



2023 - 2024 ANNUAL BUDGET



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Principal Officials
On the Budget Approval Date of May 22, 2023

PRESIDENT

Kay Havens

VICE-PRESIDENT

Jose Vergara

BOARD OF DIRECTORS

Kathryn Freshley

Mark Monin

Michael Gaskins

GENERAL MANAGER

Dennis Cafferty

MANAGEMENT TEAM

Judy Cimorell

Jason Hayden

Scott Hopkins

Mike Miazga

Hannah Ford

Human Resources Manager

Chief Financial Officer

Operations Superintendent

Information Technology Manager

Engineering Manager

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 22, 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 warehouse 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 Transmission Main that improves water supply reliability by allowing the District to more effectively access water from the Joint Transmission Main. The project also improves water quality 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;
- 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 reliable 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) Restricted Reserves are legally required to be held as the result of contractual agreement or legal requirement; (2) Designated Reserves are established by an action of the Board; and (3) Assigned Reserves are established by management for particular purposes.
- The Designated Reserve includes (1) a Capital Construction Reserve, (2) a Rate Stabilization Reserve, (3) an Operating Reserve and (4) Working Capital. The current minimum reserve level for the Designated Reserve, established by Board policy, is \$9.1 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

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 \$32,775,800 in estimated revenues and \$33,859,060 in budgeted expenses, resulting in an estimated Change in Net Position of negative \$1,083,260 for the 2023 - 2024 Budget Year. The Net Position of the District is forecast to equal \$55,906,788 at the end of the 2023 – 2024 fiscal year.

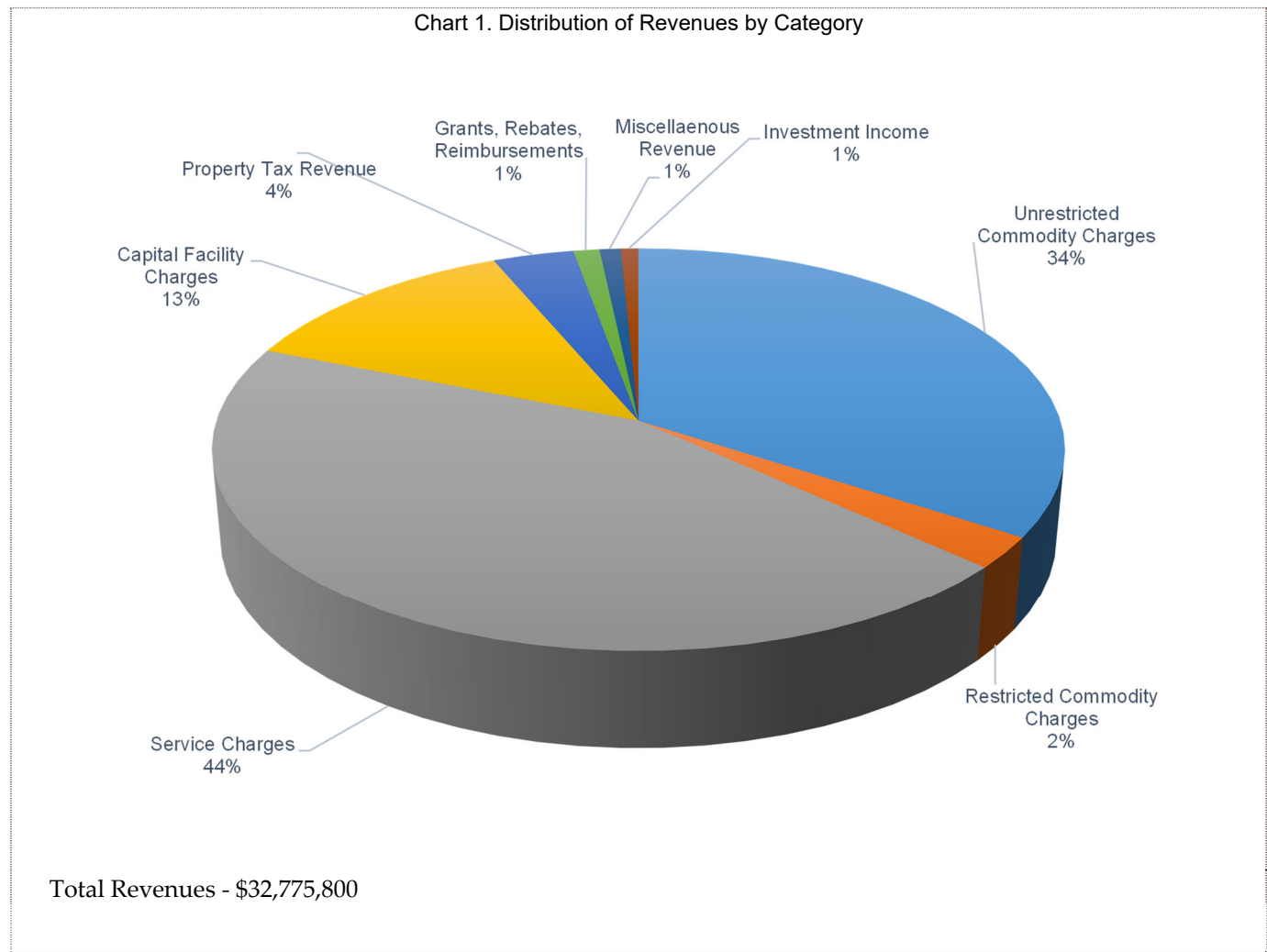
Table 1. Summary of Financial Operations							
	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023		2023 - 2024	
	Actual	Actual	Actual	Approved Budget	Projected Actual	Proposed Budget	Budget % Change
Revenues							
Operating Revenues	25,225,299	26,709,978	27,700,177	28,447,600	27,523,992	31,121,400	9.40%
Non-operating Revenues	1,716,577	1,398,278	1,095,156	1,476,000	1,514,114	1,654,400	12.09%
Capital Contributions	2,894	8,708	166,008	-	-	-	-
Total Revenues	26,944,770	28,116,964	28,961,341	29,923,600	29,038,106	32,775,800	9.53%
Expenses							
Operating Expenses	27,981,028	29,244,286	30,078,953	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%
Total Expenses	28,758,539	30,002,625	31,151,520	32,405,580	30,419,696	33,859,060	4.49%
Change in Net Position	(1,813,769)	(1,885,661)	(2,190,179)	(2,481,980)	(1,381,590)	(1,083,260)	
Beginning Net Position (July 1)	64,553,048	62,739,279	60,853,618	60,853,618	58,371,638	56,990,048	
Ending Net Position (June 30)	62,739,279	60,853,618	58,663,439	58,371,638	56,990,048	55,906,788	
Net Position (as of June 30)							
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				
Total Net Position	62,739,280	60,853,624	58,663,439				

Analysis of District Revenues

Total revenues in the 2023 – 2024 Budget are estimated to be \$32,775,800, an increase of \$2,835,200 (9.53%) compared to 2022 – 2023 budgeted revenues of \$29,923,600. 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 \$14,490,200 (46.6% of the total) and Capital Facility Charges at \$4,093,900 (13.2% 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% (\$2,898,600) 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	4,177,676	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	448,600	1167%
Capital Facility Charges							
Water System	1,281,975	1,264,678	1,252,889	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	208,400	3143%
Charges for Services	100,185	120,050	112,110	123,000	119,975	125,000	4.19%
Miscellaneous Operating Revenues	43,914	115,173	33,806	52,800	33,120	52,200	57.61%
Grants, Rebates, Reimbursements	353,261	336,210	731,069	356,700	307,735	371,000	20.56%
Total Operating Revenues	25,225,299	26,709,978	27,700,177	28,447,600	27,523,992	31,121,400	13.07%
Non-operating Revenues							
Property Taxes	1,037,398	1,097,589	1,121,298	1,120,000	1,120,048	1,155,000	3.12%
Investment Income	424,110	21,511	(259,747)	100,000	159,761	250,000	56.48%
Miscellaneous Non-operating Income	255,069	279,178	233,605	256,000	234,305	249,400	6.44%
Total Non-operating Revenues	1,716,577	1,398,278	1,095,156	1,476,000	1,514,114	1,654,400	9.27%
Capital Contributions	2,894	8,708	166,008	-	-	-	-
Total Revenue	26,944,770	28,116,964	28,961,341	29,923,600	29,038,106	32,775,800	12.87%
Allocation of Revenues							
Water System	12,839,655	13,599,330	13,566,105	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	8,842,159	9,160,800	9,133,946	10,110,800	10.69%
Recycled Water System	1,967,369	2,584,850	2,793,767	2,710,000	2,360,474	2,898,600	22.80%
Capital Improvement Program	3,007,171	3,005,271	3,005,882	3,262,200	3,260,231	4,093,900	25.57%
Total Revenue	26,944,770	28,116,964	28,961,341	29,923,600	29,038,106	32,775,800	12.87%

Presented in Chart 1 below is a visual depiction of the distribution of the major revenue sources for the District. The three largest categories of revenue comprise 91% 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
Operating Expenses							
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%
Total 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							
Interest Expense	777,511	758,339	1,072,567	2,704,700	2,281,494	1,928,200	-28.71%
Total Non-operating Expenses	777,511	758,339	1,072,567	2,704,700	2,281,494	1,928,200	-28.71%
Total Expenses	28,758,539	30,002,625	31,151,527	32,405,580	30,419,696	33,859,060	4.49%
Allocation of Expenses							
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%
Total Expenses	28,758,539	30,002,625	31,151,527	32,405,580	30,419,696	33,859,060	4.49%

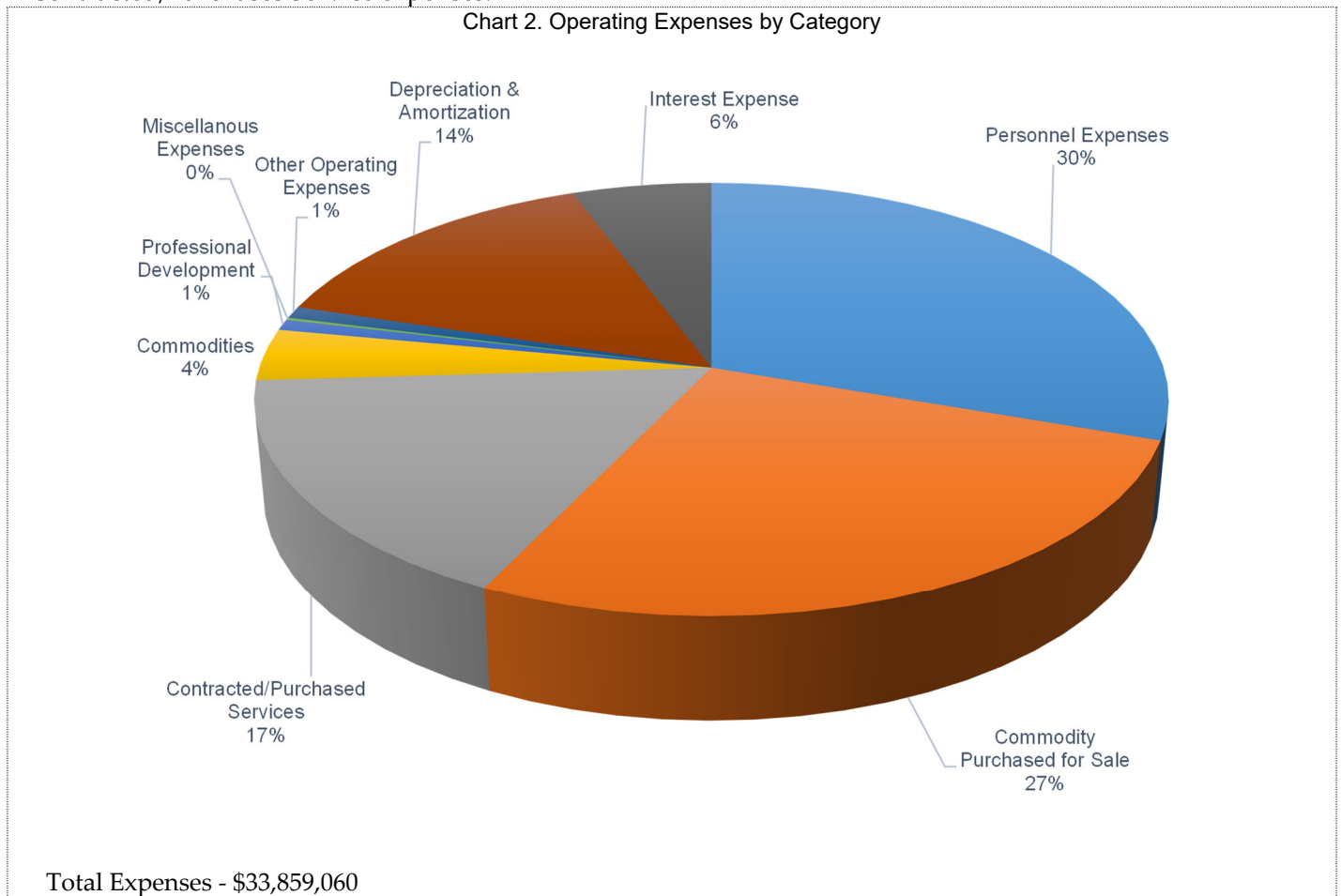
The majority of expenses (44%) are incurred by the Water System, primarily because the purchase of potable water for sale is a part of the Water System's operations. The Wastewater System incurs the second highest level of expenses (29.3%) followed by Depreciation & Amortization (14.5%) and the Recycled 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	10.40%
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 and then Contracted/Purchases Service expenses.



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

Portrayed in Table 5 below 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
Operating 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	12,592,762	13,346,700	13,306,889	14,490,200	8.57%
Capital Facilities Charges	3,007,171	3,005,271	3,005,882	3,262,200	3,260,231	4,093,900	25.50%
Charges for Services	100,185	120,050	112,110	123,000	119,975	125,000	163%
Other Operating Income	43,914	115,173	33,806	52,800	33,120	52,200	-114%
Grants, Rebates, & Reimbursements	353,261	336,210	731,069	356,700	307,735	371,000	4.0%
Total Operating Revenues	25,225,299	26,709,978	27,700,177	28,447,600	27,523,992	31,121,400	9.40%
Operating Expenses							
General & Administrative	3,659,095	3,411,867	4,503,062	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%
Total Operating Expenses	27,981,028	29,244,286	30,078,953	29,700,880	28,138,202	31,930,860	7.51%
Operating Income/(Loss)	(2,755,729)	(2,534,308)	(2,378,776)	(1,253,280)	(614,210)	(809,460)	-35.41%
Non-operating Revenues							
Property Taxes	1,037,398	1,097,589	1,121,298	1,120,000	1,120,048	1,155,000	3.13%
Investment Earnings	424,110	21,511	(259,747)	100,000	159,761	250,000	150.00%
Other Non-Operating Revenue	255,069	279,178	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%
Net Non-Operating Revenues	939,066	639,939	22,589	(1,228,700)	(767,380)	(273,800)	-77.72%
Net Income/(Loss) before Capital Contributions	(1,816,663)	(1,894,369)	(2,356,187)	(2,481,980)	(1,381,590)	(1,083,260)	-56.36%
Capital Contributions							
Donations & Contributions	2,894	8,708	166,008	-	-	-	-
Total Capital Contributions	2,894	8,708	166,008	-	-	-	
Change in Net Position	(1,813,769)	(1,885,661)	(2,190,179)	(2,481,980)	(1,381,590)	(1,083,260)	
Beginning Net Position	64,553,048	62,739,279	60,853,618	58,663,439	58,663,439	57,281,849	
Ending Net Position	\$ 62,739,279	\$ 60,853,618	\$ 58,663,439	\$ 56,181,459	\$ 57,281,849	\$ 56,198,589	

Operating expenses of \$31,930,860 will exceed operating revenues of \$31,121,400 by \$809,460. This Operating Loss is primarily caused by the significant Depreciation expense the District incurs as a result of the capital infrastructure investments and equipment purchases that occurred in prior years and 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 below 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	Budget % Change
Income/(Loss) before Contributions	(1,816,663)	(1,894,369)	(2,356,187)	(2,481,980)	(1,381,590)	(1,083,260)	-56.36%
Remove: Capital Facilities Charges	(3,007,171)	(3,005,271)	(3,005,882)	(3,262,200)	(3,260,231)	(4,093,900)	25.50%
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	-28.74%
Remove: Restricted Revenue						(626,800)	
Recycled Net Revenue for Debt Service						(980,820)	
Net Result from Operations	437,282	204,254	(1,725)	1,332,820	1,136,285	50,220	
Depreciation - Capital Facilities Charges ⁽²⁾	(1,476,434)	(1,340,284)	(1,281,895)	(1,110,100)	(236,381)	(813,000)	
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 financial results (19/20, 20/21, and 21/22 fiscal years) and annual budgets (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	2020 - 2021	2021 - 2022	2022 - 2023		2023 - 2024	
	Actual	Actual	Actual	Approved Budget	Projected Actual	Proposed Budget	Budget % Change
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	12,592,762	13,346,700	13,306,889	14,490,200	8.57%
Capital Maintenance Charges	3,007,171	3,005,271	3,005,882	3,262,200	3,260,231	4,093,900	25.50%
Charges for Services	100,185	120,050	112,110	123,000	119,975	125,000	163%
Miscellaneous Operating Revenues	43,914	115,173	33,806	52,800	33,120	52,200	-14%
Grants, Rebates, Reimbursements	353,261	336,210	731,069	356,700	307,735	371,000	4.0%
Property Taxes	1,037,398	1,097,589	1,121,298	1,120,000	1,120,048	1,155,000	3.13%
Investment Earnings	424,110	21,511	(259,747)	100,000	159,761	250,000	150.00%
Miscellaneous Non-operating Revenue	255,069	279,178	233,605	256,000	234,305	249,400	-2.58%
Total Revenues	26,941,876	28,108,256	28,795,333	29,923,600	29,038,106	32,775,800	9.53%
Operation & Maintenance Expenses							
General & Administrative	3,659,095	3,411,867	4,503,062	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⁾	108,574	280,577	383,391	320,000	249,479	300,000	-6.25%
Total Operation & Maintenance Expense:	22,155,520	23,283,265	24,195,615	25,328,580	24,641,590	27,023,960	6.69%
Net Revenues	4,786,356	4,824,991	4,599,718	4,595,020	4,396,516	5,751,840	25.18%
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%
Total Debt Service Costs	2,952,839	2,964,640	2,947,905	4,241,600	4,012,600	4,010,600	-5.45%
Debt Service Coverage Ratio	1.62	1.63	1.56	1.08	1.10	1.43	
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

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.

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

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

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

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

	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.

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

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

Table 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		9,703
Annual Potable Water Imports (MG*)		2,280
Sewer System		
Miles of Wastewater Collection Main		114
Service Connections		9,514
Annual Treated Sewage (MG*)		1,332
Recycled Water System		
Miles of Recycled Water Main		25
Service Connections		276
Annual Recycled Water Production (MG*)		463.89
*Millions of Gallons		

WATER SYSTEM

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

Budget Analysis

As depicted in Table 16 below, expenses in the 2023-2024 Budget equal \$15,028,000, an increase of \$769,120, 5.4%, from the \$14,258,880 in expenses included in the 2022-2023 Budget. Revenues attributed to the Water System are projected to equal \$15,045,600, an increase of \$677,921 or 4.7% when compared to the \$14,367,679 included in the 2022-2023 Budget. As a result of the revenues and expenses included in the 2023-2024 Budget, the Water System is projected to contribute \$17,600 to the Board Mandated Cash Reserves in 2023-2024.

Table 16. Water System - Operations & Maintenance Sources & Uses of Cash							
	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023		2023 - 2024	
	Actual	Actual	Actual	Approved Budget	Projected Actual	Proposed Budget	Budget % Change
Sources of Cash							
Operating Revenues							
Commodity Supply Charge (Unrestricted)	8,061,506	8,826,616	8,458,976	8,629,300	8,246,339	9,200,200	6.62%
Service Provision Charge	3,695,636	3,805,648	4,177,676	4,449,000	4,435,123	4,691,400	5.45%
Charges for Services	100,185	120,050	112,110	123,000	119,975	125,000	1.63%
Miscellaneous Operating Income	43,914	115,173	33,806	234,979	17,310	31,000	-86.81%
Grant, Rebates, Reimbursements	38,841	22,015	31,814	400	400	-	-100.00%
Non-operating Revenues							
Property Taxes	479,696	439,036	448,512	448,000	447,998	460,000	2.68%
Investment Income	169,644	8,604	(92,575)	40,000	82,550	100,000	150.00%
Miscellaneous Non-operating Income	247,339	253,480	229,778	243,000	233,703	238,000	-2.06%
Restricted Reserve Funding	100,000	100,000	200,000	200,000	200,000	200,000	
Total Sources of Cash	12,936,761	13,690,622	13,600,097	14,367,679	13,783,398	15,045,600	4.72%
Uses of Cash							
Operating Expenses							
General & Administrative	1,463,641	1,364,752	1,801,216	2,035,060	2,128,715	2,110,500	3.71%
Operations & Maintenance	12,028,730	12,753,472	12,243,800	12,095,820	11,630,631	12,797,500	5.80%
Other Operating Expenses	43,430	112,231	791,580	128,000	100,792	120,000	-6.25%
Total Uses of Cash	13,535,801	14,230,455	14,836,596	14,258,880	13,860,138	15,028,000	5.39%
Net Change In Cash	(599,040)	(539,833)	(1,236,499)	108,799	(76,740)	17,600	

WASTEWATER SYSTEM

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

Budget Analysis

As depicted in Table 17 below, expenses in the 2023-2024 Budget equal \$10,094,580, an increase of \$765,730, 8.2%, from the \$9,328,850 in expenses included in the 2022-2023 Budget. Revenues attributed to the Wastewater System are projected to equal \$10,110,800, an increase of \$950,000 or 4.7% when compared to the \$9,160,800 included in the 2022-2023 Budget. As a result of the revenues and expenses included in the 2023-2024 Budget, the Wastewater System is projected to contribute \$16,220 to the Board Mandated Cash Reserves in 2023-2024.

Table 17. Wastewater System - Operations & Maintenance Sources & Uses of Cash							
	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023		2023 - 2024	
	Actual	Actual	Actual	Approved Budget	Projected Actual	Proposed Budget	Budget % Change
Sources of Cash							
Operating Revenues							
Service Provision Charge	7,705,618	7,549,752	8,042,358	8,495,200	8,470,035	9,350,200	10.06%
Miscellaneous Operating Income	-	-	-	20,800	15,810	20,200	-2.88%
Grant, Rebates, Reimbursements	78,526	28,617	358,439	-	-	-	-
Non-operating Revenues							
Property Taxes	474,715	570,746	583,086	582,400	582,448	600,000	3.02%
Investment Income	220,537	11,185	(145,041)	52,000	65,050	130,000	150.00%
Miscellaneous Non-operating Income	6,699	22,267	3,317	10,400	602	10,400	0.00%
Total Sources of Cash	8,486,095	8,182,567	8,842,159	9,160,800	9,133,946	10,110,800	10.37%
Uses of Cash							
Operating Expenses							
General & Administrative	1,902,733	1,774,164	2,341,598	2,645,090	2,484,463	2,729,480	3.19%
Operations & Maintenance	5,789,177	6,230,165	6,421,600	6,516,760	6,364,610	7,209,100	10.62%
Other Operating Expenses	56,458	145,900	113,852	167,000	127,629	156,000	-6.59%
Total Uses of Cash	7,748,368	8,150,229	8,877,050	9,328,850	8,976,703	10,094,580	8.21%
Net Change In Cash	737,727	32,338	(34,891)	(168,050)	157,243	16,220	

RECYCLED WATER SYSTEM

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

Budget Analysis

As depicted in Table 18 below, expenses in the 2023-2024 Budget equal \$1,901,380, an increase of \$160,530, 9.2%, from the \$1,740,850 in expenses included in the 2022-2023 Budget. Revenues attributed to the Recycled System are projected to equal \$2,898,600, an increase of \$188,600 or 7% when compared to the \$2,710,000 included in the 2022-2023 Budget. As a result of the revenues and expenses included in the 2023-2024 Budget, the Recycled System is projected to generate net cash of \$997,220. However, the Recycled System transfers all of the net cash generated from its operations to the Capital Improvement Fund to pay the debt associated with the original construction of the tertiary treatment facilities.

Table 18. Recycled Water System - Operations & Maintenance Sources & Uses of Cash

	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023		2023 - 2024	
	Actual	Actual	Actual	Approved Budget	Projected Actual	Proposed Budget	Budget % Change
Sources of Cash							
Operating Revenues							
Commodity Supply Charge	1,355,119	1,898,113	2,012,144	1,850,000	1,549,645	1,962,000	6.05%
Service Provision Charge	258,409	308,199	372,728	402,500	401,731	448,600	11.45%
Miscellaneous Operating Income	-	-	-	1,000	-	1,000	0.00%
Grant, Rebates, Reimbursements	235,894	285,578	340,816	356,300	307,335	371,000	4.13%
Non-operating Revenues							
Property Taxes	82,987	87,807	89,700	89,600	89,602	95,000	6.03%
Investment Income	33,929	1,722	(22,131)	8,000	12,161	20,000	150.00%
Miscellaneous Non-operating Income	1,031	3,431	510	2,600	-	1,000	-61.54%
Total Sources of Cash	1,967,369	2,584,850	2,793,767	2,710,000	2,360,474	2,898,600	6.96%
Uses of Cash							
Operating Expenses							
General & Administrative	292,721	272,950	360,248	407,030	445,106	422,080	3.70%
Operations & Maintenance	569,944	607,184	643,762	1,308,820	1,338,585	1,455,300	11.19%
Other Operating Expenses	8,686	22,446	17,516	25,000	21,058	24,000	-4.00%
Total Uses of Cash	871,351	902,580	1,021,526	1,740,850	1,804,749	1,901,380	9.22%
Transfer Out	(1,096,018)	(1,682,270)	(1,772,241)	(969,150)	(555,725)	(997,220)	
Net Change In Cash	-	-	-	-	-	-	

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 with certain activities.

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

Table 19. Personnel Expense Summary					
	FY 2023 Budget	FY 2024 Budget	Delta	% Change	% of Total Personnel Costs
Salaries					
Regular Salaries	6,500,306	7,052,336	552,030	8.49%	68.74%
Overtime and On-Call Salaries	302,800	302,800	-	0.00%	2.95%
One-time Salary Payments ⁽¹⁾	189,238	188,404	(834)	-0.44%	1.84%
Stipends & Allowances ⁽²⁾	80,072	80,072	-	0.00%	0.78%
Total Salaries	7,072,416	7,623,612	551,196	7.79%	74.30%
Benefits					
Health Insurance ⁽³⁾	1,210,300	1,217,030	6,730	0.56%	11.86%
Other Insurance ⁽⁴⁾	320,500	325,000	4,500	1.40%	3.17%
Retirement Benefits ⁽⁵⁾	1,050,398	1,094,504	44,106	4.20%	10.67%
Total Benefits	2,581,198	2,636,535	55,336	2.14%	25.70%
Total Personnel Expenses	9,653,614	10,260,147	606,532	6.28%	
Notes					
(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 20. 2023 - 2024 Changes in Salary Expenses

	FY 2023 Budget	FY 2024 Budget	Delta	% Change	% of Total Personnel Costs
Regular Salary Changes					
Base Salary (<i>prior year ending salaries</i>)	6,303,351	6,500,306	196,955	3.12%	63.35%
Merit Increase ⁽¹⁾	434,329	545,171	110,842	25.52%	5.31%
Additional Positions	-	-	-	N/A	0.00%
Net Changes from Original Budget ⁽²⁾	(237,374)	-	237,374	N/A	0.00%
Additional Salary Adjustments	-	6,859	6,859	100.00%	0.07%
Regular Salaries Total	6,500,306	7,052,336	552,030	8.49%	68.74%
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 and these changes reduced actual salary expense.					

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

Table 21. Changes in Other Salary Expenses and Benefit Expenses					
	FY 2023 Budget	FY 2024 Budget	Delta	% Change	% of Total Personnel Costs
Other Salary Changes					
Overtime Expenses	230,000	230,000	-	0.00%	2.24%
On-Call Expenses	72,800	72,800	-	0.00%	0.71%
Top of Range Payouts	75,674	76,419	745	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 ⁽¹⁾	19,200	19,200	-	N/A	0.19%
Employee Service Awards ⁽¹⁾	5,000	5,000	-	N/A	0.05%
Other Salary Changes	572,110	571,276	(834)	-0.15%	5.57%
Benefit Changes					
Health Insurance	1,131,500	1,138,935	7,435	0.66%	11.10%
HSA Contributions	4,500	4,500	-	N/A	0.04%
Dental Insurance	61,000	60,312	(688)	-1.13%	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	11,592	(8)	-0.07%	0.11%
Disability Insurance	39,800	39,744	(56)	-0.14%	0.39%
Workers Compensation	128,900	129,280	380	0.29%	1.26%
State Unemployment Insurance	3,000	3,000	-	N/A	0.03%
401k/457b Contributions	1,050,398	1,094,504	44,106	4.20%	10.67%
Medicare Contributions	100,600	104,952	4,352	4.33%	1.02%
Other Salary Changes	2,581,198	2,636,535	55,336	2.14%	25.70%
(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 22. Position Organization Chart			
Department	Positions	Department	Positions
Administration		Operations Support Services	
General Manager	1	Operations Superintendent	1
Executive Assistant to Board & General Manager	1	Compliance Program Coordinator	1
Total	2	Total	2
Finance & Risk Management		Pumping Operations	
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
Technology Services		Fleet Operations	
Information Technology Manager	1	Senior Mechanic	1
Total	1	Total	1
Human Resources		Transmission & Distribution	
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
Community Relations & Conservation		Electrical	
Community Relations Administrator	1	Electrical Systems/SCADA Supervisor	1
Water Use Efficiency Analyst	1	Electrical Systems / SCADA Technician III	1
Total	2	Total	2
Customer Service		Treatment Plant	
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
Engineering		Collections & Distribution Crew	
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
Total Positions	61		

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.

Table 23. 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 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 23. 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.

Table 24. Compensation Plan - Salary Range Schedule - 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 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%

CAPITAL REPLACEMENT & REFURBISHMENT PROGRAM

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

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

Overview

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

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

The 2023-2024 Capital Budget includes the continuation of the R-6 lining and cover replacement project, this project was funded by the 2022 Revenue bond proceeds but is a significant capital expenses for the District and is projected to be completed at the end of the fiscal year. In addition, multiple other capital projects for the Water System are budgeted for 2023-2024 including the rehabilitation of the P-3 Pump Station, the Mouton/El Toro Cathodic Protection Study, and upgrades to the security system at the R-6 Reservoir.

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

The 2023-2024 budget includes several significant projects, including the rehabilitation of the Aliso Creek Pump Station, the rehabilitation of the Grit Chamber and the rehabilitation of the Coarse Screens at the Wastewater Treatment Plant.

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

There are no projects included in the 2023-2024 Budget as the recycled water system is a newly constructed system and the revenue generated from the capital rate charges is being used to pay the debt service costs.

Table 25. 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

Table 25. 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
<i>Pumping (Sanitation) Projects</i>											
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
<i>Pumping (Sanitation) Equipment</i>											
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
<i>Treatment (Sanitation) Projects</i>											
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

Table 25. 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

Table 25. 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&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&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