## **Attachment 4**

### **Expense Accounts with Totals Greater than \$200,000**

The fourth attachment provides an overview of all expenses greater than \$200,000 in the 2023-2024 budget. The attachment provides four years of historical actuals, two years of budgeted expenses, summary statistics, and notes about causes of changes in the 2023-2024 expense accounts.

Attachment 4. Expense Accounts with Totals Greater than \$200,000													
	2019-2020 Actual	2020-2021 Actual	2021-2022 Actual	2022-2023 Projected Actual	Delta 21-22 Proj. / 20-21 Act.	% Change	% of Total 21-22 O&M Expenses	2022-2023 Budget	2023-2024 Budget	Delta	% Change	% of Total 23-24 Cash Outlays	Notes on Changes
Operations & Maintenance Expenses													
Personnel	8,486,026	8,584,969	8,877,738	9,596,268	718,530	8.09%	35.64%	9,890,930	10,259,060	368,130	3.72%	35.10%	7.1% Merit CPI Salary Increase, Health Insurance premium cost increase offset by changes in employee selections
Commodity Purchased for Resale	7,868,488	8,559,821	8,641,026	8,042,060	(598,966)	-6.93%	29.87%	8,540,000	9,096,800	556,800	6.52%	31.12%	Based on Purchased Water Budget
Interest Expense	777,511	758,339	1,072,567	2,281,494	1,208,927	112.71%	8.47%	2,704,700	2,203,700	(501,000)	-18.52%	7.54%	Budget in 2022/2023 was overestimated, 2023/2024 Budget reflects debt service schedule
Electrical Power	1,116,170	1,179,588	1,557,007	1,682,484	125,477	8.06%	6.25%	1,508,500	1,786,000	277,500	18.40%	6.11%	Significant increase in SCE electrical bills. Budget is based on a comprehensive analysis of monthly bills.
SOCWA Contract	928,786	972,231	986,679	933,236	(53,443)	-5.42%	3.47%	969,500	1,100,000	130,500	13.46%	3.76%	Based on proposed SOCWA Budget
Repair Parts & Materials	290,349	323,763	268,263	357,591	89,328	33.30%	1.33%	389,500	437,810	48,310	12.40%	1.50%	Numerous Cost Increases for all repair parts and materials
Insurance	435,395	335,462	337,816	348,655	10,839	3.21%	1.30%	344,000	378,000	34,000	9.88%	1.29%	Dam insurance +66% to \$50k
Chemicals & Laboratory Chemicals	203,767	217,457	247,990	284,258	36,268	14.62%	1.06%	259,200	375,000	115,800	44.68%	1.28%	Incease in Water and Tertiary Treatment Chemcials
Retiree Health Insurance	108,574	280,577	218,946	249,479	30,533	13.95%	0.93%	320,000	300,000	(20,000)	-6.25%	1.03%	Reflective of recent experience
Professional Development	185,891	116,586	179,702	205,457	25,755	14.33%	0.76%	269,630	275,100	5,470	2.03%	0.94%	No significant change from prior year
Contractors	267,628	290,050	345,000	183,883	(161,117)	-46.70%	0.68%	224,690	271,500	46,810	20.83%	0.93%	Increased cost for carbon scrubbers replacement, new contract expense for cockroach management at manholes
Software Licenses & Maintenance	137,295	185,482	227,791	213,867	(13,924)	-6.11%	0.79%	217,930	240,900	22,970	10.54%	0.82%	Windows server licensing occurred in 22/23 and is valid for several years so expense does not reoccur
Licenses & Permits	148,009	155,084	169,120	198,634	29,514	17.45%	0.74%	189,460	200,500	11,040	5.83%	0.69%	Permits expenses for asphalt repairs projected to increase
All Other Expenses	1,979,148	2,082,196	2,138,543	2,345,718	207,174	9.69%	8.71%	2,205,240	2,303,290	98,050	4.45%	7.88%	
Total O&M Expenses	22,933,037	24,041,604	25,268,189	26,923,084	1,654,895	6.55%		28,033,280	29,227,660	1,194,380	4.26%	100.00%	

\*Excludes Depreciation, Amortization, and OPEB Charges

## **Attachment 5**

### **2023/24 Purchased Water Budget**

The purchased water budget is based on the following assumptions regarding purchases and sales of potable water:

- Potable Water Sales 6,700 AF
- Potable Water Purchases 7,000 AF

#### Potable Water Purchase Sources

- 3,450 AF Met (49.29% of total purchases)
- 3,550 AF Baker WTP (50.71% of total purchases)

In April, 2022, the Metropolitan Water District (MWD) Board of Directors approved the MWD FY 2022/23 and FY 2023/24 Biennial Budget which adopted rate increases effective in January 2023 and January 2024. The MWD commodity rate increases 5.6% for fiscal 2023-2024 but fixed costs are projected to increase 17.1% (from \$669,498 to \$784,212), so the total cost increase for purchased MWD water is projected to be 8.5% in the 2023-2024 Budget. However, to offset this to some extent, the District is anticipating shifting some purchased water to the Baker Water Treatment Plant and therefore District purchases of MWD water is projected to decrease from 3,799 AF in 2022-2023 to 3,450 AF in 2023-2024. The cost increase anticipated for water purchased from the Baker Plant is projected to be 5.2%.

After factoring in the cost increases from both MWD and the Baker Plant as well as the shift in water purchases from MWD to the Baker Plant, the Purchased Water Budget is projected to increase by 6.6% in 2023-2024, from \$8,469,300 to \$8,963,788. The attached purchased water worksheet incorporates the assumptions discussed above identifies the need for an average commodity rate increase of \$0.19 per billing unit (hundred cubic feet) in order to generate sufficient commodity rate revenue to support the purchased water expense.

**Attachment 5. 2023/24 Purchased Water Budget**

		2022/23 Budget		2022/23 Projected Actual		2023/24 Budget	
		Jul 2022	Jan 2023	Jul 2022	Jan 2023	Jul 2023	Jan 2024
1	Total Period Demand (AF)	4,000	3,000	4,113	2,887	4,000	3,000
2	Total Annual Demand (AF)		7,000		7,000		7,000
3	MWD Period Demand (AF)	2,225	1,225	2,680	1,119	2,225	1,225
4	MWD Annual Demand (AF)		3,450		3,799		3,450
5	<b>MWD Untreated Commodity Rates</b>						
6	System Access Rate	389.00	368.00	389.00	368.00	368.00	389.00
7	System Power Rate	167.00	166.00	167.00	166.00	166.00	182.00
8	MWD Tier 1 Rate	243.00	321.00	243.00	321.00	321.00	332.00
9	<b>Subtotal Untreated Full Service</b>	<b>799.00</b>	<b>855.00</b>	<b>799.00</b>	<b>855.00</b>	<b>855.00</b>	<b>903.00</b>
10	Treatment Surcharge	344.00	354.00	344.00	354.00	354.00	353.00
11	<b>Total Treated Full Service Rate</b>	<b>1,143.00</b>	<b>1,209.00</b>	<b>1,143.00</b>	<b>1,209.00</b>	<b>1,209.00</b>	<b>1,256.00</b>
12	<b>Total Treated Full Service Annual Cost</b>	<b>2,543,175</b>	<b>1,481,025</b>	<b>3,063,754</b>	<b>1,352,522</b>	<b>2,690,025</b>	<b>1,538,600</b>
13	<b>MWD Fixed Charges</b>						
14	Capacity Reservation Charge	83,391	68,328	83,355	71,358	71,358	75,397
15	Readiness To Serve Charge	242,420	272,837	242,206	272,579	299,564	337,893
16	<b>Total MWD Fixed Charges</b>		<b>666,976</b>		<b>669,498</b>		<b>784,212</b>
17	<b>Total MWD Cost</b>		<b>4,691,176</b>		<b>5,085,773</b>		<b>5,012,837</b>
18	<b>Total MWD Unit Cost (\$/AF)</b>		<b>1,360</b>		<b>1,339</b>		<b>1,453</b>
19	<b>Baker Water Treatment Plant</b>						
20	Period Demand (AF)	1,775	1,775	1,432	1,769	1,775	1,775
21	Annual Demand (AF)		3,550		3,201		3,550
22	<b>Baker Raw Water Cost</b>	<b>1,418,225</b>	<b>1,517,625</b>	<b>1,144,248</b>	<b>1,512,272</b>	<b>1,517,625</b>	<b>1,602,825</b>
23	Baker O&M Unit Cost (per AF)	210	210	218	218	225	225
24	SCP Surcharge	8.38	8.38	8.14	8.14	8.38	8.38
25	SAC Surcharge	1.00	1.00	0.99	0.99	1.02	1.02
26	<b>Baker O&amp;M Annual Cost</b>	<b>389,407</b>	<b>389,407</b>	<b>325,273</b>	<b>401,734</b>	<b>415,250</b>	<b>415,250</b>
27	Baker Capital Cost (Debt Service)						
28	<b>Total Period Baker Water Treatment Plant Cost</b>	<b>1,807,632</b>	<b>1,907,032</b>	<b>1,469,521</b>	<b>1,914,006</b>	<b>1,932,875</b>	<b>2,018,075</b>
29	<b>Total Annual Baker Water Treatment Plant Cost</b>		<b>3,714,664</b>		<b>3,383,526</b>		<b>3,950,951</b>
30	<b>Baker Water Treatment Plant Unit Cost(\$/AF)</b>		<b>1,046</b>		<b>1,057</b>		<b>1,113</b>
31	<b>Capital Charge Revenue Funding</b>						
32	<b>Total Baker Water Treatment Plant Cost</b>		<b>3,714,664</b>		<b>3,383,526</b>		<b>3,950,951</b>
33	<b>Total Purchased Water Cost</b>						
34	MWD		4,691,176		5,085,773		5,012,837
35	MWDOC						
36	Baker		3,714,664		3,383,526		3,950,951
37	<b>Total Purchased Water Cost</b>		<b>8,405,840</b>		<b>8,469,300</b>		<b>8,963,788</b>
38	Percent Increase Budget to Budget per Unit						6.64%
39	<b>Overall Imported Water Effective Rate</b>						
40	Fiscal Year Cost per Acre Foot Purchased		<b>1,201</b>		<b>1,210</b>		<b>1,281</b>
41	Fiscal Year Cost per CCF Purchased		<b>2.76</b>		<b>2.78</b>		<b>2.94</b>
42	Fiscal Year Rate per CCF Sold		<b>2.88</b>		<b>2.90</b>		<b>3.07</b>

**EL TORO WATER DISTRICT  
THREE YEAR PURCHASED WATER BUDGET**

		2022/23 Budget		2022/23 Projected Actual		2023/24 Budget		2024/25 Budget		2025/26 Budget	
		Jul 2022	Jan 2023	Jul 2022	Jan 2023	Jul 2023	Jan 2024	Jul 2024	Jan 2025	Jul 2025	Jan 2026
1	Total Period Demand (AF)	4,000	3,000	4,113	2,887	4,000	3,000	4,000	3,000	4,000	3,000
2	Total Annual Demand (AF)		7,000		7,000		7,000		7,000		7,000
3	MWD Period Demand (AF)	2,225	1,225	2,680	1,119	2,225	1,225	2,225	1,225	2,225	1,225
4	MWD Annual Demand (AF)		3,450		3,799		3,450		3,450		3,450
5	<b>MWD Untreated Commodity Rates</b>										
6	System Access Rate	389.00	368.00	389.00	368.00	368.00	389.00	389.00	410.00	410.00	432.00
7	System Power Rate	167.00	166.00	167.00	166.00	166.00	182.00	182.00	198.00	198.00	208.00
8	MWD Tier 1 Rate	243.00	321.00	243.00	321.00	321.00	332.00	332.00	364.00	364.00	397.00
9	<b>Subtotal Untreated Full Service</b>	<b>799.00</b>	<b>855.00</b>	<b>799.00</b>	<b>855.00</b>	<b>855.00</b>	<b>903.00</b>	<b>903.00</b>	<b>972.00</b>	<b>972.00</b>	<b>1,037.00</b>
10	Treatment Surcharge	344.00	354.00	344.00	354.00	354.00	353.00	353.00	380.00	380.00	407.00
11	<b>Total Treated Full Service Rate</b>	<b>1,143.00</b>	<b>1,209.00</b>	<b>1,143.00</b>	<b>1,209.00</b>	<b>1,209.00</b>	<b>1,256.00</b>	<b>1,256.00</b>	<b>1,352.00</b>	<b>1,352.00</b>	<b>1,444.00</b>
12	<b>Total Treated Full Service Annual Cost</b>	<b>2,543,175</b>	<b>1,481,025</b>	<b>3,063,754</b>	<b>1,352,522</b>	<b>2,690,025</b>	<b>1,538,600</b>	<b>2,794,600</b>	<b>1,656,200</b>	<b>3,008,200</b>	<b>1,768,900</b>
13	<b>MWD Fixed Charges</b>										
14	Capacity Reservation Charge	83,391	68,328	83,355	71,358	71,358	75,397	75,397	87,514	87,514	93,573
15	Readiness To Serve Charge	242,420	272,837	242,206	272,579	299,564	337,893	337,893	337,893	337,893	337,893
16	<b>Total MWD Fixed Charges</b>		<b>666,976</b>		<b>669,498</b>		<b>784,212</b>		<b>838,697</b>		<b>856,873</b>
17	<b>Total MWD Cost</b>		<b>4,691,176</b>		<b>5,085,773</b>		<b>5,012,837</b>		<b>5,289,497</b>		<b>5,633,973</b>
18	<b>Total MWD Unit Cost (\$/AF)</b>		<b>1,360</b>		<b>1,339</b>		<b>1,453</b>		<b>1,533</b>		<b>1,633</b>
19	<b>Baker Water Treatment Plant</b>										
20	Period Demand (AF)	1,775	1,775	1,432	1,769	1,775	1,775	1,775	1,775	1,775	1,775
21	Annual Demand (AF)		3,550		3,201		3,550		3,550		3,550
22	<b>Baker Raw Water Cost</b>	<b>1,418,225</b>	<b>1,517,625</b>	<b>1,144,248</b>	<b>1,512,272</b>	<b>1,517,625</b>	<b>1,602,825</b>	<b>1,602,825</b>	<b>1,725,300</b>	<b>1,725,300</b>	<b>1,840,675</b>
23	Baker O&M Unit Cost (per AF)	210	210	218	218	225	225	231	231	238	238
24	SCP Surcharge	8.38	8.38	8.14	8.14	8.38	8.38	8.64	8.64	8.90	8.90
25	SAC Surcharge	1.00	1.00	0.99	0.99	1.02	1.02	1.05	1.05	1.08	1.08
26	<b>Baker O&amp;M Annual Cost</b>	<b>389,407</b>	<b>389,407</b>	<b>325,273</b>	<b>401,734</b>	<b>415,250</b>	<b>415,250</b>	<b>427,225</b>	<b>427,225</b>	<b>440,165</b>	<b>440,165</b>
27	Baker Capital Cost (Debt Service)										
28	<b>Total Period Baker Water Treatment Plant Cost</b>	<b>1,807,632</b>	<b>1,907,032</b>	<b>1,469,521</b>	<b>1,914,006</b>	<b>1,932,875</b>	<b>2,018,075</b>	<b>2,030,050</b>	<b>2,152,525</b>	<b>2,165,465</b>	<b>2,280,840</b>
29	<b>Total Annual Baker Water Treatment Plant Cost</b>		<b>3,714,664</b>		<b>3,383,526</b>		<b>3,950,951</b>		<b>4,182,575</b>		<b>4,446,304</b>
30	<b>Baker Water Treatment Plant Unit Cost(\$/AF)</b>		<b>1,046</b>		<b>1,057</b>		<b>1,113</b>		<b>1,178</b>		<b>1,252</b>
31	Capital Charge Revenue Funding										
32	<b>Total Baker Water Treatment Plant Cost</b>		<b>3,714,664</b>		<b>3,383,526</b>		<b>3,950,951</b>		<b>4,182,575</b>		<b>4,446,304</b>
33	<b>Total Purchased Water Cost</b>										
34	MWD		4,691,176		5,085,773		5,012,837		5,289,497		5,633,973
35	MWDOC										
36	Baker		3,714,664		3,383,526		3,950,951		4,182,575		4,446,304
37	<b>Total Purchased Water Cost</b>		<b>8,405,840</b>		<b>8,469,300</b>		<b>8,963,788</b>		<b>9,472,072</b>		<b>10,080,277</b>
38	Percent Increase Budget to Budget per Unit						6.64%		11.84%		12.46%
39	<b>Overall Imported Water Effective Rate</b>										
40	Fiscal Year Cost per Acre Foot Purchased		<b>1,201</b>		<b>1,210</b>		<b>1,281</b>		<b>1,353</b>		<b>1,440</b>
41	Fiscal Year Cost per CCF Purchased		<b>2.76</b>		<b>2.78</b>		<b>2.94</b>		<b>3.11</b>		<b>3.31</b>
42	Fiscal Year Rate per CCF Sold		<b>2.88</b>		<b>2.90</b>		<b>3.07</b>		<b>3.25</b>		<b>3.46</b>



**EL TORO WATER DISTRICT  
2023/24 PURCHASED WATER BUDGET**

**BUDGET CHANGE & RATE IMPACT BREAKDOWN**

Description	Budget	Budget Impact	Rate Impact
22/23 Purchased Water Budget - Total Cost	\$8,405,840		
MWD Pass Through Rate Increase		\$506,260	\$0.17
Baker O&M Cost Increase		\$51,617	\$0.02
Baker Surcharges		\$70	\$0.00
<b>Total</b>	<b>\$8,963,788</b>	<b>\$557,947</b>	<b>\$0.19</b>

Cost Increase Description		Cost Impact
MWD Pass Through Rate Increase		\$506,260
Baker O&M Cost Increase		\$51,617
Baker Surcharges		\$70
<b>Total Purchased Water Cost Increase</b>		<b>\$557,947</b>

Revenue Increase		
Commodity Rate Increase	\$0.19 per ccf	
Budgeted Sales Volume	6,700 AF	
<b>Revenue Increase</b>		<b>\$554,519</b>

## **Attachment 6**

### **Personnel Expense Analysis**

The typical personnel budgeting process includes the development of a merit pool consisting of a cost of living component based on annual Consumer Price Index data for the Los Angeles-Long Beach-Anaheim area as well as a merit performance component, equal to 3%. Salary increases for employees are dependent on performance. Employees must achieve a minimum performance rating to receive the cost of living component while those employees who exceed the minimum performance rating may receive an additional salary increase (the merit performance component). The draft budget includes a proposed 10.1% salary increase pool (7.1% for the CPI component based on the CPI data from February, 2023 and 3% for the performance component). As discussed at the beginning of this memo, inflation is having a significant impact on the purchasing power of employee salaries and the District needs to adjust its salary ranges to remain competitive in a tight labor market (the unemployment rate has declined to 3.6% and the average salary increase in 2022 was greater than 4%).

Attached for the Board's review is the draft Personnel Analysis section of the 2023-2024 Budget Document. The first table on Page 1 of the document presents the total labor budget inclusive of salaries and benefits. The total labor budget cost increase, inclusive of the merit pool, amounts to 6.28% or \$606,532 as currently budgeted in 2023-2024. As illustrated in the three tables on the following pages of the Personnel Analysis section, the primary cause of this increase in personnel expenses in the 2023-2024 budget is the increase in salary expense. The increase in benefit expenses in 2023-2024 are contained at a 2.1% increase, primarily due to employee turnover which has caused a change in health insurance plans (often from a family plan to a single or employee plus one option which is significantly less costly for the District).

## Personnel Analysis

The District's mission is to provide high quality utility services to its customers and one of the foundations of this mission is having a sufficient number of high quality staff to operate the District's infrastructure and provide service to customers. This section includes an analysis of the District's personnel costs, which are a primary component of the District's fiscal operations because they comprise the largest expense for the District.

### Number of Employees

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

The 2023-2024 Compensation Plan authorizes a total of 61 full-time positions, 5 elected officials, and 1 temporary part-time position. Total staffing numbers decrease slightly from the 2022-2023 Compensation Plan when one additional temporary part-time position was authorized. The temporary part-time positions are interns who assist operations during the summer.

The total budgeted cost for the District's workforce in 2023-2024 is budgeted at \$10,260,147 with salary expenses of \$7,623,612 comprising 74.3% of total costs and benefits of \$2,636,535 comprising the remaining 25.7% of costs. Fringe benefit cost increases were minimal in 2023-2024 due to turnover in employees with many new employees selecting employee only or employee and spouse health insurance plans.

Presented below are the total personnel expenses for the 2023-2024 Fiscal Year

<b>Table 20. Personnel Expense Summary</b>					
	FY 2023 Budget	FY 2024 Budget	Delta	% Change	% of Total Personnel Costs
<b>Salaries</b>					
Regular Salaries	6,737,679	7,052,336	314,657	4.67%	68.74%
Overtime and On-Call Salaries	302,800	302,700	(100)	-0.03%	2.95%
One-time Salary Payments <sup>(1)</sup>	189,238	188,402	(836)	-0.44%	1.84%
Stipends & Allowances <sup>(2)</sup>	80,072	79,800	(272)	-0.34%	0.78%
<b>Total Salaries</b>	<b>7,309,789</b>	<b>7,623,238</b>	<b>313,449</b>	<b>4.29%</b>	<b>74.31%</b>
<b>Benefits</b>					
Health Insurance <sup>(3)</sup>	1,210,300	1,216,944	6,644	0.55%	11.86%
Other Insurance <sup>(4)</sup>	320,500	324,684	4,184	1.31%	3.16%
Retirement Benefits <sup>(5)</sup>	1,050,398	1,094,400	44,002	4.19%	10.67%
<b>Total Benefits</b>	<b>2,581,198</b>	<b>2,636,027</b>	<b>54,829</b>	<b>2.12%</b>	<b>25.69%</b>
<b>Total Personnel Expenses</b>	<b>9,890,987</b>	<b>10,259,265</b>	<b>368,278</b>	<b>3.72%</b>	
<b>Notes</b>					
(1) Includes Vacation Time Payouts and Top of Range one-time payments					
(2) Includes Automobile Allowances, Cell Phone Stipends, and Wellness Stipends					
(3) Includes employer paid Health, Dental, and Vision Insurance Premiums as well as Health Savings Account contributions					
(4) Includes employer paid Life Insurance, Long-term Care and Disability Insurance, and Workers Compensation					
(5) Includes employer contributions to the 401k plan, employer matches to the 401k/457b Plans, and Medicare					

The table presented below provides further analysis of the change in Regular Salary Costs. The 2023 – 2024 Budget for Salaries equaled \$6,737,530. However, the 2022 – 2023 Budget is adjusted for changes that happened during the budget year (primarily employees who were replaced with the new employee arriving with a smaller beginning salary) to develop a base salary amount for 2023-2024 of \$6,567,078. Merit salary increases for employees, a minor salary adjustment, and a change in positions add a net total of \$500,033 to the base salary amount (the change in position is the result of the elimination of an Engineering Intern position). For 2023 - 2024, the CPI component to the merit increase assumes a 7.1% increase, based on District policy approved by the Board, and a performance adjustment component of 3%.

**Table 21. 2023 - 2024 Changes in Salary Expenses**

	FY 2023 Budget	FY 2024 Budget	Delta	% Change	% of Total Personnel Costs
<b>Regular Salary Changes</b>					
Base Salary <i>(prior year ending salaries)</i>	6,303,350	6,552,303	248,953	3.95%	63.87%
Merit Increase <sup>(1)</sup>	434,329	548,533	114,204	26.29%	5.35%
Change in Positions	-	(52,000)	(52,000)	N/A	-0.51%
Net Changes from Original Budget <sup>(2)</sup>	(185,376)	-	185,376	N/A	0.00%
Current Year Merit Increase	-	-	-	100.00%	0.00%
Additional Salary Adjustments	-	3,500	3,500	100.00%	0.03%
<b>Regular Salaries Total</b>	<b>6,552,303</b>	<b>7,052,336</b>	<b>500,033</b>	<b>7.63%</b>	<b>68.74%</b>

**Notes**

(1) Salary increases occur on July 1 so the base salary is increased for the entire year.

(2) Significant changes in personnel occurred in 2022-2023 and reduced actual 2022-2023 salary expense and base salaries for 2023-2024

The table below summarizes changes in additional salary related payments as budgeted for 2023-2024 and change in benefit expenses budgeted for 2023-2024.

Table 22. Changes in Other Salary Expenses and Benefit Expenses					
	FY 2023	FY 2024			% of Total
	Budget	Budget	Delta	% Change	Personnel Costs
Other Salary Changes					
Overtime Expenses	230,000	230,000	-	0.00%	2.24%
On-Call Expenses	72,800	72,700	(100)	-0.14%	0.71%
Top of Range Payouts	75,674	76,417	743	0.98%	0.74%
Vacation Payouts	113,564	111,985	(1,579)	-1.39%	1.09%
Car Allowance	43,200	43,200	-	0.00%	0.42%
Cell Phone Allowances	12,672	12,672	-	0.00%	0.12%
Health Stipends <sup>(1)</sup>	19,200	18,928	(272)	N/A	0.18%
Employee Service Awards <sup>(1)</sup>	5,000	5,000	-	N/A	0.05%
Other Salary Changes	572,110	570,902	(1,208)	-0.21%	5.56%
Benefit Changes					
Health Insurance	1,131,500	1,138,900	7,400	0.65%	11.10%
HSA Contributions	4,500	4,500	-	N/A	0.04%
Dental Insurance	61,000	60,260	(740)	-1.21%	0.59%
Vision Insurance	13,300	13,283	(17)	-0.13%	0.13%
Life Insurance	36,600	36,432	(168)	-0.46%	0.36%
Long Term Care Insurance	11,600	17,900	6,300	54.31%	0.17%
Disability Insurance	39,800	33,300	(6,500)	-16.33%	0.32%
Workers Compensation	128,900	129,100	200	0.16%	1.26%
State Unemployment Insurance	3,000	3,000	-	N/A	0.03%
401k/457b Contributions	1,050,398	1,094,400	44,002	4.19%	10.67%
Medicare Contributions	100,600	104,952	4,352	4.33%	1.02%
Other Salary Changes	2,581,198	2,636,027	54,829	2.12%	25.69%
(1) In prior years, these costs were included in the non-personnel budget, they have been moved in the 2022-2023 Budget to reflect that they are actually paid to employees through payroll.					

Presented below are the positions authorized in the 2023 – 2024 Budget, organized by functional area.

Table 24. Position Organization Chart			
Department	Positions	Department	Positions
<b>Administration</b>		<b>Operations Support Services</b>	
General Manager	1	Operations Superintendent	1
Executive Assistant to Board & General Manager	1	Compliance Program Coordinator	1
Total	2	Total	2
<b>Finance &amp; Risk Management</b>		<b>Pumping Operations</b>	
Chief Financial Officer	1	Foreman	1
Accounting Supervisor	1	Crew Chief	1
Senior Accountant	1	Maintenance Worker III	2
Accountant	1	Maintenance Worker II	-
Purchasing Agent	1	Maintenance Worker I	4
Total	5	Total	8
<b>Technology Services</b>		<b>Fleet Operations</b>	
Information Technology Manager	1	Senior Mechanic	1
Total	1	Total	1
<b>Human Resources</b>		<b>Transmission &amp; Distribution</b>	
Human Resources Manager	1	Foreman	1
Office Assistant	1	Crew Chief	2
		Maintenance Worker III	1
		Maintenance Worker II	1
		Maintenance Worker I	3
Total	2	Total	8
<b>Community Relations &amp; Conservation</b>		<b>Electrical</b>	
Community Relations Administrator	1	Electrical Systems/SCADA Supervisor	1
Water Use Efficiency Analyst	1	Electrical Systems / SCADA Technician III	1
Total	2	Total	2
<b>Customer Service</b>		<b>Treatment Plant</b>	
Customer Service / Billing Supervisor	1	Chief Plant Operator	1
Customer Service Office Representative I	2	Truck Driver	2
CS Office Rep I / Human Resource Assistant	1	Waste Water Operator III	5
Crew Chief	1	Waste Water Operator II	-
Customer Service Field Representative II	1	Waste Water Operator I	-
Customer Service Field Representative I	1	Lab Supervisor	1
		Lab Technician II	1
Total	7	Total	10
<b>Engineering</b>		<b>Collections &amp; Distribution Crew</b>	
Engineering Manager	1	Foreman	1
Project Engineer	1	Industrial Waste Inspector	1
Engineer Associate	1	Crew Chief	1
Inspector	1	Collections Maintenance Worker II	1
Cross Connection Control Program Supervisor	1	Collections Maintenance Worker I	2
Total	5	Total	6
<b>Total Positions</b>	<b>61</b>		

The District's Compensation Plan includes a salary grade schedule for both non-exempt and exempt employees. Presented below as well as on the following page is the Compensation Plan for non-exempt employees for the 2023 - 2024 Budget. Salary grades that do not have any positions assigned to them are not displayed.

<b>Table 25. Compensation Plan - Salary Range Schedule - Non-Exempt</b> <b>Effective Fiscal Year 2023/2024</b>					
	FY 2022/2023 Monthly Salary		FY 2023/2024 Monthly Salary		Percent of Increase
	Minimum	Maximum	Minimum	Maximum	
Salary Grade 1 Intern	\$2,877	\$4,333	\$3,081	\$4,641	7.1%
Salary Grade 2	\$3,489	\$4,746	\$3,737	\$5,083	7.1%
Salary Grade 3	\$3,910	\$5,318	\$4,188	\$5,696	7.1%
Salary Grade 4	\$4,025	\$5,476	\$4,311	\$5,865	7.1%
Salary Grade 5 Office Assistant Customer Service Office Representative I Billing Clerk I	\$4,148	\$5,640	\$4,443	\$6,040	7.1%
Salary Grade 6 Customer Service Field Representative I	\$4,274	\$5,810	\$4,577	\$6,223	7.1%
Salary Grade 7	\$4,397	\$5,983	\$4,709	\$6,408	7.1%
Salary Grade 8 Customer Service Office Representative II Administrative Assistant Billing Clerk II	\$4,533	\$6,164	\$4,855	\$6,602	7.1%
Salary Grade 9 Customer Service Office Representative Senior Billing Clerk Senior	\$4,666	\$6,349	\$4,997	\$6,800	7.1%
Salary Grade 10 Customer Service Field Representative II Collection Maintenance Worker I Maintenance Worker I Operator in Training	\$4,824	\$6,538	\$5,167	\$7,002	7.1%
Salary Grade 11 Billing Specialist	\$4,954	\$6,736	\$5,306	\$7,214	7.1%
Salary Grade 12 Laboratory Technician I	\$5,101	\$6,939	\$5,463	\$7,432	7.1%
Salary Grade 13 Mechanic Wastewater Plant Operator I	\$5,254	\$7,145	\$5,627	\$7,652	7.1%
Salary Grade 14 Administrative Assistant Senior Accountant / Insurance Administrator	\$5,411	\$7,361	\$5,795	\$7,884	7.1%
Salary Grade 15 Collections Worker II Maintenance Worker II	\$5,574	\$7,582	\$5,970	\$8,120	7.1%
Salary Grade 16 Customer Service Field Representative III Compliance Regulatory Coordinator I	\$5,741	\$7,807	\$6,149	\$8,361	7.1%
Salary Grade 17 Laboratory Technician II	\$5,914	\$8,043	\$6,334	\$8,614	7.1%

**Table 25. Compensation Plan - Salary Range Schedule - Non-Exempt  
Effective Fiscal Year 2023/2024**

	FY 2022/2023 Monthly Salary		FY 2023/2024 Monthly Salary		Percent of Increase
	Minimum	Maximum	Minimum	Maximum	
Salary Grade 18	\$6,089	\$8,284	\$6,521	\$8,872	7.1%
Senior Accountant / Payroll					
Tractor - Trailer - Tanker Driver					
Waste Water Plant Operator II					
Salary Grade 19	\$6,282	\$8,542	\$6,728	\$9,148	7.1%
Inspector					
Engineering Associate					
Maintenance Worker III					
Collection Maintenance Worker III					
Salary Grade 20	\$6,469	\$8,797	\$6,928	\$9,422	7.1%
Compliance Regulatory Coordinator II					
Salary Grade 21	\$6,661	\$9,058	\$7,134	\$9,701	7.1%
Executive Assistant to General Manager & Board					
Senior Mechanic					
Salary Grade 22	\$6,862	\$9,332	\$7,349	\$9,995	7.1%
Accounting Supervisor					
Supervisor Billing/Office Customer Service					
Recycled Water Coordinator					
Electrical Systems / SCADA Technician III					
Purchasing Agent / Inventory Control					
Salary Grade 23	\$7,070	\$9,614	\$7,572	\$10,297	7.1%
Laboratory Technician III					
Wastewater Plant Operator III					
Water Use Efficiency Analyst					
Salary Grade 24	\$7,282	\$9,901	\$7,799	\$10,604	7.1%
Cross Connection Control Program Supervisor					
Salary Grade 25	\$7,469	\$10,197	\$7,999	\$10,921	7.1%
Crew Chief					
Public Relations Supervisor					
Salary Grade 26	\$7,725	\$10,506	\$8,273	\$11,252	7.1%
Accounting Manager / Auditor					
Industrial Waste Inspector					
Compliance Regulatory Coordinator III					
Salary Grade 27	\$7,956	\$10,818	\$8,521	\$11,586	7.1%
Laboratory Supervisor					
Salary Grade 28	\$8,192	\$11,140	\$8,774	\$11,931	7.1%
Foreman					
Salary Grade 29	\$8,438	\$11,475	\$9,037	\$12,290	7.1%
Salary Grade 30	\$8,682	\$11,807	\$9,298	\$12,645	7.1%
SCADA Supervisor					
Salary Grade 31	\$8,942	\$12,165	\$9,577	\$13,029	7.1%
Salary Grade 32	\$9,211	\$12,527	\$9,865	\$13,416	7.1%
Salary Grade 33	\$9,488	\$12,903	\$10,162	\$13,819	7.1%
Salary Grade 34	\$9,773	\$13,289	\$10,467	\$14,233	7.1%
Waste Water Chief Plant Operator					



Presented below is the Compensation Plan for Exempt employees.

<b>Table 26. Compensation Plan - Salary Range Schedule - Exempt</b> <b>Effective Fiscal Year 2023/2024</b>					
	FY 2022/2023 Monthly Salary		FY 2023/2024 Monthly Salary		Percent of Increase
	Minimum	Maximum	Minimum	Maximum	
Salary Grade 41E Customer Service Manager	\$8,190	\$11,466	\$8,771	\$12,280	7.1%
Salary Grade 43E Project Engineer Information Technology Manager	\$9,201	\$12,884	\$9,854	\$13,799	7.1%
Salary Grade 45E Operations Superintendent	\$10,339	\$14,476	\$11,073	\$15,504	7.1%
Salary Grade 46E Principal Engineer	\$10,959	\$15,345	\$11,737	\$16,434	7.1%
Salary Grade 47E Manager Human Resources Manager of Engineering	\$11,617	\$16,266	\$12,442	\$17,421	7.1%
Salary Grade 49E Chief Financial Officer	\$13,052	\$18,276	\$13,979	\$19,574	7.1%
Salary Grade 52E Assistant General Manager / Staff Engineer	\$15,545	\$21,767	\$16,649	\$23,312	7.1%

## **Attachment 7**

### **2023/24 Medical Insurance Premium Analysis**

The employee medical insurance budget assumes premium increases of 7.5% for all District health insurance plans based on information received from JPIA.

The medical insurance budget is calculated through a detailed analysis of employee plan selections and the projected medical premium rate increases. The total employee health insurance budget (including Health, Dental, and Vision) for the 2023-2024 budget year is \$1,217,030 representing a slight increase from the 2022-2023 fiscal year budget. The relatively small increase occurs due to employee turnover with new employees selecting different insurance options (including some who have chosen the High Deductible Health Plan).

Attachment 7. 2023 / 24 Medical Insurance Premium Analysis

Plan	Description	Participants	Employee Share	Actual 2022 Medical Insurance Premium (per month)	Actual 2022 Employer Cost (per month)	Actual 2022 Employee Cost (per month)	Actual 2023 Medical Insurance Premium (per month)	Actual 2023 Employer Cost (per month)	Actual 2023 Employee Cost (per month)	Budgeted 2024 Medical Insurance Premium (per month)	Budgeted 2024 Employer Cost (per month)	Budgeted 2024 Employee Cost (per month)
HMO	Single (Employee Only)	1	10.0%	\$925	\$833	\$93	\$976	\$879	\$98	\$1,050	\$945	\$105
HMO	Couple	7	10.0%	\$1,851	\$1,665	\$185	\$1,953	\$1,757	\$195	\$2,099	\$1,889	\$210
HMO	Family	12	10.0%	\$2,452	\$2,207	\$245	\$2,587	\$2,328	\$259	\$2,781	\$2,503	\$278
PPO	Single (Employee Only)	4	10.0%	\$816	\$734	\$82	\$734	\$661	\$73	\$789	\$710	\$79
PPO	Couple	3	10.0%	\$1,632	\$1,469	\$163	\$1,469	\$1,322	\$147	\$1,579	\$1,421	\$158
PPO	Family	4	10.0%	\$2,162	\$1,946	\$216	\$1,946	\$1,751	\$195	\$2,092	\$1,883	\$209
CDHP	Single (Employee Only)	0	10.0%	\$653	\$587	\$65	\$587	\$529	\$59	\$632	\$569	\$63
CDHP	Couple	1	10.0%	\$1,306	\$1,175	\$131	\$1,175	\$1,057	\$117	\$1,263	\$1,137	\$126
CDHP	Family	0	10.0%	\$1,730	\$1,557	\$173	\$1,557	\$1,401	\$156	\$1,674	\$1,507	\$167
Kaiser	Single (Employee Only)	9	0.0%	\$682	\$682	\$0	\$673	\$673	\$0	\$724	\$724	\$0
Kaiser	Couple	13	5.0%	\$1,347	\$1,279	\$67	\$1,346	\$1,279	\$67	\$1,447	\$1,375	\$72
Kaiser	Family	7	5.0%	\$1,898	\$1,804	\$95	\$1,871	\$1,778	\$94	\$2,012	\$1,911	\$101
Kaiser HDHP	Single (Employee Only)	2	0.0%	\$497	\$497	\$0	\$491	\$491	\$0	\$528	\$528	\$0
Kaiser HDHP	Couple	0	5.0%	\$978	\$929	\$49	\$982	\$933	\$49	\$1,056	\$1,003	\$53
Kaiser HDHP	Family	0	5.0%	\$1,377	\$1,308	\$69	\$1,365	\$1,297	\$68	\$1,468	\$1,395	\$73

Premium Increase Assumptions for Each Plan in January 2024

HMO	7.5%
PPO	7.5%
CDHP	7.5%
Kaiser	7.5%
Kaiser HDHP	7.5%

## **Attachment 8**

### **Analysis of Variable and Fixed Revenues and Expenses**

This attachment provides a comparison of the variable and fixed revenues and expenses of the District as well as some summary statistics.

**Attachment 8. Analysis of Variable and Fixed Revenues and Expenses**

	2019-2020	2020-2021	2021-2022	2022 - 2023	2023 - 2024
	Actual	Actual	Actual	Budget	Budget
<b>Analysis of Fixed and Variable Revenues and Expenses</b>					
<b>Variable Revenues and Expenses</b>					
<b>Revenues</b>					
Water Supply Charges	8,705,986	9,571,562	9,212,404	9,456,200	10,027,100
Recycled Water Supply Charges	1,355,119	1,898,113	2,012,144	1,850,000	1,962,000
Commercial Wastewater Revenue	1,246,294	1,187,274	1,332,958	1,447,500	1,591,800
MWD LRP Rebate	217,125	270,175	323,453	345,300	360,000
<b>Total Variable Revenues</b>	<b>11,524,524</b>	<b>12,927,124</b>	<b>12,880,959</b>	<b>13,099,000</b>	<b>13,940,900</b>
<b>Expenses</b>					
Purchased Water	7,868,488	8,559,821	8,641,026	8,540,000	9,096,800
Electrical Power - Water System	186,333	204,248	250,712	247,520	328,900
Electrical Power - Wastewater System	819,210	847,977	1,130,265	1,078,980	1,272,800
Electrical Power - Recycled Water System	110,627	127,363	176,030	182,000	184,300
SOCWA Expenses	928,786	972,231	986,679	969,500	1,100,000
Chemicals	201,605	217,457	247,990	259,200	322,000
<b>Total Variable Expenses</b>	<b>10,115,049</b>	<b>10,929,097</b>	<b>11,432,702</b>	<b>11,277,200</b>	<b>12,304,800</b>
<b>Variable Net Revenue</b>	<b>1,409,475</b>	<b>1,998,027</b>	<b>1,448,257</b>	<b>1,821,800</b>	<b>1,636,100</b>
Variable Revenue % of Variable/Fixed Revenue	48.1%	51.5%	50.4%	49.1%	48.6%
Variable Expense % of Variable/Fixed Expenses	45.7%	46.9%	47.3%	44.5%	45.5%
<b>Fixed Revenues and Expenses</b>					
<b>Fixed Revenues</b>					
Service Provision Charges (Fixed Meter)	10,413,369	10,476,325	11,259,803	11,899,200	12,882,100
Charges for Services (Shared R-6 Expenses)	100,185	120,050	21,459	123,000	125,000
Miscellaneous Operating Income	43,914	115,173	19,829	52,800	52,200
Grant, Rebates, Reimbursements	136,136	66,035	255,332	11,400	11,000
Property Taxes	1,037,398	1,097,589	1,121,299	1,120,000	1,155,000
Investment Income	424,110	21,511	(257,395)	100,000	250,000
Miscellaneous Non-operating Income	255,070	279,183	233,605	256,000	249,400
<b>Total Fixed Revenues</b>	<b>12,410,182</b>	<b>12,175,866</b>	<b>12,653,932</b>	<b>13,562,400</b>	<b>14,724,700</b>
<b>Expenses</b>					
Labor Budget	8,486,026	8,584,969	8,877,738	9,890,930	10,259,060
All Other Operations & Maintenance Expenses	3,554,451	3,769,199	3,885,181	4,160,450	4,460,100
<b>Total Variable Expenses</b>	<b>12,040,477</b>	<b>12,354,168</b>	<b>12,762,920</b>	<b>14,051,380</b>	<b>14,719,160</b>
<b>Fixed Net Revenue</b>	<b>369,705</b>	<b>(178,302)</b>	<b>(108,988)</b>	<b>(488,980)</b>	<b>5,540</b>
Fixed Revenue % of Variable/Fixed Revenue	51.9%	48.5%	49.6%	50.9%	51.4%
Fixed Expense % of Variable/Fixed Expenses	54.3%	53.1%	52.7%	55.5%	54.5%
<b>Recapitulation to Revenue and Expense Summary</b>					
<b>Revenue</b>					
Variable Revenue	11,524,524	12,927,124	12,880,959	13,099,000	13,940,900
Fixed Revenue	12,410,182	12,175,866	12,653,932	13,562,400	14,724,700
Capital Facilities Charges	3,007,171	3,005,271	3,005,881	3,262,200	4,086,200
<b>Total Revenue</b>	<b>26,941,877</b>	<b>28,108,261</b>	<b>28,540,772</b>	<b>29,923,600</b>	<b>32,751,800</b>
<b>Expenses</b>					
Variable Expenses	10,115,049	10,929,097	11,432,702	11,277,200	12,304,800
Fixed Expenses	12,040,477	12,354,168	12,762,920	14,051,380	14,719,160
Depreciation & Amortization	4,483,605	4,345,555	4,287,779	4,369,000	4,906,900
Interest	777,511	758,339	1,072,567	2,704,700	2,203,700
OPEB Charges	1,341,903	1,615,466	1,595,561	-	-
<b>Total Expense</b>	<b>28,758,545</b>	<b>30,002,625</b>	<b>31,151,529</b>	<b>32,402,280</b>	<b>34,134,560</b>
<b>Net Revenues</b>	<b>(1,816,668)</b>	<b>(1,894,364)</b>	<b>(2,610,757)</b>	<b>(2,478,680)</b>	<b>(1,382,760)</b>

## **Attachment 9**

### **Statement of Revenues, Expenses, and Changes in Net Position**

Attachment 9 provides a projected Statement of Revenues, Expenses, and Changes in Net Position (Income Statement) for the District for the periods from 2019-2020 through the 2023-2024 Budget. The first three fiscal periods presented (2019-2020, 2020-2021, and 2021-2022), include actual results from the Comprehensive Financial Statements for the respective period. This provides some historical context to compare the financial performance of the District in prior fiscal years to the 2022-2023 budget and projected actual and 2023-2024 budget:

- The Proposed 2023-2024 Budget would generate total operating revenues of \$31,097,400, a budgetary increase of 9.31%;
- On a budgetary basis, Operating expenses would increase \$2,229,980 or 7.51%;
- Net non-operating revenues would improve from negative \$767,380 budgeted in 2022-2023 to negative \$273,800 due to a decrease in Interest Expense in 2023-2024. Interest expense for the 2022 Revenue Bonds will decrease;
- The Change in Net Position for 2023-2024 is projected to improve from a decrease of \$2,481,980 budgeted in 2022-2023 to a decrease of \$1,107,260 at the end of 2023-2024;
- Below the Statement of Revenues, Expenses, and Changes in Net Position is a calculation of the net results from operations if Capital related activities are removed from the financial statements. The calculation illustrates that the District's Capital Facilities rate revenue is insufficient to offset Depreciation Expense which likely indicates the District's capital facilities cannot be maintained and replaced with the current level of Capital Rate revenue;
- Included on the second page of the attachment is a calculation of the debt service coverage ratio for the District that includes a projected coverage ratio for 2023-2024.

**Attachment 9. Statement of Revenues, Expenses, and Changes in Net Position**

	2019 - 2020		2020 - 2021		2021 - 2022		2022 - 2023		2023 - 2024	
	Actual		Actual		Actual		Approved Budget	Projected Actual	Proposed Budget	Budget % Change
<b>Operating Revenues</b>										
Commodity Supply Charges	\$ 10,061,105		\$ 11,469,675		\$ 11,224,548		\$ 11,306,200	\$ 10,496,041	\$ 11,989,100	6.04%
Service Provision Charges	11,659,663		11,663,599		12,592,761		13,346,700	13,306,889	14,473,900	8.45%
Capital Facilities Charges	3,007,171		3,005,271		3,005,881		3,262,200	3,260,231	4,086,200	25.26%
Charges for Services	100,185		120,050		21,459		123,000	119,975	125,000	1.63%
Other Operating Income	43,914		115,173		19,829		52,800	33,120	52,200	-1.14%
Grants, Rebates, & Reimbursements	353,261		336,210		578,785		356,700	307,735	371,000	4.01%
<b>Total Operating Revenues</b>	<b>25,225,299</b>		<b>26,709,978</b>		<b>27,443,263</b>		<b>28,447,600</b>	<b>27,523,992</b>	<b>31,097,400</b>	<b>9.31%</b>
<b>Operating Expenses</b>										
General & Administrative	3,659,095		3,411,867		4,503,069		5,087,180	5,058,285	5,262,060	3.44%
Operations & Maintenance	18,387,851		19,590,821		19,309,162		19,921,400	19,333,827	21,461,900	7.73%
Other Operating Expenses	1,450,477		1,896,043		1,978,952		320,000	249,479	300,000	-6.25%
Depreciation & Amortization	4,483,605		4,345,555		4,287,777		4,372,300	3,496,612	4,906,900	12.23%
<b>Total Operating Expenses</b>	<b>27,981,028</b>		<b>29,244,286</b>		<b>30,078,960</b>		<b>29,700,880</b>	<b>28,138,202</b>	<b>31,930,860</b>	<b>7.51%</b>
<b>Operating Income/(Loss)</b>	<b>(2,755,729)</b>		<b>(2,534,308)</b>		<b>(2,635,697)</b>		<b>(1,253,280)</b>	<b>(614,210)</b>	<b>(833,460)</b>	<b>-33.50%</b>
<b>Non-operating Revenues</b>										
Property Taxes	1,037,398		1,097,589		1,121,299		1,120,000	1,120,048	1,155,000	3.13%
Investment Earnings	424,110		21,511		(257,395)		100,000	159,761	250,000	150.00%
Other Non-Operating Revenue	255,070		279,183		233,605		256,000	234,305	249,400	-2.58%
Interest Expense	(777,511)		(758,339)		(1,072,567)		(2,704,700)	(2,281,494)	(1,928,200)	-28.71%
<b>Net Non-Operating Revenues</b>	<b>939,067</b>		<b>639,944</b>		<b>24,942</b>		<b>(1,228,700)</b>	<b>(767,380)</b>	<b>(273,800)</b>	<b>-77.72%</b>
<b>Net Income/(Loss) before Capital Contributions</b>	<b>(1,816,662)</b>		<b>(1,894,364)</b>		<b>(2,610,755)</b>		<b>(2,481,980)</b>	<b>(1,381,590)</b>	<b>(1,107,260)</b>	<b>-55.39%</b>
<b>Capital Contributions</b>										
Donations & Contributions	2,894		8,708		166,008		-	-	-	-
<b>Total Capital Contributions</b>	<b>2,894</b>		<b>8,708</b>		<b>166,008</b>		<b>-</b>	<b>-</b>	<b>-</b>	
<b>Change in Net Position</b>	<b>(1,813,768)</b>		<b>(1,885,656)</b>		<b>(2,444,747)</b>		<b>(2,481,980)</b>	<b>(1,381,590)</b>	<b>(1,107,260)</b>	
<b>Beginning Net Position</b>	<b>64,553,048</b>		<b>62,739,280</b>		<b>60,853,624</b>		<b>58,408,877</b>	<b>58,408,877</b>	<b>57,027,287</b>	
<b>Ending Net Position</b>	<b>\$ 62,739,280</b>		<b>\$ 60,853,624</b>		<b>\$ 58,408,877</b>		<b>\$ 55,926,897</b>	<b>\$ 57,027,287</b>	<b>\$ 55,920,027</b>	
<b>Net Results from Operations<sup>(1)</sup></b>										
Income/(Loss) before Contributions	(1,816,662)		(1,894,364)		(2,610,755)		(2,481,980)	(1,381,590)	(1,107,260)	-55.39%
Remove: Capital Facilities Charges	(3,007,171)		(3,005,271)		(3,005,881)		(3,262,200)	(3,260,231)	(4,086,200)	25.26%
Remove: Depreciation	4,483,605		4,345,555		4,287,777		4,372,300	3,496,612	4,906,900	12.23%
Remove: Interest Expense	777,511		758,339		1,072,567		2,704,700	2,281,494	1,928,200	-28.71%
Remove: Restricted Revenue									(626,800)	
Recycled Net Revenue for Debt Service									(980,820)	
<b>Net Result from Operations</b>	<b>437,283</b>		<b>204,259</b>		<b>(256,292)</b>		<b>1,332,820</b>	<b>1,136,285</b>	<b>33,920</b>	
<b>Depreciation - Capital Facilities Charges<sup>(2)</sup></b>	<b>(1,476,434)</b>		<b>(1,340,284)</b>		<b>(1,281,896)</b>		<b>(1,110,100)</b>	<b>(236,381)</b>	<b>(820,700)</b>	

**Notes**

(1) this calculation is intended to portray the result of operations by removing those activities related to Capital Replacement & Refurbishment activities (Capital Charges, Interest, and Depreciation), and thereby illustrate total net revenues from operational activities.

(2) This calculation illustrates that the Capital Facilities Charge will not provide sufficient funding to replace the District's capital facilities over time.

**Attachment 9. Statement of Revenues, Expenses, and Changes in Net Position**

	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023		2023 - 2024	
	Actual	Actual	Actual	Approved Budget	Projected Actual	Proposed Budget	Budget % Change
<b>Debt Service Coverage Calculations</b>							
Revenues							
Commodity Supply Charges	10,061,105	11,469,675	11,224,548	11,306,200	10,496,041	11,989,100	6.04%
Service Provision Charges	11,659,663	11,663,599	12,592,761	13,346,700	13,306,889	14,473,900	8.45%
Capital Maintenance Charges	3,007,171	3,005,271	3,005,881	3,262,200	3,260,231	4,086,200	25.26%
Charges for Services	100,185	120,050	21,459	123,000	119,975	125,000	1.63%
Miscellaneous Operating Revenues	43,914	115,173	19,829	52,800	33,120	52,200	-1.14%
Grants, Rebates, Reimbursements	353,261	336,210	578,785	356,700	307,735	371,000	4.01%
Property Taxes	1,037,398	1,097,589	1,121,299	1,120,000	1,120,048	1,155,000	3.13%
Investment Earnings	424,110	21,511	(257,395)	100,000	159,761	250,000	150.00%
Miscellaneous Non-operating Revenue	255,070	279,183	233,605	256,000	234,305	249,400	-2.58%
<b>Total Revenues</b>	<b>26,941,877</b>	<b>28,108,261</b>	<b>28,540,772</b>	<b>29,923,600</b>	<b>29,038,106</b>	<b>32,751,800</b>	<b>9.45%</b>
Operation & Maintenance Expenses							
General & Administrative	3,659,095	3,411,867	4,503,069	5,087,180	5,058,285	5,262,060	3.44%
Operations & Maintenance	18,387,851	19,590,821	19,309,162	19,921,400	19,333,827	21,461,900	7.73%
Other Operating Expenses <sup>(1)</sup>	108,574	280,577	383,391	320,000	249,479	300,000	-6.25%
<b>Total Operation &amp; Maintenance Expenses</b>	<b>22,155,520</b>	<b>23,283,265</b>	<b>24,195,622</b>	<b>25,328,580</b>	<b>24,641,590</b>	<b>27,023,960</b>	<b>6.69%</b>
<b>Net Revenues</b>	<b>4,786,357</b>	<b>4,824,996</b>	<b>4,345,150</b>	<b>4,595,020</b>	<b>4,396,516</b>	<b>5,727,840</b>	<b>24.65%</b>
Debt Service Expenses							
North Line SRF Loan	258,145	258,146	258,146	-	-	-	-
Recycled Phase I SRF Loan	1,607,697	1,619,497	1,602,957	-	-	-	-
Baker WTP Loan	677,951	677,951	677,755	677,600	677,600	677,600	0.00%
Recycled Phase II SRF Loan	409,046	409,046	409,047	-	-	-	-
2022 Revenue Bonds	-	-	-	3,564,000	3,335,000	3,333,000	-6.48%
<b>Total Debt Service Costs</b>	<b>2,952,839</b>	<b>2,964,640</b>	<b>2,947,905</b>	<b>4,241,600</b>	<b>4,012,600</b>	<b>4,010,600</b>	<b>-5.45%</b>
<b>Debt Service Coverage Ratio</b>	<b>1.62</b>	<b>1.63</b>	<b>1.47</b>	<b>1.08</b>	<b>1.10</b>	<b>1.43</b>	

**Notes**

(1) Excludes OPEB Charge which is a non-cash accounting charge.



## **Attachment 10**

### **Ten Year Projected Changes in Cash from Operating and Restricted Reserve Activities**

The District uses a ten year projected cash flow model to calculate the rate revenue necessary to support operating and restricted reserve activities. The cash flow model presents expenses and then uses inflationary factors to project expenses for the following nine years. Based on the budgeted or projected expenses, the cash flow model then calculates the revenues needed to fund the expenses for each year. The budgeted expenses for the 2023-2024 Budget year are based on budget requests from District Supervisors who are responsible for operating budgets that have been reviewed and approved by the General Manager. The ten year projected cash flow model has typically complied with the following guidelines from the Board of Directors.

- A rate increase should be implemented to offset the annual MWDOC/Met pass-thru rate increase for purchased water as necessary;
- During the budget process a cost of service evaluation will be completed and adjustments will be made to maintain service levels while improving efficiency whenever feasible;
- An overall total annual rate increase for the three enterprises (Water, Sewer and Recycled Water) should not exceed 5%;
- No component of the overall rate structure should exceed an increase of 10%;
- Maintenance of minimum Board Designated Reserves of \$8.5 million;

As discussed on the first page of this memo, the 2023-2024 ten year projected cash flow analysis does not comply with the third and fourth bullet points above and assumes a rate increase in August, 2023 that is higher than 5% which also includes components, the Capital Rates, with increases higher than 10%. The currently proposed rate increases include the following:

- A Commodity Rate increase of \$0.18 per billing unit (one hundred ccf) for Tier 1 usage (6.4% increase) to accommodate the purchased water cost increases associated with the approved MWD rate increase.
- Water System Fixed Meter rate increase that averages 4.6% to offset operating expense increases. The Water System will begin generating positive cash flow in 2023-2024 and will therefore begin to replenish the District's Working Cash as planned in the 2022-2023 Budget.
- Wastewater Rate increase of 9.5% to offset operating expense increases. The Wastewater System will also begin to generate positive cash 2023-2024 and replenish Working Cash.
- The Recycled Water System rates increase in conjunction with the Water System rate increases, so the Recycled Water commodity charge will increase and equal 90% of the Tier 2 Commodity Rate (an increase of \$0.17 per CCF on a rounded basis to a total of \$3.03 per CCF) and the fixed meter charges will increase to the same rates as the Water System Fixed Meter rates.
- During the ten year planning period, the Water System Fixed Meter rate increases will need to average 5.3% and the Wastewater Rate increases will need to average 5.5% to offset the cost of providing service.

Attachment 10. Ten Year Projected Changes in Cash from Operating and Restricted Reserve Activities														
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033
	Actual	Actual	Actual	Budget	Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Change in Cash from Operating Activities <sup>(1)</sup>														
Rate Increase Necessary to Fund Operations & Maintenance														
Commodity Rate Increase (Tier 1)					6.4%	6.3%	6.3%	6.2%	5.8%	6.0%	5.4%	4.9%	4.9%	4.3%
Water Service Fixed Meter Rate Increase (3/4" Meter)					4.7%	5.0%	5.0%	5.0%	5.5%	5.5%	5.5%	5.5%	5.5%	6.0%
Wastewater Rate Increase					9.5%	4.8%	4.8%	5.5%	5.0%	5.0%	5.0%	5.3%	5.0%	5.3%
Recycled Commodity Rate Increase					6.0%	5.3%	5.6%	5.6%	5.3%	5.5%	5.0%	4.5%	4.6%	4.0%
Recycled Fixed Meter Rate Increase (1.5" Meter)					6.9%	5.0%	5.0%	5.0%	5.5%	5.5%	5.5%	5.5%	5.5%	6.0%
Total Rate Increase Needed To Fund Operating and Capital Improvement Activities					9.4%	8.1%	8.5%	9.2%	5.3%	5.4%	5.2%	5.2%	5.1%	5.1%
Sources of Cash														
Rate Revenues														
Revenue/Unrestricted Commodity Rates	8,061,506	8,826,616	8,458,976	8,629,300	8,629,300	8,629,300	8,629,300	8,629,300	8,629,300	8,629,300	8,629,300	8,629,300	8,629,300	8,629,300
Revenue from 20/21 Water Fixed Meter Rates	3,584,670	3,688,189	4,053,438	4,380,200	4,380,200	4,380,200	4,380,200	4,380,200	4,380,200	4,380,200	4,380,200	4,380,200	4,380,200	4,380,200
Revenue from 20/21 Fire/Flooding Meter Rates	110,966	117,459	124,237	68,800	68,800	68,800	68,800	68,800	68,800	68,800	68,800	68,800	68,800	68,800
Revenue from 20/21 Sewer Fixed Meter Rates	7,705,618	7,549,752	8,042,358	8,495,200	8,495,200	8,495,200	8,495,200	8,495,200	8,495,200	8,495,200	8,495,200	8,495,200	8,495,200	8,495,200
Revenue Recycled Commodity Rates	1,355,119	1,898,113	2,012,144	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000
Revenue from 20/21 Recycled Fixed Meter Rates	258,409	308,199	372,728	402,500	402,500	402,500	402,500	402,500	402,500	402,500	402,500	402,500	402,500	402,500
Additional Required Rate Revenue														
Revenue / Commodity Rate Increases					682,900	1,329,300	2,029,600	2,765,500	3,500,800	4,306,800	5,077,400	5,812,900	6,583,400	7,283,800
Revenue / Fixed Meter Rate Increases					1,127,200	1,866,300	2,671,200	3,519,800	4,389,900	5,304,300	6,266,600	7,310,200	8,376,800	9,572,000
Rate Revenues - Sub-total	21,076,288	22,388,328	23,063,881	23,826,000	25,636,100	27,021,600	28,526,800	30,111,300	31,716,700	33,437,100	35,170,000	36,949,100	38,786,200	40,681,800
Other Sources of Cash														
Charges for Services Revenue	100,185	120,050	21,459	123,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Miscellaneous Operating Revenue	43,914	115,173	19,829	52,800	52,200	52,600	53,000	53,400	53,800	54,200	54,600	55,000	55,400	55,800
Operating Grants & Reimbursements	353,261	336,210	578,785	356,700	371,000	337,400	298,400	259,400	220,400	181,400	142,400	83,400	11,400	11,400
Non-Operating Revenue														
Property Taxes - General Fund Revenue	1,037,398	1,097,589	1,121,299	1,120,000	1,155,000	1,172,000	1,201,200	1,230,700	1,260,400	1,290,400	1,320,600	1,351,100	1,381,900	1,413,000
Cellular Site Lease Revenue (Funds Tier 1 Offset)	242,187	236,357	227,227	235,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000
Other Non-operating Revenue	12,883	42,826	6,378	21,000	19,400	19,400	19,400	19,400	19,400	19,400	19,400	19,400	19,400	19,400
Investment Income	424,110	21,511	(257,395)	100,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Restricted Reserves Funding of Conservation Program	100,000	100,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Sources of Cash - Total	23,390,226	24,458,044	24,981,463	26,034,500	28,038,700	29,408,000	30,903,800	32,479,200	34,075,700	35,787,500	37,512,000	39,263,000	41,059,300	42,986,400
Uses of Cash														
Operations & Maintenance Expenses														
General & Administrative	3,659,095	3,411,867	4,503,069	5,087,180	5,262,060	5,489,041	5,692,197	6,000,491	6,248,210	6,584,076	6,860,614	7,226,509	7,534,858	7,934,224
Source of Supply	7,868,488	8,559,821	8,641,026	8,540,000	9,096,800	9,609,040	10,221,400	10,824,280	11,458,615	12,122,830	12,772,910	13,389,005	14,037,490	14,693,540
Operations & Maintenance	10,519,363	11,031,000	10,668,136	11,381,400	12,365,100	12,941,883	13,549,615	14,185,056	14,858,761	15,565,651	16,307,593	17,085,610	17,901,793	18,758,183
Other Operating Expenses	108,574	280,577	370,235	322,000	300,000	318,000	337,000	357,200	378,600	401,300	425,300	450,800	477,900	506,600
Utilization of Net Revenues for Debt Service	1,104,858	1,685,537	1,668,239	-	-	-	-	-	-	-	-	-	-	-
Uses of Cash - Total	23,260,378	24,968,802	25,850,705	25,330,580	27,023,960	28,357,964	29,800,212	31,367,027	32,944,186	34,673,857	36,366,417	38,151,924	39,952,041	41,892,547
Net Cash Provided/(Used) by Operating Activities before Transfers	129,848	(510,758)	(869,242)	703,920	1,014,740	1,050,036	1,103,588	1,112,173	1,131,514	1,113,643	1,145,583	1,111,076	1,107,259	1,093,853
Transfers Out to Capital Project Fund <sup>(2)</sup>	-	-	-	(969,150)	(980,820)	(985,174)	(996,160)	(1,009,356)	(1,020,054)	(1,032,693)	(1,041,157)	(1,014,021)	(980,790)	(1,000,658)
Net Cash Provided/(Used) by Operating Activities	129,848	(510,758)	(869,242)	(265,230)	33,920	64,862	107,428	102,817	111,460	80,950	104,426	97,055	126,469	93,195

Notes

(1) Operating activities include revenues and expenses that do not involved Restricted or Capital revenues and generally include General & Administrative activities, Operations & Maintenance activities, and Other Operating activities(Retiree Health Insurance and OPEB Charges)

(2) Transfers out to the Capital Project Fund are transfers of net operating revenues (i.e., revenues remaining after all expenses are paid) to support debt service for the system.

Attachment 10. Ten Year Projected Changes in Cash from Operating and Restricted Reserve Activities														
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033
	Actual	Actual	Actual	Budget	Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Change in Cash from Restricted Reserve Activities <sup>(1)</sup>														
Sources of Cash														
Restricted Revenue														
Restricted Commodity Rate Revenue	644,480	744,946	753,428	826,900	826,900	826,900	826,900	826,900	826,900	826,900	826,900	826,900	826,900	826,900
Total Restricted Revenue	644,480	744,946	753,428	826,900	826,900	826,900	826,900	826,900	826,900	826,900	826,900	826,900	826,900	826,900
Uses of Cash														
Utilization of Restricted Revenues for Conservation Expenses	100,000	100,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Transfers Out														
Transfer to Capital Fund for Recycled Debt (SRF Loans)	147,000	722,201	592,804	957,250	-	-	-	-	-	-	-	-	-	-
Transfer to Capital Fund for Recycled Phase I Project	660,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Capital Fund for Recycled Phase II Project	138,403	-	217,389	35,392	-	-	-	-	-	-	-	-	-	-
Transfer to Capital Fund for Recycled Capital	-	-	-	25,500	-	-	-	-	-	-	-	-	-	-
Transfer to Capital Fund for 2022 Bonds (SRF Refunded)	-	-	-	-	905,880	854,276	781,240	687,044	655,946	618,307	590,443	183,079	192,110	128,492
Transfer to Capital Fund for 2022 Bonds (New Projects)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment for 20/21 and 21/22 Actual	933,677	547,449	(634,737)	(424,674)	-	-	-	-	-	-	-	-	-	-
Uses of Cash - Total	1,979,080	1,369,650	375,456	793,468	1,105,880	1,054,276	981,240	887,044	855,946	818,307	790,443	383,079	392,110	328,492
Net Change in Reserve Balance	(1,334,600)	(624,704)	377,972	33,432	(278,980)	(227,376)	(154,340)	(60,144)	(29,046)	8,593	36,457	443,821	434,790	498,408
Beginning Balance	2,655,062	1,320,462	695,758	1,073,730	1,107,162	828,182	600,806	446,466	386,322	357,276	365,869	402,326	846,147	1,280,937
Ending Balance	1,320,462	695,758	1,073,730	1,107,162	828,182	600,806	446,466	386,322	357,276	365,869	402,326	846,147	1,280,937	1,779,345

Notes

(1) Restricted Revenue activities include revenues that are received but have been Restricted by Board Action to supporting water supply enhancement activities. The Restricted Revenues are derived from the Tiered Rate charges on customer utility bills, the Tier III, Tier IV, and Commercial Conservation/Recycled Revenues. Restricted Revenues have typically been used to support the District's conservation efforts and to support the Recycled Water System debt, both of which increase water supply by either reducing water usage or providing new source of supply for irrigation of landscaping. In the future, as resources become available from this Restricted Revenue Reserve, the District may utilize funding from Restricted Revenues for water supply projects such as additional recycled water production or potential potable water reuse.

## **Attachment 11**

### **Ten Year Projected Changes in Cash from Capital Improvement Activities**

Attachment 11 presents a ten year projected cash model for the District's Capital Improvement activities. Beginning in 2023-2024, the annual increase in the Capital Facilities fixed meter charge for the Water and Wastewater Systems will be 25% until 2026-2027 to provide sufficient funding for the capital projects that need to be completed during the next ten years. Beginning in 2027-2028, the Capital Facilities fixed meter charge will increase 5% per year.

Attachment 11. Ten Year Projected Changes in Cash from Capital Improvement Activities														
	2019-2020 Actual	2020-2021 Actual	2021-2022 Actual	2022-2023 Budget	2023-2024 Budget	2024-2025 Projected	2025-2026 Projected	2026-2027 Projected	2027-2028 Projected	2028-2029 Projected	2029-2030 Projected	2030-2031 Projected	2031-2032 Projected	2032-2033 Projected
Rate Increase Necessary to Fund Capital Improvements														
Water System Capital Facilities Rate Increase					25.0%	25.0%	25.0%	25.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Wastewater System Capital Facilities Rate Increase					25.0%	25.0%	25.0%	25.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Recycled System Capital Facilities Rate Increase					25.0%	25.0%	25.0%	25.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Sources of Cash														
Water System - Capital Charge Revenue	1,281,975	1,264,678	1,252,888	1,366,200	1,366,200	1,366,200	1,366,200	1,366,200	1,366,200	1,366,200	1,366,200	1,366,200	1,366,200	1,366,200
Wastewater System - Capital Charge Revenue	1,606,851	1,605,820	1,606,146	1,735,400	1,735,400	1,735,400	1,735,400	1,735,400	1,735,400	1,735,400	1,735,400	1,735,400	1,735,400	1,735,400
Recycled Water System - Capital Charge Revenue	118,345	134,773	146,847	160,600	160,600	160,600	160,600	160,600	160,600	160,600	160,600	160,600	160,600	160,600
Summary Capital Charge Rate Increases														
Revenue/Capital Charge Rate Increases	-	-	-	-	824,000	1,867,728	3,149,929	4,752,967	5,153,843	5,574,314	6,016,425	6,480,513	6,967,920	7,479,146
Capital Charge Rate Revenue - Sub-total	3,007,171	3,005,271	3,005,881	3,262,200	4,086,200	5,129,928	6,412,129	8,015,167	8,416,043	8,836,514	9,278,625	9,742,713	10,230,120	10,741,346
Other Sources of Cash														
Transfers In														
Transfer from Tiered Rates Restricted Reserve	1,879,080	722,201	810,193	1,018,142	905,880	854,276	781,240	687,044	655,946	618,307	590,443	183,079	192,110	128,492
Transfer from Recycled System Net Revenues	1,104,858	1,685,537	1,668,239	969,150	980,920	986,274	997,360	1,010,556	1,021,354	1,034,093	1,042,657	1,015,521	982,390	1,002,458
Other Capital Reserve Utilization														
Baker WTP Debt Reserve Draw	600,000	184,262	184,262	184,262	127,070	46,837								
Sources of Cash - Total	6,591,109	5,597,271	5,668,575	5,433,754	6,100,070	7,017,315	8,190,729	9,712,767	10,093,343	10,488,914	10,911,725	10,941,313	11,404,620	11,872,296
Uses of Cash														
Capital Improvement Program	2,661,270	1,745,265	1,748,475	2,374,000	1,575,956	2,126,438	3,894,337	4,992,054	4,296,003	4,497,587	5,263,305	5,942,713	6,396,620	7,036,146
SOCWA Capital Charges	592,512	1,296,413	972,000	-	414,836	281,089	-	-	1,777,740	1,971,527	1,631,920	1,400,000	1,400,000	1,500,000
Debt Service Expenses														
Water System	677,951	677,951	677,951	1,558,700	1,425,200	1,432,000	1,431,900	1,431,900	1,432,000	1,431,200	1,431,100	1,430,800	1,430,400	1,429,600
Wastewater System	258,145	258,145	258,145	596,800	497,900	494,900	496,600	497,900	498,600	503,900	498,400	492,600	502,600	250,100
Recycled System	2,016,743	2,028,543	2,087,133	2,087,000	2,087,500	2,091,450	2,092,300	2,089,700	2,089,000	2,084,700	2,087,000	1,675,200	1,675,000	1,656,450
Uses of Cash - Total	6,206,621	6,006,317	5,743,704	6,616,500	6,001,392	6,425,877	7,915,137	9,011,554	10,093,343	10,488,914	10,911,725	10,941,313	11,404,620	11,872,296
Net Cash Generated/(Used) for Capital Fund	384,488	(409,046)	(75,129)	(1,182,746)	98,678	591,438	275,592	701,213	-	-	-	-	-	-

**Attachment 11. Ten Year Projected Changes in Cash from Capital Improvement Activities**

[illegible]







## **Attachment 12**

### **Changes in Reserves Analysis**

Attachment 12 provides a projection of changes in the District's cash reserve balances based on the changes in cash forecast in Attachments 10 and 11. The total Reserve balance is equal to the total cash available to the District which is allocated to various balances that are intended to be utilized for certain purposes. The District has established three types of Reserve categories:

- **Restricted Reserves** – includes both Externally Restricted and Internally Restricted, with externally restricted reserves subject to restriction due to legal or regulatory requirements and internal restrictions due to District policies.
- **Board Mandated Reserves** – The District Board has established several categories of Reserves that are intended to provide security for the District's operations and capital activities. These are considered minimum balances to be maintained at almost all times except for extreme situations in which they are intended to be utilized to provide stability so the District can continue to operate.
- **Capital Reserves** – These Reserve balances are intended to be used for the District's Capital activities and often include balances that have been accumulated for projects, potential projects, or debt activities that are anticipated to be completed in the future.

The Reserves analysis is provided to illustrate the allocation of the District's cash into various Reserves throughout the ten year planning period.

Attachment 12. Analysis of Projected Changes in Reserve Balances														
	2019-2020 Actual	2020-2021 Actual	2021-2022 Actual	2022-2023 Budget	2023-2024 Budget	2024-2025 Projected	2025-2026 Projected	2026-2027 Projected	2027-2028 Projected	2028-2029 Projected	2029-2030 Projected	2030-2031 Projected	2031-2032 Projected	2032-2033 Projected
Restricted Reserve Balances														
Externally Restrictered														
Restricted for SRF Debt Service	2,273,045	2,273,045	-	-	-	-	-	-	-	-	-	-	-	-
Restricted 2022 Bond Proceeds	-	-	26,892,995	17,640,253	6,397,190	-	-	-	-	-	-	-	-	-
Restricted Capacity Charge	2,895	2,895	2,895	-	-	-	-	-	-	-	-	-	-	-
Internally Restricted														
Tiered Rates Restricted	1,320,462	695,758	1,073,730	1,107,162	828,182	600,806	446,466	386,322	357,276	365,869	402,326	846,147	1,280,937	1,779,345
Baker WTP Debt Reserve	726,697	576,701	392,705	215,105	37,505	-	-	-	-	-	-	-	-	-
Restricted Reserve Balances - Total	4,323,099	3,548,399	28,362,325	18,962,520	7,262,877	600,806	446,466	386,322	357,276	365,869	402,326	846,147	1,280,937	1,779,345
Board Mandated Reserve Balances														
Rate Stability Reserve	2,000,000	2,000,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Operational Continuity Reserve	1,300,000	1,300,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Capital Construction Reserve	3,000,000	2,590,954	2,515,825	1,333,079	1,431,757	2,023,195	2,298,787	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Board Mandated Reserve Balances - Total	6,300,000	5,890,954	6,715,825	5,533,079	5,631,757	6,223,195	6,498,787	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000
Capital Reserve Balances														
Carryover Capital Reserve	6,680,874	5,167,666	4,434,993	2,863,445	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145
Accumulated Capital Reserve	596,299	840,094	1,375,026	1,375,026	1,375,026	488,642	488,642	488,642	488,642	488,642	488,642	488,642	488,642	488,642
SOCWA Reserve	1,706,317	2,632,537	3,544,781	3,513,537	3,513,537	3,513,537	2,271,741	506,001	352,519	-	-	-	-	-
Recycled Capital Projects	10,294	(53,002)	(60,892)	-	-	-	-	-	-	-	-	-	-	-
Capital Reserve Balances - Total	8,993,784	8,587,295	9,293,908	7,752,008	7,174,708	6,288,324	5,046,528	3,280,788	3,127,306	2,774,787	2,774,787	2,774,787	2,774,787	2,774,787
Restricted, Mandated, Capital Reserve Balances	19,616,883	18,026,648	44,372,058	32,247,607	20,069,342	13,112,325	11,991,781	10,867,110	10,684,582	10,340,656	10,377,113	10,820,934	11,255,724	11,754,132
Working Capital Balance	1,488,660	1,922,410	307,777	128,718	68,218	395,461	654,629	814,990	952,796	999,702	1,101,228	1,195,383	1,318,852	1,408,847
Ending Reserves Balance	21,105,543	19,949,058	44,679,835	32,376,325	20,137,560	13,507,786	12,646,410	11,682,100	11,637,378	11,340,358	11,478,341	12,016,317	12,574,576	13,162,979
Audited/Forecasted Cash Reserve Balances														
Cash Balance from Financial Statements														
1010 · Cash - General	2,715,177	3,114,571	3,003,778	2,741,443	2,773,863	2,836,225	2,941,053	3,041,270	3,150,030	3,236,773	3,374,756	3,912,732	4,470,991	5,059,394
1016 · Cash - Capacity Charge	2,895	2,895	2,895	-	-	-	-	-	-	-	-	-	-	-
1020 · Cash - LAIF	8,847,529	7,277,581	7,203,917	5,261,493	4,747,432	4,599,959	4,116,857	3,584,593	3,507,852	3,315,971	3,315,971	3,315,971	3,315,971	3,315,971
1021 · CAMP Money Market	-	921,104	-	-	-	-	-	-	-	-	-	-	-	-
1022 · Cash - 2022 Bond Proceeds	-	-	12,570,962	8,494,246	2,872,715	(325,880)	(325,880)	(325,880)	(325,880)	(325,880)	(325,880)	(325,880)	(325,880)	(325,880)
1023 · 2022 Bond Proceeds - Investments	-	-	12,587,427	8,510,711	2,889,180	(309,415)	(309,415)	(309,415)	(309,415)	(309,415)	(309,415)	(309,415)	(309,415)	(309,415)
1034 · Petty Cash	700	700	700	700	700	700	700	700	700	700	700	700	700	700
1038 · CAMP Money Market	-	851,104	(109,866)	-	-	-	-	-	-	-	-	-	-	-
1039 · CAMP Investment Account	9,539,242	7,781,103	9,420,022	7,367,732	6,853,671	6,706,198	6,223,096	5,690,832	5,614,091	5,422,210	5,422,210	5,422,210	5,422,210	5,422,210
Total Cash Balance at end of Fiscal Year	21,105,543	19,949,058	44,679,835	32,376,325	20,137,560	13,507,786	12,646,410	11,682,100	11,637,378	11,340,358	11,478,341	12,016,317	12,574,576	13,162,979
Change in Cash Calculations														
Cash at Beginning of Year				44,679,835	32,376,325	20,137,560	13,507,786	12,646,410	11,682,100	11,637,378	11,340,358	11,478,341	12,016,317	12,574,576
Change in Cash from Operational Activities				(265,230)	32,420	62,362	104,828	100,217	108,760	78,150	101,526	94,155	123,469	89,995
Change in Cash from Tiered Rate Restricted Activities				-	-	-	-	-	-	8,593	36,457	443,821	434,790	498,408
Change in Cash from Capital Activities														
Current Year Capital Activities				(1,182,746)	98,678	591,438	275,592	701,213	-	-	-	-	-	-
Reallocated SRF Restricted Reserve				(1,099,311)	(549,500)	-	-	-	-	-	-	-	-	-
Carryover Capital				(1,571,548)	(577,300)	-	-	-	-	-	-	-	-	-
SOCWA Capital Reserve				(31,244)	-	-	(1,241,796)	(1,765,740)	(153,482)	(383,763)	-	-	-	-
Accumulated Capital Reserve				-	-	(886,384)	-	-	-	-	-	-	-	-
2022 Bond Proceeds				(8,153,431)	(11,243,063)	(6,397,190)	-	-	-	-	-	-	-	-
Total Change in Cash				(12,303,510)	(12,238,765)	(6,629,774)	(861,376)	(964,310)	(44,722)	(297,020)	137,983	537,976	558,259	588,403
Projected Ending Cash Balance				32,376,325	20,137,560	13,507,786	12,646,410	11,682,100	11,637,378	11,340,358	11,478,341	12,016,317	12,574,576	13,162,979

Attachment 12. Analysis of Projected Changes in Reserve Balances														
	2019-2020 Actual	2020-2021 Actual	2021-2022 Actual	2022-2023 Budget	2023-2024 Budget	2024-2025 Projected	2025-2026 Projected	2026-2027 Projected	2027-2028 Projected	2028-2029 Projected	2029-2030 Projected	2030-2031 Projected	2031-2032 Projected	2032-2033 Projected
Restricted Reserve Balances														
Externally Restrictered														
Restricted for SRF Debt Service	2,273,045	2,273,045	-	-	-	-	-	-	-	-	-	-	-	-
Restricted 2022 Bond Proceeds	-	-	26,892,995	17,640,253	6,397,190	-	-	-	-	-	-	-	-	-
Restricted Capacity Charge	2,895	2,895	2,895	-	-	-	-	-	-	-	-	-	-	-
Internally Restricted														
Tiered Rates Restricted	1,320,462	695,758	1,073,730	1,107,162	828,182	600,806	446,466	386,322	357,276	365,869	402,326	846,147	1,280,937	1,779,345
Baker WTP Debt Reserve	726,697	576,701	392,705	215,105	37,505	-	-	-	-	-	-	-	-	-
Restricted Reserve Balances - Total	4,323,099	3,548,399	28,362,325	18,962,520	7,262,877	600,806	446,466	386,322	357,276	365,869	402,326	846,147	1,280,937	1,779,345
Board Mandated Reserve Balances														
Rate Stability Reserve	2,000,000	2,000,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Operational Continuity Reserve	1,300,000	1,300,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Capital Construction Reserve	3,000,000	2,590,954	2,515,825	1,333,079	1,431,757	2,023,195	2,298,787	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Board Mandated Reserve Balances - Total	6,300,000	5,890,954	6,715,825	5,533,079	5,631,757	6,223,195	6,498,787	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000
Capital Reserve Balances														
Carryover Capital Reserve	6,680,874	5,167,666	4,434,993	2,863,445	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145	2,286,145
Accumulated Capital Reserve	596,299	840,094	1,375,026	1,375,026	1,375,026	488,642	488,642	488,642	488,642	488,642	488,642	488,642	488,642	488,642
SOCWA Reserve	1,706,317	2,632,537	3,544,781	3,513,537	3,513,537	3,513,537	2,271,741	506,001	352,519	-	-	-	-	-
Recycled Capital Projects	10,294	(53,002)	(60,892)	-	-	-	-	-	-	-	-	-	-	-
Capital Reserve Balances - Total	8,993,784	8,587,295	9,293,908	7,752,008	7,174,708	6,288,324	5,046,528	3,280,788	3,127,306	2,774,787	2,774,787	2,774,787	2,774,787	2,774,787
Restricted, Mandated, Capital Reserve Balances	19,616,883	18,026,648	44,372,058	32,247,607	20,069,342	13,112,325	11,991,781	10,867,110	10,684,582	10,340,656	10,377,113	10,820,934	11,255,724	11,754,132
Working Capital Balance	1,488,660	1,922,410	307,777	128,718	68,218	395,461	654,629	814,990	952,796	999,702	1,101,228	1,195,383	1,318,852	1,408,847
Ending Reserves Balance	21,105,543	19,949,058	44,679,835	32,376,325	20,137,560	13,507,786	12,646,410	11,682,100	11,637,378	11,340,358	11,478,341	12,016,317	12,574,576	13,162,979
Audited/Forecasted Cash Reserve Balances														
Cash Balance from Financial Statements														
1010 · Cash - General	2,715,177	3,114,571	3,003,778	2,741,443	2,773,863	2,836,225	2,941,053	3,041,270	3,150,030	3,236,773	3,374,756	3,912,732	4,470,991	5,059,394
1016 · Cash - Capacity Charge	2,895	2,895	2,895	-	-	-	-	-	-	-	-	-	-	-
1020 · Cash - LAIF	8,847,529	7,277,581	7,203,917	5,261,493	4,747,432	4,599,959	4,116,857	3,584,593	3,507,852	3,315,971	3,315,971	3,315,971	3,315,971	3,315,971
1021 · CAMP Money Market	-	921,104	-	-	-	-	-	-	-	-	-	-	-	-
1022 · Cash - 2022 Bond Proceeds	-	-	12,570,962	8,494,246	2,872,715	(325,880)	(325,880)	(325,880)	(325,880)	(325,880)	(325,880)	(325,880)	(325,880)	(325,880)
1023 · 2022 Bond Proceeds - Investments	-	-	12,587,427	8,510,711	2,889,180	(309,415)	(309,415)	(309,415)	(309,415)	(309,415)	(309,415)	(309,415)	(309,415)	(309,415)
1034 · Petty Cash	700	700	700	700	700	700	700	700	700	700	700	700	700	700
1038 · CAMP Money Market	-	851,104	(109,866)	-	-	-	-	-	-	-	-	-	-	-
1039 · CAMP Investment Account	9,539,242	7,781,103	9,420,022	7,367,732	6,853,671	6,706,198	6,223,096	5,690,832	5,614,091	5,422,210	5,422,210	5,422,210	5,422,210	5,422,210
Total Cash Balance at end of Fiscal Year	21,105,543	19,949,058	44,679,835	32,376,325	20,137,560	13,507,786	12,646,410	11,682,100	11,637,378	11,340,358	11,478,341	12,016,317	12,574,576	13,162,979
Change in Cash Calculations														
Cash at Beginning of Year				44,679,835	32,376,325	20,137,560	13,507,786	12,646,410	11,682,100	11,637,378	11,340,358	11,478,341	12,016,317	12,574,576
Change in Cash from Operational Activities				(265,230)	32,420	62,362	104,828	100,217	108,760	78,150	101,526	94,155	123,469	89,995
Change in Cash from Tiered Rate Restricted Activities				-	-	-	-	-	-	8,593	36,457	443,821	434,790	498,408
Change in Cash from Capital Activities														
Current Year Capital Activities				(1,182,746)	98,678	591,438	275,592	701,213	-	-	-	-	-	-
Reallocated SRF Restricted Reserve				(1,099,311)	(549,500)	-	-	-	-	-	-	-	-	-
Carryover Capital				(1,571,548)	(577,300)	-	-	-	-	-	-	-	-	-
SOCWA Capital Reserve				(31,244)	-	-	(1,241,796)	(1,765,740)	(153,482)	(383,763)	-	-	-	-
Accumulated Capital Reserve				-	-	(886,384)	-	-	-	-	-	-	-	-
2022 Bond Proceeds				(8,153,431)	(11,243,063)	(6,397,190)	-	-	-	-	-	-	-	-
Total Change in Cash				(12,303,510)	(12,238,765)	(6,629,774)	(861,376)	(964,310)	(44,722)	(297,020)	137,983	537,976	558,259	588,403
Projected Ending Cash Balance				32,376,325	20,137,560	13,507,786	12,646,410	11,682,100	11,637,378	11,340,358	11,478,341	12,016,317	12,574,576	13,162,979

## **Attachment 13**

### **Proposed Water, Sewer and Recycled Water Rates**

Attachment 13 presents tables that summarize the proposed rates for 2023 – 2024 which will be implemented on August 1, 2023. The Tables incorporate the rates calculated by the Raftelis Cost of Service study and compare the proposed rates to the existing (2022 – 2023) rates so the Board can assess the impact of the proposed rate increases recommended by Staff to fund Operations & Maintenance and Capital Activities.

## Attachment 13 - Proposed 2023/24 Commodity Rates

Water Usage Rates	Existing 2022-23 Rates	Water Supply	Peak Delivery	RW	Conservation	Revenue Offset
Tier 1 - Essential Use	\$ 2.82	\$ 2.88	\$ 0.19	\$ -	\$ -	\$ (0.25)
Tier 2 - Efficient Use	\$ 3.18	\$ 2.88	\$ 0.30	\$ -	\$ -	\$ -
Tier 3 - Inefficient Use	\$ 6.50	\$ 2.88	\$ 0.30	\$ 2.33	\$ 0.99	\$ -
Tier 4 - Excessive Use	\$ 8.35	\$ 2.88	\$ 0.43	\$ 4.05	\$ 0.99	\$ -
Uniform - Commercial Use	\$ 3.31	\$ 2.88	\$ 0.21	\$ 0.32	\$ 0.10	\$ (0.20)
RW	\$ 2.86					

Water Usage Rates	2022-23 Rates	Proposed 2023-24 Rates	Water Supply	Peak Delivery	RW	Conservation	Revenue Offset	Budgeted Water Sales	\$ Change	% Change
Tier 1 - Essential Use	\$ 2.82	\$ 3.00	\$ 3.07	\$ 0.05	\$ -	\$ -	\$ (0.12)	1,459,129 ccf	\$ 0.18	6.4%
Tier 2 - Efficient Use	\$ 3.18	\$ 3.37	\$ 3.07	\$ 0.30	\$ -	\$ -	\$ -	913,013 ccf	\$ 0.19	6.0%
Tier 3 - Inefficient Use	\$ 6.50	\$ 6.70	\$ 3.07	\$ 0.30	\$ 2.33	\$ 0.99	\$ -	90,201 ccf	\$ 0.20	3.1%
Tier 4 - Excessive Use	\$ 8.35	\$ 8.67	\$ 3.07	\$ 0.55	\$ 4.05	\$ 0.99	\$ -	72,696 ccf	\$ 0.32	3.8%
Uniform - Commercial Use	\$ 3.31	\$ 3.49	\$ 3.07	\$ 0.10	\$ 0.32	\$ 0.10	\$ (0.10)	383,481 ccf	\$ 0.18	5.4%
RW	\$ 2.86	\$ 3.03						646,865 ccf	\$ 0.17	5.9%
Total Projected Water	\$ 9,480,765	\$ 10,027,211	\$ 8,959,856	\$ 452,252	\$ 627,301	\$ 199,616	\$ (213,444)	2,918,520 ccf		
Total Projected RW	\$ 1,850,034	\$ 1,960,001								

## Attachment 13 - Proposed 2023/24 Fixed Meter Rates

Meter Size	Existing 2022-23 Rates	Proposed 2023-24 Rates	Billing & CS	Meters & Capacity	Rate Increase	# of Accounts	Water	RW
5/8-in	\$ 17.46	\$ 18.07	\$ 4.76	\$ 13.31	3.5%	2,380	2,380	0
3/4-in	\$ 23.62	\$ 24.72	\$ 4.76	\$ 19.96	4.7%	4,854	4,854	0
1-in	\$ 35.93	\$ 38.02	\$ 4.76	\$ 33.26	5.8%	452	452	0
1 1/2-in	\$ 66.70	\$ 71.27	\$ 4.76	\$ 66.51	6.9%	730	702	28
2-in	\$ 128.25	\$ 137.76	\$ 4.76	\$ 133.00	7.4%	1,373	1,126	247
<b>Total Projected</b>	<b>\$ 4,766,699</b>	<b>\$ 5,056,249</b>	<b>\$ 559,148</b>	<b>\$ 4,497,102</b>		<b>9,789</b>	<b>9,514</b>	<b>275</b>
Water	\$ 4,364,154	\$ 4,623,982	\$ 543,440	\$ 4,080,542				
Recycled Water	\$ 402,544	\$ 432,267	\$ 15,708	\$ 416,559				

## Attachment 13 - Proposed 2023/24 Sewer Rates

Current WW Rates for	Existing 2022/23 Sewer Rates	Proposed 2023/24 Sewer Rates	Rate Increase
Residential Unrestricted	\$34.67 / EDU	<b>\$37.98 / EDU</b>	<b>9.5%</b>
Multi-Family Restricted	\$16.47 / EDU	<b>\$18.05 / EDU</b>	<b>9.6%</b>
Multi-Family Unrestricted	\$25.34 / EDU	<b>\$27.76 / EDU</b>	<b>9.6%</b>

### Current Commercial Classes

Animal Kennel	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Auto Service Station(repair)	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Basic Commercial	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Car Wash	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Dept. - Retail Store	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Dry Cleaner	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Health Spa	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Hospital	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Hotel	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Market	\$9.49 /ccf	<b>\$10.58 / EDU</b>	<b>11.5%</b>
Mortuaries	\$9.49 /ccf	<b>\$10.58 / EDU</b>	<b>11.5%</b>
Nursery	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Parks Golf Courses	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Prof/Financial Office	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Public Institution	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Restaurants	\$5.15 /ccf	<b>\$5.65 / EDU</b>	<b>9.7%</b>
Schools	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Theater	\$5.07 /ccf	<b>\$5.54 / EDU</b>	<b>9.3%</b>
Warehouse/Storage	\$4.10 /ccf	<b>\$4.45 / EDU</b>	<b>8.5%</b>

## Attachment 13 - Proposed 2023/24 Capital Water Charge Rates

Meter Size	Existing 2022-23 Rates	Proposed 2023-24 Rates	Rate Increase	# of Accounts	Water	RW
5/8-in	\$ 5.09	\$ 6.37	25.1%	2,380	2,380	0
3/4-in	\$ 5.09	\$ 6.37	25.1%	4,854	4,854	0
1-in	\$ 8.50	\$ 10.63	25.1%	452	452	0
1 1/2-in	\$ 20.65	\$ 25.82	25.0%	730	702	28
2-in	\$ 51.84	\$ 64.80	25.0%	1,373	1,126	247
<b>Total Projected</b>	<b>\$ 1,522,967</b>	<b>\$ 1,904,452</b>		<b>9,789</b>	<b>9,514</b>	<b>275</b>
Water	\$ 1,362,374	\$ 1,703,709				
Recycled Water	\$ 160,592	\$ 200,743				



## Attachment 13 - Proposed 2023/24 Capital Sewer Charge Rates

Customer Classes		2022-2023 Wastewater Capital Charges	Proposed 2023-2024 Wastewater Capital Charges	% Change for Customers	Billing Units (EDU or # of meters)
<b>Residential</b>					
	Residential Unrestricted	\$7.09 / EDU	<b>\$8.87 / EDU</b>	25.11%	7,021 EDU
	Multi-Family Restricted	\$3.37 / EDU	<b>\$4.21 / EDU</b>	24.93%	12,603 EDU
	Multi-Family Unrestricted	\$5.18 / EDU	<b>\$6.48 / EDU</b>	25.10%	4,521 EDU
<b>Commercial/Institutional (Flow Based)</b>					
	Low Strength (per CCF)	0.84	<b>\$1.04</b>	23.81%	4,244 ccf
	Medium Strength (per CCF)	1.04	<b>\$1.29</b>	24.04%	244,819 ccf
	High Strength (per CCF)	1.93	<b>\$2.47</b>	27.98%	8,181 ccf
	Restaurants (per CCF)	1.05	<b>\$1.32</b>	25.71%	34,747 ccf
	Institutional (per CCF)	1.04	<b>\$1.29</b>	24.04%	11,968 ccf
<b>Projected Capital Facility Charges</b>		<b>\$1,735,400</b>	<b>\$2,181,800</b>		
<b>% Increase in WW Capital R&amp;R Rev Req</b>		<b>25.72%</b>			

## **Attachment 14**

### **Customer Sensitivity Analysis**

As part of the annual Budget process staff performs sensitivity analyses to quantify the implications of assumptions and proposed fiscal results on certain customer classes. As noted in the attached sensitivity tables, the preliminary sensitivity analysis produces the following “Total” Bill increases:

- **Single Family Residential (SFR)** – the total monthly bill for a single family residence, assuming 10 CCF usage per month which is within the resident’s calculated water budget, would increase from a total of \$98.67 to \$107.93, an increase of \$9.26 per month or 9.4%.
- **Laguna Woods Village** – the total monthly cost for all of the Mutual Associations of Laguna Woods would increase 9.4%, a total increase of \$968,212 from \$10,305,192 to \$11,273,404. The Attachment displays the increases for the various Laguna Woods Mutual Associations, with Golden Rain Foundation having the lowest total increase at 7.1% (primarily because most charges to Golden Rain consist of Recycled Water) and United Mutual having the largest increase at 9.8% due to the majority of charges being fixed meter charges.
- **Cities** – the various municipal customers served by the District will experience increases that range from 7.3% to 8.4%, with the variation depending on the mix of meters and consumption for each municipality.

## Attachment 14 - Single Family Residential Sensitivity Analysis

Billing Item	Current Rate	Proposed Rate	% Increase
Tier I (10 ccf)	\$28.20	\$30.00	6.4%
Water Fixed Meter	\$23.62	\$24.72	4.7%
Water Capital R & R	\$5.09	\$6.37	25.1%
Total Water	\$56.91	\$61.09	7.3%
Sewer Fixed Meter	\$34.67	\$37.98	9.5%
Sewer Capital R & R	\$7.09	\$8.87	25.1%
Total Sewer	\$41.76	\$46.85	12.2%
Total Bill	\$98.67	\$107.94	
	Increase	\$9.27	9.4%

## Attachment 14 - Laguna Woods Village Sensitivity Analysis

Mutual	2022/23	2023/24	Increase	
	Annual Charges	Annual Charges	Amount	%
Third Mutual	\$5,134,480	\$5,623,858	\$489,378	9.5%
United Mutual	\$4,052,897	\$4,448,216	\$395,319	9.8%
Golden Rain Foundation	\$906,180	\$970,505	\$64,326	7.1%
Mutual 50	\$211,636	\$231,144	\$19,508	9.2%
Total Community	\$10,305,192	\$11,273,724	\$968,531	9.4%

## Attachment 14. Cities Sensitiity Analysis

Mutual	2022/23	2023/24	Increase	
	Annual Charges	Annual Charges	Amount	%
Laguna Woods	\$46,402	\$50,164	\$3,762	8.1%
Lake Forest	\$307,714	\$330,087	\$22,373	7.3%
Mission Viejo	\$104,068	\$112,006	\$7,938	7.6%
Laguna Hills	\$153,276	\$166,105	\$12,829	8.4%
Average Cities	\$152,865	\$164,591	\$11,725	7.7%

## **Attachment 15**

### **2023 – 2024 Capital Improvement Plan**

The 2023 – 2024 Capital Improvement Plan includes two displays, the first shows the projects that are budgeted in the 2023 – 2024 fiscal year and the second provides a seven-year projection of projects.

Funding for the current budget year projects as well as the projected seven year plan is drawn from capital rate revenues, carryover funding, reserves, 2022 revenue bond funds and grant funds.

## 2023/24 CAPITAL REPLACEMENT & REFURBISHMENT PROGRAM

### Projects

#### Source of Supply / Storage Projects

1	JRWSS Capital Budget	13,114
2	Baker WTP Replacement Fund	56,200
<i>Total Source of Supply</i>		69,314

#### Pumping (Water) Projects

3	Water Stations PLC Upgrade to Control Logix	25,000
3	Water Stations PLC Upgrade to Control Logix (Carryover)	(25,000)
4	SRV-2 Lid Repair	33,000
5	R-4 Exterior Recoating	35,100
6	P-3 Pump Station Rehabilitation	200,000
6	P-3 Pump Station Rehabilitation (Carryover)	(200,000)
7	Moulton/El Toro Cathodic Protection Study	100,000
7	Moulton/El Toro Cathodic Protection Study (Carryover)	(100,000)
<i>Total Pumping (Water) Projects</i>		68,100

#### Pumping (Sanitation) Projects

8	Sewer Stations PLC Upgrade to Control Logix	25,000
8	Sewer Stations PLC Upgrade to Control Logix (Carryover)	(25,000)
9	Surcharge Capacity Repair on Grody Avenue	52,000
10	Northline Coating Improvement Project	91,000
<i>Total Pumping (Sanitation) Projects</i>		143,000

#### Treatment (Sanitation) Projects

11	Secondary Clarifier and WAC Rehabilitation	649,000
11	Secondary Clarifier Rehabilitation (Revenue Bond)	(649,000)
12	DAF Unit #2 Rehabilitation	94,000
12	DAF Unit #2 (Carryover)	(75,359)
13	Coarse Screen Rehabilitation	2,277,000
13	Coarse Screen Rehabilitation (Carryover)	(575,000)
13	Coarse Screen Rehabilitation (Revenue Bond)	(1,702,000)
14	Grit Chamber Rehabilitation Project	861,861
14	Grit Chamber Rehabilitation Project (Carryover)	(340,120)
14	Grit Chamber Rehabilitation Project (Revenue Bond)	(521,741)
<i>Total Treatment (Sanitation)</i>		18,641

#### Outside Treatment (SOCWA)

15	SOCWA Capital Budget	414,836
<i>Total Treatment (SOCWA)</i>		414,836

#### Other Studies

16	Asset Management	120,000
17	System-Wide Arc Flash and Coordination Study	180,000
<i>Total Contingency</i>		300,000

**Total Capital Projects** \$1,013,891

### Equipment

#### Pumping (Water) Equipment

1	Water Station HMI Replacement	14,000
2	R-6 Security Cameras and Fence Alarm Replacement	84,000
<i>Total Pumping (Water) Equipment</i>		98,000

#### Pumping (Sanitation) Equipment

3	Aliso Creek Pump Station Rehabilitation Project	826,000
3	Aliso Creek Pump Station Rehabilitation Project (Carryover)	(357,099)
4	Freeway Electrical Equipment Replacement	110,000
5	Sewer Station HMI Replacement	14,000
<i>Total Pumping (Sanitation)</i>		592,901

#### Vehicles / Vehicle Equipment

6	Vehicle Replacement	125,000
<i>Total Vehicle Equipment</i>		125,000

#### IT and EI&C

7	Core Switch Replacement	63,000
8	EOC Technology Upgrades	16,000
9	System-Wide Security Camera Implementation	50,000
10	P-1, Warehouse, P-4, Freeway, and Main Yard ATS Replacement	42,000
11	P-1 and Warehouse ATS Replacement (Carryover)	(10,000)
<i>Total IT and EI&amp;C</i>		161,000

**Total Capital Equipment** \$976,901

**Total Capital Projects** 1,013,891

**Total Capital Equipment** 976,901

**Total Capital Budget** 1,990,792

### LEGEND

WATER

SEWER

BOTH

**Seven Year Capital Replacement & Refurbishment Program**  
**F.Y. 2023/24 - 2027/28**

ITEM #	DESCRIPTION	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL	WATER	SEWER
<u>Source of Supply / Storage Projects</u>											
1	JRWSS Capital Budget	13,114	17,070	4,822	1,248	1,248	5,000	5,000	47,502	47,502	
2	Baker WTP Replacement Fund	56,200	56,200	56,200	56,200	56,200	56,200	56,200	393,400	393,400	
3	Direct Potable Reuse Feasibility Study		417,000						417,000	417,000	
3	Direct Potable Reuse Feasibility Study (Assumed Grant Funding)		(417,000)						(417,000)	(417,000)	
<i>Total Source of Supply / Storage Projects</i>		69,314	73,270	61,022	57,448	57,448	61,200	61,200	440,902	440,902	0
<u>Pumping (Water) Projects</u>											
1	Water Stations PLC Upgrade to Control Logix	25,000	25,000	25,000	25,000	25,000	25,000	25,000	175,000	175,000	
1	Water Stations PLC Upgrade to Control Logix (Carryover)	(25,000)	(25,000)	(1,533)					(51,533)	(51,533)	
2	R-6 Seepage Recovery Control Panel Rehabilitation			53,000					53,000	53,000	
3	SRV-2 Lid Repair	33,000							33,000	33,000	
4	R-4 Exterior Recoating	35,100	351,000						386,100	386,100	
5	R-2 Exterior Recoating							359,000	359,000	359,000	
6	P-3 Pump Station Rehabilitation	200,000	1,000,000						1,200,000	1,200,000	
6	P-3 Pump Station Rehabilitation (Carryover)	(200,000)	(440,000)						(640,000)	(640,000)	
7	Fire Flow Improvements at San Amadeo and Via Carrizo							69,000	69,000	69,000	
8	Fire Flow Improvements at Avenida Sevilla							390,000	390,000	390,000	
9	Fire Flow Improvements at Ronda Mendoza						101,000		101,000	101,000	
10	Fire Flow Improvements at Calle Donora and Via Campo Verde							812,000	812,000	812,000	
11	Moulton/El Toro Cathodic Protection Study	100,000							100,000	100,000	
11	Moulton/El Toro Cathodic Protection Study (Carryover)	(100,000)							(100,000)	(100,000)	
<i>Total Pumping (Water) Projects</i>		68,100	911,000	76,467	25,000	25,000	126,000	1,655,000	2,886,567	2,886,567	0
<u>Pumping (Water) Equipment</u>											
1	Cherry Booster Station Pump Replacement		77,000				187,000		264,000	264,000	
2	Shenandoah Booster Station Pump Replacement						274,000		274,000	274,000	
3	Water Station HMI Replacement	14,000	14,000	14,000	14,000	14,000	14,000	14,000	98,000	98,000	
4	R-6 Security Cameras and Fence Alarm Replacement	84,000							84,000	84,000	
5	R-5 Fence Alarm Replacement					35,000			35,000	35,000	
5	R-5 Fence Alarm Replacement (Carryover)					(27,000)			(27,000)	(27,000)	
6	P-4 Fire Pump Rehabilitation				25,000				25,000	25,000	
7	R-6 Chlorine and Ammonia Injection System Replacement							303,000	303,000	303,000	
8	Main PR Generator Replacement						22,000		22,000	22,000	
9	P-4 Generator Replacement							261,000	261,000	261,000	
10	Reservoir Mixer Improvements			87,000	96,000				183,000	183,000	
11	P-1 Pump Rehabilitation		165,000						165,000	165,000	
<i>Total Pumping (Water) Equipment</i>		98,000	256,000	101,000	135,000	22,000	497,000	578,000	1,687,000	1,687,000	0



**Seven Year Capital Replacement & Refurbishment Program**  
**F.Y. 2023/24 - 2027/28**

ITEM #	DESCRIPTION	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL	WATER	SEWER
<u><i>Pumping (Sanitation) Projects</i></u>											
1	Sewer Stations PLC Upgrade to Control Logix	25,000	25,000	25,000	25,000	25,000	25,000	25,000	175,000		175,000
1	Sewer Stations PLC Upgrade to Control Logix (Carryover)	(25,000)	(25,000)	(25,000)	(18,294)				(93,294)		(93,294)
2	Delta Lift Station Coating Rehabilitation				106,000				106,000		106,000
3	Freeway Lift Station Coating Rehabilitation							128,000	128,000		128,000
4	Surcharge Capacity Repair on Gowdy Avenue	52,000							52,000		52,000
5	Surcharge Capacity Repair on Swan Drive/Gowdy Avenue						66,000		66,000		66,000
6	Surcharge Capacity Repair on Swan Street						66,000		66,000		66,000
7	Surcharge Capacity Repair on McCoy Road						195,000		195,000		195,000
8	Northline Coating Improvement Project	91,000							91,000		91,000
9	Northline Overflow Hatch Replacement			112,000					112,000		112,000
10	Northline Pipeline Repair Project		91,000						91,000		91,000
11	Northline Odor Control Project				122,000				122,000		122,000
<i>Total Pumping (Sanitation) Projects</i>		143,000	91,000	112,000	234,706	25,000	352,000	153,000	1,110,706	0	1,110,706
<u><i>Pumping (Sanitation) Equipment</i></u>											
1	Aliso Creek Pump Station Rehabilitation Project	826,000							826,000		826,000
1	Aliso Creek Pump Station Rehabilitation Project (Carryover)	(357,099)							(357,099)		(357,099)
2	Westline Main Switchboard Replacement		97,000						97,000		97,000
3	Freeway Electrical Equipment Replacement	110,000							110,000		110,000
4	Sewer Station HMI Replacement	14,000	14,000	14,000	14,000	14,000	14,000	14,000	98,000		98,000
<i>Total Pumping (Sanitation) Equipment</i>		592,901	111,000	14,000	14,000	14,000	14,000	14,000	773,901	0	773,901
<u><i>Treatment (Sanitation) Projects</i></u>											
1	Secondary Clarifier and WAC Rehabilitation	649,000	4,430,000	2,003,000					7,082,000		7,082,000
1	Secondary Clarifier Rehabilitation (Carryover)		(162,922)						(162,922)		(162,922)
1	Secondary Clarifier Rehabilitation (Revenue Bond)	(649,000)	(3,788,230)						(4,437,230)		(4,437,230)
2	DAF Unit #2 Rehabilitation	94,000							94,000		94,000
2	DAF Unit #2 (Carryover)	(75,359)							(75,359)		(75,359)
3	Holding Pond West Side Drainage					151,000	417,000		568,000		568,000
3	Holding Pond West Side Drainage (Carryover)					(68,250)			(68,250)		(68,250)
4	Coarse Screen Rehabilitation	2,277,000							2,277,000		2,277,000
4	Coarse Screen Rehabilitation (Carryover)	(575,000)							(575,000)		(575,000)
4	Coarse Screen Rehabilitation (Revenue Bond)	(1,702,000)							(1,702,000)		(1,702,000)
5	Grit Chamber Rehabilitation Project	861,861							861,861		861,861
5	Grit Chamber Rehabilitation Project (Carryover)	(340,120)							(340,120)		(340,120)
5	Grit Chamber Rehabilitation Project (Revenue Bond)	(521,741)							(521,741)		(521,741)
6	Fine Screen Rehabilitation Project			574,000	3,980,400	2,653,600			7,208,000		7,208,000
6	Fine Screen Rehabilitation Project (Carryover)			(67,152)					(67,152)		(67,152)
7	Standby Blower Replacement						964,000		964,000		964,000
<i>Total Treatment (Sanitation) Projects</i>		18,641	478,848	2,509,848	3,980,400	2,736,350	1,381,000	0	11,105,087	0	11,105,087

**Seven Year Capital Replacement & Refurbishment Program**  
**F.Y. 2023/24 - 2027/28**

ITEM #	DESCRIPTION	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL	WATER	SEWER
<u><i>Treatment (Sanitation) Equipment</i></u>											
1	Aeration Basin Diffusers		292,000				316,000		608,000		608,000
2	DAF Unit 1 MCC Replacement					135,000			135,000		135,000
3	WRP Security Cameras				90,000				90,000		90,000
4	Additional Tertiary Filter Disks			94,000					94,000		94,000
4	Additional Tertiary Filter Disks (Recycled Water Reserves)			(94,000)					(94,000)		(94,000)
5	PRV for WRP Recycled Water Use		34,000						34,000		34,000
5	PRV for WRP Recycled Water Use (Recycled Water Reserves)		(34,000)						(34,000)		(34,000)
6	WRP SCADA Upgrade				290,000				290,000		290,000
6	WRP SCADA Upgrade (Carryover)				(32,500)				(32,500)		(32,500)
	<i>Total Treatment (Sanitation) Equipment</i>	0	292,000	0	347,500	135,000	316,000	0	1,090,500	0	1,090,500
<u><i>Laboratory Equipment</i></u>											
1	Benchtop Deionized Water Generator				23,000				23,000	11,500	11,500
	<i>Total Laboratory Equipment</i>	0	0	0	23,000	0	0	0	23,000	11,500	11,500
<u><i>Outside Treatment (SOCWA)</i></u>											
1	SOCWA Capital Budget	414,836	826,089	1,241,796	1,765,740	1,931,222	2,355,290	1,631,920	10,166,893		10,166,893
	Reserve Funding			(1,241,796)	(1,765,740)	(153,482)	(383,763)		(3,544,781)		(3,544,781)
1	Bond Funding		(545,000)						(545,000)		(545,000)
	<i>Total Treatment (SOCWA)</i>	414,836	281,089	0	0	1,777,740	1,971,527	1,631,920	6,077,112	0	6,077,112
<u><i>Collection Equipment</i></u>											
1											
	<i>Total Collection Equipment</i>	0	0	0	0	0	0	0	0	0	0
<u><i>Vehicles/Vehicle Equipment</i></u>											
1	Vehicle Replacement	125,000	86,704	125,000	125,000	150,000	150,000	150,000	911,704	455,852	455,852
1	Vehicle Replacement (Carryover)		(25,000)						(25,000)	(12,500)	(12,500)
2	Hydro Excavator			644,000					644,000	644,000	
3	F-550 w/ Valve Maintenance Skid		192,000						192,000	192,000	
5	Electrical Vehicle Charger		15,000						15,000	7,500	7,500
	<i>Total Vehicles/Vehicle Equipment</i>	125,000	268,704	769,000	125,000	150,000	150,000	150,000	1,737,704	1,286,852	450,852
<u><i>General Building Projects</i></u>											
1	Additional Diesel Storage Facility						727,000		727,000	363,500	363,500
2	Administration Building Rehabilitation		441,000						441,000	220,500	220,500
	<i>Total General Building Projects</i>	0	441,000	0	0	0	727,000	0	1,168,000	584,000	584,000

**Seven Year Capital Replacement & Refurbishment Program**  
**F.Y. 2023/24 - 2027/28**

ITEM #	DESCRIPTION	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL	WATER	SEWER
<u><i>IT and EI&amp;C</i></u>											
1	Core Switch Replacement	63,000							63,000	31,500	31,500
2	EOC Technology Upgrades	16,000							16,000	8,000	8,000
3	System-Wide Security Camera Implementation	50,000							50,000	25,000	25,000
4	System-Wide Security Access Panel Replacement						138,000		138,000	69,000	69,000
5	Office Phone System Replacement				50,000				50,000	25,000	25,000
6	Data Center Hardware Replacement					202,000			202,000	101,000	101,000
7	Water Distribution and Sewer Collection System SCADA Upgrade			290,000					290,000	145,000	145,000
7	Water Distribution and Sewer Collection System SCADA Upgrade (Carryover)			(39,000)					(39,000)	(19,500)	(19,500)
8	P-1, Warehouse, P-4, Freeway, and Main Yard ATS Replacement	42,000							42,000	21,000	21,000
8	P-1 and Warehouse ATS Replacement (Carryover)	(10,000)							(10,000)	(5,000)	(5,000)
	<i>Total IT and EI&amp;C</i>	161,000	0	251,000	50,000	202,000	138,000	0	802,000	401,000	401,000
<u><i>Other Studies</i></u>											
1	Asset Management	120,000	90,000						210,000	105,000	105,000
2	System-Wide Arc Flash and Coordination Study	180,000							180,000	90,000	90,000
	<i>Total Other Studies</i>	300,000	90,000	0	0	0	0	0	390,000	195,000	195,000
<u><i>Contingency</i></u>											
1	Contingency					929,205	735,387	2,652,105	4,316,697	2,158,349	2,158,349
	<i>Total Contingency</i>	0	0	0	0	929,205	735,387	2,652,105	4,316,697	2,158,349	2,158,349
	<u><i>Total Capital Budget</i></u>	1,990,792	3,293,911	3,894,337	4,992,054	6,073,743	6,469,114	6,895,225	33,609,175	9,651,169	23,958,006
	<u><i>Total Capital Projects</i></u>	1,013,891	2,366,207	2,759,337	4,297,554	5,550,743	5,354,114	6,153,225	27,495,071	6,264,818	21,230,253
	<i>WATER</i>	287,414	1,249,770	137,489	82,448	547,051	918,394	3,042,253	6,264,818	6,264,818	
	<i>SEWER</i>	726,477	1,116,437	2,621,848	4,215,106	5,003,693	4,435,721	3,110,973	21,230,253		21,230,253
	<u><i>Total Capital Equipment</i></u>	976,901	927,704	1,135,000	694,500	523,000	1,115,000	742,000	6,114,104	3,386,352	2,727,753
	<i>WATER</i>	241,000	486,352	933,000	234,000	198,000	641,000	653,000	3,386,352	3,386,352	
	<i>SEWER</i>	735,901	441,352	202,000	460,500	325,000	474,000	89,000	2,727,753		2,727,753
	<u><i>Total Capital Budget</i></u>	1,990,792	3,293,911	3,894,337	4,992,054	6,073,743	6,469,114	6,895,225	33,609,175	9,651,169	23,958,006
	<i>WATER</i>	528,414	1,736,122	1,070,489	316,448	745,051	1,559,394	3,695,253	9,651,169	9,651,169	
	<i>SEWER</i>	1,462,378	1,557,789	2,823,848	4,675,606	5,328,693	4,909,721	3,199,973	23,958,006		23,958,006

## **Attachment 16**

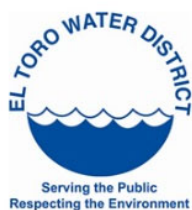
### **Raftelis Rate Study Report**

Attached for review is the Cost of Service and Rate Study Report generated by Raftelis which is based on the District's proposed budget information and factors in legal and regulatory requirements to determine rates appropriate for various customer classes. The attached document is a draft document that will be modified after Staff review and as the budget process continues.

# EL TORO WATER DISTRICT

## 2023-24 Water, Recycled Water, and Wastewater Rate Study

Draft Report / April 28, 2023







April 28, 2023

Dennis P. Cafferty, P.E.  
General Manager  
El Toro Water District  
24251 Los Alisos Blvd.  
Lake Forest, CA 92630

**Subject:** 2023-24 Water, Recycled Water, and Wastewater Rate Study Report

Dear Mr. Cafferty:

El Toro Water District (ETWD or District) engaged Raftelis Consultants, Inc. (Raftelis) to conduct a cost-of-service study to develop its water, wastewater, and recycled water rates that comply with Proposition 218 and other legal requirements. As part of the Study, we reviewed the latest operating budget (including purchased water costs), referenced previously conducted cost of service analyses, and calculated the water, wastewater, and recycled water rates for the District in fiscal year (FY) 2023-24 and for the two following years (FY 2025 – 2026). The updated rates, scheduled to take effect on August 1, 2023, reflect projected changes in net revenue requirements for each enterprise and projected water sales for FY 2023-24.

This Water, Recycled Water, and Wastewater Rate Update Study Report summarizes the key findings and recommendations related to developing the respective rates.

It has been a pleasure working with the District. We want to thank you for your assistance during the Study.

Sincerely,

A blue ink signature of Sudhir Pardiwala, written in a cursive style.

Sudhir Pardiwala  
Executive Vice President – Project Manager

A blue ink signature of Nicki Bartak, written in a cursive style.

Nicki Bartak  
Consultant – Analyst

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Appendix 2: FY 2024 O&M Expenses Allocations Water, RW, and WW Funds

Appendix 3: Cash Flow Analysis for Water Funds

Appendix 4: Cash Flow Analysis for Recycled Water Funds

Appendix 5: Cash Flow Analysis for Wastewater Funds

Appendix 6: Residential Household Data

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# 1.Executive Summary

## 1.1. Background of the Study

The District engaged Raftelis Consultants, Inc. (Raftelis) to conduct the Water, Recycled Water (RW), and Wastewater Rate Update Study (Study) to develop rates for all three enterprises that are equitable and in compliance with Proposition 218. Raftelis prepared rate proposals for this upcoming Fiscal Year (FY) 2023-24 and the two following years (FY 2025-2026). The Water, Recycled Water, and Wastewater Rate Update Study Executive Summary (“Summary”) summarizes the key findings and recommendations for developing the respective rates.

The District's current water and wastewater rate structure consists of the following components:

### Water

- » Monthly Service Charges by meter size to recover a portion of operating costs
- » Variable Rates: Tiered Residential Rates and Uniform Commercial Rates, comprised of the following rate components:
  - » Water Supply Rate to pay for purchased water supply costs
  - » Delivery Rate to recover the remaining operating costs
  - » Revenue Offset to provide a rate incentive and affordability for essential water use in Tier 1
  - » Conservation and Recycled Water Program costs applied to inefficient and excessive water use to fund the District's conservation and supplemental water supply programs (e.g., Recycled Water expansion)
- » Capital Facility Charges by meter size to pay for capital replacement and refurbishment (R&R) of the existing water system

### Wastewater (WW)

- » Operations and Maintenance (“O&M”) Rates (by dwelling units for residential customers and by estimated strength of discharge for non-residential customers by customer class)
- » Capital Facility Charges by meter size to pay for capital (R&R) of the existing wastewater system

### Recycled Water

- » Monthly service charge to cover a portion of the fixed costs of O&M
- » Variable rate: Uniform commodity rate
- » Capital Facility Charge to pay for R&R and debt service associated with the capital construction

## 1.2. Proposed Water Rates

### 1.2.1. MONTHLY SERVICE CHARGES

Table 1-1 shows the proposed monthly service charges for FY 2024, effective August 1, 2023. All rates and charges are rounded up to the nearest cent.

**Table 1-1: FY 2024 Proposed Monthly Water Service Charges**

Meter Size	Proposed FY 2024	Current FY 2023	\$ Change	% Change
5/8"	\$18.07	\$17.46	\$0.61	3.5%
3/4"	\$24.72	\$23.62	\$1.10	4.7%
1"	\$38.02	\$35.93	\$2.09	5.8%
1-1/2"	\$71.27	\$66.70	\$4.57	6.9%
2"	\$137.76	\$128.25	\$9.51	7.4%

The monthly service charges in FY 2025 – 2026 will be increased based on the “CPI for Urban Wage and Clerical Workers (CPI-W)” for the Los Angeles-Long Beach-Anaheim area published by the Bureau of Labor Statistics. The most recent CPI figure available prior to the implementation of the service charge increase will be used to calculate the rates.

### 1.2.2. CAPITAL FACILITY CHARGES

The District proposes a uniform 25% increase on its current Capital Facility Charges for potable water services for FY 2024 through FY 2026 to carry out treatment plant improvements, replace and refurbish infrastructure and debt service. Table 1-2 shows the proposed monthly capital charges for FY 2024, effective August 1, 2023.

**Table 1-2: FY 2024 Proposed Monthly Water Capital Facility Charges**

Meter Size	Proposed FY 2024	Current FY 2023	\$ Change	% Change
5/8"	\$6.37	\$5.09	\$1.28	25.1%
3/4"	\$6.37	\$5.09	\$1.28	25.1%
1"	\$10.63	\$8.50	\$2.13	25.1%
1-1/2"	\$25.82	\$20.65	\$5.17	25.0%
2"	\$64.80	\$51.84	\$12.96	25.0%

Table 1-3 shows the proposed monthly capital charges for FY 2025 – 2026.

**Table 1-3: FY 2025 – 2026 Proposed Monthly Water Capital Facility Charges**

Meter Size	Proposed FY 2025	Proposed FY 2026
5/8"	\$7.97	\$9.96
3/4"	\$7.97	\$9.96
1"	\$13.29	\$16.61
1-1/2"	\$32.28	\$40.35
2"	\$81.00	\$101.25

### 1.2.3.COMMODITY RATES

The proposed water commodity rates for FY 2024, shown in Table 1-4, will be effective August 1, 2023. The proposed rates reflect the projected increases in purchased water supply costs from the Metropolitan Water District of California through the Municipal Water District of Orange County (MWDOC) as well as O&M cost increases for water supplied from the Baker Water Treatment Plant. Table 1-5 shows the proposed commodity rates for FY 2025 – 2026. The FY 2025 - 2026 rates reflect the pass through of the projected Metropolitan Water District rates as well as inflationary impacts on O&M costs at the Baker Water Treatment Plant.

Table 1-4: FY 2024 Proposed Water Commodity Rates

Water Usage Rates	Proposed FY 2024	Current FY 2023	\$ Impact	% Impact
Tier 1 - Essential Use	\$3.00	\$2.82	\$0.18	6.4%
Tier 2 - Efficient Use	\$3.37	\$3.18	\$0.19	6.0%
Tier 3 - Inefficient Use	\$6.70	\$6.50	\$0.20	3.1%
Tier 4 - Excessive Use	\$8.67	\$8.35	\$0.32	3.8%
Uniform - Commercial Use	\$3.49	\$3.31	\$0.18	5.4%

Table 1-5: FY 2025 – 2026 Proposed Water Commodity Rates

Meter Size	Proposed FY 2025	Proposed FY 2026
Tier 1 - Essential Use	\$3.18	\$3.39
Tier 2 - Efficient Use	\$3.55	\$3.76
Tier 3 - Inefficient Use	\$6.88	\$7.09
Tier 4 - Excessive Use	\$8.85	\$9.06
Uniform - Commercial Use	\$3.67	\$3.88

Commented [NB1]: Rates adjusted by adding projected commodity cost (purchased water) increases to prior year rates.

### 1.2.4.PRIVATE FIRE RATES

The private fire rates account for the extra capacity demand to fight an average fire in the District. The proposed private fire rates for FY 2024 are shown in Table 1-6. The proposed rates for FY 2025 – 2026 will be increased based on the “CPI for Urban Wage and Clerical Workers (CPI-W)” for the Los Angeles-Long Beach-Anaheim area published by the Bureau of Labor Statistics. The most recent CPI figure available prior to the implementation of the private fire rate increase will be used to calculate the rates.

Table 1-6: FY 2024 Proposed Monthly Private Fire Service Rates

Meter Size	Accounts	Proposed FY 2024	Current Rates	\$ Change	% Change
4"	27	\$17.26	\$16.15	\$1.11	6.9%
6"	90	\$24.79	\$23.45	\$1.34	5.7%
8"	53	\$37.78	\$36.04	\$1.74	4.8%
10"	4	\$57.31	\$54.97	\$2.34	4.3%



## 1.3. Proposed Wastewater Rates

### 1.3.1. WASTEWATER SERVICE CHARGES

The District classifies non-residential wastewater customers into four groups based on the estimated strength<sup>1</sup> of the wastewater discharged into the District's system. Residential customers are classified into three groups: Residential Unrestricted, Multi-Family Restricted, and Multi-Family Unrestricted. Table 1-7 shows the respective customer classes and their assumed strengths.

**Table 1-7: Wastewater Customer Classes and Strengths**

Customer Classes	BOD (mg/L)	TSS (mg/L)	Total Strengths	Notes
<b>Residential Unrestricted</b>	282	272	554 mg / L	LACSD data <sup>2</sup>
<b>Multi-Family Restricted</b>	282	272	554 mg / L	LACSD data
<b>Multi-Family Unrestricted</b>	282	272	554 mg / L	LACSD data
<b>Low Strength Commercial</b>	0-150	0-150	≤ 300 mg / L	
<b>Medium Strength Commercial</b>	150-300	150-300	301- 600 mg / L	
<b>High Strength Commercial</b>	> 300	> 300	> 600 mg / L	
<b>Restaurants</b>	282	272	554 mg / L	Same as Residential <sup>3</sup>

The proposed wastewater rates are shown in Table 1-8 for FY 2024. The wastewater rates in FY 2025 – 2026 will be increased based on the “CPI for Urban Wage and Clerical Workers (CPI-W)” for the Los Angeles-Long Beach-Anaheim area published by the Bureau of Labor Statistics. The most recent CPI figure available prior to the implementation of the wastewater rate increase will be used to calculate the rates.

**Table 1-8: FY 2024 Proposed Monthly Wastewater Service Charges**

Wastewater Service Charges	FY 2023	FY 2024	Impact from Current Rates	
	Current	Proposed	\$ Increase	% Increase
<b>Residential (\$/EDU)</b>				
Residential Unrestricted	\$34.67	<b>\$37.98</b>	\$3.31	9.5%
Multi-Family Restricted	\$16.47	<b>\$18.05</b>	\$1.58	9.6%
Multi-Family Unrestricted	\$25.34	<b>\$27.76</b>	\$2.42	9.6%
<b>Commercial Use (\$/ccf)</b>				
Low St. Commercial	\$4.10	<b>\$4.45</b>	\$0.35	8.5%
Medium St. Commercial	\$5.07	<b>\$5.54</b>	\$0.47	9.3%
High St. Commercial	\$9.49	<b>\$10.58</b>	\$1.09	11.5%
Restaurants	\$5.15	<b>\$5.65</b>	\$0.50	9.7%

<sup>1</sup> Total strength = Total Suspended Solids (TSS) + Biochemical oxygen demand (BOD) (in mg/L)

<sup>2</sup> LACSD Revenue Program Report Table 3

<sup>3</sup> Restaurant strengths are assumed to be the same as residential given the strict regulations of Fats, Oils, Grease (“FOG”) for restaurants within the District service areas

1.3.2. CAPITAL FACILITY CHARGES

Table 1-9 shows the current FY 2023 and proposed Wastewater Capital Facility charges for each customer class, effective August 1, 2023 (FY 2024). The FY 2024 charges show an approximate 25% increase from the FY 2023 Revised COS Rates. Increases of 25% each year for FY 2025 and FY 2026 are required for replacement and refurbishment of infrastructure and debt service. Please refer to Section 6 for details of the analysis.

Table 1-9: FY 2024 Proposed Monthly Wastewater Capital Facility Charges

Wastewater Service Charges	FY 2023	FY 2024	Impact from Current Rates	
	Current	Proposed	\$ Increase	% Increase
Residential (\$/EDU)				
Residential Unrestricted	\$7.09	\$8.87	\$1.78	25.1%
Multi-Family Restricted	\$3.37	\$4.21	\$0.84	25.0%
Multi-Family Unrestricted	\$5.18	\$6.48	\$1.30	25.1%
Commercial Use (\$/ccf)				
Low St. Commercial	\$0.84	\$1.04	\$0.20	23.8%
Medium St. Commercial	\$1.04	\$1.29	\$0.25	24.0%
High St. Commercial	\$1.93	\$2.47	\$0.54	28.0%
Restaurants	\$1.05	\$1.32	\$0.27	25.7%

Table 1-10: FY 2025 – 2026 Proposed Monthly Wastewater Capital Facility Charges

Wastewater Capital Facilities Charges	Proposed FY 2025	Proposed FY 2026
Residential (\$/EDU)		
Residential Unrestricted	\$11.09	\$13.86
Multi-Family Restricted	\$5.27	\$6.59
Multi-Family Unrestricted	\$8.11	\$10.13
Commercial Use (\$/ccf)		
Low St. Commercial	\$1.30	\$1.63
Medium St. Commercial	\$1.62	\$2.02
High St. Commercial	\$3.09	\$3.86
Restaurants	\$1.65	\$2.07

1.4. Proposed Recycled Water Rates

The current variable rate for recycled water is \$2.86/ccf. The proposed recycled water (“RW”) rate for FY 2024 is \$3.03/ccf, which is 90 percent of the Tier 2 potable water rate. Table 1-11 shows the proposed RW variable rate for FY 2025 – 2026.

Table 1-11: FY 2025 – 2026 Proposed RW Variable Charge

Recycled Water Variable Charges	Proposed FY 2025	Proposed FY 2026
	\$3.20	\$3.38

All RW customers connected to the recycled water distribution system will be assessed Monthly Service Charges (Table 1-12) and Capital Facility Charges (

Table 1-13) which are the same as potable meters, to recover the customer service, meter service, a portion of capacity and other RW related fixed costs and pay for the capital debt service and replacement and refurbishment of the expanded RW system.

The monthly service charges in FY 2025 – 2026 will be increased based on the “CPI for Urban Wage and Clerical Workers (CPI-W)” for the Los Angeles-Long Beach-Anaheim area published by the Bureau of Labor Statistics. The most recent CPI figure available prior to the implementation of the service charge increase will be used to calculate the rates. Table 1-14 shows the proposed Capital Facility Charges for recycled water for FY 2025 - 2026.

**Table 1-12: FY 2024 Proposed Recycled Water Monthly Service Charges**

Meter Size	Proposed FY 2024	Current FY 2023	\$ Change	% Change
5/8"	\$18.07	\$17.46	\$0.61	3.5%
3/4"	\$24.72	\$23.62	\$1.10	4.7%
1"	\$38.02	\$35.93	\$2.09	5.8%
1-1/2"	\$71.27	\$66.70	\$4.57	6.9%
2"	\$137.76	\$128.25	\$9.51	7.4%

**Table 1-13: FY 2024 Proposed Recycled Water Capital Facility Charges**

Meter Size	Proposed FY 2024	Current FY 2023	\$ Change	% Change
5/8"	\$6.37	\$5.09	\$1.28	25.1%
3/4"	\$6.37	\$5.09	\$1.28	25.1%
1"	\$10.63	\$8.50	\$2.13	25.1%
1-1/2"	\$25.82	\$20.65	\$5.17	25.0%
2"	\$64.80	\$51.84	\$12.96	25.0%

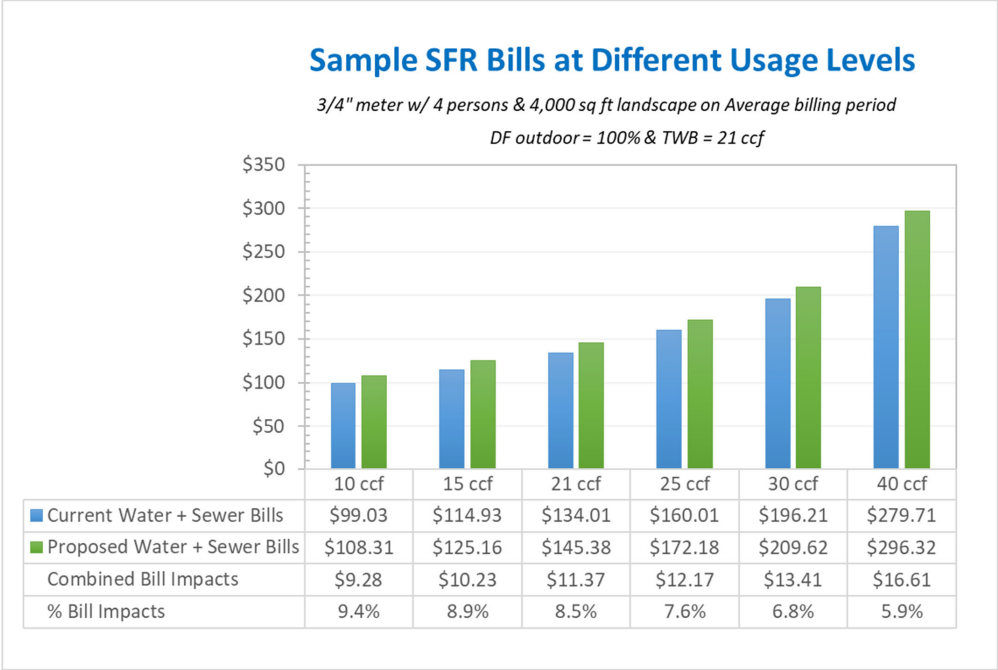
**Table 1-14: FY 2025 – 2026 Proposed Recycled Water Capital Facility Charges**

Meter Size	Proposed FY 2025	Proposed FY 2026
5/8"	\$7.97	\$9.96
3/4"	\$7.97	\$9.96
1"	\$13.29	\$16.61
1-1/2"	\$32.28	\$40.35
2"	\$81.00	\$101.25

### 1.5. Customer Impact Analysis

Figure 1-1 shows a breakdown of water and wastewater bill impacts at various water usage levels for a single-family residential user with four occupants and a 4,000 sq. ft. landscape area serviced by a 3/4-in meter at current water and wastewater rates and proposed FY 2024 rates. The combined water and wastewater bill increase would range from \$9.28 to \$16.61 per month, depending on the monthly billed water usage. The bill impacts resulted from the combination of changes to water and wastewater service and capital charges, cost of service rates, and increased revenue requirements for FY 2024. Recycled water rate impacts are not shown, as residential users do not purchase recycled water.

Figure 1-1: SFR Total Monthly Bills at Different Usage Levels at Current and Proposed Rates



## 2. Introduction

### 2.1. District Background

The El Toro Water District (District), located in the southern portion of Orange County, was formed in 1960 under provisions of California Water District Law, Division 13 of the Water Code of the State of California, commencing with Section 34,000, to provide water and wastewater services to the service area. A publicly elected Board of Directors governs the District. The District is nearly built-out and encompasses the City of Laguna Woods and portions of four other cities: Lake Forest, Aliso Viejo, Laguna Hills, and Mission Viejo.

The District provides water, wastewater, and recycled water services to a population of approximately 48,500 in a service area of approximately 8.5 square miles. The District's water system comprises six reservoirs with a combined capacity of 287 million gallons, in which the District owns 136 million gallons (the remaining capacity is owned by other local water districts), over 170 miles of water lines, and eight booster pump stations with 12 pressure zones to deliver water to approximately 10,000 metered water accounts. The District also participated in a five-agency collaboration to fund and construct a local water treatment plant (the Baker Water Treatment Plant) located in the City of Lake Forest to improve water treatment and water supply reliability for ETWD's customers and South Orange County. The Baker Water Treatment Plant (Baker WTP) allows the participating agencies to purchase untreated water from MWDOC at a lower cost than the treated water, reducing the financial burden on the District's customers.

The District's wastewater system is comprised of 142 miles of collection system pipeline, 3,400 manholes, and 11 pump stations which pump wastewater to the District's treatment plant with a rated capacity of 6 million gallons per day. Much of the District's effluent is reused through recycled water sales. The District completed its Water Recycling Plant (WRP) upgrades to produce higher quality tertiary recycled water in FY 2015. The District also increased its recycled water distribution capacity by adding 19 miles of recycled water distribution pipeline to make recycled water available to more customers. In FY 2019, the District completed further expansion of the recycled distribution system, increasing the total amount of recycled water distribution pipelines to nearly 25 miles. In FY 2024, the District's recycled water budget was based on a total 276 accounts and an estimated average consumption of 1,485 AF of recycled water, the same as in FY 2023.

### 2.2. Study Background and Objectives

The District engaged Raftelis to conduct a Cost of Service Study (Study) and develop rates for the Water, Recycled Water, and Wastewater enterprises of the District that are equitable and in compliance with California legal requirements, including Proposition 218 requirements.

The major objectives of the Study include the following:

- Determine revenue requirements from water, wastewater, and recycled water rates for FY 2024.
- Update water rates and capital charges to meet the District's goals and objectives, including defensibility, affordability for essential use, and promoting efficiency and conservation.
- Update private fire service charges.
- Update recycled water rates and capital charges.
- Conduct cost of service analysis for water and wastewater services.
- Update wastewater service and capital charges.
- Conduct customer impact analyses for the proposed water and wastewater rates.

This *Water, Recycled Water, and Wastewater Rate Study Report* (Report) summarizes the key findings and recommendations related to developing the respective rates.

## 2.3. Legal Framework and Rate Setting Methodology

This section of the report describes the legal framework that was considered in developing the rates to ensure that the calculated cost of service rates provide a fair and equitable allocation of costs to the different customer classes.

### 2.3.1. CONSTITUTIONAL MANDATES AND STATUTORY AUTHORITY

Article XIII D, Section 6 (Proposition 218), and Article X, Section 2 of the California Constitution govern the principles applicable to this Rate Study. This Rate Study equitably implements and harmonizes these constitutional mandates in concert with the authority and principles outlined in Water Code Section 370 et seq., which govern Allocation-Based Conservation Water Pricing (commonly referred to as "Water Budget Rate Structure"). This Rate Study provides for a water budget based four-tier rate structure designed to implement, in a reasonable manner, the constitutional mandates, statutory authority, and principles referenced above.

### 2.3.2. CALIFORNIA CONSTITUTION – ARTICLE X, SECTION 2

Article X, Section 2 of the California Constitution (established in 1976) provides as follows:

*It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare.*

As such, public agencies are constitutionally mandated to maximize the beneficial use of water, prevent waste, and encourage conservation, which this Rate Study achieves.

### 2.3.3. CALIFORNIA CONSTITUTION – ARTICLE XIII D, SECTION 6 (PROPOSITION 218)

Proposition 218, reflected in the California Constitution as Article XIII D, was enacted in 1996 to ensure that rates and fees were reasonable and proportional to the cost of providing service. The principal requirements for fairness of the fees, as they relate to public water and wastewater service, are as follows:

1. Water and wastewater rates shall not exceed the funds required to provide the service.
2. Revenues derived from the charge shall not be used for any other purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is actually used or immediately available to the owner of the property.

The rates developed in this Rate Study use a methodology to establish an equitable system of fixed and variable charges that recovers the cost of providing service and fairly apportions costs to each customer as required by Proposition 218.

### 2.3.4. STATUTORY AUTHORITY – GOVERNMENT CODE SECTION 370 ET SEQ. (ALLOCATION-BASED CONSERVATION WATER PRICING)

In 2000, the California Legislature (AB 2882), consistent with the above-referenced constitutional provisions, adopted a body of law entitled "Allocation-Based Conservation Water Pricing" (Water Code Section 370 et seq.)

Water Code Section 370 provides in part as follows:

*The Legislature hereby finds and declares all of the following:*

- (a) The use of allocation-based conservation water pricing by public entities that sell and distribute water is one effective means by which waste or unreasonable use of water can be prevented and water can be saved in the interest of the people and for the public welfare, within the contemplation of Section 2 of Article X of the California Constitution.*
- (b) It is in the best interest of the people of California to encourage public entities to voluntarily use allocation-based conservation water pricing, tailored to local needs and conditions, as a means of increasing efficient uses of water, and further discouraging wasteful or unreasonable use of water under both normal and dry-year hydrologic conditions.*

Water Code Section 372 provides as follows:

- (a) A public entity may employ allocation-based conservation water pricing that meets all of the following criteria.*
  - (1) Billing is based on metered water use.*
  - (2) A basic use allocation is established for each customer account that provides a reasonable amount of water for the customer's needs and property characteristics. Factors used to determine the basic use allocation may include, but are not limited to the number of occupants, the type or classification of use, the size of lot or irrigated area, and the local climate data for the billing period. Nothing in this chapter prohibits a customer of the public entity from challenging whether the basic use allocation established for that customer's account is reasonable under the circumstances. Nothing in this chapter is intended to permit public entities to limit the use of property through the establishment of a basic use allocation.*
  - (3) A basic charge is imposed for all water used within the customer's basic use allocation, except that at the option of the public entity, a lower rate may be applied to any portion of the basic use allocation that the public entity has determined to represent superior or more than reasonable conservation efforts*
  - (4) A conservation charge shall be imposed on all increments of water use in excess of the basic use allocation. The increments may be fixed or may be determined on a percentage or any other basis, without limitation on the number of increments, or any requirement that the increments or conservation charges be sized, or ascend uniformly, or in a specified relationship. The volumetric prices for the lowest through the highest priced increments shall be established in an ascending relationship that is economically structured to encourage conservation and reduce the inefficient use of water, consistent with Section 2 of Article X of the California Constitution.*
- (b) ---*
  - (1) Except as specified in subdivision (a), the design of an allocation-based conservation pricing rate structure shall be determined at the discretion of the public entity.*
  - (2) The public entity may impose meter charges or other fixed charges to recover fixed costs of water service in addition to the allocation-based conservation pricing rate structure.*
- (c) A public entity may use one or more allocation-based conservation water pricing structures for any class of municipal or other service that the public entity provides.*

As noted in the referenced statutes, "Allocation-Based Conservation Water Pricing Rate Structure" is a form of increasing block rates in which the amount of water within the first block or blocks is based on the estimated efficient water needs of the individual customer. Water-budget rates differ from other metered water rate designs in two key ways. First, the blocks are established based on water budgets representing varying levels of each customer's efficient

water use. Second, water-budget rates require the public agency to set specific standards for what is and is not considered efficient water use for an individual customer.

This Rate Study, in conjunction with ETWD's landscape data for individual customers, establishes a standard for efficient usage and then establishes a budget for each individual customer. This determines how much water is considered efficient for each customer. Customers with usage above this efficient usage budget pay a higher rate for their "inefficient" or "wasteful" usage (in accordance with Section 372 of the Water Code).

This Rate Study conforms to the principles set forth in the enabling statutes for Water Budget Rate Structures.

### **2.3.5. TIERED RATES**

"Inclining" Block-Rate Structures (which are synonymous with "Increasing Block-Rate Structures"), when properly designed and differentiated by customer class (as this Rate Study does), allow a water agency to send consistent price incentives for conservation to customers. For this reason, the heightened interest in water conservation, "Increasing Block-Rates," has been increasingly favored, especially in relatively water-scarce regions such as Southern California.

### **2.3.6. PROPORTIONALITY – PROPOSITION 218'S REQUIREMENT THAT FEES BE PROPORTIONATE TO THE COST OF SERVICE FOR EACH PARCEL**

There is a fair amount of ambiguity in how Proposition 218 was drafted – none more so than the issue of "proportionality." It has taken a succession of court rulings over several years to clarify the substantive requirements of Proposition 218.

In *Griffith v. Pajaro Valley Water Management Agency* (2013) 220 Cal.App.4th 586, the Sixth Appellate District has provided guidance on several important Proposition 218 issues, including the issue of proportionality. The *Pajaro* Court held:

1. *That Pajaro's costs of using supplemental water along the coast to prevent saltwater intrusion benefited all of Pajaro's customers, including inland customers using the groundwater basins.*
2. *That proportionality is not measured on an individual parcel basis but instead is measured collectively, considering all customer classes. As such, the Appellate Court in Pajaro confirmed the common practice of grouping customers into classes with comparable service costs and setting rates by class rather than parcel by parcel met the Prop 218 requirement that fees be proportionate to the cost of providing service to each parcel.*

Under Item 1 noted above, water utilities can reasonably justify that the addition of recycled water to the water resource mix frees up water for potable uses and therefore, all customers should share in the costs of recycled water so that recycled water can be put to beneficial use as required by Article X, Section 2. This clarification by the appellate court allows agencies to harmonize the mandates of Proposition 218 and Article X, Section 2.

Under Item 2 noted above, utilities can develop rates by customer class and meet the requirements of Proposition 218, as opposed to the strict interpretation, which would require cost proportionality for each parcel receiving service. This was another significant clarification of Proposition 218 since cost proportionality for individual parcels is almost impossible to achieve in the strict sense.

The *Pajaro* case rulings provided for the harmonizing of the proportionality requirements of Proposition 218 with the efficient use and conservation requirements of Article X, Section 2 by accepting that the supplemental costs of water used by one group of customers should be shared by all users, based on the concept that all users receive benefit from an increase in the overall water resources. In the District's case, recycled water adds a water resource that provides benefit to all users by freeing up potable water, and therefore, the costs of recycled water can be shared by

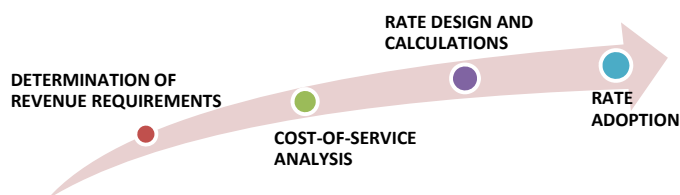


all inefficient potable water users. Due to non-essential usage's demand on the system, the District allocates the cost of funding the recycled water system development to Tiers 3 and 4 residential/irrigation usage as well as to commercial use at a lower rate based on the assumption that 10 percent of Commercial and Public Authority (CII) water use is non-essential.

## 2.4. Cost-Based Rate Setting Methodology

As stated in the Manual M1, the methodology put forth by the AWWA Rates and Charges Subcommittee is consistent with the Proposition 218 requirement that "the costs of water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." There are four major steps to develop utility rates that comply with Proposition 218 and industry standards while meeting other emerging goals and objectives of the utility:

Figure 2-1: Cost-Based Rate Setting Methodology



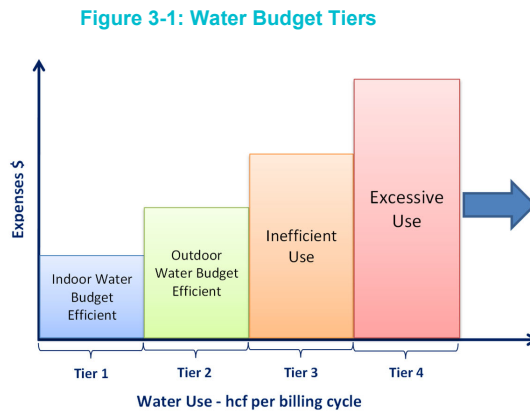
1. **Determination of Revenue Requirement:** The rate-making process starts with the determination of future revenue requirements to sufficiently fund the utility's operation and maintenance (O&M), capital replacement and refurbishment (R&R), capital improvement and perpetuation of the system, and ensure the preservation of the utility's financial integrity. The basic revenue requirements of a utility include O&M expenses, debt service payments, contributions to specified reserves, and the cost of capital expenditures that are not debt-financed.
2. **Cost-of-Service Analysis:** The annual cost of providing services (cost of service), determined in the development of the financial plan, should be allocated among the customers commensurate with their service requirements. In this step, costs are identified and allocated to cost causation components and distributed to the respective customer classes consistent with industry standards provided in Manual M1 (published by AWWA).
3. **Rate Design and Calculations:** Rates do more than simply recover costs. Within the legal framework and industry standards, properly designed rates should support and optimize a blend of various utility objectives, such as conservation, affordability for essential needs, revenue stability, etc. They should work as a public information tool in communicating these objectives to customers.
4. **Rate Adoption:** In the last step of the rate-making process, to comply with the Proposition 218 requirements, the results of the analyses are documented in a Study Report that identifies the nexus between costs and rates to help educate the public about the proposed changes, the rationale, and justifications behind the changes and their anticipated financial impacts in layperson's terms. At least 45 days after sending out the public notices, the agency shall consider all written protests against the proposed rates at a public hearing. The Board can approve and adopt the new rates if there is no majority protest.

### 3. Water Budget and Tier Definitions

Since July 1, 2010, the District has implemented a tiered water budget rate structure to incentivize conservation and efficient water use. The description of the allocations to individual customers and the development of water budgets are described here for this report's completeness.

#### 3.1. Water Budget Definitions

The American Water Works Association Journal defines water budget as "the quantity of water required for an efficient level of water use by that customer" (*Source: American Water Works Association Journal, May 2008, Volume 100, Number 5*). Therefore, each customer has their own allocation or water budget, as shown in the following figures. Figure 3-1 illustrates how the tier breaks are set for water budget customers. Tier 1 is defined by the allotment for indoor use, and Tier 2 is defined by the allotment for outdoor use. Tier 3 is set to a percentage of the total water budget (or Tiers 1 and 2) combined. Any use beyond Tier 3 is considered excessive and falls into Tier 4.

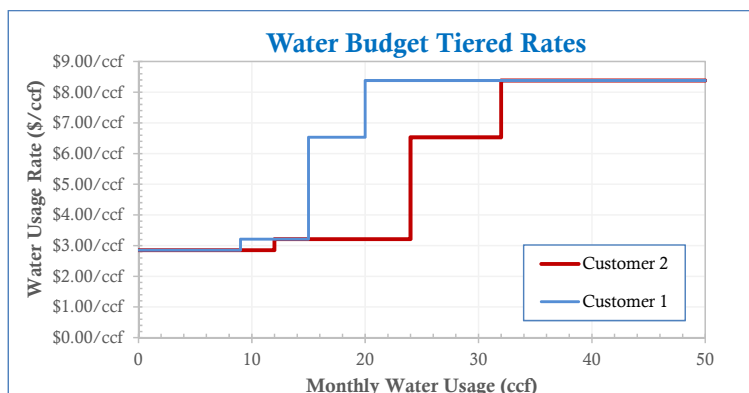


It is worth noting that water budget rate structures are customized for each customer, which results in different tier breaks for different customers. For example, as illustrated by Figure 3-2,<sup>4</sup> which examines the use of two customers of a *hypothetical* water utility. The first 9 units consumed by Customer 1 are charged at Tier 1 rate, whereas Customer 2 has 12 units at Tier 1 rate (\$2.85/ccf) for indoor use. The following 6 units (10 – 15 units) consumed by Customer 1 are reserved for outdoor use, which is charged at the Tier 2 rate (\$3.21/ccf), and any usage exceeding 20 units<sup>5</sup> will be deemed excessive and charged at the Tier 4 Rate (\$8.38/ccf). Similarly, for Customer 2, Tier 2 spans from 13-24 units, and use exceeding 32 units will be charged at the Tier 4 Rate (\$8.38/ccf). Customer 2, with a larger indoor and outdoor water budget (or allotment), represents a residential customer with a larger family and a bigger irrigated landscape area than that of Customer 1.

<sup>4</sup> This is for illustrative purposes only and is not based on actual rates of the District.

<sup>5</sup> Tier 3 = 30% of Total Water Budget (TWB) whereas TWB = Indoor WB + Outdoor WB

Figure 3-2: Customized Water Budget Tiers



Like the Water Budget Rate Study in 2010, the District's water budget allocations and tiered rate structure are designed for residential and irrigation accounts only; all other customer types will retain the current uniform rate structure.

### 3.2. Indoor Water Budget

The indoor water budget (IWB) is determined by a customer's household size and standard consumption per person. The proposed IWB formula is as follows:

$$IWB = \frac{GPCD * Household \text{ Size} * Dwelling \text{ Units} * Days \text{ of Service} * DF_{indoor}}{748} + V_{indoor}$$

Where:

- GPCD = Gallons per capita per day.
  - SB x7-7,3F<sup>6</sup> Section 10608 of the Water Code established the provisional standard for indoor residential water use at 55 gallons per capita per day.
- Household Size = Number of residents per dwelling unit. The 2020 census lists the average household size at 3.01 persons, which includes single and multi-family housing. Typically, single-family household size is greater than three persons, and multi-family household size is less than 3.0 persons. The District policy is to provide adequate water for health and sanitation needs and minimize customer complaints and requests for variances. The default values for household size are set based on customer characteristics as follows:
  - Single-Family: Household Size = 4 persons
  - Multi-Family:
    - Restricted: Household Size = 2 persons (senior citizen housing typically 1 to 2 residents per dwelling unit)
    - Unrestricted: Household Size = 3 persons
- Dwelling units – Number of dwelling units served by the meter/account
- Days of Service = The number of days of service varies with each billing cycle for each customer. The actual number of days of service will be applied to calculate each billing cycle's indoor water budget.

<sup>6</sup> The language from SB x7-7 setting the 55 GPCD performance standard: (2) The per capita daily water use that is estimated using the sum of the following performance standards: (A) For indoor residential water use, 55 gallons per capita daily water use as a provisional standard.

- $DF_{\text{indoor}}$  = Indoor drought factor. The percentage of indoor water budget allotted during drought conditions. The drought factor is subject to the approval of the District's Board of Directors. The indoor drought factor is currently set at 100 percent.
- $V_{\text{indoor}}$  = Indoor variance. The additional water allotment to be granted for extenuating circumstances is subject to District's approval or the verification as outlined in the District's variance program. Variances can be requested by submitting a "Variance/Adjustment Request Form" found on the District's website.
- 748 is the conversion unit from gallons to the billing unit of hundred cubic feet (ccf).

### 3.3. Outdoor Water Budget

The outdoor water budget (OWB) is determined by three main variables: irrigable landscape area, weather data, and the evapotranspiration (ET) Adjustment Factor. The irrigable landscape area, measured as square footage of landscape surface on a customer's property, is in some cases established through on-site direct physical measurement and in others estimated using the Orange County Assessors' parcel data for lot size, building size, and number of floors where the actual irrigable landscape area data is not available. The weather data is based on the reference Evapotranspiration<sup>7</sup> ( $ET_0$ ), which is the amount of water loss to the atmosphere over a given time period under local atmospheric conditions.  $ET_0$  is the amount of water (in inches of water) needed for a hypothetical reference crop to maintain its health and appearance. The ET Adjustment Factor (ETAF) is a coefficient that adjusts  $ET_0$  values based on plant factor and irrigation system efficiency. The updated California Department of Water Resources' Model Water Efficient Landscape Ordinance (Landscape Ordinance) provides the following ETAF for different landscapes:

- Existing landscape (Functional):  $ETAF_{\text{Existing}} = 80\%$
- New development / redevelopment landscape (Functional):  $ETAF_{\text{New}} = 70\%$
- Special landscape (Recreational):  $ETAF_{\text{Recreational}} = 100\%$

The formula to calculate the outdoor water budget is as follows:

$$OWB = \left( \frac{\text{Landscape Area} * ET_0 * ETAF}{1200} + V_{\text{outdoor}} \right) * DF_{\text{outdoor}}$$

where

- $ET_0$  is measured in inches of water during the billing period based on daily data acquired from the California Irrigation Management Information System (CIMIS) Station 75, which is the closest station to the District's service area.
- ETAF (% of  $ET_0$ ) is defined using the updated Landscape Ordinance as shown above.
- Landscape Area (or Irrigable Landscape Area) (in square feet) is the measured irrigable landscape area served by a customer's meter.
  - Where the measured irrigable landscape area is not available, the landscape area will be estimated by the following formula using the Orange County Assessors' parcel data.
    - $\text{Landscape Area (sqft)} = 70\% \left( \text{Lot Size} * \frac{\text{Building Size}}{\text{Number of Floors}} \right)$
  - For accounts dedicated for domestic use only, such as multi-family units, 25 square feet of irrigable landscape area is provided for each dwelling unit for patio plants.

<sup>7</sup> Reference evapotranspiration ( $ET_0$ ) is derived by measuring weather conditions and estimating the ET of a reference plant. In California this is a standardized planted surface of well-maintained cool season turf.  $ET_0$  data is available online from over 100 weather stations throughout the state of California from the California Irrigation Management Information System (CIMIS). Minute-by-minute weather data is collected and used to calculate hourly, daily, weekly, or monthly  $ET_0$ .

- $DF_{\text{outdoor}}$  = Outdoor drought factor. The percentage of outdoor water budget allotted during drought conditions. The drought factor is subject to the approval of the District's Board of Directors. The outdoor drought factor is currently set at 100 percent.
- $V_{\text{outdoor}}$  = Outdoor variance. The additional water allotment to be granted for extenuating circumstances is subject to District's approval or verification as outlined in the variance program. Outdoor variance is subject to the outdoor drought factor.
- 1,200 is the conversion unit from inch\* $ft^2$  to billing unit of hundred cubic feet (ccf).

### 3.4. Water Budget Allocations by Customer Type

Table 3-1 summarizes the water budget allocation by customer type. Both Single Family and Multi-Family (restricted and unrestricted) customers will receive an indoor and outdoor water budget. Irrigation accounts will only receive an outdoor budget. Commercial and Public Authority (CII) customers will continue with the current uniform water rate structure.

**Table 3-1: Water Budget Allocations by Customer Type**

Customer Type	Water Budget Allocations	Default Values
Single Family	IWB + OWB	Household Size = 4 persons; GPCD = 55 $ETAF_{\text{New}} = 70\%$ ; $ETAF_{\text{Existing}} = 80\%$ ; $DF_{\text{outdoor}} = 100\%$
Multi-Family – Restricted	IWB + OWB	Household Size = 2 persons; GPCD = 55 $ETAF_{\text{New}} = 70\%$ ; $ETAF_{\text{Existing}} = 80\%$ ; $DF_{\text{outdoor}} = 100\%$
Multi-Family – Unrestricted	IWB + OWB	Household Size = 3 persons; GPCD = 55 $ETAF_{\text{New}} = 70\%$ ; $ETAF_{\text{Existing}} = 80\%$ ; $DF_{\text{outdoor}} = 100\%$
Irrigation – Non-Functional*	OWB	$ETAF_{\text{New}} = 70\%$ ; $ETAF_{\text{Existing}} = 80\%$ ; $DF_{\text{outdoor}} = 100\%$
Irrigation – Recreational**	OWB	$ETAF_{\text{Recreational}} = 100\%$ ; $DF_{\text{outdoor}} = 100\%$
*Irrigation – Non-Functional: landscape that is ornamental in nature		
**Irrigation – Recreational: landscape that is used mostly for recreational purposes (schools, parks, golf courses, etc...)		

### 3.5. Tier Definitions

Based on the information in Table 3-1, the tier definitions are developed as shown in Table 3-2. The main difference between Single-Family/Multi-Family and Irrigation accounts is that Irrigation accounts do not have a Tier 1 allotment that is reserved for indoor use. All three customer types have their Tier 3 allotment defined as 30 percent of their respective total water budget (TWB) and usage exceeding 130% TWB falls in Tier 4.

**Table 3-2: Tier Definitions by Customer Types**

Tiers	Single Family	Multi-Family	Irrigation
<b>Tier 1 – Indoor Use</b>	100% IWB	100% IWB	N/A
<b>Tier 2 – Outdoor Use</b>	100% OWB	100% OWB	100% OWB
<b>Tier 3 – Inefficient Use</b>	100% to 130% TWB	100% to 130% TWB	100% to 130% OWB
<b>Tier 4 – Excessive Use</b>	Above Tier 3	Above Tier 3	Above Tier 3
<i>TWB = Total Water Budget = IWB + OWB</i>			

The tier definitions are tailored to the unique consumption patterns of the District's customers and are subject to the District's policy decisions. The tier definitions are based on Raftelis' water use and impact analyses, as well as numerous policy discussions with the Board. The priority for water use is essential indoor water use for health, safety, and sanitary purposes. Based on the Board's direction, indoor water use is eligible for revenue offsets from miscellaneous and property tax revenues. Maintaining a healthy landscape at efficient water use is non-essential, yet important; thus, efficient outdoor water use is required to pay the Tier 2 rate. The total water budget is the sum of the indoor and outdoor water budgets.

Tier 3 was designed to account for inefficient use and/or customers with non-climate appropriate landscapes. Tier 3 is set to thirty percent (30%) of the total water budget and was determined based on the 2009 analysis, which indicated that a customer with high water use plants would require 30% more water than an identical customer with climate-appropriate plants. Any use beyond Tier 3 is considered excessive and falls into Tier 4. Tiers 3 and 4 allow individuals to use additional water above their total water budget while providing a signal to each customer on their inefficient and excessive water usage. Tier 3 provides use up to 30 percent of the total water budget and use over 130% TWB is considered to be excessive.

Any usage above an efficient level is subject to higher charges to fund conservation programs and any other supplemental water supply program. The current water supply is reserved for efficient water use within the District for indoor, outdoor, and commercial use. The higher Tier 3 rate serves as a signal for conservation and efficient use, whereas excessive use in Tier 4 incurs the highest marginal costs of providing service.

The Commercial class will continue to be billed at a uniform rate; however, this rate will encompass domestic use and inefficient use. Based on SB x7-7 (i.e., Water Conservation Act of 2009), which requires commercial users to reduce their water use by 10 percent, indoor and efficient outdoor (or process) use is defined as 90 percent of total use, and the remaining 10 percent use as inefficient. Additionally, indoor use is defined as 90 percent of the efficient use ( $90\% \times 90\% = 81\%$ ) and the remainder is defined as efficient outdoor use ( $10\% \times 90\% = 9\%$ ). The uniform rate charged to commercial customers will then be a blend of the use defined here.

## 4. Pass-through Water Supply Cost

The District purchases water from the Municipal Water District of Orange County (MWDOC), a member agency of the Metropolitan Water District of Southern California (MWD). MWD rates are scheduled to increase in January 2024. The MWD rate increases will be included in the blended rates charged to the District. Dividing the total costs in Table 4-1 (Line 7) by the projected water sales (Line 8) results in the unit rate shown in Line 9. See Appendix 1 for detailed breakdown of water supply costs. Table 4-2 and Table 4-3 show that projected water supply rates will increase by an average of \$0.19 per ccf.

**Table 4-1: Water Supply Revenue Requirements**

Line #	Water Supply Unit Rates Development	FY 2024	Notes
1	MWD Fixed Charges		
2	Capacity Reservation Charge	\$146,755	Appendix 1
3	Readiness To Serve Charge	\$637,457	Appendix 1
4	Total Treated Full Service Annual Cost	\$4,228,625	Appendix 1
5	Baker Raw Water Cost	\$3,120,450	Appendix 1
6	Baker WTP O&M Annual Cost	\$830,501	Appendix 1
7	<b>Total Water Supply Cost w/ Reserve Funding</b>	<b>\$8,963,788</b>	
8	Projected Water Sales	2,918,520 ccf	
9	<b>Water Supply Unit Rate</b>	<b>\$3.07 /ccf</b>	<b>[7] / [8]</b>

**Table 4-2: Current and Projected Water Supply Unit Rate**

Fiscal Year (FY)	Water Supply Unit Rate \$ / hundred cubic feet (ccf)
<b>FY 2022-23</b>	\$2.88
<b>FY 2023-24</b>	\$3.07
<b>Increase / Change</b>	<b>\$0.19 / ccf</b>

**Table 4-3: Water Supply Cost Component of the Water Rates (\$/ccf)**

Tiers	Descriptions	Current FY 2023	Proposed FY 2024
<b>Tier 1 - Essential Use</b>	MWDOC + Baker Blended	\$2.88	\$3.07
<b>Tier 2 - Efficient Use</b>	MWDOC + Baker Blended	\$2.88	\$3.07
<b>Tier 3 - Inefficient Use</b>	MWDOC + Baker Blended	\$2.88	\$3.07
<b>Tier 4 - Excessive Use</b>	MWDOC + Baker Blended	\$2.88	\$3.07
<b>Uniform – CII Use</b>	MWDOC + Baker Blended	\$2.88	\$3.07

## 5. Water Revenue Requirements and Proposed Rates

### 5.1. Revenue Requirements

Table 5-1 shows the derivation of the revenue requirement of the water rates. Total expenses for the water enterprise are shown in Line 1. Next, other supplementary revenues are subtracted from the expenses, serving as an offset of these costs. For the District, this is encompassed in the Non-Operating Revenues totaled in Line 4. These revenues include cell-site leases, property taxes, investment revenues, and other revenues. The District will use reserves to offset some of the operating expenses and reduce the revenue required from rates for FY 2024 (Line 15). The total revenue required from water service rates is shown in Line 16, excluding capital R&R requirements.

Details of the figures presented in Table 5-1 can be found in Appendix 3, in the Cash Flow Analysis for the Water Funds. The Cash Flow Analysis is part of the Financial Plan developed by District staff to determine the District's long-term financial needs. Raftelis based its determination of the revenue requirements and cost of service for FY 2024 on the Financial Plan developed and budget data provided by District Staff.

**Table 5-1: Water Operating Revenue Requirements from Rates**

	Water Operating Revenue Requirements <sup>8</sup>	FY 2024	Notes
1	<b>Water O&amp;M Expenses</b>	<b>15,028,000</b>	<b>Appendix 3</b>
2	Purchased Water	8,963,788	Appendix 1
3	Other O&M Expenses	6,064,212	[1] – [2]
4	<b>Less (-) Non-Operating Revenues</b>	<b>-1,154,000</b>	
5	Funding from Restricted Reserve for Conservation Program	-200,000	Appendix 3
6	Property Taxes - General Fund Revenue	-279,522	Appendix 3
7	Property Taxes (Funds Tier 1 Offset)	-180,478	Appendix 3
8	Miscellaneous Revenue	-39,000	Appendix 3
9	Cellular Site Lease Revenue (Funds Tier 1 Offset)	-230,000	Appendix 3
10	Other Income (R-6 Partners)	-125,000	Appendix 3
11	Investment Income	-100,000	Appendix 3
12	<b>Plus (+) Other Fundings</b>	<b>829,670</b>	
13	Plus Reserve Funding	200,000	Appendix 3
14	Plus Restricted Reserve Funding	627,301	Appendix 3
15	Plus Operating Reserve Funding	2,369	Appendix 3
16	<b>Water Operating Service Rev Requirements</b>	<b>14,703,670</b>	Sum of lines 1, 4 & 12

**Commented [DC2]:** Line 5 vs. Line 13?

**Commented [SP3R2]:** Dennis, we need to show this conservation cost which will be passed on to Tiers 3&4. The transfer from reserves, Line 13 helps to offset that cost but is allocated to all other costs

**Commented [SP4R3]:** Maybe we should not say funding Conservation program on Line 13

The District separately charges customers for the cost of capital repair and replacement (R&R) for the water and recycled water systems via a fixed charge. Table 5-2 provides the calculation of the Capital Facility revenue

<sup>8</sup> May include some rounding errors



requirement from Capital Facility charges. The District will fund a portion of its capital revenue requirements using restricted reserves for Baker Debt Service (Line 5) and Capital Reserve (Line 6).

**Table 5-2: Water Capital Revenue Requirements**

Line #	Water Capital Facility Revenue Requirements	FY 2024	Notes
1	<b>Total Water Capital R&amp;R Expenditures</b>	<b>\$2,277,562</b>	<b>Sum of lines 2 - 4</b>
2	Capital Replacement & Refurbishment Program	\$874,000	Appendix 3
3	Baker WTP Debt Service	\$684,262	Appendix 3
4	2022 Rev Bonds Debt Service	\$719,300	Appendix 3
5	<b>Less (-) Restricted Reserve Funding of Baker Debt Service</b>	<b>-\$184,400</b>	Appendix 3
6	<b>Less (-) Capital Reserve Funding</b>	<b>-\$390,194</b>	Appendix 3
7	<b>Water Capital R&amp;R Rev Requirements</b>	<b>\$1,702,968</b>	<b>Line 1 + 5 + 6</b>
8	Current Capital R&R Revenues	\$1,362,374	Appendix 3
9	<b>% Rate Increase</b>	<b>25.0%</b>	

## 5.2. Cost of Service

Water systems are designed to accommodate peak use of any class or type of customer. Different parts of a water system are designed to handle different peaks, and there are significant costs associated with meeting peak requirements. For example, the District's maximum day usage is estimated to be 1.73 times the average usage, and facilities such as reservoirs are designed 1.73 times as large to ensure that maximum day requirements are met (reservoirs also are designed to meet fire flows). To allocate costs appropriately amongst the different types of usage, an analysis of the peaking costs is provided in Section 5.2.1.

A portion of the costs of fire service are recovered from Private Fire Rates (charged to customers which have separate fire line service as discussed in Tables 5-5 to 5-6 and section 5.3.4 of this report below). However, the costs to maintain public fire flows are included in the cost of service recovered from rates. This reflects that providing water in the volumes and at the pressures required to operate fire hydrants and fire sprinklers in structures is a statutory mandate of public water systems in California, and that such cost recovery is authorized by California Government Code sections 53069.9 and 53750.5. Moreover, charging water users for the portion of the cost of water service associated with fire flows appropriately assigns those costs to those who benefit from them. Sprinklers are within (and serve) structures served by water meters. The California Fire Code requires hydrants near structures, not elsewhere and hydrants serve parcels improved with structures. Thus, those who pay water fees which recover fire flow costs also own or occupy structures protected by fire sprinklers and fire hydrants and therefore benefit from that service. Finally, fire hydrants are used to flush water mains periodically and serve a water system function in addition to the fire suppression function noted here.

### 5.2.1. PEAKING FACTOR ANALYSIS

In the last year's Rate Study, Raftelis conducted peaking factor analysis for the District's water usage. The analysis utilized the usage from July 2019 to June 2022 for 7,455 accounts (6,107 residential, 563 irrigation and 785 commercial) out of a total 9,528 accounts for the District, which represents approximately 78 percent of the District

customers. A sample of this size approximates the characteristics of the District as a whole. The results are shown in Table 5-3.

Table 5-3: Peaking Factor Analysis for Different Usage Types

Usage	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	FY 2020
Tier 1 - Essential Use	49,411	52,209	52,391	47,651	55,054	40,616	45,240	44,606	39,187	43,246	50,786	50,647	571,044
Tier 2 - Efficient Use	81,609	111,923	105,845	72,350	76,117	23,325	17,109	29,387	30,975	17,208	57,674	84,267	707,799
Tier 3 - Inefficient Use	4,500	5,969	8,158	7,230	8,601	3,837	2,989	3,416	2,539	1,542	1,843	4,219	54,843
Tier 4 - Excessive Use	3,496	4,435	6,025	7,491	11,847	5,478	2,688	4,166	2,876	1,073	1,114	2,726	53,415
Uniform - Commercial Use	34,464	38,771	38,047	33,696	39,039	25,389	27,959	28,294	26,862	18,146	22,845	27,632	361,144
Total	173,480	213,307	210,466	168,428	190,658	98,645	95,985	109,869	102,439	81,215	134,262	169,491	1,748,245

Line	Water Uses	FY 2020 Usage	Max Month Usage	Average Month Usage	Peaking factors (Max / Avg)
		A	B	C	D = [B] / [C]
1	Indoor Use	571,044	55,054	47,587	1.16
2	Outdoor Use	707,799	111,923	58,983	1.90
3	Inefficient Use	54,843	8,601	4,570	1.90
4	Excessive Use	53,415	11,847	4,451	2.66
5	Commercial Use	361,144	39,039	30,095	1.30
6	Total Usage	1,748,245	213,307	145,687	1.46

The proposed peaking factors for each usage type are shown in Table 5-4.

Table 5-4: Peaking Factors by Usage Class

Tiers	Relative Peaking Factors
Indoor Use	1.16
Outdoor Use	1.90
Inefficient Use	1.90
Excessive Use	2.66
Commercial Use	1.30

The different peaking factors, increasing in the arrow's direction, may be conceptually represented on the scale shown below.



## 5.2.2.COST OF SERVICE ANALYSIS

Revenue requirements are allocated to the following cost causation categories<sup>9</sup> to allocate costs appropriately to the different usage classes and determine the cost-of-service rates. This methodology is consistent with the Base Extra Capacity methodology of the American Water Works Association (AWWA) *M1 Manual, Principles of Water Rates, Fees, and Charges* (M1 Manual):

1. Water supply costs: Imported water supply costs, allocated to all users in proportion to their usage.
2. Fixed costs: fixed costs associated with operating and maintaining water systems to deliver water to meet average demand, including customer service, meter service, administration, and other base fixed costs.
3. Peaking costs: fixed costs associated with operating and maintaining the water system to deliver water to meet peak demand.
4. Recycled Water Funding: The use of recycled water for non-potable needs releases potable supply for inefficient and excessive use. Recycled water is the least expensive supplemental source of water available to the District and offsets supply for potable needs. The revenues collected under this category will be collected in restricted reserves to assist the RW fund to pay debt service costs that finance the RW expansion project completed in FY 2015 and expanded in FY 2019.
5. Conservation: Conservation program cost, allocated to inefficient and excessive use to help conserve water.
6. Revenue Offsets: Property taxes revenue used partially to provide incentive for indoor/domestic use.

The cost causation categories described above are then assigned to each rate component:

### Fixed Rate Components (i.e., Monthly Service Charges)

- To recover customer service, meter service, administration and other base fixed costs and a portion of the peaking costs.
- To recover the costs of providing water to fire service to the private fire customers.

### Commodity Rate Components

- Water supply: to recover imported water supply costs.
- Delivery/Peaking: to recover remaining peaking costs associated with operating and maintaining water systems to deliver water to meet peak demand. These costs are allocated based on the peaking characteristics of each class of use.
- Recycled Water (RW): to generate supplemental funding sources to pay for RW expansion projects.
- Conservation: to recover the conservation program cost, allocated to inefficient and excessive users, to encourage water conservation.
- Revenue offsets: A portion of the property tax revenues to provide an incentive for indoor/domestic use.

### Capital Facility Charges:

- Funds for the capital replacement and refurbishment of the existing water and RW system and debt service payments.

### Fire Service Charges:

Fire demands are based on the water system design. Typical fire demands are based on the maximum demand needed for fire service which is 3,000 gpm for two hours. The maximum day and maximum hour demands are determined on this basis and when the potable demands are added to these to determine total maximum day and maximum hour

<sup>9</sup> See Appendix 6 for details about cost allocations.

demands. The proportion of the fire demand to total demand is used to prorate the costs that are allocated to be recovered from fire service charges as shown in Table 5-11.

A part of the peaking demand is designed for fire protection, both public and private fire protection. The District has approximately 1,899 public hydrants and 174 private fire services. The fire demand factor for each fire service size is calculated using the line size. Based on the total Fire Demand Units (FDU, calculated by fire demand factor and respective number of services), about 10.7 percent of the District's fire protection is to service private fire protection. Table 5-5 shows the estimated fire demand between public and private fire services.

**Table 5-5: Fire Demand Units**

Fire Services	# of Services	Fire Demand Factor	Fire Demand Units (FDU)	FDU / yr	Percentage Demand
	A	$B = \text{MeterSize}^{2.63}$	$C = A \times B$	$D = C \times 12 \text{ bills/yr}$	
<b>Private Fire Services</b>			<b>25,331</b>	<b>303,970</b>	<b>10.7%</b>
4"	27	38.32	1,035	12,415	
6"	90	111.31	10,018	120,216	
8"	53	237.21	12,572	150,863	
10"	4	426.58	1,706	20,476	
<b>Public Hydrants</b>			<b>211,379</b>	<b>2,536,553</b>	<b>89.3%</b>
6"	1,899	111.31	211,379	2,536,553	
8"		237.21	0	0	
10"		426.58	0	0	
12"		689.04	0	0	
<b>Total</b>	<b>2,073</b>		<b>236,710</b>	<b>2,840,524</b>	<b>100%</b>

Table 5-6 shows the fire demand imposed on peaking requirements.

**Table 5-6: Water System and Fire Demand Peaking Requirements**

Line	Description		Peak Demand	Extra Capacity
		A	B	C
1	Flow	3,000 GPM		
2	Duration	2 hrs		
3	Fire Max Day Demand	360 kgal	481 ccf	
4	Fire Max Hour Demand	3,960 kgal	5,294 ccf	
5	Annual System Demand	2,918,520 ccf		
6	Daily System Demand	7,996 ccf / day		
7	System Max Day	1.73x of Average Demand	13,833 ccf / day	5,837 ccf / day <sup>10</sup>
8	System Max Hour	2.04 of Max Day	16,312 ccf / day	2,479 ccf / day <sup>11</sup>

Table 5-7 shows the peaking factors for the water system provided by the District's Water Master Plan and the allocation of Max Day and Max Hour costs using the Base Extra Capacity approach as outlined in the AWWA Manual M1.

<sup>10</sup> Extra Capacity demand for Max Day = Peak Max Day Demand – Daily Demand

<sup>11</sup> Extra Capacity demand for Max Hour = Peak Max Hour Demand – Peak Max Day Demand

**Table 5-7: Peaking Factors for Water System**

		Peaking Factors	Base Fixed	Max Day	Max Hour
1	Max Day	1.73	57.8%	42.2%	
2	Max Hour	2.04	49.0%	35.8%	15.2%

The Max Day factor of the District's system is 1.73, which means that Max Day demand is expected to be 173 percent of the average day capacity. Calculating the Max Day allocation of functional costs to the cost causation components results in the following:

$$\text{Base Fixed Allocation for Max Day} = \frac{\text{Base Fixed}}{\text{Max Day}} = \frac{1}{1.73} \approx 57.8\%$$

$$\text{Max Day Allocation} = 1 - \frac{\text{Base}}{\text{Max Day}} = 1 - 57.8\% \approx 42.2\%$$

Facilities designed for Max Hour peaks, such as distribution system facilities, are allocated similarly. The Max Hour factor is 2.04, so Max Hour facilities are designed to provide 204 percent of the average day capacity. The allocation of Max Hour facilities is shown below:

$$\text{Base Fixed Allocation} = \frac{\text{Base}}{\text{Max Hour}} = \frac{1}{2.04} \approx 49.0\%$$

$$\text{Max Day Allocation} = \frac{\text{Max Day} - \text{Base}}{\text{Max Hour}} = \frac{1.73 - 1.00}{2.04} \approx 35.8\%$$

$$\text{Max Hour Allocation} = 1 - 49.0\% - 35.8\% \approx 15.2\%$$

Table 5-8 shows the allocation factors for different water functions to the various cost categories. Source of supply costs will be allocated to water supply based on budgeted purchased water costs (Table 4-1) and the remaining costs will be allocated to base fixed costs. Operations and Administrative cost functions will be allocated between base fixed and billing & customer service (CS) based on staffing levels for the field office and main office. Labor costs are allocated 10% to billing and customer service, as estimated by the District, including management, customer service, and billing field personnel. The remaining 90% of the labor costs are allocated proportionately based on the non-labor and non-supply costs. Transmission facilities are designed for max day requirements and distribution facilities are designed to meet max hour requirements. Transmission and Distribution (T&D) are estimated 50% to transmission and 50% to distribution. Therefore, T&D is allocated 50% to max day demand for transmission (row 1 of Table 5-7) and 50% to max hour demand for distribution (row 2 of Table 5-7). Pumping is designed to meet max hour demand, thus allocated using the max hour demand allocation factors (row 2 in Table 5-7).

$$\text{T\&D Base Fixed} = 50\% \times 57.8\% + 50\% \times 49\% \approx 53.4\%$$

$$\text{T\&D Max Day} = 50\% \times 42.2\% + 50\% \times 35.8\% \approx 39.0\%$$

$$\text{T\&D Max Hour} = 50\% \times 0\% + 50\% \times 15.2\% \approx 7.6\%$$

**Table 5-8: Allocation Factors for Different Water Functions**

Water Functions	Water Supply	Base Fixed	Max Day	Max Hour	Billing & CS	Notes
Source of Supply	Purchased water cost	remaining				
<b>T&amp;D</b>		53.4%	39.0%	7.6%		50% MD, 50% MH
<b>Pumping</b>		49.0%	35.8%	15.2%		Max hr
<b>Operations</b>		82.5%			17.5%	Staffing levels for field office
<b>Administrative</b>		77.5%			22.5%	Staffing levels for main office
<b>Labor</b>		68.6%	18.3%	5.5%	10%	Proportional based on non-labor costs

Table 5-9 shows the allocations of water O&M expenses using the allocation factors shown in Table 5-8 and O&M breakdown for FY 2024 provided by the District staff (Appendix 2).

**Table 5-9: Allocations of Water O&M Expenses by Cost Categories**

Water O&M Allocation	FY 2024	Water Supply	Base Fixed	Max Day	Max Hour	Billing & CS
<b>O&amp;M Expenses</b>						
<b>Source of Supply</b>	\$9,292,500	\$8,963,788	\$328,712	\$0	\$0	\$0
<b>Pumping - Water</b>	\$502,500	\$0	\$246,324	\$179,816	\$76,360	\$0
<b>T&amp;D - Water</b>	\$540,200	\$0	\$288,529	\$210,626	\$41,045	\$0
<b>Operations Support</b>	\$69,500	\$0	\$57,338	\$0	\$0	\$12,163
<b>Fleet</b>	\$131,600	\$0	\$108,570	\$0	\$0	\$23,030
<b>Indirect Operating Costs</b>	\$71,200	\$0	\$58,740	\$0	\$0	\$12,460
<b>Information Technology</b>	\$210,500	\$0	\$163,138	\$0	\$0	\$47,363
<b>Indirect Administration Costs</b>	\$637,000	\$0	\$493,675	\$0	\$0	\$143,325
<b>Labor Costs</b>	\$3,573,000	\$0	\$2,366,974	\$652,516	\$196,210	\$357,300
<b>Subtotal O&amp;M Expenses (Excl. Dep &amp; Int)</b>	<b>\$15,028,000</b>	<b>\$8,963,788</b>	<b>\$4,111,999</b>	<b>\$1,042,959</b>	<b>\$313,615</b>	<b>\$595,640</b>

Table 5-10 shows the allocation of revenue requirements to cost categories and Table 5-11 details the allocations of Max Day and Max Hour revenue requirements to Private Fire services.

**Table 5-10: Water Revenue Requirements by Cost Categories**

Other Rev Requirement Allocations	FY 2024	Water Supply	Base Fixed	Max Day	Max Hour	Billing & CS	RW	Conservation	Rev Offset	Private Fire
O&M Expenses(Excl. Dep & Int)	\$15,028,000	\$8,963,788	\$4,111,999	\$1,042,959	\$313,615	\$595,640				
<b>Less (-) Non-Operating Revenues</b>										
Funding from Restricted Reserve for Conservation Program	-\$200,000		-\$200,000							
Property Taxes - General Fund Revenue	-\$279,522		-\$279,522							
Property Taxes (Funds Tier 1 Offset)	-\$180,478								-\$180,478	
Miscellaneous Revenue	-\$39,000								-\$39,000	
Cellular Site Lease Revenue	-\$230,000		-\$178,250			-\$51,750				
Other Income (R-6 Partners)	-\$125,000		-\$125,000							
Investment Income	-\$100,000		-\$100,000							
<b>Plus (+) Other Fundings</b>										
Plus Funding from Reserves	\$200,000							\$200,000		
Plus Restricted Reserve Funding	\$627,301						\$627,301			
Plus Operating Reserve Funding	\$2,369		\$2,369							
<b>Total Water Service Rev Requirements</b>	<b>\$14,703,670</b>	<b>\$8,963,788</b>	<b>\$3,231,596</b>	<b>\$1,042,959</b>	<b>\$313,615</b>	<b>\$543,890</b>	<b>\$627,301</b>	<b>\$200,000</b>	<b>-\$219,478</b>	<b>\$0</b>
Reallocation of Private Fire Peaking				-\$8,502	-\$22,858					\$31,360
<b>Total Net Revenue Requirements</b>	<b>\$14,703,670</b>	<b>\$8,963,788</b>	<b>\$3,231,596</b>	<b>\$1,034,457</b>	<b>\$290,756</b>	<b>\$543,890</b>	<b>\$627,301</b>	<b>\$200,000</b>	<b>-\$219,478</b>	<b>\$31,360</b>

**Table 5-11: Allocations of Peaking Costs to Private Fire Services**

Allocation of Peaking Costs to Fire Protection		Max Day	Max Hour	Total
<b>Revenue Requirements (Table 5-10)</b>		<b>\$1,042,959</b>	<b>\$313,615</b>	
<b>Fire Demand (Table 5-6, rows 3-4)</b>	ccf	481	5,294	
<b>Extra Capacity Demand (Table 5-6, rows 7-8)</b>	ccf	5,837	2,479	
<b>Total Extra Capacity Demand plus Fire</b>	<b>ccf</b>	<b>6,318</b>	<b>7,773</b>	
<b>Unit Cost of Service</b>	\$ / ccf	\$165.07	\$40.35	
	\$ / kgal	\$220.68	\$53.94	
<b>Fire Demand</b>	kgal	360	3,960	
<b>Fire Protection Costs</b>		<b>\$79,445</b>	<b>\$213,604</b>	<b>\$293,049</b>
<b>Private Fire</b>	10.7%	\$8,502	\$22,858	\$31,360
<b>Public Fire</b>	89.3%	\$70,943	\$190,746	\$261,689

The AWWA M1 Manual describes a cost-of-service approach to setting water rates that results in the distribution of costs to each customer or customer class based on the costs that each incurs. A dual set of fees—fixed and variable—is an extension of this cost causation theory. For example, a utility incurs some of the costs with serving customers irrespective of the amount or rate of water they use, such as, billing and customer service costs. These costs are referred to as customer-related costs and are typical costs that would be recovered through a fixed monthly service charge. These costs are usually recovered on each meter. Regardless of the level of a customer's consumption, a customer will be charged this minimum amount on each bill.

Utilities invest in and continue to maintain facilities to provide capacity to meet all levels of desired consumption, including the peak demand plus fire protection. These costs must be recovered regardless of the amount of water used during a given period. Thus, capacity or peaking costs, along with base costs, are generally considered fixed water system costs. Ideally, an agency could recover 100% of the fixed costs in the fixed charges, therefore providing revenue stability; however, this approach foregoes affordability for essential use and heavily impacts small users. A portion of the base costs and peaking costs are recovered in the fixed charges, along with the customer-related costs and meter-related costs to balance between affordability and revenue stability. Revenue requirements for the District's

fixed monthly service charges include 100 percent of base fixed costs, inclusive of billing and customer service costs and other fixed costs to meet average demand, as well as a portion of the peaking costs. The remaining peaking costs are recovered in the delivery rate component of the commodity rates.

The rate structure remains unchanged and consists of the monthly fixed service and the volumetric commodity rates, which are allocated as follows in Table 5-12:

- The monthly service charge includes customer service, fixed base costs, and a portion of the peaking costs.
- The volumetric water commodity rates include water supply (to recover total purchased water costs from MWDOC and Baker Water Treatment Plant water costs), delivery/peaking (to recover the District's remaining peaking costs), RW funding, conservation, and revenue offsets components.

**Table 5-12: Cost Categories and Water Rate Structure**

Cost Components	Service Charges	Tier 1 Essential Use	Tier 2 Efficient Use	Tier 3 Inefficient Use	Tier 4 Excessive Use	Commercial Use
Billing & Cust. Service	x					
Meters	x					
Fixed Base Costs	x					
Delivery Peaking Costs	x	x	xx	xxx	xxx	x
Water Supply		x	x	x	x	x
RW Program Funding				xx	xxx	x
Conservation				x	x	x
Rev Offset		x				x

### Unit Component Cost Derivation

Our end goal is to proportionately distribute the cost causation components to each user class. To do so we must calculate the cost causation component unit costs, which starts by assessing the total service units demanded by each class for each cost causation component. Extra capacity costs representing the demand placed on the system are related to the capacity of the meters. The capacity of the meters is determined by comparing the hydraulic capacity of the meters to the smallest meter in the system, which is assigned a capacity of one. Thus, a 1-inch meter that can continuously deliver 50 gallons per minute (gpm) is considered to have a capacity of 2.5 when compared to the 5/8-inch meter which can deliver 20 gpm. Because of the unique characteristics of the District's service area, the maximum of the hydraulic capacity or the actual usage characteristics was used to determine the capacity of the meters. For example, a 2-inch meter, on average, uses 10 times the water of the 5/8-inch meter. The meter capacity ratios representing the maximum of the hydraulic ratio or the actual usage are used to calculate the equivalent meter units to recover the meter service & capacity costs (based on ETWD *Cost of Service Study Report for Water, Wastewater and Recycled Water prepared in April 2009*). The calculation of the bills per year and the equivalent meter units (EMU) is shown in

Table 5-13 below.



**Table 5-13: Units of Service for Monthly Service Charges**

Potable Water Meters	Meter Counts	Meter Ratio	Bills / yr	EMUs / yr
	A	B	C = A x 12	D = C x B
5/8"	2,380	1.00	28,560	28,560
3/4"	4,854	1.50	58,248	87,372
1"	452	2.50	5,424	13,560
1-1/2"	702	5.00	8,424	42,120
2"	1,126	10.00	13,512	135,120
Private Fire <sup>12</sup>	174	1.00	2,088	2,088
<b>Total</b>	<b>9,514</b>		<b>114,168</b>	<b>308,820</b>

Table 5-14 below shows the calculation for the remaining units of service. The capacity or peaking factor for each customer class is taken from Table 5-4.

**Table 5-14: Water Units of Service Derivation**

Water Usage	Water Sales (ccf)	Peaking		RW		Conservation		Revenue Offset		Service & Capacity	Billing & CS	Fire Service
		Peaking Factors	Extra Capacity	RW Funding	RW Service Units	Conservation Funding	Conservation Service Units	Offset Factor	Rev Offset Service Units	No. of Meters (Equiv.)	No. of Bills	FDU/yr
		Table 5-4								Table 5-13	Table 5-13	Table 5-5
[A]	[B]	[C]	[D] = [C] x [A]	[E]	[F] = [E] x [A]	[G]	[H] = [G] x [A]	[I]	[J] = [I] x [A]			
Tier 1 - Essential Use	1,459,129	1.16	228,956	0.00	-	0.00	0	1.00	1,459,129			
Tier 2 - Efficient Use	913,013	1.90	819,465	0.00	-	0.00	0	0.00	0			
Tier 3 - Inefficient Use	90,201	1.90	80,959	1.00	90,201	1.00	90,201	0.00	0			
Tier 4 - Excessive Use	72,696	2.66	120,784	1.74	126,428	1.00	72,696	0.00	0			
Uniform - Commercial Use	383,481	1.30	113,962	0.14	52,520	0.10	38,348	0.81	310,620			
<b>Total</b>	<b>2,918,520</b>		<b>1,364,126</b>		<b>269,149</b>		<b>201,245</b>		<b>1,769,749</b>	<b>308,820</b>	<b>114,168</b>	<b>303,970</b>

Table 5-15 allocates the water revenue requirement cost categories (Table 5-10) to rate components for FY 2024.

<sup>12</sup> Private Fire bills are combined with the account customer bill for potable services

**Table 5-15: Water Rate Components**

Water Service Revenue Requirements	FY 2024	Monthly Service Charges			Water Commodity Rates				Revenue Offset
		Billing & CS	Meters & Capacity	Private Fire	Water Supply	Delivery	RW	Conservation	
Water Supply	\$8,963,788				\$8,963,788				
Base Fixed	\$3,231,596		\$3,231,596						
Peaking (Max Day + Max Hour)	\$1,325,214		\$875,214			\$450,000			
Billing & CS	\$543,890	\$543,890							
RW	\$627,301						\$627,301		
Conservation	\$200,000							\$200,000	
Rev Offset	-\$219,478								-\$219,478
Private Fire	\$31,360			\$31,360					
Total Water Service Charges	\$14,703,670	\$543,890	\$4,106,810	\$31,360	\$8,963,788	\$450,000	\$627,301	\$200,000	-\$219,478

Table 5-16 summarizes the water revenue requirements (Table 5-10) for FY 2024 by rate components and shows the calculation of unit costs.

**Table 5-16: Unit Cost Calculation**

Water Rev Requirements	FY 2024	Monthly Service Charge			Water Commodity Rates				
		Billing & CS	Service & Capacity	Fire Service	Water Supply	Peak Delivery	RW	Conservation	Rev Offset
Water Supply	\$8,963,788				\$8,963,788				
Base Fixed	\$3,231,596		\$3,231,596						
Peaking	\$1,325,214		\$875,214			\$450,000			
RW	\$627,301						\$627,301		
Conservation	\$200,000							\$200,000	
Rev Offset	-\$219,478								-\$219,478
Billing & CS	\$543,890	\$543,890							
Private Fire	\$31,360			\$31,360					
Capital R&R	\$1,702,968								
<b>Total</b>	<b>\$14,703,670</b>	<b>\$543,890</b>	<b>\$4,106,810</b>	<b>\$31,360</b>	<b>\$8,963,788</b>	<b>\$450,000</b>	<b>\$627,301</b>	<b>\$200,000</b>	<b>-\$219,478</b>
Units of Service		114,168	308,820	303,970	2,918,520	1,364,126	269,149	201,245	1,769,749
		bills / yr	EMUs / yr	FDU/yr	ccf / yr	ccf / yr	ccf / yr	ccf / yr	ccf / yr
Unit Rate		<b>\$4.76</b>	<b>\$13.30</b>	<b>\$0.10</b>	<b>\$3.07</b>	<b>\$0.33</b>	<b>\$2.33</b>	<b>\$0.99</b>	<b>-\$0.12</b>

## Monthly Service Charge Derivation

The monthly service charge calculations are shown in Table 5-17 below based on the unit costs shown in Table 5-16.

**Table 5-17: Proposed Monthly Service Charges Calculations**

Meter Size	Billing & Customer Service	Meter Service & Capacity <sup>13</sup>	Proposed Rates	Current Rates	\$ Impact	% Impact
	A (Table 5-15)	B	C = A + B	D	E = C - D	F = E / D
5/8"	\$4.76	\$13.30	<b>\$18.07</b>	\$17.46	\$0.61	3.5%
3/4"	\$4.76	\$19.95	<b>\$24.72</b>	\$23.62	\$1.10	4.7%
1"	\$4.76	\$33.25	<b>\$38.02</b>	\$35.93	\$2.09	5.8%
1-1/2"	\$4.76	\$66.50	<b>\$71.27</b>	\$66.70	\$4.57	6.9%
2"	\$4.76	\$132.99	<b>\$137.76</b>	\$128.25	\$9.51	7.4%

### Capital Facility Charges Derivation

Table 5-2 shows the required revenue increases for FY 2024 at 25%. Table 5-20 shows the unit calculation of Capital Facility charges for water service from

<sup>13</sup> Service and Capacity component can be calculated by using the unit cost (Table 5-16) multiplied by the appropriate meter ratio (Table 5-13)

Table 5-18 (units of service) and Table 5-19 (unit cost of service).

**Table 5-18: Units of Service for Water Capital Facility Charges**

Potable Water Meters	Meter Counts	Meter Ratio <sup>14</sup>	EMUs / yr
5/8"	2,380	1.00	28,560
3/4"	4,854	1.00	58,248
1"	452	1.67	9,058
1 1/2"	702	4.06	34,176
2"	1,126	10.18	137,615
<b>Total</b>	<b>9,514</b>		<b>267,657</b>

**Table 5-19: Calculated Unit Cost of Service for Water Capital Facility Charges**

	Capital Facility Charges
<b>Revenue Requirements (Table 5-2)</b>	<b>\$1,702,968</b>
Units of Service (Table 5-17)	267,657
<b>Unit Cost of Service</b>	<b>\$6.37</b>

**Table 5-20: FY 2024 Proposed Water Monthly Capital Facility Charges**

Meter Size	Meter Ratio	Proposed FY 2024	Current FY 2023	\$ Change	% Change
	A (Table 5-17)	B = 6.37 x A	C	D = B - C	E = D/C
5/8"	1.00	<b>\$6.37</b>	\$5.09	\$1.28	25.1%
3/4"	1.00	<b>\$6.37</b>	\$5.09	\$1.28	25.1%
1"	1.67	<b>\$10.63</b>	\$8.50	\$2.13	25.1%
1 1/2"	4.06	<b>\$25.82</b>	\$20.65	\$5.17	25.0%
2"	10.18	<b>\$64.80</b>	\$51.84	\$12.96	25.0%

## Commodity Rate Derivation

Peak Delivery rates (

<sup>14</sup> Current capital facility charge ratios

Table 5-21) are applied to all rates based on peaking characteristics for each usage class (shown in Table 5-4). Indoor or domestic use has the lowest peaking factor; consequently, all indoor use (residential and commercial) is assigned a lower peak delivery cost. Outdoor irrigation is associated with higher peaking factors, so outdoor use comprising residential irrigation and the current dedicated irrigation classes (both functional and recreational) will have higher peak delivery costs. Inefficient and excessive use has even higher peaking factors and is assigned the highest peak delivery costs.

**Table 5-21: Peak Delivery Rate Calculations**

Line	Water Usage	Budgeted Water Sales	Peaking Factor	Peak Usage	Peak Rate (\$/ccf)
		A	B (Table 5-4)	C = A x (B-1)	D = [A7] x C/A
1	Tier 1 - Essential Use	1,459,129	1.16	228,956	\$0.05
2	Tier 2 - Efficient Use	913,013	1.90	819,465	\$0.30
3	Tier 3 - Inefficient Use	90,201	1.90	80,959	\$0.30
4	Tier 4 - Excessive Use	72,696	2.66	120,784	\$0.55
5	Uniform - Commercial Use	383,481	1.30	113,962	\$0.10
6	<b>Total</b>	<b>2,918,520</b>		<b>1,364,126</b>	
7	Unit Rate, \$/ccf <sup>15</sup>	\$0.33			

The RW program is associated with offsetting the demands of inefficient and excessive use and RW program costs are therefore allocated to inefficient and excessive use only (usage in Tiers 3 and 4 and 10 percent of commercial use, which is considered inefficient and is allocated at the same rate as average of residential inefficient and excessive usage). The RW program provides recycled water and offsets potable water use which is then available for Tiers 3 and 4. Raftelis updated the baseline for recycled water costs determined in last year's study. To determine the recycled water costs to be assigned to Tiers 3 and 4, Raftelis obtained the recycled water system's costs from the District based on Updated RW Expansion Capital Cost provided in March 2022. Phase 1 cost is \$1,150/AF and Phase 2 RW expansion cost is \$2,000/AF in today's dollars, which gives a ratio of 1:1.74. Phase 2 was developed to offset the excessive use in Tier 4. Therefore, this ratio is utilized for the RW Program funding ratio between Tier 3 and Tier 4 to reflect that Tier 4, excessive usage, should carry the burden of the higher costs to fund the more extensive RW program. Tier 4 therefore pays more to fund this alternative source of water required to offset Tier 4 demands. Revenues from this cost component are collected in a restricted reserve used to meet the debt service requirements associated with the recycled water system, which provides supplemental water and frees up valuable potable water resources to offset the demand imposed by inefficient and excessive use. The rates for the recycled water program to Tiers 3 and 4 are shown in Table 5-22.

**Table 5-22: RW Program Funding for Potable Water Rate Calculations**

Water Usage	Budgeted Water Sales	Equivalent Factor	Equivalent Usage	Unit Rate (\$/ccf) <sup>16</sup>
<b>Tier 1 - Essential Use</b>	1,459,129	0.00	0	\$0.00
<b>Tier 2 - Efficient Use</b>	913,013	0.00	0	\$0.00
<b>Tier 3 - Inefficient Use</b>	90,201	1.00	90,201	\$2.33
<b>Tier 4 - Excessive Use</b>	72,696	1.74	126,428	\$4.05
<b>Uniform - Commercial Use</b>	383,481	0.14 <sup>17</sup>	52,520	\$0.32
<b>Total</b>	<b>2,918,520</b>	<b>\$0</b>	<b>269,149</b>	
<b>Unit RW Program Rate <sup>18</sup></b>	<b>\$2.33 / ccf</b>			

<sup>15</sup> Rounded to the nearest cent. Calculation of Unit Costs shown in Table 5-16.

<sup>16</sup> Rounded to the nearest cent.

<sup>17</sup> Equivalent factor for commercial use = 10% x (1.00+1.74)/2 = 0.14

<sup>18</sup> Rounded to the nearest cent. Calculation of Unit Costs shown in Table 5-16.

Conservation programs are targeted to meet the demands of inefficient and excessive use and therefore conservation costs are applied only to inefficient and excessive use, as shown in Table 5-23. There is no good rationale to differentiate the costs and therefore the unit conservation cost per unit of water in Tiers 3 and 4 is the same.

**Table 5-23: Conservation Program Funding (aka Conservation) Rate Calculations**

Water Usage	Budgeted Water Sales	Equivalent Factor	Equivalent Usage	Unit Rate (\$/ccf) <sup>19</sup>
<b>Tier 1 - Essential Use</b>	1,459,129	0.00	0	\$0.00
<b>Tier 2 - Efficient Use</b>	913,013	0.00	0	\$0.00
<b>Tier 3 - Inefficient Use</b>	90,201	1.00	90,201	\$0.99
<b>Tier 4 - Excessive Use</b>	72,696	1.00	72,696	\$0.99
<b>Uniform - Commercial Use</b>	383,481	0.10	38,348	\$0.10
<b>Total</b>	<b>2,918,520</b>	<b>\$0</b>	<b>201,245</b>	
<b>Unit Conservation Rate<sup>20</sup></b>	<b>\$0.99 / ccf</b>			

Finally, Table 5-24 shows the offset applied per the District's current policy objective to provide rate incentives for essential and efficient indoor use, miscellaneous revenues and a portion of the property taxes received by the District are used to offset the essential and efficient usage rate. The offset applies to indoor/domestic use in Tier 1 and commercial indoor use.

- To minimize customer impacts and provide incentives for essential and efficient use, miscellaneous revenues and a portion of property tax revenues are used to provide a revenue offset for efficient indoor and efficient commercial indoor use.
- Note that it is assumed that efficient usage for commercial is 90 percent of total use, and of that 90 percent, the indoor usage is 90 percent. Therefore, indoor usage is 81 percent (90 percent x 90 percent) of the total commercial use. The revenue offset is applied to 81 percent of total commercial use to determine the revenue offset for the commercial class.
- Note that \$0.12 /ccf is applied to the efficient indoor use in Tier 1; and, since commercial rates are uniform, the incentive becomes \$0.10 /ccf when applied to the full commercial use. Cell site leasing revenue and the remaining property tax revenue is used to offset revenue requirements for fixed service charges. Note that all user classes benefit from this offset. Most irrigation customers have associated domestic usage which also benefits from the revenue offset.

<sup>19</sup> Rounded to the nearest cent.

<sup>20</sup> Rounded to the nearest cent. Calculation of Unit Costs shown in Table 5-16.



**Table 5-24: Revenue Offset Rate Calculations**

Water Usage	Budgeted Water Sales	Equivalent Factor	Equivalent Usage	Unit Rate (\$/ccf) <sup>21</sup>
<b>Tier 1 - Essential Use</b>	1,459,129	1.00	1,459,129	-\$0.12
<b>Tier 2 - Efficient Use</b>	913,013	0.00	0	\$0.00
<b>Tier 3 - Inefficient Use</b>	90,201	0.00	0	\$0.00
<b>Tier 4 - Excessive Use</b>	72,696	0.00	0	\$0.00
<b>Uniform - Commercial Use</b>	383,481	0.81	310,620	-\$0.10
<b>Total</b>	<b>2,918,520</b>	<b>\$0</b>	<b>1,769,749</b>	
<b>Unit Rev Offset Rate<sup>22</sup></b>	<b>-\$0.12 / ccf</b>			

In summary, the cost allocation methodology developed herein allocates the costs to customers, meters, and usage. Customer costs are the same for each account and other base fixed costs and a portion of peaking costs are allocated proportionally to the capacity of each meter. The remaining costs are allocated to each usage class in accordance with the demand they place on the system. The usage of each customer class is defined and the costs associated with the usage of each customer type provides the revenue to be recovered from that customer class. The rationale for allocating conservation costs and supplemental water costs allows the development of inclining tiered rates to provide incentives for conservation in the inefficient and excessive water usage tiers identified within each customer class. This methodology meets the requirements of Proposition 218 and Article X of the California Constitution.

Table 5-25 shows the total rates derived from the individual rate components shown in Table 4-3, and

<sup>21</sup> Rounded to the nearest cent.

<sup>22</sup> Rounded to the nearest cent. Calculation of Unit Costs shown in Table 5-16.

Table 5-21 to Table 5-24. Individual rate components may not add to the total due to rounding.

**Table 5-25: Proposed Commodity Rate Calculation**

Water Usage Rates	Water Supply	Peak Delivery	RW	Conservation	Rev Offset	Proposed Rates
<b>Tier 1 - Essential Use</b>	\$3.07	\$0.05	\$0.00	\$0.00	-\$0.12	<b>\$3.00</b>
<b>Tier 2 - Efficient Use</b>	\$3.07	\$0.30	\$0.00	\$0.00	\$0.00	<b>\$3.37</b>
<b>Tier 3 - Inefficient Use</b>	\$3.07	\$0.30	\$2.33	\$0.99	\$0.00	<b>\$6.70</b>
<b>Tier 4 - Excessive Use</b>	\$3.07	\$0.55	\$4.05	\$0.99	\$0.00	<b>\$8.67</b>
<b>Uniform - Commercial Use</b>	\$3.07	\$0.10	\$0.32	\$0.10	-\$0.10	<b>\$3.49</b>

## 5.3. Proposed Rates

### 5.3.1. MONTHLY SERVICE CHARGES

Based on the revenue requirements shown in Table 5-1 and the Monthly Service Charge calculations in Table 5-17, the proposed Monthly Service Charges for FY 2024 are shown in Table 5-26 below. All rates and charges are rounded up to the nearest cent to ensure adequate cost recovery.

**Table 5-26: FY 2024 Monthly Water Service Charges**

Meter Size	Proposed FY 2024	Current FY 2023	\$ Change	% Change
<b>5/8"</b>	<b>\$18.07</b>	\$17.46	\$0.61	3.5%
<b>¾"</b>	<b>\$24.72</b>	\$23.62	\$1.10	4.7%
<b>1"</b>	<b>\$38.02</b>	\$35.93	\$2.09	5.8%
<b>1-1/2"</b>	<b>\$71.27</b>	\$66.70	\$4.57	6.9%
<b>2"</b>	<b>\$137.76</b>	\$128.25	\$9.51	7.4%

The monthly service charges in FY 2025 – 2026 will be increased based on the “CPI for Urban Wage and Clerical Workers (CPI-W)” for the Los Angeles-Long Beach-Anaheim area published by the Bureau of Labor Statistics. The most recent CPI figure available prior to the implementation of the service charge increase will be used to calculate the rates.

### 5.3.2. CAPITAL FACILITY CHARGES

Table 5-27 shows the proposed Capital Facility Charges as derived in Table 5-20 to recover costs of treatment plant improvements, debt service and replacement and refurbishment of the system. Table 5-28 shows the proposed Capital Facility Charges for FY 2025 – 2026. Increases to Capital Facility Charges for FY 2025 – 2026 are based on District projections of revenue necessary to meet required capital expenditures and represent annual increases of 25%.

**Table 5-27: FY 2024 Monthly Water Capital Facility Charges**

Meter Size	Proposed FY 2024	Current FY 2023	\$ Change	% Change
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5/8"	\$6.37	\$5.09	\$1.28	25.1%
3/4"	\$6.37	\$5.09	\$1.28	25.1%
1"	\$10.63	\$8.50	\$2.13	25.1%
1-1/2"	\$25.82	\$20.65	\$5.17	25.0%
2"	\$64.80	\$51.84	\$12.96	25.0%

**Table 5-28: FY 2025 – 2026 Monthly Water Capital Facility Charges**

Meter Size	Proposed FY 2025	Proposed FY 2026
5/8"	\$7.97	\$9.96
3/4"	\$7.97	\$9.96
1"	\$13.29	\$16.61
1-1/2"	\$32.28	\$40.35
2"	\$81.00	\$101.25

### 5.3.3.COMMODITY RATES

Based on the revenue requirements shown in Table 5-1 and the calculated Commodity Rate components summarized in Table 5-25, a comparison of the current and proposed commodity rates for FY 2024 are shown in Table 5-29 below. Table 5-30 shows the proposed Commodity Rate for FY 2025 – 2026. The FY 2025 -2026 rates reflect only the pass through of the projected Metropolitan Water District rates as well as inflationary impacts on O&M costs at the Baker Water Treatment Plant.

**Table 5-29: FY 2024 Proposed Water Commodity Rates**

Water Usage Rates	Proposed FY 2024	Current FY 2023	\$ Impact	% Impact
Tier 1 - Essential Use	\$3.00	\$2.82	\$0.18	6.4%
Tier 2 - Efficient Use	\$3.37	\$3.18	\$0.19	6.0%
Tier 3 - Inefficient Use	\$6.70	\$6.50	\$0.20	3.1%
Tier 4 - Excessive Use	\$8.67	\$8.35	\$0.32	3.8%
Uniform - Commercial Use	\$3.49	\$3.31	\$0.18	5.4%

**Table 5-30: FY 2025 – 2026 Proposed Water Commodity Rates**

Meter Size	Proposed FY 2025	Proposed FY 2026
Tier 1 - Essential Use	\$3.18	\$3.39
Tier 2 - Efficient Use	\$3.55	\$3.76
Tier 3 - Inefficient Use	\$6.88	\$7.09
Tier 4 - Excessive Use	\$8.85	\$9.06
Uniform - Commercial Use	\$3.67	\$3.88

**Commented [NB5]:** From adding projected commodity rate increases to prior year

5.3.4.PRIVATE FIRE RATES

The proposed Private Fire Rates are shown in Table 5-32 and reflect the changes to the fixed charges for the fire demand component at each fire line size. Table 5-31 shows the private fire demand revenue requirement from Table 5-11. In addition, all private fire services have a 5/8-in meter attached to each that also requires maintenance and replacement services. In addition to the fire demand component, private fire services also share the service and capacity component equivalent for the 5/8-in meter as shown in Table 5-32. The proposed rates for FY 2025 – 2026 will be increased based on the “CPI for Urban Wage and Clerical Workers (CPI-W)” for the Los Angeles-Long Beach-Anaheim area published by the Bureau of Labor Statistics. The most recent CPI figure available prior to the implementation of the private fire rate increase will be used to calculate the rates.

Table 5-31: Fire Demand Rate Calculation

Private Fire Service		FY 2024	
Revenue Requirements for Peaking (Table 5-16)		\$31,360	
Units of Service (Table 5-5)		303,970 FDU's	
Unit Cost of Service		\$0.103 / FDU	

Meter Size	Accounts	Fire Demand Factor	Fire Demand Rate <sup>23</sup>
	A	B (Table 5-5)	C = \$0.103 x B
4"	27	38.32	\$3.96
6"	90	111.31	\$11.49
8"	53	237.21	\$24.48
10"	4	426.58	\$44.01

Table 5-32: FY 2024 Proposed Private Fire Service Rates

Meter Size	Accounts	Fire Demand	Service & Capacity	Proposed Rates	Current Rates	\$ Change	% Change
	A	B (Table 5-31)	B (Table 5-16)	C = A + B	D	E = C - D	F = E / D
4"	27	\$3.96	\$13.30	\$17.26	\$16.15	\$1.11	6.9%
6"	90	\$11.49	\$13.30	\$24.79	\$23.45	\$1.34	5.7%
8"	53	\$24.48	\$13.30	\$37.78	\$36.04	\$1.74	4.8%
10"	4	\$44.01	\$13.30	\$57.31	\$54.97	\$2.34	4.3%
Total	174	\$31,374	\$27,767	\$59,144	\$56,119	\$3,025.80	5.4%

<sup>23</sup> Rounded to the nearest cent

## 6. Wastewater Revenue Requirements and Proposed Rates

### 6.1. Wastewater (WW) Revenue Requirements

The total revenue requirement (net of miscellaneous revenue credits) is, by definition, the net cost of providing service. This cost of service is then used as the basis to develop unit rates for the wastewater parameters and to allocate costs to the various user classes. The concept of proportionate allocation to user classes implies that allocations should take into consideration the quantity of wastewater a user contributes as well as the strength (i.e., treatment requirements) of the wastewater.

The cost of service analysis and rate calculations consist of the following steps:

- Determination of the total costs to be recovered from rates (cost of service);
- Determination of the wastewater loadings for each customer class, to ensure costs are allocated to each class proportionately;
- Allocation of the cost of service to the loading parameters – Flow, Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS);
- Calculation of unit costs for the three parameters, and the costs to serve the various user classes based on their loadings;
- Calculation of rates for each user class.

This section of the report discusses the allocation of operating and capital costs to the Flow, Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS) parameters, the determination of unit rates, and the calculation of user class cost responsibility.

Table 6-1 shows the Operating and Capital Wastewater Revenue Requirements which will be the basis to calculate the COS rates for FY 2024. Table 6-2 and Table 6-3 show the required revenue increases for Wastewater Service Charges and Wastewater Capital Facility Charges in FY 2024. Please refer to Appendix 2 and Appendix 5 for details of the figures shown.

**Table 6-1: FY 2024 Wastewater Revenue Requirements**

Wastewater Requirements	Revenue	FY 2024	Operating	Capital
<b>O&amp;M Expenses (excl. Interest &amp; Depreciation)</b>				
Pumping – Sewer		\$489,500	\$489,500	\$0
Treatment Plant		\$2,492,600	\$2,492,600	\$0
T&D – Sewer		\$214,000	\$214,000	\$0
Operations Support		\$90,600	\$90,600	\$0
Fleet		\$178,800	\$178,800	\$0
Indirect Operating Costs		\$35,400	\$35,400	\$0
Administration		\$0	\$0	\$0
Information Technology		\$273,800	\$273,800	\$0
Indirect Administration Costs		\$814,020	\$814,020	\$0
Labor Costs		\$5,505,860	\$5,505,860	\$0
<b>Subtotal O&amp;M Expenses (excl. Interest &amp; Depreciation)</b>		<b>\$10,094,580</b>	<b>\$10,094,580</b>	<b>\$0</b>
<b>Other Revenue Requirements</b>				
Debt Service		\$525,001	\$0	\$525,001
Capital Improvement Program		\$1,856,100	\$0	\$1,856,100
<b>Subtotal Other Revenue Requirements</b>		<b>\$2,381,101</b>	<b>\$0</b>	<b>\$2,381,101</b>
<b>Less Other Revenues</b>				
Property Taxes – General Fund Revenue		-\$600,000	-\$600,000	\$0
Investment Income		-\$160,600	-\$160,600	\$0
<b>Subtotal Other Revenues</b>		<b>-\$760,600</b>	<b>-\$760,600</b>	<b>\$0</b>
<b>Plus Funding Operating Reserve</b>		<b>\$12,724</b>	<b>\$12,724</b>	<b>\$0</b>
<b>Less Funding from Capital Reserve</b>		<b>-\$198,199</b>	<b>\$0</b>	<b>-\$198,199</b>
<b>NET REQUIREMENTS FROM FY 2024 RATES</b>	<b>REV</b>	<b>\$11,529,606</b>	<b>\$9,346,704</b>	<b>\$2,182,902</b>

**Table 6-2: FY 2024 WW Operating Revenue Requirements**

WW Operating Rev Req	FY 2024	Notes
WW O&M Expenses	\$10,094,580	Appendix 5
Less (-) Non-Operating Revenues	-\$760,600	Appendix 5
Plus (+) Operating Reserve Funding	\$12,724	Appendix 5
<b>Total WW Operating Revenue Requirements</b>	<b>\$9,346,704</b>	
Current WW Revenues	\$8,535,803	Appendix 5
Revenue Increase	9.50%	

**Table 6-3: FY 2024 WW Capital Revenue Requirements**

WW Capital Revenue Requirements	FY 2024	Notes
Capital Improvement Program	\$1,856,100	Appendix 5
Plus Debt Service	\$525,001	Appendix 5
Less Funding from Capital Reserve	-\$198,199	Appendix 5
<b>Total WW Capital Revenue Requirements</b>	<b>\$2,182,902</b>	
Current WW Revenues	\$1,746,321	Appendix 5
Revenue Increase	25.0%	

## 6.2. Wastewater Cost of Service

### 6.2.1. CUSTOMER CLASSIFICATION

Non-residential customers are classified into 4 groups: low strength, medium strength, high strength, and Restaurants. The strength data for each current customer class is based primarily on Los Angeles County Sanitation District (LACSD) data reported in its Revenue Program (with a few exceptions based on the District's understanding of its customer characteristics). For example, restaurants are assumed to have the same strength as residential given the strict regulations of Fats, Oils and Grease (FOG) program for restaurants within the District's service area. Table 6-4 summarizes the proposed customer classification groupings. There are 3 groups of residential customers: single family residential, multi-family unrestricted and multi-family restricted. Laguna Woods Village accounts have restricted and unrestricted units. Restricted units refer to households that have a size restriction of a maximum of two occupants per unit.

**Table 6-4: Customer Classifications**

Customer Classes	BOD (mg/L)	TSS (mg/L)	Total Strength	Notes
Single Family Residential	282	272	554 mg / L	LACSD data <sup>24</sup>
Multi-Family Restricted	282	272	554 mg / L	LACSD data
Multi-Family Unrestricted	282	272	554 mg / L	LACSD data
Low Strength Commercial	0-150	0-150	≤ 300 mg / L	LACSD data
Medium Strength Commercial	150-300	150-300	301- 600 mg / L	LACSD data
High Strength Commercial	> 300	> 300	> 600 mg / L	LACSD data
Restaurants	282	272	554 mg / L	Same as Residential <sup>25</sup>

Raftelis also reviewed the residential household density, persons per household (PPH), within the District's service area using Census data. Refer to Appendix 6 for details. Table 6-5 shows the estimated residential household size to be used to estimate wastewater flows for residential customers.

**Table 6-5: District's Residential Household Density**

	Dwelling Units	Average Household Size	Notes
<b>Single Family Residential</b>	7,059 DU	3.01 PPH	See Appendix 6 (ETWD)
<b>Multi-Family Restricted</b>	12,736 DU	1.43 PPH	See Appendix 6 (Laguna Woods)
<b>Multi-Family Unrestricted</b>	5,152 DU	2.20 PPH	See Appendix 6 (ETWD)

## 6.2.2. WASTEWATER LOADINGS

### Residential Wastewater Flows

Combining the strengths and household density in Table 6-4 and Table 6-5, Table 6-6 summarizes the residential wastewater flow characteristics. Using the conversion formulas (shown below), Table 6-7 summarizes the estimated residential wastewater flows. The water use inside the dwelling unit is estimated at 55 gal per day per capita (gpcd) based on the State standard.

**Table 6-6: Residential Wastewater Flow Characteristics**

	Dwelling Units	Average Household Size	BOD (mg/L)	TSS (mg/L)
	A	B	C	D
<b>Residential Unrestricted</b>	7,059 DU	3.01 PPH	282 mg/L	272 mg/L
<b>Multi-Family Restricted</b>	12,736 DU	1.43 PPH	282 mg/L	272 mg/L
<b>Multi-Family Unrestricted</b>	5,152 DU	2.20 PPH	282 mg/L	272 mg/L

<sup>24</sup> LACSD Revenue Program Report Table 3

<sup>25</sup> Restaurant strengths are assumed to be the same as residential, given the strict regulations of FOG program for restaurants within the District service area.



$$Est. WW Flow = \frac{Dwelling Units \times Household Size \times 55 GPCD \times 365 days}{748 gallons/ccf}$$

$$BOD(lbs/day) = \frac{Flows (ccf) \times BOD(mg/L) \times 8.345404374 (lbs/gallon) \times 748 gallons/ccf}{365 days \times 10^6 (mg/L)}$$

$$TSS(lbs/day) = \frac{Flows (ccf) \times TSS(mg/L) \times 8.345404374 (lbs/gallon) \times 748 gallons/ccf}{365 days \times 10^6 (mg/L)}$$

**Table 6-7: Estimated Residential Wastewater (WW) Flows**

	Est. WW Flow (ccf)	BOD (lbs/day)	TSS (lbs/day)
	A	B	C
<b>Residential Unrestricted</b>	570,248 ccf	2,750	2,653
<b>Multi-Family Restricted</b>	488,791 ccf	2,357	2,274
<b>Multi-Family Unrestricted</b>	304,195 ccf	1,467	1,415
<b>Total</b>	<b>1,363,234 ccf</b>	<b>6,575</b>	<b>6,342</b>

## Non-Residential Strengths & Flows

Table 6-8 summarizes the current customer classes with estimated wastewater strength characteristics and its corresponding class grouping.

**Table 6-8: Non-Residential Wastewater Flow Characteristics**

Non-Residential Classes	BOD (mg/L)	TSS (mg/L)	Combined Strengths	Notes
Low Strength	150 mg/L	150 mg/L	<300 mg/L	LACSD data
Medium Strength	258 mg/L	280 mg/L	<600 mg/L	LACSD data
High Strength	800 mg/L	800 mg/L	<1,600 mg/L	LACSD data
Restaurants	282 mg/L	272 mg/L	554 mg/L	Same as residential <sup>26</sup>

Table 6-9 summarizes the estimated wastewater flows and loadings contributed by both residential and non-residential customer classes.

<sup>26</sup> Restaurants strengths are assumed to be the same as residential, given the strict regulations of FOG program for restaurants within the District service area.

**Table 6-9: Estimated Wastewater System Flows and Loadings**

Customer Classes	Flows (ccf)	BOD (lbs/day)	TSS (lbs/day)	Dwelling Units	# of Accts
<b>Residential</b>					
Residential Unrestricted	570,248 ccf	2,750	2,653	7,059 DU	6,681
Multi-Family Restricted	488,791 ccf	2,357	2,274	12,736 DU	1,020
Multi-Family Unrestricted	304,195 ccf	1,467	1,415	5,152 DU	562
<b>Total Residential</b>	<b>1,363,234 ccf</b>	<b>6,575</b>	<b>6,342</b>	<b>24,947 DU</b>	<b>8,263</b>
<b>Non-Residential</b>					
Low St. Commercial	4,244 ccf	11	11	17 DU	17
Medium St. Commercial	244,819 ccf	1,079	1,146	703 DU	605
High St. Commercial	8,181 ccf	112	112	7 DU	7
Restaurants	34,747 ccf	168	162	88 DU	88
<b>Total Non-Residential</b>	<b>291,991 ccf</b>	<b>1,369</b>	<b>1,430</b>	<b>815 DU</b>	<b>717</b>
<b>TOTAL WW SERVICES</b>	<b>1,655,225 ccf</b>	<b>7,944</b>	<b>7,772</b>	<b>25,762 DU</b>	<b>8,980</b>

### 6.2.3. ALLOCATIONS OF COST OF SERVICE

The cost of providing service is primarily based on the flow and strength of wastewater. The three main cost allocation parameters are Flow, BOD, and TSS. BOD and TSS constitute the strength components of the wastewater discharge. Costs are assigned based on the parameters that dictate the design of each process. The allocation of costs to the three parameters involves:

- Detailed breakdown of O&M costs
- Itemization of the capital costs by functions such as collection, treatment, outfall, etc.
- Allocation of the functional costs to the wastewater parameters

Based on a detailed breakdown of fixed assets by process, the treatment plant costs are allocated to flow, BOD, and TSS at 40 percent, 30 percent, and 30 percent, respectively. This allocation is representative of other secondary treatment plants. Pipelines, outfall, and pumping stations costs are all allocated to flow. Labor costs are allocated based on the combined non-labor operating cost, at 38 percent, 17 percent, 17 percent, and 28 percent to Flow, BOD, TSS, and General, respectively. Costs that could not be specifically identified were classified as general costs. General costs are ultimately reallocated based on the proportions of other costs—in this study, general costs are allocated to flow, BOD, and TSS at 54 percent, 23 percent, and 23 percent, respectively (see Table 6-12 below). The allocation of operating costs is shown in Table 6-10.

The cost of service allocations in this study are based on Raftelis' experience with secondary treatment plants and are consistent with the revenue program guidelines of the State Water Resources Control Board (SWRCB) and the Water Environment Federation (WEF).

**Table 6-10: Allocation of WW O&M Expenses**

O&M Expenses	FY 2024	Flows	BOD	TSS	General
Pumping - Sewer	\$489,500	100%			
Treatment Plant	\$2,492,600	40%	30%	30%	
T&D - Sewer	\$214,000	100%			
Operations Support	\$90,600	70%	15%	15%	
Fleet	\$178,800	0%			100%
Indirect Operating Costs	\$35,400	0%			100%
Information Technology	\$273,800				100%
Indirect Administration Costs	\$814,020				100%
Labor Costs	\$5,505,860	38%	17%	17%	28%
<b>Total O&amp;M</b>	<b>\$10,094,580</b>	<b>\$3,880,480</b>	<b>\$1,674,914</b>	<b>\$1,674,914</b>	<b>\$2,864,273</b>

Table 6-11 summarizes the allocations of wastewater revenue requirements to cost components, such as flow, BOD, TSS, and General using the allocation of O&M expenses in Table 6-10. In FY 2024, current debt service was for a lift station project, thus it is allocated 100% to flow. The revenue requirements are offset by property tax (which is allocated using the same as non-labor O&M allocations).

**Table 6-11: Allocations of FY 2024 WW Revenue Requirements**

Revenue Requirements	FY 2024	Flow	BOD	TSS	General	Capital
WW O&M Expenses	\$10,094,580	\$3,880,480	\$1,674,914	\$1,674,914	\$2,864,273	\$0
<b>Other Rev Requirements</b>						
Debt Service	\$525,001	\$0	\$0	\$0	\$0	\$525,001
Capital R&R Program	\$1,856,100	\$0	\$0	\$0	\$0	\$1,856,100
<b>Subtotal Other Rev Requirements</b>	<b>\$2,381,101</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,381,101</b>
<i>Less Other Revenues</i>						
Property Taxes	-\$600,000	-\$230,647	-\$99,553	-\$99,553	-\$170,246	\$0
Other Misc. Income	-\$160,600	\$0	\$0	\$0	-\$160,600	\$0
<b>Subtotal Other Revenues</b>	<b>-\$760,600</b>	<b>-\$230,647</b>	<b>-\$99,553</b>	<b>-\$99,553</b>	<b>-\$330,846</b>	<b>\$0</b>
+ Operating Reserve Funding	\$12,724	\$4,891	\$2,111	\$2,111	\$3,610	\$0
+ Capital Reserve Funding	(\$198,199)	\$0	\$0	\$0	\$0	(\$198,199)
<b>REV REQ FROM RATES</b>	<b>\$11,529,606</b>	<b>\$3,654,724</b>	<b>\$1,577,472</b>	<b>\$1,577,472</b>	<b>\$2,537,037</b>	<b>\$2,182,902</b>

**Table 6-12: Reallocation of General Costs**

Cost Categories	FY 2024	Reallocation of General	Reallocated General Costs	FY 2024
Flows	\$3,654,724	54%	\$1,361,619	\$5,016,342
BOD	\$1,577,472	23%	\$587,709	\$2,165,181
TSS	\$1,577,472	23%	\$587,709	\$2,165,181
General	\$2,537,037	-100%	-\$2,537,037	\$0
Capital	\$2,182,902			\$2,182,902
REV REQ FROM RATES	\$11,529,606			\$11,529,606

#### 6.2.4. DEVELOPMENT OF UNIT COST

Combining the resulting cost allocations in Table 6-12 and the units of service from Table 6-9, the unit cost of service Flows, BOD, and TSS are calculated in

Table 6-13.

**Table 6-13: Development of FY 2024 Operating WW Unit Cost of Service**

Operating Rev Req	FY 2024	Units of service		Unit Cost of Service
	A (Table 6-12)	B (Table 6-9)		C = A / B
<b>Flows</b>	\$5,016,342	1,655,225	ccf / yr	\$3.03
<b>BOD</b>	\$2,165,181	7,944	lbs / day	\$272.56
<b>TSS</b>	\$2,165,181	7,772	lbs / day	\$278.60
<b>Total</b>	\$9,346,704			

#### 6.2.5.ALLOCATION OF COSTS TO CUSTOMER CLASSES

$$\text{Flows Cost} = \$3.03/\text{ccf} \times \text{Flows (ccf)}$$

$$\text{BOD Cost} = \$272.56/\text{lbs} \times \text{BOD (lbs)}$$

$$\text{TSS Cost} = \$278.60/\text{lbs} \times \text{TSS (lbs)}$$

Using the flows and strengths in Table 6-9 with the unit cost of service calculated in

Table 6-13, Table 6-14 shows the allocated cost of service responsibility of each customer class.

**Table 6-14: Allocation of FY 2024 Cost of Service to Customer Classes**

Customer Classes	Flows (CCF)	BOD (lbs/day)	TSS (lbs/day)	Dwelling Units	# of Accts	Flows \$3.03 \$ / CCF	BOD \$272.56 \$ / lbs	TSS \$278.60 \$ / lbs	Total COS
Residential									
Residential Unrestricted	570,248 ccf	2,750	2,653	7,059 DU	6,681	\$1,728,200	\$749,606	\$739,033	\$3,216,839
Multi-Family Restricted	488,791 ccf	2,357	2,274	12,736 DU	1,020	\$1,481,336	\$642,529	\$633,466	\$2,757,330
Multi-Family Unrestricted	304,195 ccf	1,467	1,415	5,152 DU	562	\$921,897	\$399,872	\$394,232	\$1,716,002
Total Residential	1,363,234 ccf	6,575	6,342	24,947 DU	8,263	\$4,131,432	\$1,792,007	\$1,766,732	\$7,690,171
Non-Residential									
Low St. Commercial	4,244 ccf	11	11	17 DU	17	\$12,862	\$2,967	\$3,033	\$18,863
Medium St. Commercial	244,819 ccf	1,079	1,146	703 DU	605	\$741,951	\$294,024	\$319,202	\$1,355,177
High St. Commercial	8,181 ccf	112	112	7 DU	7	\$24,792	\$30,507	\$31,182	\$86,481
Restaurants	34,747 ccf	168	162	88 DU	88	\$105,305	\$45,676	\$45,032	\$196,012
Total Non-Residential	291,991 ccf	1,369	1,430	815 DU	717	\$884,910	\$373,174	\$398,449	\$1,656,533
TOTAL WW SERVICES	1,655,225 ccf	7,944	7,772	25,762 DU	8,980	\$5,016,342	\$2,165,181	\$2,165,181	\$9,346,704

## 6.3. Wastewater COS Rate Design and Proposed Rates

### 6.3.1. WASTEWATER SERVICE CHARGES

Residential customers will be assessed a monthly wastewater service charge based on the number of dwelling units. Total cost of service allocated to each customer class from Table 6-14 will be divided by the units to get the COS rate in Table 6-15. The wastewater rates in FY 2025 – 2026 will be increased based on the “CPI for Urban Wage and Clerical Workers (CPI-W)” for the Los Angeles-Long Beach-Anaheim area published by the Bureau of Labor Statistics. The most recent CPI figure available prior to the implementation of the wastewater rate increase will be used to calculate the rates.

**Table 6-15: Development of FY 2024 Wastewater Service Charges**

Customer Classes	Total Cost of Service	Flows (CCF)	Dwelling Units	Proposed FY 2024
<b>Residential</b>				
Residential Unrestricted	\$3,216,839		7,059 DU	<b>\$37.98 / EDU</b>
Multi-Family Restricted	\$2,757,330		12,736 DU	<b>\$18.05 / EDU</b>
Multi-Family Unrestricted	\$1,716,002		5,152 DU	<b>\$27.76 / EDU</b>
<b>Total Residential</b>	<b>\$7,690,171</b>		<b>24,947 DU</b>	
<b>Non-Residential</b>				
Low St. Commercial	\$18,863	4,244 ccf		<b>\$4.45 / ccf</b>
Medium St. Commercial	\$1,355,177	244,819 ccf		<b>\$5.54 / ccf</b>
High St. Commercial	\$86,481	8,181 ccf		<b>\$10.58 / ccf</b>
Restaurants	\$196,012	34,747 ccf		<b>\$5.65 / ccf</b>
<b>Total Non-Residential</b>	<b>\$1,656,533</b>	<b>291,991 ccf</b>		

### 6.3.2. CAPITAL FACILITY CHARGES

The Capital Improvement Program Revenue Requirements (in Table 6-3) are allocated to each customer class based on the allocation of O&M revenue requirement. The proposed Capital Facility Charges for FY 2024 are shown in

Table 6-16 below and are required for replacement and refurbishment of existing infrastructure and debt service payments. Increases to Capital Facility Charges for FY 2025 – 2026 are based on District projections of revenue necessary to meet required capital expenditures. Table 6-17 shows the proposed Capital Facility Charges for FY 2025 – 2026.

**Table 6-16: Development of FY 2024 Capital Facility Charges**

	FY 2024	O&M Rev Req	%	Capital Facility Rev Req	Units of Services	Unit Capital Facility charges
		A (Table 6-15)	B = A / [A11]	C = [C11] x B	D (Table 6-9)	E = C / D
1	<b>Residential</b>				<b>EDUs</b>	
2	Residential Unrestricted	\$3,216,839	34.42%	\$751,286	7,059 EDU	<b>\$8.87 / EDU</b>
3	Multi-Family Restricted	\$2,757,330	29.50%	\$643,968	12,736 EDU	<b>\$4.21 / EDU</b>
4	Multi-Family Unrestricted	\$1,716,002	18.36%	\$400,768	5,152 EDU	<b>\$6.48 / EDU</b>
5						
6	<b>Non-Residential</b>				<b>Billed sewer flows (ccf)</b>	
7	Low St. Commercial	\$18,863	0.20%	\$4,405	4,244 ccf	<b>\$1.04 / ccf</b>
8	Medium St. Commercial	\$1,355,177	14.51%	\$316,499	244,819 ccf	<b>\$1.29 / ccf</b>
9	High St. Commercial	\$86,481	0.91%	\$20,197	8,181 ccf	<b>\$2.47 / ccf</b>
10	Restaurants	\$196,012	2.10%	\$45,778	34,747 ccf	<b>\$1.32 / ccf</b>
11	<b>Total</b>	<b>\$9,346,704</b>	<b>100.00%</b>	<b>\$2,182,902</b>		

**Table 6-17: FY 2025 – 2026 Proposed Capital Facility Charges**

Wastewater Capital Facilities Charges	Proposed FY 2025	Proposed FY 2026
<b>Residential (\$/EDU)</b>		
Residential Unrestricted	\$11.09	\$13.86
Multi-Family Restricted	\$5.27	\$6.59
Multi-Family Unrestricted	\$8.11	\$10.13
<b>Commercial Use (\$/ccf)</b>		
Low St. Commercial	\$1.30	\$1.63
Medium St. Commercial	\$1.62	\$2.02
High St. Commercial	\$3.09	\$3.86
Restaurants	\$1.65	\$2.07

## 6.4. Wastewater Customer Impacts

To understand the impacts on customers due to the COS revision, Raftelis calculated a series of customer impacts as shown in



Table 6-18 shows the impacts of FY 2024 from current rates (including the required revenue increases for FY 2024).



**Table 6-18: Customer Impacts of Revenue Increases in FY 2024**

Wastewater Service Charges		FY 2023	FY 2024	Impact from Current Rates	
		Current	Proposed	\$ Increase	% Increase
<b>Residential (\$/EDU)</b>					
Residential Unrestricted		\$34.67	<b>\$37.98</b>	\$3.31	9.5%
Multi-Family Restricted		\$16.47	<b>\$18.05</b>	\$1.58	9.6%
Multi-Family Unrestricted		\$25.34	<b>\$27.76</b>	\$2.42	9.6%
<b>Commercial Use (\$/ccf)</b>					
Low St. Commercial		\$4.10	<b>\$4.45</b>	\$0.35	8.5%
Medium St. Commercial		\$5.07	<b>\$5.54</b>	\$0.47	9.3%
High St. Commercial		\$9.49	<b>\$10.58</b>	\$1.09	11.5%
Restaurants		\$5.15	<b>\$5.65</b>	\$0.50	9.7%

## 7. Recycled Water Revenue Requirements and Proposed Rates

### 7.1. Recycled Water System

In FY 2015, the District completed the expansion of its recycled water system, including water recycling plant (WRP) upgrades to tertiary treatment processes and recycled water distribution system pipeline expansion. In FY 2019, the District completed the Phase II expansion of the Recycled Water Distribution System. With the Recycled Water Expansion Project's completion, all recycled water customers (existing and converted customers) are now supplied with high quality tertiary recycled water. The following sources financed the recycled water expansion capital cost for both phases: State Revolving Fund (SRF) Loan, grants, and the restricted reserve (revenues from Tier 3 and Tier 4 potable usage dedicated to recycled water expansion) and recycled water charges from recycled water customers.

### 7.2. Projected Recycled Water Sales

The District has completed the Phase II Recycled Water Retrofit Project and anticipates serving 276 Recycled Water accounts in FY 2024. The projected recycled water sales for FY 2024 are estimated at 1,485 AF, which is consistent with FY 2023 sales.

### 7.3. Revenue Requirement and Proposed Rates

In FY 2015, the District began separating recycled water costs into an independent Recycled Water Enterprise Fund.

Table 7-1 summarizes the recycled water revenue requirements from rates for FY 2024. Recycled water O&M expenses and supply (Line 1) and Debt Service (Line 2) will be partially offset by restricted reserve funding (Line 5), capital charges (Line 6), MWD LRP Rebates (Line 7), and several other sources of revenues (Lines 8, 9, 10). The remaining revenue requirement to be recovered from recycled water rates is shown in Line 14. The line items shown below are further detailed in Appendix 4 – Cash Flow Analysis for Recycled Water Funds, developed by District Staff and provided to Raftelis as the basis for the cost of service analysis.

**Table 7-1: Recycled Water Revenue Requirement from Rates**

Line No	Recycled Water Rev Requirements	FY 2024	Note
1	Recycled Water O&M Expenses	\$1,901,380	Appendix 4
2	Debt Service	\$2,087,450	Appendix 4
3			
4	<b>Less (-) Other Revenues</b>		
5	Restricted Reserves Funding of Debt Service	-\$905,880	Appendix 4
6	Recycled Water Meter Capital Charge Funding of Debt	-\$200,868	Appendix 4
7	MWD Rebates	-\$360,000	Appendix 4
8	MNWD Payment for RW Service to Golf Course	-\$11,000	Appendix 4
9	Misc. Revenue	-\$22,000	Appendix 4
10	Property Taxes	-\$95,000	Appendix 4
11	<b>Subtotal Less (-) Other Revenues</b>	<b>-\$1,594,748</b>	
12			
13	<b>Less (-) Operating Reserve Funding</b>	<b>-\$1,750</b>	
14	<b>Total Revenue Requirements from Recycled Water Rates</b>	<b>\$2,392,332</b>	

All recycled water customers connected to the recycled water distribution system will be assessed the same Monthly Service Charges (Table 7-2) and Capital Facility Charges (Table 7-4) as potable customers to recover the customer service, meter service, a portion of capacity, and other recycled water related fixed costs and to pay for capital improvements to the expanded recycled water system. The monthly service charges in FY 2025 – 2026 will be increased based on the “CPI for Urban Wage and Clerical Workers (CPI-W)” for the Los Angeles-Long Beach-Anaheim area published by the Bureau of Labor Statistics. The most recent CPI figure available prior to the implementation of the service charge increase will be used to calculate the rates. Table 7-4 shows the proposed Monthly Service Charges and Capital Facility Charges for FY 2025 – 2026. Increases to Capital Facility Charges for FY 2025 – 2026 are based on District projections of revenue necessary to meet required capital expenditures and debt service payments.

**Table 7-2: FY 2024 Proposed Monthly Service Charges**

Meter Size	# of RW accounts	FY 2024 Proposed	FY 2023 Current	\$ Change	% Change
5/8"		<b>\$18.07</b>	\$17.46	\$0.61	3.5%
3/4"		<b>\$24.72</b>	\$23.62	\$1.10	4.7%
1"	1	<b>\$38.02</b>	\$35.93	\$2.09	5.8%
1-1/2"	28	<b>\$71.27</b>	\$66.70	\$4.57	6.9%
2"	247	<b>\$137.76</b>	\$128.25	\$9.51	7.4%
Total Accounts / Projected Annual Revenues	276	\$432,724	\$402,975	\$29,748	7.4%

**Table 7-3: FY 2024 Proposed RW Capital Facility Charges**

Meter Size	# of RW accounts	FY 2024 Rates	FY 2023 Rates	\$ Change	% Change
5/8"		<b>\$6.37</b>	\$5.09	\$1.28	25.1%
3/4"		<b>\$6.37</b>	\$5.09	\$1.28	25.1%
1"	1	<b>\$10.63</b>	\$8.50	\$2.13	25.1%
1-1/2"	28	<b>\$25.82</b>	\$20.65	\$5.17	25.0%
2"	247	<b>\$64.80</b>	\$51.84	\$12.96	25.0%
Total	276	\$200,870	\$160,694	\$40,176	25.0%

**Table 7-4: FY 2025 – 2026 Proposed Recycled Water Capital Facility Charges**

Meter Size	Proposed FY 2025	Proposed FY 2026
5/8"	\$7.97	\$9.96
3/4"	\$7.97	\$9.96
1"	\$13.29	\$16.61
1-1/2"	\$32.28	\$40.35
2"	\$81.00	\$101.25

**Commented [NB6]:** Increasing by same amount as water recommended by district - 25%.

Table 7-5 derives the revenue required from the recycled water commodity rate (Line 3) by subtracting the Monthly Service Charge Revenue (Line 2) shown in Table 7-2 from the Total Revenue Requirements (Line 1). The unit recycled water commodity rate is calculated using the net revenue requirements from recycled water commodity rates (Line 3) divided by projected recycled water sales (Line 4). The recycled water commodity rate for FY 2024 is \$3.03 / ccf or \$1,320 / AF, which is 90% of the Tier 2 potable water commodity rate for FY 2024 and provides an economic incentive for irrigation customers to convert to recycled water. Table 7-6 shows the proposed recycled water commodity rates for FY 2025 – 2026.

**Table 7-5: FY 2024 Recycled Water Commodity Rate Calculation**

Line #	Description	FY 2024
1	Total Revenue Requirements from Recycled Water Rates	\$2,392,332
2	Less (-) Monthly Service Charges (Table 7-2)	-\$432,724
3	<b>Net Revenue Requirements from Recycled Water Usage Rate</b>	<b>\$1,959,609</b>
4	Projected Recycled Water Sales (ccf)	646,865
5	<b>Unit Recycled Water Usage Rate (\$/ccf)</b>	<b>\$3.03</b>
6	Unit Recycled Water Usage Rate (\$/AF)	\$1,320
7	% of Tier 2 Potable Rate	89.9%

**Table 7-6: FY 2025 – 2026 Proposed Recycled Water Commodity Rate**

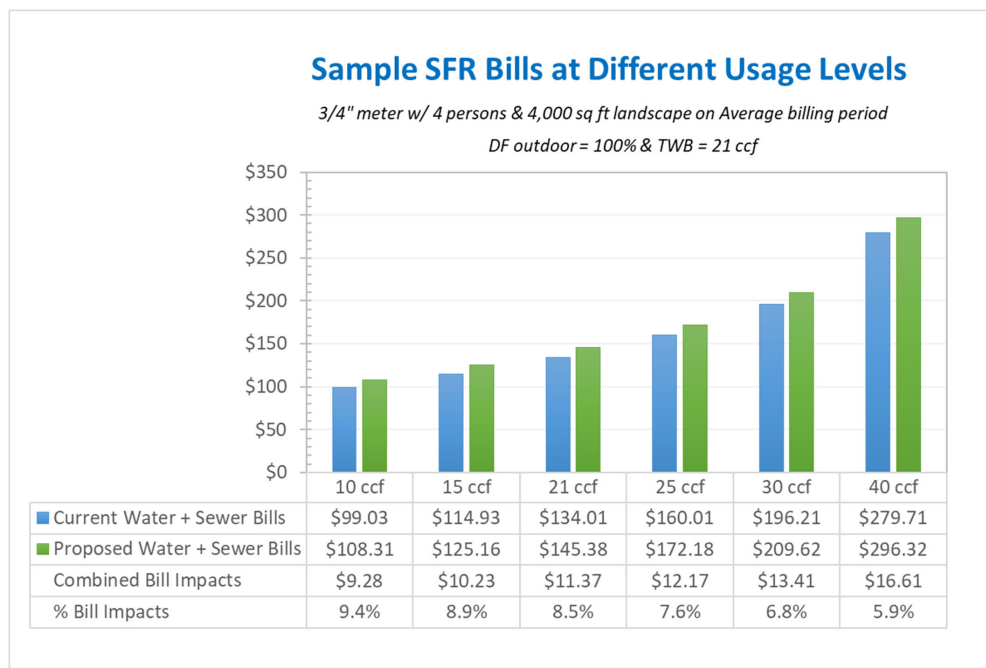
Recycled Water Variable Charges	Proposed FY 2025	Proposed FY 2026
	\$3.20	\$3.38

# 8. Customer Impact Analysis

## 8.1.1.FY 2023 CURRENT RATES TO FY 2024 RATES

Figure 8-1 shows a breakdown of water and wastewater bills at various water usage levels for a single-family residential user with four occupants and a 4,000 sq. ft. landscape area serviced by a 3/4-in meter at current water and wastewater rates compared to proposed FY 2024 rates. The combined water and wastewater bill increase would range from \$9.28 to \$16.61 per month, depending on the monthly billed water usage. The bill impacts shown are from changes in water and wastewater service and capital charges. Recycled water rate impacts are not shown, as residential users do not purchase recycled water.

Figure 8-1: SFR Total Monthly Bills at Different Usage Levels at Current and Proposed FY 2024 Rates



# APPENDICES

## APPENDIX 1: PASS-THROUGH WATER SUPPLY COST

Source: Purchased Water.2324.xlsx sent by Dennis Cafferty 4/27/23

		2022/23 Budget		2023/24 Budget		2024/25 Budget		2025/26 Budget	
		Jul 2022	Jan 2023	Jul 2023	Jan 2024	Jul 2024	Jan 2025	Jul 2025	Jan 2026
1	Total Period Demand (AF)	4,000	3,000	4,000	3,000	4,000	3,000	4,000	3,000
2	Total Annual Demand (AF)		7,000		7,000		7,000		7,000
3	MWD Period Demand (AF)	2,225	1,225	2,225	1,225	2,225	1,225	2,225	1,225
4	MWD Annual Demand (AF)		3,450		3,450		3,450		3,450
5	<b>MWD Untreated Commodity Rates</b>								
6	System Access Rate	389.00	368.00	368.00	389.00	389.00	410.00	410.00	432.00
7	System Power Rate	167.00	166.00	166.00	182.00	182.00	198.00	198.00	208.00
8	MWD Tier 1 Rate	243.00	321.00	332.00	332.00	332.00	364.00	364.00	397.00
9	<b>Subtotal Untreated Full Service</b>	<b>799.00</b>	<b>855.00</b>	<b>855.00</b>	<b>903.00</b>	<b>903.00</b>	<b>972.00</b>	<b>972.00</b>	<b>1,037.00</b>
10	Treatment Surcharge	344.00	354.00	354.00	353.00	353.00	380.00	380.00	407.00
11	<b>Total Treated Full Service Rate</b>	<b>1,143.00</b>	<b>1,209.00</b>	<b>1,209.00</b>	<b>1,256.00</b>	<b>1,256.00</b>	<b>1,352.00</b>	<b>1,352.00</b>	<b>1,444.00</b>
12	<b>Total Treated Full Service Annual Cost</b>	<b>2,543,175</b>	<b>1,481,025</b>	<b>2,690,025</b>	<b>1,538,600</b>	<b>2,794,600</b>	<b>1,656,200</b>	<b>3,008,200</b>	<b>1,768,900</b>
13	<b>MWD Fixed Charges</b>								
14	Capacity Reservation Charge	83,391	68,328	71,358	75,397	75,397	87,514	87,514	93,573
15	Readiness To Serve Charge	242,420	272,837	299,564	337,893	337,893	337,893	337,893	337,893
16	<b>Total MWD Fixed Charges</b>		<b>666,976</b>		<b>784,212</b>		<b>838,697</b>		<b>856,873</b>
17	<b>Total MWD Cost</b>		<b>4,691,176</b>		<b>5,012,837</b>		<b>5,289,497</b>		<b>5,633,973</b>
18	<b>Total MWD Unit Cost (\$/AF)</b>		<b>1,360</b>		<b>1,453</b>		<b>1,533</b>		<b>1,633</b>
19	<b>Baker Water Treatment Plant</b>								
20	Period Demand (AF)	1,775	1,775	1,775	1,775	1,775	1,775	1,775	1,775
21	Annual Demand (AF)		3,550		3,550		3,550		3,550
22	<b>Baker Raw Water Cost</b>	<b>1,418,225</b>	<b>1,517,625</b>	<b>1,517,625</b>	<b>1,602,825</b>	<b>1,602,825</b>	<b>1,725,300</b>	<b>1,725,300</b>	<b>1,840,675</b>
23	Baker O&M Unit Cost (per AF)	210	210	225	225	231	231	238	238
24	SCP Surcharge	8.38	8.38	8.38	8.38	8.64	8.64	8.90	8.90
25	SAC Surcharge	1.00	1.00	1.02	1.02	1.05	1.05	1.08	1.08
26	<b>Baker O&amp;M Annual Cost</b>	<b>389,407</b>	<b>389,407</b>	<b>415,250</b>	<b>415,250</b>	<b>427,225</b>	<b>427,225</b>	<b>440,165</b>	<b>440,165</b>
27	Baker Capital Cost (Debt Service)								
28	<b>Total Period Baker Water Treatment Plant Cost</b>	<b>1,807,632</b>	<b>1,907,032</b>	<b>1,932,875</b>	<b>2,018,075</b>	<b>2,030,050</b>	<b>2,152,525</b>	<b>2,165,465</b>	<b>2,280,840</b>
29	<b>Total Annual Baker Water Treatment Plant Cost</b>		<b>3,714,664</b>		<b>3,950,951</b>		<b>4,182,575</b>		<b>4,446,304</b>
30	<b>Baker Water Treatment Plant Unit Cost(\$/AF)</b>		<b>1,046</b>		<b>1,113</b>		<b>1,178</b>		<b>1,252</b>
31	<b>Capital Charge Revenue Funding</b>								
32	<b>Total Baker Water Treatment Plant Cost</b>		<b>3,714,664</b>		<b>3,950,951</b>		<b>4,182,575</b>		<b>4,446,304</b>
33	<b>Total Purchased Water Cost</b>								
34	MWD		4,691,176		5,012,837		5,289,497		5,633,973
35	MWDOC								
36	Baker		3,714,664		3,950,951		4,182,575		4,446,304
37	<b>Total Purchased Water Cost</b>		<b>8,405,840</b>		<b>8,963,788</b>		<b>9,472,072</b>		<b>10,080,277</b>
38	Percent Increase Budget to Budget per Unit				6.64%		5.67%		6.42%
39	<b>Overall Imported Water Effective Rate</b>								
40	Fiscal Year Cost per Acre Foot Purchased		<b>1,201</b>		<b>1,281</b>		<b>1,353</b>		<b>1,440</b>
41	Fiscal Year Cost per CCF Purchased		<b>2.76</b>		<b>2.94</b>		<b>3.11</b>		<b>3.31</b>
42	Fiscal Year Rate per CCF Sold		<b>2.88</b>		<b>3.07</b>		<b>3.25</b>		<b>3.46</b>



## APPENDIX 2: O&M EXPENSES ALLOCATIONS TO WATER, RECYCLED WATER AND WASTEWATER FUNDS FOR FY 2024

Source: 2023-24 Budget Worksheets.xlsx sent by Jason Hayden 4/5/2023

	FY 2024	Water	Sewer	Recycled Water	Total
Source of Supply	9,292,500	9,292,500	-	-	9,292,500
Treatment – Water	-	-	-	-	-
Pumping – Water	502,500	502,500	-	-	502,500
T&D – Water	540,200	540,200	-	-	540,200
Customer Accounts	-	-	-	-	-
Pumping – Sewer	489,500	-	489,500	-	489,500
Treatment Plant	2,492,600	-	2,492,600	-	2,492,600
Outside Treatment	-	-	-	-	-
T&D – Sewer	214,000	-	214,000	-	214,000
Tertiary Plant	492,200	-	-	492,200	492,200
T&D – Recycled	15,200	-	-	15,200	15,200
Operations Support	173,800	69,500	90,600	13,700	173,800
Fleet	336,800	131,600	178,800	26,400	336,800
Indirect Operating Costs	110,300	71,200	35,400	3,700	110,300
Administration	-	-	-	-	-
Information Technology	528,300	210,500	273,800	44,000	528,300
Indirect Administration Costs	1,577,000	637,000	814,020	125,980	1,577,000
Depreciation & Amortization	4,163,100	814,100	1,805,000	1,544,000	4,163,100
Interest Costs	2,184,000	950,400	361,600	872,000	2,184,000
Labor Costs	10,259,060	3,573,000	5,505,860	1,180,200	10,259,060
Total	33,371,060	16,792,500	12,261,180	4,317,380	33,371,060
Total Expenses (Less Depreciation & Interest)	27,023,960	15,028,000	10,094,580	1,901,380	27,023,960

## APPENDIX 3: CASH FLOW ANALYSIS FOR WATER FUND

Source: 23-24 Budget Cash Flow.xlsx sent by Jason Hayden 4-7-2023

Water Cash Flow			FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>BEGINNING RESERVE BALANCES</b>			<b>\$7,152,400</b>	<b>\$6,168,113</b>	<b>\$5,780,287</b>	<b>\$5,795,918</b>	<b>\$6,266,240</b>	<b>\$7,258,011</b>
<b>OPERATIONS &amp; MAINTENANCE CASH FLOW</b>								
<b>O&amp;M REVENUES</b>				\$9,208,367				
<b>Revenues under current rates</b>			<b>\$13,081,821</b>	<b>\$13,081,821</b>	<b>\$13,081,821</b>	<b>\$13,081,821</b>	<b>\$13,081,821</b>	<b>\$13,081,821</b>
Fixed Service Charges			\$4,364,154	\$4,364,154	\$4,364,154	\$4,364,154	\$4,364,154	\$4,364,154
Fire Service Charges / Flood Meters			\$63,819	\$63,819	\$63,819	\$63,819	\$63,819	\$63,819
Unrestricted Commodity Rates			\$8,653,848	\$8,653,848	\$8,653,848	\$8,653,848	\$8,653,848	\$8,653,848
<b>Additional Fixed Revenue Required</b>			<b>\$0</b>	<b>\$240,028</b>	<b>\$470,238</b>	<b>\$711,957</b>	<b>\$965,763</b>	<b>\$1,258,908</b>
<b>Fiscal Year</b>	<b>Adjustments</b>	<b>Effective Months</b>						
FY 2024	5.50%	12		\$240,028	\$240,028	\$240,028	\$240,028	\$240,028
FY 2025	5.00%	12			\$230,209	\$230,209	\$230,209	\$230,209
FY 2026	5.00%	12				\$241,720	\$241,720	\$241,720
FY 2027	5.00%	12					\$253,806	\$253,806
FY 2028	5.50%	12						\$293,145
<b>MWD Pass-through Rev Projections</b>			<b>\$0</b>	<b>\$554,519</b>	<b>\$1,079,852</b>	<b>\$1,692,742</b>	<b>\$2,276,446</b>	<b>\$2,918,520</b>
FY 2024				\$554,519	\$554,519	\$554,519	\$554,519	\$554,519
FY 2025					\$525,334	\$525,334	\$525,334	\$525,334
FY 2026			6.408%			\$612,889	\$612,889	\$612,889
FY 2027							\$583,704	\$583,704
FY 2028								\$642,074
<b>Total Unrestricted Water Service Rate Revenue</b>			<b>\$13,081,821</b>	<b>\$13,876,369</b>	<b>\$14,631,911</b>	<b>\$15,486,520</b>	<b>\$16,324,030</b>	<b>\$17,259,250</b>
<b>Other Sources of Cash</b>								
Funding from Restricted Reserve for Conservation Program			\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Property Taxes - General Fund Revenue			\$272,522	\$279,522	\$279,522	\$291,522	\$303,522	\$315,522
Property Taxes (Funds Tier 1 Offset)			\$175,478	\$180,478	\$180,478	\$180,478	\$180,478	\$180,478
Operating Grants & Reimbursements			\$400	\$0	\$400	\$400	\$400	\$400
Miscellaneous Revenue			\$31,000	\$31,000	\$31,000	\$31,000	\$31,000	\$31,000
Cellular Site Lease Revenue (Funds Tier 1 Offset)			\$235,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000
Other Non-operating Revenue			\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Other Income (R-6 Partners)			\$123,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Investment Income			\$40,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
<b>Subtotal Other Sources of Cash</b>			<b>\$1,085,400</b>	<b>\$1,154,000</b>	<b>\$1,154,400</b>	<b>\$1,166,400</b>	<b>\$1,178,400</b>	<b>\$1,190,400</b>
<b>TOTAL O&amp;M REVENUES (Unrestricted)</b>			<b>\$14,167,221</b>	<b>\$15,030,369</b>	<b>\$15,786,311</b>	<b>\$16,652,920</b>	<b>\$17,502,430</b>	<b>\$18,449,650</b>
<b>O&amp;M REVENUE REQUIREMENTS</b>								
Water Purchased Costs			\$8,405,840	\$8,963,788	\$9,472,072	\$10,080,277	\$10,678,883	\$11,308,911
Other Operating Expenses			\$5,852,880	\$6,064,212	\$6,334,056	\$6,594,946	\$6,907,122	\$7,203,497
<b>Subtotal Other Sources of Cash</b>			<b>\$14,258,720</b>	<b>\$15,028,000</b>	<b>\$15,806,128</b>	<b>\$16,675,223</b>	<b>\$17,586,005</b>	<b>\$18,512,407</b>
OPEB (115 Trust)								
<b>TOTAL O&amp;M REVENUE REQUIREMENTS</b>			<b>\$14,258,720</b>	<b>\$15,028,000</b>	<b>\$15,806,128</b>	<b>\$16,675,223</b>	<b>\$17,586,005</b>	<b>\$18,512,407</b>
<b>OTHER REV REQUIREMENTS</b>								
Restricted Reserves Funding of Conservation Program			\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Restricted Reserves Funding of RW Conversion Program			\$627,301	\$627,301	\$627,301	\$627,301	\$627,301	\$627,301
Total Transfer to Restricted Reserves			-\$827,301	-\$827,301	-\$827,301	-\$827,301	-\$827,301	-\$827,301
<b>ANNUAL O&amp;M SURPLUS (DEFICIT)</b>			<b>-\$91,499</b>	<b>\$2,369</b>	<b>-\$19,817</b>	<b>-\$22,303</b>	<b>-\$83,575</b>	<b>-\$62,757</b>

Water Cash Flow			FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>CAPITAL REPLACEMENT &amp; REFURBISHMENT PROGRAM</b>								
<b>CAPITAL PROGRAM REVENUE</b>								
Revenue from Existing Capital Charge			\$1,362,374	\$1,362,374	\$1,362,374	\$1,362,374	\$1,362,374	\$1,362,374
Capital Charge Revenue Increase			\$0	\$340,594	\$766,336	\$1,298,513	\$1,963,735	\$2,296,346
<b>Fiscal Year</b>	<b>Adjustments</b>	<b>Effective Months</b>						
FY 2024	25.00%	12		\$340,594	\$340,594	\$340,594	\$340,594	\$340,594
FY 2025	25.00%	12			\$425,742	\$425,742	\$425,742	\$425,742
FY 2026	25.00%	12				\$532,178	\$532,178	\$532,178
FY 2027	25.00%	12					\$665,222	\$665,222
FY 2028	10.00%	12						\$332,611
<b>Subtotal Capital Charge Revenue</b>			<b>\$1,362,374</b>	<b>\$1,702,968</b>	<b>\$2,128,710</b>	<b>\$2,660,888</b>	<b>\$3,326,109</b>	<b>\$3,658,720</b>
Restricted Reserve Funding of Baker Debt Service			\$184,200	\$184,400	\$184,300	\$109,300	\$26,800	\$507
<b>TOTAL CAPITAL REVENUE</b>			<b>\$1,546,574</b>	<b>\$1,887,368</b>	<b>\$2,313,010</b>	<b>\$2,770,188</b>	<b>\$3,352,909</b>	<b>\$3,659,227</b>
<b>CAPITAL EXPENDITURES</b>								
Capital Replacement	15%		\$874,000	\$874,000	\$874,000	\$874,000	\$874,000	\$874,000
Baker WTP Debt Service			\$684,263	\$684,262	\$684,263	\$684,262	\$684,263	\$684,263
2022 Rev Bonds Debt Service			\$881,100	\$719,300	\$719,300	\$719,300	\$719,300	\$719,300
<b>TOTAL CAPITAL EXPENDITURES</b>			<b>\$2,439,363</b>	<b>\$2,277,562</b>	<b>\$2,277,563</b>	<b>\$2,277,562</b>	<b>\$2,277,563</b>	<b>\$2,277,563</b>
<b>ANNUAL CAPITAL SURPLUS (DEFICIT)</b>			<b>-\$892,788</b>	<b>-\$390,194</b>	<b>\$35,447</b>	<b>\$492,625</b>	<b>\$1,075,346</b>	<b>\$1,381,665</b>
<b>TOTAL ANNUAL RESERVE IMPACT</b>			<b>-\$984,287</b>	<b>-\$387,826</b>	<b>\$15,630</b>	<b>\$470,322</b>	<b>\$991,771</b>	<b>\$1,318,907</b>
<b>ENDING RESERVE BALANCES</b>			<b>\$6,168,113</b>	<b>\$5,780,287</b>	<b>\$5,795,918</b>	<b>\$6,266,240</b>	<b>\$7,258,011</b>	<b>\$8,576,918</b>

## APPENDIX 4: CASH FLOW ANALYSIS FOR RECYCLED WATER FUND

Source: 23-24 Budget Cash Flow.xlsx sent by Jason Hayden 4-7-2023

Recycled Water Cash Flow			FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>BEGINNING RESERVE BALANCES</b>			<b>\$1,430,480</b>	<b>\$1,170,969</b>	<b>\$1,169,219</b>	<b>\$3,125,491</b>	<b>\$5,190,559</b>	<b>\$7,384,762</b>
<b>OPERATIONS &amp; MAINTENANCE CASH FLOW</b>								
<b>O&amp;M REVENUES</b>								
Revenues under current rates			\$2,254,303	\$2,254,303	\$2,254,303	\$2,254,303	\$2,254,303	\$2,254,303
Fixed Service Charges			\$402,975	\$402,975	\$402,975	\$402,975	\$402,975	\$402,975
Commodity Rates			\$1,851,328	\$1,851,328	\$1,851,328	\$1,851,328	\$1,851,328	\$1,851,328
Additional Fixed Service Revenue Required			\$0	\$22,164	\$43,421	\$65,740	\$89,176	\$116,245
Fiscal Year	Adjustments	Effective Months						
FY 2024	5.50%	12		\$22,164	\$22,164	\$22,164	\$22,164	\$22,164
FY 2025	5.00%	12			\$21,257	\$21,257	\$21,257	\$21,257
FY 2026	5.00%	12				\$22,320	\$22,320	\$22,320
FY 2027	5.00%	12					\$23,436	\$23,436
FY 2028	5.50%	12						\$27,068
RW Commodity Increase Required			\$0	\$115,866	\$219,364	\$342,268	\$458,704	\$588,077
Year	Rate Action							
FY 2024	RW Commodity Increase			\$115,866	\$115,866	\$115,866	\$115,866	\$115,866
FY 2025	RW Commodity Increase				\$103,498	\$103,498	\$103,498	\$103,498
FY 2026	RW Commodity Increase					\$122,904	\$122,904	\$122,904
FY 2027	RW Commodity Increase						\$116,436	\$116,436
FY 2028	RW Commodity Increase							\$129,373
Total Unrestricted RW Service Rate Revenue			\$2,254,303	\$2,392,332	\$2,517,088	\$2,662,312	\$2,802,183	\$2,958,625
				6.3%				
<b>Other Sources of Cash</b>								
Restricted Reserves Funding of Debt Service			\$712,996	\$905,880	\$825,050	\$760,600	\$702,900	\$642,650
Recycled Water Meter Capital Charge Funding of Debt			\$160,694	\$200,868	\$251,085	\$313,856	\$392,320	\$431,552
MWD LRP Rebate			\$345,300	\$360,000	\$326,000	\$287,000	\$248,000	\$209,000
MNWD Payment for RW Service to Golf Course			\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000
JPIA Refund			\$10,600	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Property Taxes			\$89,600	\$95,000	\$100,000	\$105,000	\$110,000	\$115,000
Subtotal Other Sources of Cash			\$1,330,190	\$1,594,748	\$1,535,135	\$1,499,456	\$1,486,220	\$1,431,202
<b>TOTAL O&amp;M REVENUES (Unrestricted)</b>			<b>\$3,584,493</b>	<b>\$3,987,080</b>	<b>\$4,052,222</b>	<b>\$4,161,767</b>	<b>\$4,288,403</b>	<b>\$4,389,826</b>
<b>O&amp;M REVENUE REQUIREMENTS</b>								
General & Administrative			\$407,030	\$422,080	\$439,936	\$456,148	\$480,892	\$500,743
Operations & Maintenance			\$1,308,820	\$1,455,300	\$1,527,990	\$1,604,292	\$1,676,852	\$1,760,203
Other Operating Expenses (Cash Outlays)			\$25,000	\$24,000	\$25,400	\$26,900	\$28,500	\$30,200
Subtotal O&M			\$1,740,850	\$1,901,380	\$1,993,326	\$2,087,340	\$2,186,244	\$2,291,146
OPEB (115 Trust)								
<b>DEBT SERVICE</b>								
Recycled Phase I			\$1,602,958					
Recycled Phase II - SRF			\$409,046					
2022 Refunded SRF Bonds			\$1,814,800	\$2,074,750	\$2,078,750	\$2,079,500	\$2,077,000	\$2,076,250
2022 Project Financing Bonds			\$17,200	\$12,700	\$17,200	\$17,200	\$17,200	\$17,200
Subtotal Debt Service			\$3,844,004	\$2,087,450	\$2,095,950	\$2,096,700	\$2,094,200	\$2,093,450
<b>TOTAL O&amp;M REVENUE REQUIREMENTS</b>			<b>\$3,844,004</b>	<b>\$3,988,830</b>	<b>\$2,095,950</b>	<b>\$2,096,700</b>	<b>\$2,094,200</b>	<b>\$2,093,450</b>
<b>ANNUAL O&amp;M SURPLUS (DEFICIT)</b>			<b>-\$259,511</b>	<b>-\$1,750</b>	<b>\$1,956,272</b>	<b>\$2,065,067</b>	<b>\$2,194,203</b>	<b>\$2,296,376</b>
<b>TOTAL ANNUAL RESERVE IMPACT</b>			<b>-\$259,511</b>	<b>-\$1,750</b>	<b>\$1,956,272</b>	<b>\$2,065,067</b>	<b>\$2,194,203</b>	<b>\$2,296,376</b>
<b>ENDING RESERVE BALANCES</b>			<b>\$1,170,969</b>	<b>\$1,169,219</b>	<b>\$3,125,491</b>	<b>\$5,190,559</b>	<b>\$7,384,762</b>	<b>\$9,681,138</b>

## APPENDIX 5: CASH FLOW ANALYSIS FOR WW FUND

Source: 23-24 Budget Cash Flow.xlsx sent by Jason Hayden 4-7-2023

Sewer Cash Flow			FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>BEGINNING RESERVE BALANCES</b>			\$9,298,120	\$8,548,095	\$8,362,620	\$8,745,176	\$9,783,231	\$11,692,566
<b>OPERATIONS &amp; MAINTENANCE CASH FLOW</b>								
<b>O&amp;M REVENUES</b>								
Revenues under current rates			\$8,535,803	\$8,535,803	\$8,535,803	\$8,535,803	\$8,535,803	\$8,535,803
Fixed Service Charges			\$8,535,803	\$8,535,803	\$8,535,803	\$8,535,803	\$8,535,803	\$8,535,803
Additional Service Revenue Required			\$0	\$810,901	\$1,278,237	\$1,719,868	\$2,283,930	\$2,824,917
Year	Adjustments	Effective Months						
FY 2024	9.50%	12		\$810,901	\$810,901	\$810,901	\$810,901	\$810,901
FY 2025	5.00%	12			\$467,335	\$467,335	\$467,335	\$467,335
FY 2026	4.50%	12				\$441,632	\$441,632	\$441,632
FY 2027	5.50%	12					\$564,062	\$564,062
FY 2028	5.00%	12						\$540,987
<b>Total Sewer Service Rate Revenue</b>			<b>\$8,535,803</b>	<b>\$9,346,704</b>	<b>\$9,814,040</b>	<b>\$10,255,671</b>	<b>\$10,819,733</b>	<b>\$11,360,720</b>
<b>Other Sources of Cash</b>								
Property Taxes - General Fund Revenue			\$582,400	\$600,000	\$612,000	\$624,200	\$636,700	\$649,400
Grants, Rebates, Reimbursements			\$0	\$0	\$0	\$0	\$0	\$0
Mis. Operating Income			\$20,800	\$20,200	\$20,600	\$21,000	\$21,400	\$21,800
Other Non-Operating Revenue			\$10,400	\$10,400	\$10,400	\$10,400	\$10,400	\$10,400
Investment Income			\$52,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000
<b>Subtotal Other Sources of Cash</b>			<b>\$665,600</b>	<b>\$760,600</b>	<b>\$773,000</b>	<b>\$785,600</b>	<b>\$798,500</b>	<b>\$811,600</b>
<b>TOTAL O&amp;M REVENUES (Unrestricted)</b>			<b>\$9,201,403</b>	<b>\$10,107,304</b>	<b>\$10,587,040</b>	<b>\$11,041,271</b>	<b>\$11,618,233</b>	<b>\$12,172,320</b>
<b>O&amp;M USES OF CASH REQUIREMENTS</b>								
Wastewater System Operations & Maintenance Expenses								
General & Administrative			\$2,645,090	\$2,729,480	\$2,838,797	\$2,944,351	\$3,103,664	\$3,231,885
Operations & Maintenance			\$6,516,760	\$7,209,100	\$7,554,313	\$7,917,998	\$8,305,314	\$8,711,848
Other Operating Expenses			\$167,000	\$156,000	\$165,400	\$175,300	\$185,800	\$196,900
Utilization of O&M Cash for Debt Service Activities			\$0	\$0	\$0			
<b>O&amp;M Expenses</b>			<b>\$9,328,850</b>	<b>\$10,094,580</b>	<b>\$10,558,510</b>	<b>\$11,037,649</b>	<b>\$11,594,778</b>	<b>\$12,140,633</b>
OPEB (115 Trust)								
<b>TOTAL O&amp;M REVENUE REQUIREMENTS</b>			<b>\$9,328,850</b>	<b>\$10,094,580</b>	<b>\$10,558,510</b>	<b>\$11,037,649</b>	<b>\$11,594,778</b>	<b>\$12,140,633</b>
<b>NET OPERATING CASH CHANGES</b>			<b>-\$127,447</b>	<b>\$12,724</b>	<b>\$28,530</b>	<b>\$3,622</b>	<b>\$23,455</b>	<b>\$31,687</b>
<b>Replenishment/(Utilization) of Reserve Balances</b>								
Replenish/(Utilize) Working Capital Reserve			-\$127,447				\$23,455	\$31,687
Replenish/(Utilize) Rate Stabilization Reserve				\$12,724	\$28,530	\$3,622		
Replenish/(Utilize) Operations Reserve								
<b>NET IMPACT ON RESERVES BALANCES FROM O&amp;M</b>			<b>-\$127,447</b>	<b>\$12,724</b>	<b>\$28,530</b>	<b>\$3,622</b>	<b>\$23,455</b>	<b>\$31,687</b>

Sewer Cash Flow			FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>CAPITAL REPLACEMENT &amp; REFURBISHMENT PROGRAM</b>								
<b>CAPITAL PROGRAM REVENUE</b>								
Utilization of O&M Cash for Debt Service Activities			\$0	\$0	\$0	\$0	\$0	\$0
Revenue from Existing Capital Charge			\$1,746,321	\$1,746,321	\$1,746,321	\$1,746,321	\$1,746,321	\$1,746,321
Capital Charge Revenue Increase			\$0	\$436,580	\$982,306	\$1,664,463	\$2,517,159	\$2,943,507
<b>Fiscal Year</b>	<b>Adjustments</b>	<b>Effective Months</b>						
FY 2024	25.00%	12		\$436,580	\$436,580	\$436,580	\$436,580	\$436,580
FY 2025	25.00%	12			\$545,725	\$545,725	\$545,725	\$545,725
FY 2026	25.00%	12				\$682,157	\$682,157	\$682,157
FY 2027	25.00%	12					\$852,696	\$852,696
FY 2028	10.00%	12						\$426,348
<b>Subtotal Capital Char</b> <i>Source: 2023-24 Budget Cash Flow 3-23-20</i>			<b>\$1,746,321</b>	<b>\$2,182,902</b>	<b>\$2,728,627</b>	<b>\$3,410,784</b>	<b>\$4,263,480</b>	<b>\$4,689,828</b>
<b>TOTAL CAPITAL REVENUE</b>			<b>\$1,746,321</b>	<b>\$2,182,902</b>	<b>\$2,728,627</b>	<b>\$3,410,784</b>	<b>\$4,263,480</b>	<b>\$4,689,828</b>
<b>CAPITAL EXPENDITURES</b>								
Annual Projected Cash Outlays			15%	\$1,856,100	\$1,856,100	\$1,856,100	\$1,856,100	\$1,856,100
<b>TOTAL CAPITAL EXPENDITURES</b>				<b>\$1,856,100</b>	<b>\$1,856,100</b>	<b>\$1,856,100</b>	<b>\$1,856,100</b>	<b>\$1,856,100</b>
<b>DEBT SERVICE PAYMENTS</b>								
2010 SRF Loan Payments				\$0	\$0	\$0	\$0	\$0
Principal Payments								
Interest Expense								
2022 Revenue Bonds (SRF Refunded)				\$239,000	\$251,250	\$244,750	\$246,500	\$247,750
Principal Payments				\$145,000	\$160,000	\$165,000	\$175,000	\$185,000
Interest Expense				\$94,000	\$91,250	\$79,750	\$71,500	\$62,750
2022 Revenue Bonds (New Money)				\$273,800	\$273,751	\$273,751	\$273,751	\$273,751
Principal Payments				\$0	\$0	\$0	\$0	\$0
Interest Expense				\$273,800	\$273,751	\$273,751	\$273,751	\$273,751
<b>TOTAL DEBT SERVICE PAYMENTS</b>				<b>\$512,800</b>	<b>\$525,001</b>	<b>\$518,501</b>	<b>\$520,251</b>	<b>\$522,251</b>
<b>ANNUAL CAPITAL SURPLUS (DEFICIT)</b>				<b>-\$622,579</b>	<b>-\$198,199</b>	<b>\$354,026</b>	<b>\$1,034,433</b>	<b>\$1,885,879</b>
<b>Replenishment/(Utilization) of Reserve Balances</b>								
Replenish/(Utilize) Capital Construction Reserve								
<b>TOTAL ANNUAL RESERVE IMPACT</b>				<b>-\$750,025</b>	<b>-\$185,475</b>	<b>\$382,556</b>	<b>\$1,038,056</b>	<b>\$2,343,164</b>
<b>ENDING RESERVE BALANCES</b>				<b>\$8,548,095</b>	<b>\$8,362,620</b>	<b>\$8,745,176</b>	<b>\$9,783,231</b>	<b>\$11,692,566</b>
								<b>\$14,035,730</b>

## APPENDIX 6: RESIDENTIAL HOUSEHOLD DATA

**Source: Census data B25124: TENURE BY HOUSEHOLD SIZE BY UNITS IN STRUCTURE**

[https://data.census.gov/cedsci/table?q=B25124%3A%20TENURE%20BY%20HOUSEHOLD%20SIZE%20BY%20UNITS%20IN%20STRUCTURE&g=1600000US0648256&y=2019&d=ACS%205-](https://data.census.gov/cedsci/table?q=B25124%3A%20TENURE%20BY%20HOUSEHOLD%20SIZE%20BY%20UNITS%20IN%20STRUCTURE&g=1600000US0648256&y=2019&d=ACS%205-Year%20Estimates%20Detailed%20Tables)

[Year%20Estimates%20Detailed%20Tables](https://data.census.gov/cedsci/table?q=B25124%3A%20TENURE%20BY%20HOUSEHOLD%20SIZE%20BY%20UNITS%20IN%20STRUCTURE&g=1600000US0648256&y=2019&d=ACS%205-Year%20Estimates%20Detailed%20Tables)

2019 ACS 5 Year Estimates Detailed Tables

Aliso Viejo		
Density Analysis	SFR	MFR
Number of people	38,285	12,239
Number of households	12,506	6,009
Household density	3.06	2.04
Laguna Hills		
Density Analysis	SFR	MFR
Number of people	24,935	6,683
Number of households	8,213	2,824
Household density	3.04	2.37
Lake Forest		
Density Analysis	SFR	MFR
Number of people	65,338	18,389
Number of households	21,072	8,266
Household density	3.10	2.22
Mission Viejo		
Density Analysis	SFR	MFR
Number of people	83,861	10,919
Number of households	28,702	4,865
Household density	2.92	2.24
ETWD (excl. Laguna Woods)		
Density Analysis	SFR	MFR
Number of people	212,419	48,230
Number of households	70,493	21,964
Household density	3.01	2.20
Total Laguna Woods		
Density Analysis		
Number of people	15,720	
Number of households	11,003	
Household density	1.43	

## **Attachment 17**

### **Draft Proposition 218 Notice**

Attachment 17 is the draft Proposition 218 Notice that would be distributed to all customers in the District's service area providing the 2023 - 2024 Budget and associated rates are approved by the Board.





2023 Proposition 218 Notice

# EL TORO WATER DISTRICT

SERVING THE PUBLIC, RESPECTING THE ENVIRONMENT

## NOTICE OF PUBLIC HEARING ON PROPOSED WATER, SEWER AND RECYCLED WATER RATE/CHARGE INCREASE



### PUBLIC HEARING

**Thursday, July 27, 2023,  
at 7:00 P.M.**

#### ATTEND IN PERSON

El Toro Water District Board Room  
24251 Los Alisos Blvd.,  
Lake Forest, CA 92630

#### ATTEND VIRTUALLY

<https://zoom.us>  
Meeting ID:

*The El Toro Water District Board of Directors invites you to attend and participate in this public hearing. The Board of Directors will consider adopting the proposed water, sewer and recycled water rate/charge increases.*



### COMMUNITY INFORMATIONAL MEETINGS

**July 12, 2023, 5:30 p.m.**

El Toro Water District Boardroom  
24251 Los Alisos Blvd.  
Lake Forest, CA 92630

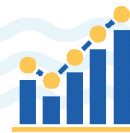
Zoom: <https://zoom.us> Meeting ID:

**July 19, 2023, 7:00 p.m.**

El Toro Water District Boardroom  
24251 Los Alisos Blvd.  
Lake Forest, CA 92630

Zoom: <https://zoom.us> Meeting ID:

*ETWD will answer customer questions and share information about the rate study and the proposed rate increases at two community meetings.*



### KEEPING PACE WITH RISING COSTS

#### Proposed Rate Increases

In compliance with Proposition 218, the District is notifying all customers about proposed rate changes to their water, sewer, recycled water and service charges. You are receiving this notice because you are the record owner of one or more parcels of property located within the service area of El Toro Water District.

Each year the District's Board of Directors adopts an annual operating budget. Part of the budgeting process is to assess the adequacy of the District's rates and charges. Of utmost importance is the effort to minimize costs (including rates) while maintaining the integrity and reliability of the District's infrastructure and the District's financial stability. To assist the District in this endeavor, the District retains an independent outside financial consultant who specializes in Cost of Service analysis and rate setting. The District is proposing adopting a new three-year rate schedule beginning August 1, 2023, with allowable adjustments made on July 1, 2024, and July 1, 2025.

**The proposed rate increases to support the cost of operations are due to the following cost drivers:**



ELECTRICITY



THE COST TO PURCHASE  
AND TREAT WATER



WATER  
TREATMENT  
CHEMICALS



DISPOSAL OF TREATED  
WASTEWATER AND  
BIO-SOLIDS



CONSTRUCTION OF CAPITAL  
INFRASTRUCTURE IMPROVEMENTS  
NEEDED FOR AGING WATER, SEWER  
AND RECYCLED WATER SYSTEMS



DISTRICT LABOR  
NECESSARY TO MAINTAIN  
THE OPERATIONS OF  
THE DISTRICT



ONGOING  
MAINTENANCE OF VITAL  
INFRASTRUCTURE



THE PROPOSED 2022/23 FISCAL YEAR BUDGET CAN BE FOUND ON THE DISTRICT'S WEBSITE [WWW.ETWD.COM](http://WWW.ETWD.COM), UNDER THE GOVERNANCE TAB. FOR ASSISTANCE IN DETERMINING THE IMPACT OF THE PROPOSED RATE INCREASE ON YOUR MONTHLY BILL, YOU MAY ACCESS A WATER BUDGET CALCULATOR ON THE DISTRICT'S WEBSITE OR CALL OUR CUSTOMER SERVICE REPRESENTATIVES AT (949) 837-0660.

## WATER AND SEWER OPERATIONS AND MAINTENANCE CHARGE

The District administers an ongoing operations and maintenance program to responsibly maintain and preserve its water, sewer and recycled water infrastructure investment, meet stringent regulatory requirements and ensure a continuously high level of service to its customers. As an industry best practice, and to minimize financial impacts to customers and fairly and equitably distribute these costs, the District commissioned an independent Cost of Service Study Report. The District proposes to increase the Water, Wastewater, and Recycled Water Operations and Maintenance Charges to offset costs associated with operating and maintaining the water, sewer, and recycled water systems. If approved, the proposed Water, Sewer, and Recycled Water Operations and Maintenance (O&M) Charges will become effective with the first full billing period after August 1, 2023.

### PROPOSED CHARGES - CPI INDEX

The monthly service charges in FY 2025 – 2026 will be increased based on the "CPI for Urban Wage and Clerical Workers (CPI-W)" for the Los Angeles-Long Beach-Anaheim area published by the Bureau of Labor Statistics. The most recent CPI figure available prior to the implementation of the service charge increase will be used to calculate the rates.

### WATER/RECYCLED WATER

METER SIZE	2022-23 CURRENT CHARGE	2023-24 PROPOSED CHARGE	2024-25 PROPOSED CHARGE	2025-26 PROPOSED CHARGE
5/8"	\$17.46	\$18.07	CPI Index	CPI Index
3/4"	\$23.62	\$24.72	CPI Index	CPI Index
1"	\$35.93	\$38.02	CPI Index	CPI Index
1-1/2"	\$66.70	\$71.27	CPI Index	CPI Index
2"	\$128.25	\$137.76	CPI Index	CPI Index

### SEWER - RESIDENTIAL

METER SIZE	2022-23 CURRENT CHARGE	2023-24 PROPOSED CHARGE	2024-25 PROPOSED CHARGE	2025-26 PROPOSED CHARGE
Single Family (1)	\$34.67	\$37.98	CPI Index	CPI Index
Multi-family Restricted (2)	\$16.47	\$18.05	CPI Index	CPI Index
Multi-family Unrestricted (3)	\$25.34	\$27.76	CPI Index	CPI Index

(1) Charged per month

(2) Unrestricted - Attached home (i.e., condominium or townhouse). Charged per month.

(3) Restricted - Attached home (i.e., condominium or townhouse with age restrictions). Charged per month.

### SEWER - COMMERCIAL (4)

METER SIZE	2022-23 CURRENT CHARGE	2023-24 PROPOSED CHARGE	2024-25 PROPOSED CHARGE	2025-26 PROPOSED CHARGE
Animal Kennel/Hospital	\$5.07	Medium Strength	Medium Strength	Medium Strength
Car Wash	\$5.07	Medium Strength	Medium Strength	Medium Strength
Department/Retail Store	\$5.07	Medium Strength	Medium Strength	Medium Strength
Dry Cleaner	\$5.07	Medium Strength	Medium Strength	Medium Strength
Golf Course/Camp/Park	\$5.07	Medium Strength	Medium Strength	Medium Strength
Health Spa	\$5.07	Medium Strength	Medium Strength	Medium Strength
Hospital/Convalescence Home	\$5.07	Medium Strength	Medium Strength	Medium Strength
Hotel	\$5.07	Medium Strength	Medium Strength	Medium Strength
Market	\$9.49	High Strength	High Strength	High Strength
Mortuary	\$9.49	High Strength	High Strength	High Strength
Nursery/Greenhouse	\$5.07	Medium Strength	Medium Strength	Medium Strength
Professional/Financial Office	\$5.07	Medium Strength	Medium Strength	Medium Strength
Public Institution	\$5.07	Medium Strength	Medium Strength	Medium Strength
Repair/Service Station	\$5.07	Medium Strength	Medium Strength	Medium Strength
Restaurant	\$5.15	Restaurant	Restaurant	Restaurant
School	\$5.07	Medium Strength	Medium Strength	Medium Strength
Theater	\$5.07	Medium Strength	Medium Strength	Medium Strength
Warehouse/Storage	\$4.10	Low Strength	Low Strength	Low Strength
Basic Commercial	\$5.07	Medium Strength	Medium Strength	Medium Strength
Low Strength	\$4.10	\$4.45	CPI Index	CPI Index
Medium Strength	\$5.07	\$5.54	CPI Index	CPI Index
High Strength	\$9.49	\$10.58	CPI Index	CPI Index
Restaurants	\$5.15	\$5.65	CPI Index	CPI Index

## RECYCLED WATER USAGE RATES

To recover the cost of producing and delivering recycled water for irrigation purposes, the uniform Recycled Water Usage Rate (\$2.80/ccf) is proposed to increase by \$0.06/ccf to \$2.86/ccf. If approved, the Recycled Water Usage Rate will become effective with the first full billing period after August 1, 2023.

2022-23 CURRENT RECYCLED WATER USAGE CHARGE	2023-24 PROPOSED CHARGE (\$/MONTH)	2024-25 PROPOSED CHARGE (\$/MONTH)	2025-26 PROPOSED CHARGE (\$/MONTH)
\$2.86	\$3.03	\$3.20	\$3.38



## PRIVATE FIRE OPERATIONS AND MAINTENANCE CHARGE



The District provides water service to private entities that have a fire suppression system (usually sprinklers) in their places of business. While not intended to generate additional revenue, the District proposes to increase the Private Fire Operations and Maintenance Charge rates to account for the extra capacity demand necessary to fight an average fire in the District. The proposed Private Fire Operations and Maintenance Charge rates, shown below, reflect the proposed changes to the fixed charges, which considers the effective capacity at each fire meter or fire line. This also includes a fire demand rate component calculation to share peaking costs with other water system services. The proposed changes for 2023-2024 in the Private Fire Operations and Maintenance Charge rates reflected below will become effective with the first full billing period after August 1, 2023.

METER SIZE	2022-23 CURRENT CHARGE (\$/MONTH)	2023-24 PROPOSED CHARGE (\$/MONTH)	2024-25 PROPOSED CHARGE (\$/MONTH)	2025-26 PROPOSED CHARGE (\$/MONTH)
4"	\$16.15	\$17.26	CPI Index	CPI Index
6"	\$23.45	\$24.79	CPI Index	CPI Index
8"	\$36.04	\$37.78	CPI Index	CPI Index
10"	\$54.97	\$57.31	CPI Index	CPI Index

## CAPITAL REPLACEMENT AND REFURBISHMENT CHARGE

The District maintains approximately \$500 million of water, wastewater and recycled water infrastructure. The majority of the system is several decades in age with portions over 60 years old. The District's capital improvement program, which reinvests in or replaces aging facilities and assets, is essential to ensuring the reliability and integrity of the water, wastewater and recycled water services the District provides to its customers. The capital program is funded by the Capital Replacement and Refurbishment Charge. The proposed changes for 2023-2024 in the Capital Replacement and Refurbishment Charge reflected below will become effective with the first full billing period after August 1, 2023.



### POTABLE AND RECYCLED WATER CAPITAL REPLACEMENT AND REFURBISHMENT CHARGE

METER SIZE	2022-23 CURRENT CHARGE (\$/MONTH)	2023-24 PROPOSED CHARGE (\$/MONTH)	2024-25 PROPOSED CHARGE (\$/MONTH)	2025-26 PROPOSED CHARGE (\$/MONTH)
5/8"	\$5.09	\$6.37	\$7.97	\$9.96
3/4"	\$5.09	\$6.37	\$7.97	\$9.96
1"	\$8.50	\$10.63	\$13.29	\$16.61
1-1/2"	\$20.65	\$25.82	\$32.28	\$40.35
2"	\$51.84	\$64.80	\$81.00	\$101.25

### SEWER CAPITAL REPLACEMENT AND REFURBISHMENT CHARGE

USER CATEGORY	2022-23 CURRENT CHARGE (\$/MONTH)	2023-24 PROPOSED CHARGE (\$/MONTH)	2024-25 PROPOSED CHARGE (\$/MONTH)	2025-26 PROPOSED CHARGE (\$/MONTH)
Single Family	\$7.09	\$8.87	\$11.09	\$13.86
Multi-Family Restricted	\$3.37	\$4.21	\$5.27	\$6.59
Multi-Family Unrestricted	\$5.18	\$6.48	\$8.11	\$10.13

### COMMERCIAL (FLOW CHARGE)

Low Strength	\$0.84	\$1.04	\$1.30	\$1.63
Medium Strength	\$1.04	\$1.29	\$1.62	\$2.02
High Strength	\$1.93	\$2.47	\$3.09	\$3.86
Restaurant	\$1.05	\$1.32	\$1.65	\$2.07
Public Authority	\$1.04			



## POTABLE WATER BUDGET CALCULATION • RESIDENTIAL CUSTOMERS

A per-meter, customer-specific water budget is calculated to meet the efficient demands of indoor domestic water use as well as outdoor irrigation under normal operating and water supply conditions. In emergencies or water supply shortage conditions, the District may use a Drought Factor ("DF") to reduce water budgets and further encourage conservation. A water budget is the sum of the indoor and outdoor water budgets.

### INDOOR WATER BUDGET



55 GALLONS PER  
PERSON PER DAY

×



NUMBER OF PEOPLE  
PER HOUSEHOLD

×



NUMBER OF DAYS  
IN BILLING CYCLE

×



INDOOR DROUGHT  
FACTOR

÷

**748**

GALLONS TO BILLING UNIT  
CONVERSION FACTOR

The indoor water budget is calculated in hundred cubic feet (ccf). 1 billing unit of water is equal to 100 cubic feet, or 748 gallons. The current Drought Factor is set to 100%. Household sizes are assumed as follows:

- **SINGLE-FAMILY RESIDENTIAL DETACHED HOMES: 4 PEOPLE**
- **APARTMENTS: 2 PEOPLE**
- **ATTACHED TOWNHOME OR CONDOMINIUM: 3 PEOPLE**
- **ATTACHED TOWNHOME OR CONDOMINIUM WITH AGE RESTRICTIONS: 2 PEOPLE**



### OUTDOOR WATER BUDGET



WEATHER  
DATA

×



LANDSCAPE  
AREA

×



EVAPOTRANSPIRATION  
ADJUSTMENT FACTOR/1200

×



OUTDOOR  
DROUGHT FACTOR



The **outdoor water budget allocation** is calculated in ccf.

- Weather data is measured by the reference EvapoTranspiration ( $ET_0$ ) data in inches of water per billing cycle.  $ET$  is the amount of water that is lost by plants through evaporation and transpiration, and needs to be replaced for the plants to remain healthy.  $ET_0$  data is obtained from California Irrigation Management Information System (CIMIS) Station 75 established by the State of California Department of Water Resources, Office of Water Use Efficiency;
- The landscape area for multi-family accounts, including apartments, condominiums and mobile homes, is 25 square feet of landscape per dwelling unit plus any dedicated landscape area associated with the account;
- The landscape area for single-family detached homes is calculated by taking the building area and dividing it by the number of floors and subtracting that from the parcel area. The result is then multiplied by 70% to obtain the landscape area as follows:
- Landscape area = (lot size - [building area / number of floors]) X 70%
- ET Adjustment Factor (ETAF) is a coefficient that adjusts the EvapoTranspiration ( $ET_0$ ) values based on type of plants and irrigation system efficiency. Based on the updated Model Water Efficient Landscape Ordinance developed by the California Department of Water Resources, any landscape installed before January 1, 2010, has an ETAF of 0.8, and new landscape has an ETAF of 0.7. New landscape is defined as new or re-developments.
- 1200 is the conversion factor from inches of water (derived from weather data) X square feet (landscape area) to ccf (outdoor water budget).
- $DF_{outdoor}$  is the outdoor drought factor set by the Board of Directors. It is currently set at 100%. This factor is not necessarily the same as the DF for indoor;

**Under normal water supply conditions and circumstances, customers may request a variance/adjustment to provide an equitable water budget for special circumstances, such as establishing new landscaping and changes in irrigation landscape area. In emergency or water supply shortage conditions, variances/adjustments may be limited.**

**The indoor water budget, as determined above, will be billed at Tier I ("Indoor - Efficient") rates. The outdoor water budget, as determined above, will be billed at Tier II ("Outdoor - Efficient") rates. Water use in excess of the Tier I and II water budget would be deemed inefficient and/or excessive. Tier III ("Inefficient") water use would be usage between 100% and 130% of the Tier I and II water budget (or Total Water Budget) and Tier IV ("Excessive") usage would be consumption over 130% of Total Water Budget.**

Potable Irrigation customers fall into one of two categories: Recreational or Non-Functional. Recreational irrigation customers are those whose landscape is used mostly for recreational purposes (i.e., parks, golf courses, soccer fields, etc.), while Non-Functional irrigation customers will be those whose landscape is ornamental in nature (greenbelts, medians, etc.).

- (Weather data X Landscape area X ETAF/1200) X DF<sub>outdoor</sub>
- Weather data (ET<sub>o</sub>) as described in the section above,
- Landscape area is assumed to be the lesser of 100% of total parcel area or 100% of the measured landscape area served by each meter, ET adjustment factor (ETAF) is equal to 0.8 for Non-Functional irrigation and 1 for Recreational irrigation customers based on the updated Model Water Efficient Landscape Ordinance, and DF<sub>outdoor</sub> is the outdoor drought factor (set by the Board of Directors), presently set at 100%. This factor is not necessarily the same as the DF for indoor.

All of an irrigation customer's Water Budget will be at Tier II ("Outdoor - Efficient"). Water use in excess of the Tier II water budget would be deemed inefficient and/or excessive. Tier III ("Inefficient") water usage would be between 100% and 130% of the Tier II budget and Tier IV ("Excessive") water usage would be consumption over 130% of the Tier II budget. **1. ccf (100 cubic feet) = 748 gallons**



Given the lack of available groundwater supply, the District purchases 100% of its potable (drinking) water supply to meet residential, potable irrigation, commercial/public authority and fire protection demands from its wholesale water provider, the Municipal Water District of Orange County (MWDOC). MWDOC purchases water from the Metropolitan Water District of Southern California (MWD). MWDOC/MWD's costs to import water from Northern California and the Colorado River are driven by continued investment in regional water treatment and delivery system infrastructure, increased water importation costs, securing higher cost water supplies and water storage arrangements due to Northern California Bay-Delta (Bay-Delta) regulatory exportation restrictions and increased funding to pursue near and long term Bay-Delta solutions (The Delta Conveyance Project) and other water supply projects that will ensure a greater degree of future water supply reliability to Orange County and Southern California more generally.

To diversify and improve water treatment reliability for South Orange County, the District and four other water agencies partnered to fund and construct the Baker Water Treatment Plant in Lake Forest. The Baker plant provides increased water reliability from a diversity of water sources, including imported untreated water from MWD and local surface water from Irvine Lake.

The cost of purchased water includes what the District pays MWDOC for wholesale imported water treated by MWD, the amount the District pays MWDOC for untreated imported water supplied to the Baker Water Treatment Plant and what the District pays Irvine Ranch Water District for Operations and Maintenance (O&M) costs associated with the treatment and delivery of water from the Baker Water Treatment Plant. The amount the District pays for the purchase of water delivered to its customers is the amount “passed through” to the District’s customers is part of the Potable Water Usage Charge. The indoor Tier I and Uniform Commercial Usage rates are reduced by an offsetting credit (funded by non-rate revenue) to recognize that the highest and best use of potable water is for indoor health, safety and sanitation purposes. Tier II rates are applied to usage in volumes typically used outside the home for landscape irrigation. Tiers III and IV rates are applied to usage exceeding the combined Tier I indoor and Tier II outdoor efficient water use budgets. Tiers III and IV rates include the actual costs to purchase and deliver water from the District’s wholesale water provider plus charges to fund the District’s conservation and alternative supply development programs. The Potable Water Usage Rate Increase will become effective with the first full billing period after August 1, 2023.

WATER USAGE CHARGES	2022-23 CURRENT RATE (\$/CCF*)	2023-24 PROPOSED RATE (\$/CCF*)	2024-25 PROPOSED RATE (\$/CCF*)	2025-26 PROPOSED RATE (\$/CCF*)
Tier I - Indoor Efficient	\$2.82	\$3.00	\$3.18	\$3.38
Tier II - Outdoor Efficient	\$3.18	\$3.37	\$3.55	\$3.75
Tier III - Inefficient	\$6.50	\$6.70	\$6.88	\$6.88
Tier IV - Excessive	\$8.35	\$8.67	\$8.85	\$9.05
Commercial, Institutional and Industrial (“CII”)	\$3.31	\$3.49	\$3.67	\$3.87
*1 Billing Unit or “ccf” = 748 gallons				





El Toro Water District  
24251 Los Alisos Blvd.  
Lake Forest, CA 92630

## NOTICE OF PUBLIC HEARING ON PROPOSED WATER, SEWER AND RECYCLED WATER RATE/CHARGE INCREASE

### PUBLIC HEARING AND PROTEST PROCEEDING



#### PUBLIC HEARING

The Governing Board of the El Toro Water District will conduct a public hearing on **July 27, 2023, at 7:00 p.m.** The purpose of the hearing will be to consider adoption of the proposed Potable Water Usage Rate increase, the proposed Recycled Water Usage Rate increase, the proposed Water, Sewer, and Recycled Water Operations and Maintenance Charge increases, and the Water, Sewer, and Recycled Water Capital Replacement & Refurbishment Charges Increase.



#### HOW TO SUBMIT A WRITTEN PROTEST

Property (parcel) owners or customers of record may comment and file a written protest (one vote per parcel) on the proposed increases. California law prohibits the District from increasing charges if protests are filed as to a majority of the affected parcels before the end of the public hearing. Written protests must be mailed to the District at **P.O. Box 4000, Laguna Hills, CA 92654**, emailed to the District at [District@etwd.com](mailto:District@etwd.com) or personally submitted on or before the end of the public hearing, which is scheduled for **7:00 p.m. on July 27, 2023**. Each protest must identify the affected property and include the signature of a record property owner unless the protest is emailed, in which case no signature is required. Oral protests at the public hearing will not qualify as a protest, unless accompanied by a written protest. The District's Board of Directors welcomes input from the public during the public hearing. California law (Government Code Section 53759) provides a 120-day statute of limitations for judicially challenging the adoption of the rates and charges which are the subject of this notice.

## **Attachment 18**

### **Draft Sections of 2023 – 2024 Budget Document**

The final attachment presents draft sections of the 2023 – 2024 Budget document. The budget document sections provide a comprehensive overview financial impact of the proposed 2023 – 2024 Budget and includes the following sections:

- The Transmittal Letter, which provides an introduction and a summary of prior year achievements and current year budget goals and objectives.
- The Budget Summary, beginning on Page 5, provides a summary of District's financial operations, revenues, and expenses. Also include in this section is a pro forma Statement of Revenues, Expenses, and Changes in Net Position and a table that summarizes the authorized positions for the District in the proposed Budget.
- The profile of the District, which provides an overview of the District's demographics and other socio-economic indicators.

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

May 3, 2023

Presented for your review and consideration is the Budget document for the El Toro Water District for Fiscal Year 2024, which begins July 1, 2023 and ends June 30, 2024. The District's budget provides a framework for achieving the strategic objectives established by the District Board and illustrates how the resources entrusted to the District by customers are utilized to provide effective, efficient, and high quality water, wastewater, and recycled water services. The core purposes of the District's annual budget include estimating the financial resources that will be available to the District during the budget period and authorizing a spending plan that utilizes those financial resources to support the District's services, programs, and projects. The Budget is developed and modified through an extensive review process that involves the Board of Directors and Staff and reflects a continued commitment by the District to deliver safe, reliable, and high quality services to customers.

Every year the District commissions a Cost of Service Study that provides a nexus between the revenue generated from established rates and the cost of providing service. The Budget uses the data from the Cost of Service Study to estimate revenues for the budget year and determine how revenues will be used to support existing services and make improvements to services if appropriate and achievable. The process of developing the annual budget includes a thorough assessment of the external environment so the District can respond to challenges that may occur in a particular budget period.

### **Review of Accomplishments in the 2022 - 2023 Budget Period**

Throughout the 2022 - 2023 budget period, the District accomplished many of the objectives and projects incorporated into the 2022 - 2023 Budget plan, including:

#### **Significant Achievements & Projects**

- The District continued to provide reliable and high-quality water, wastewater, and recycled water services while maintaining COVID-19 operational and safety protocols.
- The 2022 – 2023 Budget incorporated a revised rate structure based on updated data on the cost of providing service to various customer classes.
- The District's continued its commitment to excellent financial management practices as demonstrated by the receipt of the Certificate of Achievement for Excellence in Financial Reporting for the FY 2021 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 procured an Enterprise Resource Management software system to integrate its financial operations from three different software systems into one system. The implementation of the system occurred towards the end of the 2022 fiscal year and continued into the 2023 fiscal year.
- The District utilized the 2022 Revenue Bond proceeds to begin capital improvement projects that will refurbish significant portions of the District's infrastructure, as described below.

#### **Infrastructure Improvements**

- The capital project to replace the floating cover and liner at the R-6 Reservoir began in the 2022 – 2023 budget period and will be completed in the 2023 – 2024 budget period, with most of the funding for the District portion of the project coming from the 2022 Revenue Bond proceeds.



- The District also utilized the 2022 Revenue Bond proceeds to complete the demolition of the unused Water Filtration Plant which had been unused and deteriorating for many years. The construction of a cold storage facility for vehicles and equipment will be completed in 2023 – 2024.
- The 2022 Revenue Bond proceeds were also used to complete the construction of a pump station for the Joint Turnout Main that improves water supply reliability by allowing the District to more effectively access water from the Joint Turnout Main. The project also improves water quality and pressure throughout the northwest portion of the District's service area.
- The District received grant funding and completed the recoating of the R-2 Reservoir.

### **Goals and Objectives for the 2023 – 2024 Budget**

The 2023 – 2024 budget includes the following goals and objectives:

- Continue setting rates for operating activities that generate enough revenue to fully support operating expenses and thereby offset the cost of providing service;
- Begin the process of increasing Capital Rates to generate additional Capital Facility revenue to fully fund the 2022 Revenue Bond debt service expenses from recurring revenue and to enhance investment in the District capital infrastructure which is necessary to provide service;
- Establish a reliable, stable and predictable rate adjustment strategy that minimizes impact to customers;
- Maintain a minimum reserve level sufficient to fund legally restricted reserves, board mandated reserves and working capital requirements;
- Employ cost containment and reduction strategies and practices as appropriate to cost effectively maintain reliable service levels.

### **Assumptions Integrated into the 2023 – 2024 Budget**

The following budgetary assumptions are incorporated into the budget:

#### **Revenues**

- Potable water sales are based on the purchase of 7,000 acre-feet (AF) of water and delivery of 6,700 AF to customers;
- The potable water use charge which funds the purchase of water from the Metropolitan Water District through the Municipal Water District of Orange County and the purchase of water from the Baker Water Treatment Plant will increase an average of 4.9% effective August 1, 2023 and is supported by an independently prepared Cost of Service Study Report;
- The potable water service charge (Water System Operations & Maintenance "O&M") will increase an average of 5.7% effective August 1, 2023 and is supported by an independently prepared Cost of Service Study and Report;
- The wastewater service charge (Wastewater System Operations & Maintenance) will increase an average of 9.7% effective August 1, 2023 and is supported by an independently prepared Cost of Service Study and Report;
- The recycled service charge (Recycled Water System Operations & Maintenance "O&M") will increase an average of 5.7% effective August 1, 2023 and is supported by an independently prepared Cost of Service Study Report;

- The recycled usage charge will increase 6% effective August 1, 2023 and is supported by an independently prepared Cost of Service Study Report;
- Non-rate revenue includes shared maintenance of joint facilities with neighboring agencies, cellular communication site leases and other miscellaneous revenues;
- Property tax revenue represents the District's portion of the 1% general property taxes paid by property owners;
- Investment income is projected to increase due to interest rate increases that occurred in 2022 and 2023;
- Capital facility charges are designed to assist in covering the cost of the water, wastewater and recycled water capital improvement program during the fiscal year and will increase an average of 25% effective August 1, 2023 and are supported by an independently prepared Cost of Service Study Report;
- Rate increases comply with all applicable state constitutional and statutory mandates.

### **Expenses**

- Purchased water costs are affected by the increased rates charged by Metropolitan Water District of Southern California and Municipal Water District of Orange County and the increased operations and maintenance costs associated with the District's owned capacity in the Baker Water Treatment Plant;
- Energy (electrical power) costs have increased based on expected system operations, capital improvements and analysis of actual Southern California Edison rates and charges. Energy costs are also increasing due to the surge in costs for gasoline and diesel fuels;
- SOCWA Operation costs for regional bio-solids and effluent treatment and disposal are projected to increase substantially based on the anticipated SOCWA 2022/23 budget;
- Labor and benefits expenses are projected to increase as the District adjusts its compensation plan to offset the current surge in inflation. Increases in medical premiums and the District's contributions to the employees 401(k) Retirement Savings Plan are expected;
- Operating costs exclusive of purchased water, interest, labor and depreciation have increased by approximately 11.2% compared to the prior budget year.

### **Capital Replacement & Refurbishment Program**

- Staff continues to evaluate and update the ten year Capital Improvement Program (CIP) to preserve water and sewer infrastructure, meet regulatory requirements, and ensure continuous quality services are provided. Projected Water and Sewer capital improvement expenses for budget year 2023 - 2024 total slightly less than \$2 million. The 2023 - 2024 capital improvement expenses will be funded by revenue from the Capital Facilities charge combined with 2022 Revenue Bond proceeds and cash reserves accumulated in prior years.
- Revenue generated from the Recycled Water Capital Facilities charge amounts to \$200,700 and will be used to offset the cost of Recycled Water System debt service.

### **Reserves**

- The District maintains three categories of reserves: (1) those legally required to be held as the result of contractual agreement or legal requirement; (2) Board Mandated reserves; and (3) Board Restricted reserves.
- Board Mandated reserves include (1) Capital reserves, (2) rate stabilization reserves, (3) operating reserves and (4) working capital. The current minimum reserve level for Board Mandated reserves, established by Board policy, is \$8.5 million.

- The 2023 – 2024 Budget begins replenishing the Rate Stabilization Reserve as planned during the 2022 - 2023 budget process. The Rate Stabilization reserve was utilized in the 2022 – 2023 Budget to reduce the impact of rate increases in 2022 – 2023. The 2022 – 2023 Budget also included a plan to replenish the Reserve beginning with the 2023 – 2024 budget.

### **Conclusion**

The 2023 – 2024 Budget is the result of considerable discussion and careful deliberation by the District’s Board of Directors and Staff. The preparation, review and deliberation of the budget require a significant time commitment from the organization. The level of commitment demonstrated throughout this process by the Board of Directors and Staff is greatly appreciated by the General Manager and Chief Financial Officer and ensures the successful completion of the budget process. The Budget is optimistic about the future but conservative in its revenue estimates. Most of all, this Budget is the result of a process in which the opportunities and challenges facing the District have been carefully assessed, documented, and addressed to facilitate the accomplishment of the strategic objectives of the Board of Directors.

*Dennis Cafferty*

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Dennis Cafferty  
General Manager

## 2023 – 2024 Budget Summary

This section of the budget document provides a summary of the District’s financial operations, assuming the estimated revenues and expenses incorporated into the 2023 – 2024 Budget occur as forecast. Also presented is a summary of the number of authorized positions included in the 2023 – 2024 Compensation Plan. The charts and graphs in this section provide an overview of total revenues, expenses, and changes in the projected ending financial position for the District.

### Summary of 2023 – 2024 Budgeted Financial Information

The 2023 – 2024 Budget includes \$32,751,800 in estimated revenues and \$33,859,060 in budgeted expenses, resulting in an estimated Change in Net Position of negative \$1,107,260 for the 2023 - 2024 Budget Year. The Net Position of the District is forecast to equal \$55,882,794 at the end of the 2023 – 2024 fiscal year.

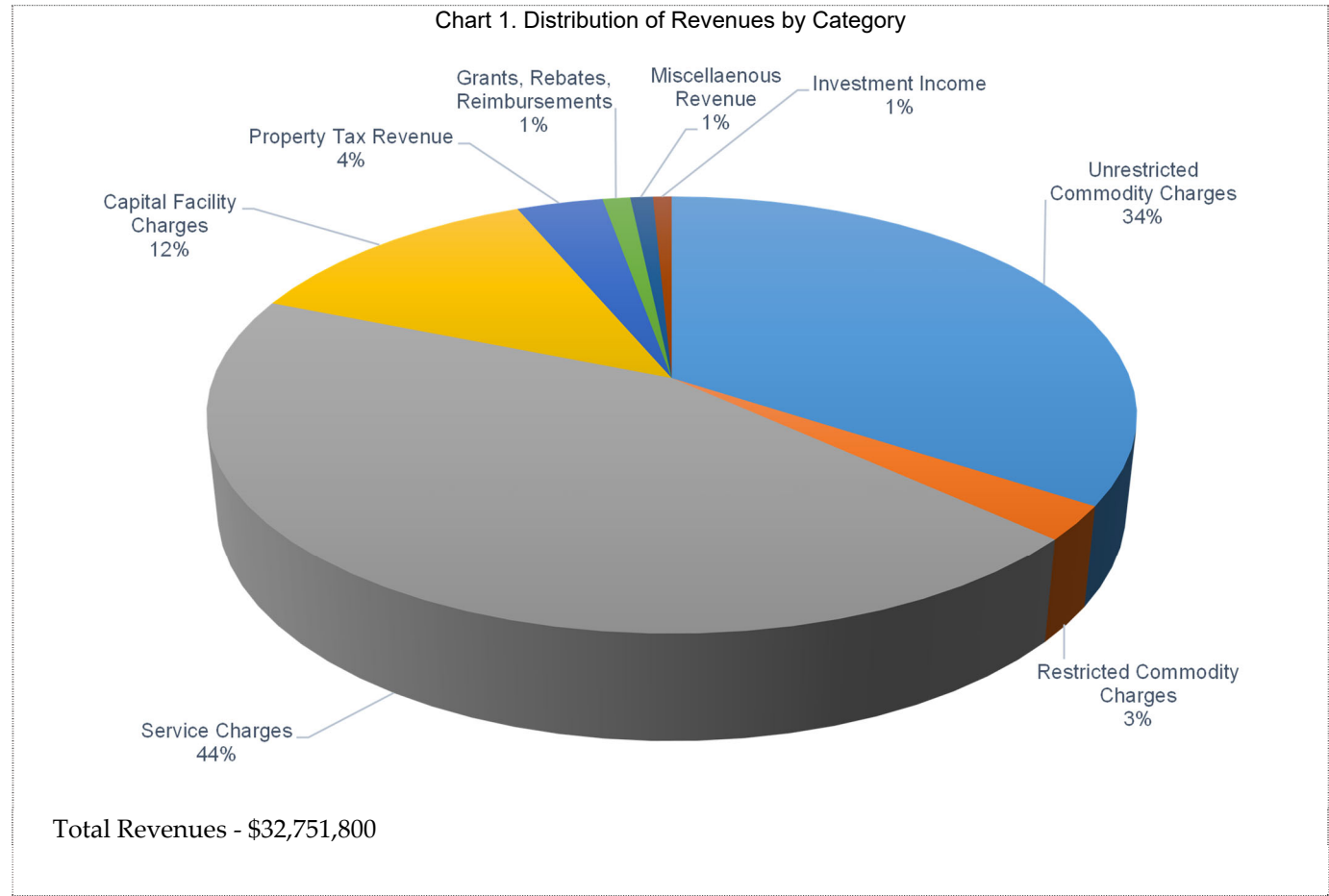
Table 1. Summary of Financial Operations							
	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023		2023 - 2024	
	Actual	Actual	Actual	Approved Budget	Projected Actual	Proposed Budget	Budget % Change
<b>Revenues</b>							
Operating Revenues	25,225,299	26,709,978	27,443,263	28,447,600	27,523,992	31,097,400	9.31%
Non-operating Revenues	1,716,578	1,398,283	1,097,509	1,476,000	1,514,114	1,654,400	12.09%
Capital Contributions	2,894	8,708	166,008	-	-	-	-
<b>Total Revenues</b>	<b>26,944,771</b>	<b>28,116,969</b>	<b>28,706,780</b>	<b>29,923,600</b>	<b>29,038,106</b>	<b>32,751,800</b>	<b>9.45%</b>
<b>Expenses</b>							
Operating Expenses	27,981,028	29,244,286	30,078,960	29,700,880	28,138,202	31,930,860	7.51%
Non-operating Expenses	777,511	758,339	1,072,567	2,704,700	2,281,494	1,928,200	-28.71%
<b>Total Expenses</b>	<b>28,758,539</b>	<b>30,002,625</b>	<b>31,151,527</b>	<b>32,405,580</b>	<b>30,419,696</b>	<b>33,859,060</b>	<b>4.49%</b>
<b>Change in Net Position</b>	<b>(1,813,768)</b>	<b>(1,885,656)</b>	<b>(2,444,747)</b>	<b>(2,481,980)</b>	<b>(1,381,590)</b>	<b>(1,107,260)</b>	
<b>Beginning Net Position (July 1)</b>	<b>64,553,048</b>	<b>62,739,280</b>	<b>60,853,624</b>	<b>60,853,624</b>	<b>58,371,644</b>	<b>56,990,054</b>	
<b>Ending Net Position (June 30)</b>	<b>62,739,280</b>	<b>60,853,624</b>	<b>58,408,877</b>	<b>58,371,644</b>	<b>56,990,054</b>	<b>55,882,794</b>	
<b>Net Position (as of June 30)</b>							
Net Investment in Capital Assets	55,476,580	56,108,404	30,402,906				
Restricted - Capital Projects	2,895	2,895	26,797,887				
Restricted - Debt Service	2,270,150	2,270,150	-				
Unrestricted	4,989,655	2,472,175	1,462,646				
<b>Total Net Position</b>	<b>62,739,280</b>	<b>60,853,624</b>	<b>58,663,439</b>				

## Analysis of District Revenues

Total revenues in the 2023 – 2024 Budget are estimated to be \$31,097,400, an increase of \$2,649,800 (12.98%) compared to 2022 – 2023 budgeted revenues of \$28,447,600. The largest sources of revenue for the District in 2023 – 2024 include Commodity Charges at \$11,989,100 (38.6% of the total), Service Charges at \$14,473,900 (46.5% of the total) and Capital Facility Charges at \$40,86,200 (13.1% of the total). Amongst the three enterprise operations of the District, the Water Enterprise receives 47.9% of total revenues (projected at \$15,672,500 in 2023 – 2024), the Wastewater Enterprise receives 30.9% of total revenues (\$10,110,800), and the Recycled Water Enterprise receives 8.8% (\$2,882,300) of total revenues.

Table 2. Summary of Revenues							
	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023		2023 - 2024	
	Actual	Actual	Actual	Approved Budget	Projected Actual	Proposed Budget	Budget % Change
Operating Revenues							
Usage Charges							
Water Commodity Charges (Unrestricted)	8,061,506	8,826,616	8,458,976	8,629,300	8,246,339	9,200,200	1157%
Water Commodity Charges (Restricted)	644,480	744,946	753,428	826,900	700,057	826,900	18.12%
Recycled Water Commodity Charges	1,355,119	1,898,113	2,012,144	1,850,000	1,549,645	1,962,000	26.61%
Service Charges							
Water System	3,695,636	3,805,648	4,177,675	4,449,000	4,435,123	4,691,400	5.78%
Wastewater System	7,705,618	7,549,752	8,042,358	8,495,200	8,470,035	9,350,200	10.39%
Recycled Water System	258,409	308,199	372,728	402,500	401,731	432,300	7.61%
Capital Facility Charges							
Water System	1,281,975	1,264,678	1,252,888	1,366,200	1,354,547	1,703,700	25.78%
Wastewater System	1,606,851	1,605,820	1,606,146	1,735,400	1,747,124	2,181,800	24.88%
Recycled Water System	118,345	134,773	146,847	160,600	158,560	200,700	26.58%
Charges for Services	100,185	120,050	21,459	123,000	119,975	125,000	4.19%
Miscellaneous Operating Revenues	43,914	115,173	19,829	52,800	33,120	52,200	57.61%
Grants, Rebates, Reimbursements	353,261	336,210	578,785	356,700	307,735	371,000	20.56%
Total Operating Revenues	25,225,299	26,709,978	27,443,263	28,447,600	27,523,992	31,097,400	12.98%
Non-operating Revenues							
Property Taxes	1,037,398	1,097,589	1,121,299	1,120,000	1,120,048	1,155,000	3.12%
Investment Income	424,110	21,511	(257,395)	100,000	159,761	250,000	56.48%
Miscellaneous Non-operating Income	255,070	279,183	233,605	256,000	234,305	249,400	6.44%
Total Non-operating Revenues	1,716,578	1,398,283	1,097,509	1,476,000	1,514,114	1,654,400	9.27%
Capital Contributions	2,894	8,708	166,008	-	-	-	-
Total Revenue	26,944,771	28,116,969	28,706,780	29,923,600	29,038,106	32,751,800	12.79%
Allocation of Revenues							
Water System	12,839,656	13,599,335	13,463,828	13,963,700	13,583,398	14,845,600	9.29%
Water System - Restricted	644,480	744,946	753,428	826,900	700,057	826,900	18.12%
Wastewater System	8,486,095	8,182,567	8,689,961	9,160,800	9,133,946	10,110,800	10.69%
Recycled Water System	1,967,369	2,584,850	2,793,682	2,710,000	2,360,474	2,882,300	22.11%
Capital Improvement Program	3,007,171	3,005,271	3,005,881	3,262,200	3,260,231	4,086,200	25.33%
Total Revenue	26,944,771	28,116,969	28,706,780	29,923,600	29,038,106	32,751,800	12.79%

Presented in Chart 1 below is a visual depiction of the distribution of the major revenue sources for the District. The four largest categories of revenue comprise 92% of the District’s total revenues.



## Analysis of District Expenses

Total budgeted Operating and Non-operating expenses included in the 2023 – 2024 Budget equal \$33,859,060, an increase of \$1,453,480 (4.5%) from 2022 – 2023 budgeted expenses of \$32,405,580. Operating expenses are budgeted at \$31,930,860, comprise 94.3% of total expenses, and increase by \$2,229,980 (7.5%) from 2022 – 2023 budgeted expenses. Non-operating expenses are budgeted at \$1,928,200, or 5.7% of total expenses, and decrease \$776,500 (2.9%) from 2022 – 2023 budgeted expenses of \$2,704,700.

**Table 3. Summary of Expenses by Cost Center and Enterprise**

	2019 - 2020 Actual	2020 - 2021 Actual	2021 - 2022 Actual	2022 - 2023		2023 - 2024	
				Approved Budget	Projected Actual	Proposed Budget	Budget % Change
<b>Operating Expenses</b>							
General & Administrative							
Administration	3,055,622	2,878,828	3,840,235	1,231,360	1,169,012	1,169,180	-5.05%
Finance & Risk Management	-	-	-	1,267,070	1,236,596	1,322,700	4.39%
Human Resources	-	-	-	460,970	540,919	470,180	2.00%
Technology Services	-	-	-	717,180	767,727	767,300	6.99%
Public Relations & Conservation	-	-	-	566,200	491,751	542,300	-4.22%
Customer Service	603,473	533,039	662,834	844,400	852,279	990,400	17.29%
Operations & Maintenance							
Engineering & Compliance	-	-	-	943,000	804,633	980,000	3.92%
Operations Support	1,985,813	2,256,253	1,988,429	915,600	918,653	893,500	-2.41%
Fleet Services	398,887	402,950	393,197	466,700	483,332	505,000	8.21%
Water Supply & Treatment	8,085,299	8,763,806	8,811,309	9,016,500	8,554,001	9,586,200	6.32%
Water Treatment	51,037	47,884	54,839	-	-	-	-
Water Pumping Operations	788,663	841,888	1,065,350	608,000	570,279	766,400	26.05%
Water Transmission & Distribution	2,149,885	2,036,230	1,359,618	1,541,200	1,580,725	1,496,500	-2.90%
Wastewater Pumping Operations	571,252	575,327	637,019	934,900	945,247	1,017,300	8.81%
Wastewater Collections	644,381	747,308	138,988	1,058,500	895,114	1,178,700	1136%
Wastewater Treatment	2,104,585	2,213,644	3,106,835	3,314,200	3,415,921	3,771,900	13.81%
Outside Treatment	1,228,917	1,311,087	1,300,348	-	-	-	-
Recycled Transmission & Distribution	-	15,380	6,624	243,700	248,325	250,800	2.91%
Tertiary Treatment	379,132	379,064	446,606	879,100	917,596	1,015,600	15.53%
Operating Capital Expenses							
Other Operating Expenses	1,450,477	1,896,043	1,978,952	320,000	249,479	300,000	-6.25%
Depreciation & Amortization	4,483,605	4,345,555	4,287,777	4,372,300	3,496,612	4,906,900	12.23%
<b>Total Operating Expenses</b>	<b>27,981,028</b>	<b>29,244,286</b>	<b>30,078,960</b>	<b>29,700,880</b>	<b>28,138,202</b>	<b>31,930,860</b>	<b>7.51%</b>
<b>Non-operating Expenses</b>							
Interest Expense	777,511	758,339	1,072,567	2,704,700	2,281,494	1,928,200	-28.71%
<b>Total Non-operating Expenses</b>	<b>777,511</b>	<b>758,339</b>	<b>1,072,567</b>	<b>2,704,700</b>	<b>2,281,494</b>	<b>1,928,200</b>	<b>-28.71%</b>
<b>Total Expenses</b>	<b>28,758,539</b>	<b>30,002,625</b>	<b>31,151,527</b>	<b>32,405,580</b>	<b>30,419,696</b>	<b>33,859,060</b>	<b>4.49%</b>
<b>Allocation of Expenses</b>							
Water System	13,492,371	14,118,224	14,045,023	14,130,880	13,759,346	14,908,000	5.50%
Wastewater System	7,691,910	8,004,329	8,763,198	9,161,850	8,849,074	9,938,580	8.48%
Recycled Water System	862,665	880,134	1,004,010	1,715,850	1,783,691	1,877,380	9.41%
Other Operating Expenses	1,450,477	1,896,043	1,978,952	320,000	249,479	300,000	-6.25%
Depreciation & Amortization	4,483,605	4,345,555	4,287,777	4,372,300	3,496,612	4,906,900	12.23%
Interest Expense	777,511	758,339	1,072,567	2,704,700	2,281,494	1,928,200	-28.71%
<b>Total Expenses</b>	<b>28,758,539</b>	<b>30,002,625</b>	<b>31,151,527</b>	<b>32,405,580</b>	<b>30,419,696</b>	<b>33,859,060</b>	<b>4.49%</b>

The majority of expenses (44%) are incurred by the Water System, primarily because the purchase of potable water for sale is a part of the Water System's operations. The Wastewater System incurs the second highest level of expenses (29.3%) followed by Depreciation & Amortization (14.5%) and the Recycled Water System

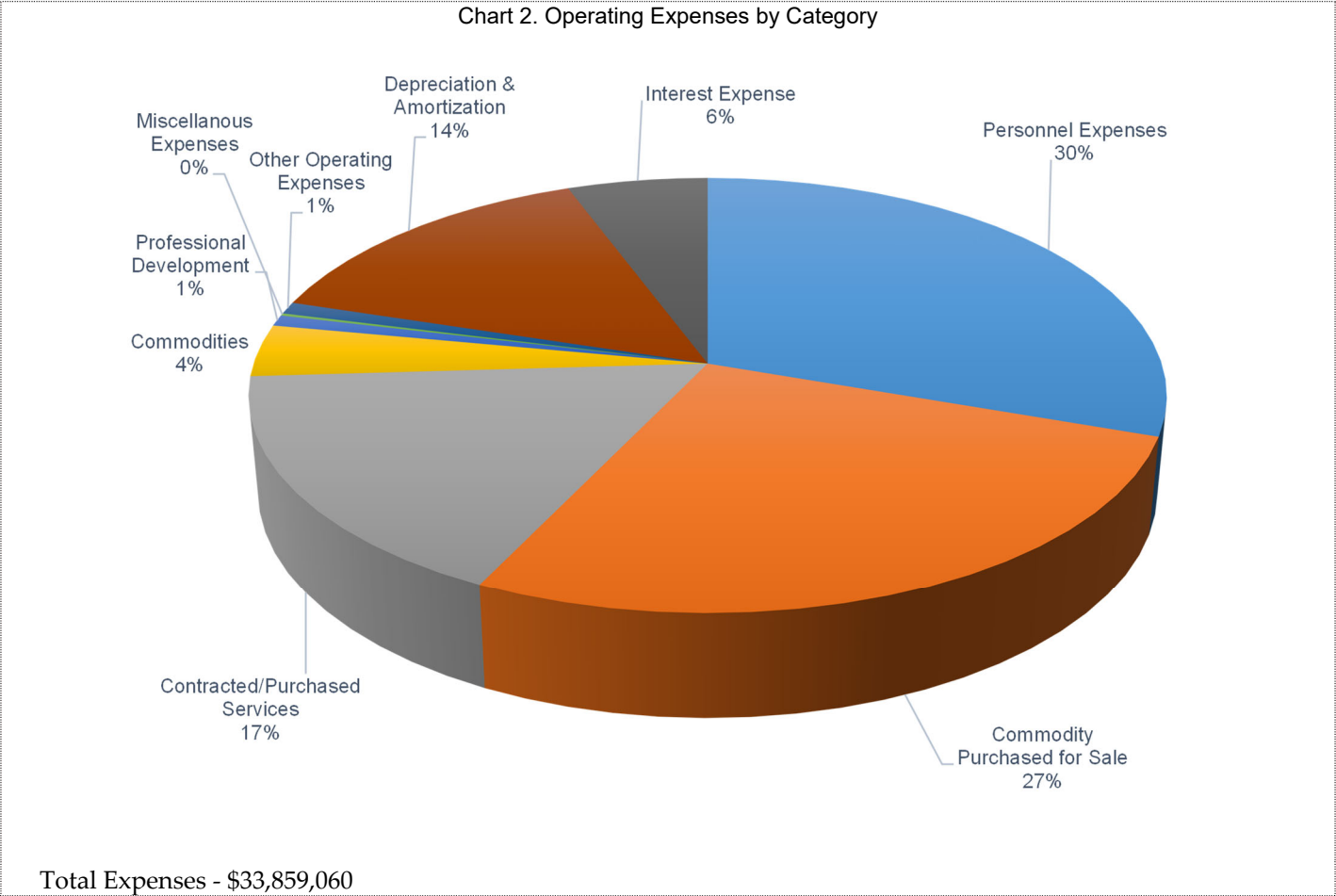
(5.5%). Other Operating Expenses include retiree health insurance premiums and any OPEB Charges (which are not budgeted).

Presented below, in Table 4, are significant individual expenses for the District (expenses greater than \$200,000 in 2023 – 2024). The largest expenses for the District include Personnel, the purchase of water for sale to customers, Interest Expense, Electrical Power, and the SOCWA Contract. Combined, these five expenses equal \$24,170,060 and comprise 71.4% of total expenses for the District.

Table 4. Summary of Expenses by Type of Expense							
				2022 - 2023		2023 - 2024	
	2019 - 2020	2020 - 2021	2021 - 2022	Approved	Projected	Proposed	Budget
	Actual	Actual	Actual	Budget	Actual	Budget	% Change
Expenses by Category							
Personnel Expenses (Salaries & Benefits)	8,486,026	8,584,969	8,877,738	9,890,930	9,596,268	10,259,060	3.72%
Commodity Purchased for Sale	7,868,488	8,559,821	8,641,026	8,540,000	8,042,060	9,096,800	6.52%
Electrical Power	1,116,170	1,179,588	1,557,007	1,508,500	1,682,484	1,786,000	18.40%
Interest Expense	777,511	758,339	1,072,567	2,704,700	2,281,494	1,928,200	-28.71%
SOCWA Contract	928,786	972,231	986,679	969,500	933,236	1,100,000	13.46%
Insurance	435,395	335,462	337,816	344,000	348,655	378,000	9.88%
Repair Parts & Materials	290,349	323,763	268,263	389,500	357,591	437,810	12.40%
Contractors	267,628	290,050	345,000	224,690	183,883	271,500	20.83%
Retiree Health Insurance	108,574	280,577	218,946	320,000	249,479	300,000	-6.25%
Professional Development	185,891	116,586	179,702	269,630	205,457	275,100	2.03%
Software Licenses & Maintenance	137,295	185,482	227,791	217,930	213,867	240,900	10.54%
Chemicals	203,767	217,457	247,990	259,200	284,258	375,000	44.68%
All Other Operating Expenses	7,952,659	8,198,301	8,191,001	6,767,000	6,040,964	7,410,690	9.51%
Total	28,758,539	30,002,625	31,151,527	32,405,580	30,419,696	33,859,060	4.49%



Presented in Chart 2 below are the District’s operating expenses by major category of expense. Personnel expenses are the largest category, followed by Commodity Purchased for Resale, Contracted/Purchases, and Commodities.



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

Portrayed in Table 5 on the following page is a projected Statement of Revenues, Expenses, and Changes in Net Position for the District assuming the 2023 – 2024 Budget occurs as planned. The chart also includes Statements from prior years to serve as a comparison for the proposed 2023 – 2024 Budget.

Table 5. Statement of Revenues, Expenses, and Changes in Net Position							
	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023		2023 - 2024	
	Actual	Actual	Actual	Approved Budget	Projected Actual	Proposed Budget	Budget % Change
<b>Operating Revenues</b>							
Commodity Supply Charges	\$ 10,061,105	\$ 11,469,675	\$ 11,224,548	\$ 11,306,200	\$ 10,496,041	\$ 11,989,100	6.04%
Service Provision Charges	11,659,663	11,663,599	12,592,761	13,346,700	13,306,889	14,473,900	8.45%
Capital Facilities Charges	3,007,171	3,005,271	3,005,881	3,262,200	3,260,231	4,086,200	25.26%
Charges for Services	100,185	120,050	21,459	123,000	119,975	125,000	163%
Other Operating Income	43,914	115,173	19,829	52,800	33,120	52,200	-1.14%
Grants, Rebates, & Reimbursements	353,261	336,210	578,785	356,700	307,735	371,000	4.01%
<b>Total Operating Revenues</b>	<b>25,225,299</b>	<b>26,709,978</b>	<b>27,443,263</b>	<b>28,447,600</b>	<b>27,523,992</b>	<b>31,097,400</b>	<b>9.31%</b>
<b>Operating Expenses</b>							
General & Administrative	3,659,095	3,411,867	4,503,069	5,087,180	5,058,285	5,262,060	3.44%
Operations & Maintenance	18,387,851	19,590,821	19,309,162	19,921,400	19,333,827	21,461,900	7.73%
Other Operating Expenses	1,450,477	1,896,043	1,978,952	320,000	249,479	300,000	-6.25%
Depreciation & Amortization	4,483,605	4,345,555	4,287,777	4,372,300	3,496,612	4,906,900	12.23%
<b>Total Operating Expenses</b>	<b>27,981,028</b>	<b>29,244,286</b>	<b>30,078,960</b>	<b>29,700,880</b>	<b>28,138,202</b>	<b>31,930,860</b>	<b>7.51%</b>
<b>Operating Income/(Loss)</b>	<b>(2,755,729)</b>	<b>(2,534,308)</b>	<b>(2,635,697)</b>	<b>(1,253,280)</b>	<b>(614,210)</b>	<b>(833,460)</b>	<b>-33.50%</b>
<b>Non-operating Revenues</b>							
Property Taxes	1,037,398	1,097,589	1,121,299	1,120,000	1,120,048	1,155,000	3.13%
Investment Earnings	424,110	21,511	(257,395)	100,000	159,761	250,000	150.00%
Other Non-Operating Revenue	255,070	279,183	233,605	256,000	234,305	249,400	-2.58%
Interest Expense	(777,511)	(758,339)	(1,072,567)	(2,704,700)	(2,281,494)	(1,928,200)	-28.71%
<b>Net Non-Operating Revenues</b>	<b>939,067</b>	<b>639,944</b>	<b>24,942</b>	<b>(1,228,700)</b>	<b>(767,380)</b>	<b>(273,800)</b>	<b>-77.72%</b>
<b>Net Income/(Loss) before Capital Contributions</b>	<b>(1,816,662)</b>	<b>(1,894,364)</b>	<b>(2,610,755)</b>	<b>(2,481,980)</b>	<b>(1,381,590)</b>	<b>(1,107,260)</b>	<b>-55.39%</b>
<b>Capital Contributions</b>							
Donations & Contributions	2,894	8,708	166,008	-	-	-	-
<b>Total Capital Contributions</b>	<b>2,894</b>	<b>8,708</b>	<b>166,008</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Change in Net Position</b>	<b>(1,813,768)</b>	<b>(1,885,656)</b>	<b>(2,444,747)</b>	<b>(2,481,980)</b>	<b>(1,381,590)</b>	<b>(1,107,260)</b>	
<b>Beginning Net Position</b>	<b>64,553,048</b>	<b>62,739,280</b>	<b>60,853,624</b>	<b>58,408,877</b>	<b>58,408,877</b>	<b>57,027,287</b>	
<b>Ending Net Position</b>	<b>\$ 62,739,280</b>	<b>\$ 60,853,624</b>	<b>\$ 58,408,877</b>	<b>\$ 55,926,897</b>	<b>\$ 57,027,287</b>	<b>\$ 55,920,027</b>	

Operating expenses of \$31,930,860 will exceed operating revenues of \$31,097,400 by \$833,460. This Operating Loss is primarily caused by the significant Depreciation expense the District incurs as a result of the capital infrastructure and equipment that are needed to effectively provide service to customers. Non-operating expense will exceed Non-operating revenues by \$273,800, due to significant interest expense from the Baker Water Treatment Plant loan and the 2022 Revenue Bonds. The revenues and expenses from operating and non-operating activities will result in a Net Loss before Contributions which will cause a reduction in the District's Net Position for 2023 – 2024; the ending Net Position is projected to decrease to \$55,920,027.

Presented below in Table 6 is a calculation of the net result from operations which provides an analysis of the financial result of operations if all capital investment related activities were removed from the Statement of Revenues, Expenses, and Changes in Net Position.

Table 6. Net Result from Operating Activities							
	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023		2023 - 2024	
	Actual	Actual	Actual	Approved Budget	Projected Actual	Proposed Budget	% Change
Income/(Loss) before Contributions	(1,816,662)	(1,894,364)	(2,610,755)	(2,481,980)	(1,381,590)	(1,107,260)	-55.39%
Remove: Capital Facilities Charges	(3,007,171)	(3,005,271)	(3,005,881)	(3,262,200)	(3,260,231)	(4,086,200)	25.26%
Remove: Depreciation	4,483,605	4,345,555	4,287,777	4,372,300	3,496,612	4,906,900	12.23%
Remove: Interest Expense	777,511	758,339	1,072,567	2,704,700	2,281,494	1,928,200	-28.71%
Remove: Restricted Revenue						(626,800)	
Recycled Net Revenue for Debt Service						(980,820)	
Net Result from Operations	437,283	204,259	(256,292)	1,332,820	1,136,285	33,920	
Depreciation - Capital Facilities Charges <sup>(2)</sup>	(1,476,434)	(1,340,284)	(1,281,896)	(1,110,100)	(236,381)	(820,700)	
Notes							
(1) this calculation is intended to portray the result of operations by removing those activities related to Capital Replacement & Refurbishment activities (Capital Charges, Interest, and Depreciation), and thereby illustrate total net revenues from operational activities.							
(2) This calculation illustrates that the Capital Facilities Charge will not provide sufficient funding to replace the District's capital facilities over time.							

## Debt Service Coverage

Presented in Table 7 below are debt service coverage calculations by fiscal year based on the District's actual (19/20, 20/21, and 21/22 fiscal years) and budgeted financial results (fiscal years 22/23 and 23/24). Debt service coverage will reach its lowest point in 2022-2023 when the interest costs associated with the 2022 Revenue Bonds is highest. However, the District's Ten Year financial projection shows that debt service coverage will improve every year after 2022-2023 and will return to coverage levels calculated for fiscal years 2019-2020 and 2020-2021 in the next couple of years.

**Table 7. Debt Service Coverage Calculations**

	2019 - 2020 Actual	2020 - 2021 Actual	2021 - 2022 Actual	2022 - 2023		2023 - 2024	
				Approved Budget	Projected Actual	Proposed Budget	Budget % Change
<b>Revenues</b>							
Commodity Supply Charges	10,061,105	11,469,675	11,224,548	11,306,200	10,496,041	11,989,100	6.04%
Service Provision Charges	11,659,663	11,663,599	12,592,761	13,346,700	13,306,889	14,473,900	8.45%
Capital Maintenance Charges	3,007,171	3,005,271	3,005,881	3,262,200	3,260,231	4,086,200	25.26%
Charges for Services	100,185	120,050	21,459	123,000	119,975	125,000	163%
Miscellaneous Operating Revenues	43,914	115,173	19,829	52,800	33,120	52,200	-1.14%
Grants, Rebates, Reimbursements	353,261	336,210	578,785	356,700	307,735	371,000	4.01%
Property Taxes	1,037,398	1,097,589	1,121,299	1,120,000	1,120,048	1,155,000	3.13%
Investment Earnings	424,110	21,511	(257,395)	100,000	159,761	250,000	150.00%
Miscellaneous Non-operating Revenue	255,070	279,183	233,605	256,000	234,305	249,400	-2.58%
<b>Total Revenues</b>	<b>26,941,877</b>	<b>28,108,261</b>	<b>28,540,772</b>	<b>29,923,600</b>	<b>29,038,106</b>	<b>32,751,800</b>	<b>9.45%</b>
<b>Operation &amp; Maintenance Expenses</b>							
General & Administrative	3,659,095	3,411,867	4,503,069	5,087,180	5,058,285	5,262,060	3.44%
Operations & Maintenance	18,387,851	19,590,821	19,309,162	19,921,400	19,333,827	21,461,900	7.73%
Other Operating Expenses <sup>(1)</sup>	108,574	280,577	383,391	320,000	249,479	300,000	-6.25%
<b>Total Operation &amp; Maintenance Expenses</b>	<b>22,155,520</b>	<b>23,283,265</b>	<b>24,195,622</b>	<b>25,328,580</b>	<b>24,641,590</b>	<b>27,023,960</b>	<b>6.69%</b>
<b>Net Revenues</b>	<b>4,786,357</b>	<b>4,824,996</b>	<b>4,345,150</b>	<b>4,595,020</b>	<b>4,396,516</b>	<b>5,727,840</b>	<b>24.65%</b>
<b>Debt Service Expenses</b>							
North Line SRF Loan	258,145	258,146	258,146	-	-	-	-
Recycled Phase I SRF Loan	1,607,697	1,619,497	1,602,957	-	-	-	-
Baker WTP Loan	677,951	677,951	677,755	677,600	677,600	677,600	0.00%
Recycled Phase II SRF Loan	409,046	409,046	409,047	-	-	-	-
2022 Revenue Bonds	-	-	-	3,564,000	3,335,000	3,333,000	-6.48%
<b>Total Debt Service Costs</b>	<b>2,952,839</b>	<b>2,964,640</b>	<b>2,947,905</b>	<b>4,241,600</b>	<b>4,012,600</b>	<b>4,010,600</b>	<b>-5.45%</b>
<b>Debt Service Coverage Ratio</b>	<b>1.62</b>	<b>1.63</b>	<b>1.47</b>	<b>1.08</b>	<b>1.10</b>	<b>1.43</b>	

### Notes

(1) Excludes OPEB Charge which is a non-cash accounting charge.

## 2023 – 2024 Budget Authorized Positions

The 2023 – 2024 Budget authorizes 61 Full-Time Equivalent (FTE) employees; the total number of authorized positions has not changed since the 2019 – 2020 Budget. Table 7 below illustrates the number of authorized FTE employees by Department.

Table 8. Summary of Authorized Positions by Budget Unit							
	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023		2023 - 2024	
	Actual	Actual	Actual	Approved Budget	Projected Actual	Proposed Budget	Budget % Change
Employees by Budget Unit							
Administration	2.0	2.0	2.0	2.0	2.0	2.0	0.00%
Finance & Risk Management	5.0	5.0	5.0	5.0	5.0	5.0	0.00%
Human Resources	1.0	1.0	1.0	1.0	1.0	1.0	0.00%
Technology Services	1.0	1.0	1.0	1.0	1.0	1.0	0.00%
Public Relations & Conservation	1.0	1.0	1.0	2.0	2.0	2.0	0.00%
Customer Service	7.0	7.0	7.0	7.0	7.0	7.0	0.00%
Engineering & Compliance	5.0	5.0	5.0	5.0	5.0	5.0	0.00%
Operations Support	4.0	4.0	4.0	4.0	4.0	4.0	0.00%
Fleet Services	1.0	1.0	1.0	1.0	1.0	1.0	0.00%
Water Supply & Treatment	1.0	1.0	1.0	1.0	1.0	1.0	0.00%
Pumping Operations	8.0	8.0	8.0	8.0	8.0	8.0	0.00%
Transmission & Distribution	9.0	9.0	9.0	8.0	8.0	8.0	0.00%
Wastewater Collections	6.0	6.0	6.0	6.0	6.0	6.0	0.00%
Wastewater Treatment	8.0	8.0	8.0	8.0	8.0	8.0	0.00%
Tertiary Treatment	2.0	2.0	2.0	2.0	2.0	2.0	0.00%
Total Authorized Employees	61.0	61.0	61.0	61.0	61.0	61.0	0.00%

## PROFILE OF THE EL TORO WATER DISTRICT

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### **History of the El Toro Water District**

#### **The Founding of El Toro Water District**

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

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

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

#### **Expansion Includes Aqueduct, Water Recycling Plant and El Toro Reservoir**

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

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

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

#### **Leisure World**

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

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

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

### **El Toro Reservoir**

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

### **Constructing a Regional Sewer System**

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

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

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

### **The Transition from Wholesale to Retail**

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

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



## **Water Recycling Pioneer**

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

## **Expansion Continues at El Toro Reservoir**

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

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

## **Recycled Water Expansion Project**

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

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

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



## Location and Service Area Information

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

## Population Information

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

Table 9. Population Data					
	1990	2000	2010	2020	% Change 2010 - 2020
El Toro Water District	43,786	49,796	47,807	47,911	0.22%
Orange County	2,410,556	2,846,289	3,010,232	3,175,692	5.21%
State of California	29,760,021	33,871,648	37,253,956	39,512,223	5.72%

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

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

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

Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Tables B01001, B1001, B03002

\*Interpolated value

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

<b>Table 11. Comparison of Economic Characteristics of District Residents</b>				
	Median Gross Rent*	Median Housing Value*	Per Capita Income*	Median Household Income*
El Toro Water District	\$2,060	\$430,793	\$36,549	\$67,605
Orange County	1,929	725,100	\$41,514	\$90,234
State of California	1,614	523,000	\$36,955	\$75,235
<b>Change in Economic Characteristics</b>				
ACS Years 2012-2016	\$1,753	\$321,335	\$32,539	\$57,156
ACS Years 2013-2017	\$1,856	\$355,093	\$33,513	\$60,390
ACS Years 2014-2018	\$1,959	\$410,421	\$34,849	\$63,762
ACS Years 2015-2019	\$2,060	\$430,793	\$36,549	\$67,605
Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Tables B19001, B25063, B25075				
*Interpolated value				

## **Educational, Employment, and Income Information**

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

**Table 12. Education for Residents Age 25 or Older**

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

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

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

**Table 13. Occupations**

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

Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Table C24030

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

<b>Table 14. Unemployment &amp; Workforce Participation Rate Comparison</b>					
	2015 5-Year ACS	2016 5-Year ACS	2017 5-Year ACS	2018 5-Year ACS	2019 5-Year ACS
<b>Unemployment Rate</b>					
El Toro Water District	6.0%	5.1%	4.6%	4.2%	4.0%
Orange County	5.0%	4.4%	3.8%	3.3%	3.0%
State of California	6.2%	5.5%	4.8%	4.2%	3.8%
United States	5.2%	4.7%	4.1%	3.7%	3.4%
<b>Workforce Participation Rate</b>					
El Toro Water District	52.0%	52.2%	52.4%	52.8%	53.1%
Orange County	66.0%	65.9%	65.7%	65.6%	65.6%
State of California	63.6%	63.4%	63.5%	63.5%	63.7%
United States	63.3%	63.5%	63.4%	62.9%	63.4%
Source: U.S. Census Bureau, 5-Year American Community Survey Estimates, Table B23025					

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

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

## Summary of the District

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

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

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

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

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

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