

**NOTICE OF A SPECIAL MEETING
OF THE OLIVENHAIN MUNICIPAL WATER
DISTRICT'S FINANCE COMMITTEE
1966 Olivenhain Road, Encinitas, CA 92024
Tel: (760) 753-6466 • Fax: (760) 753-1578
VIA TELECONFERENCE AND IN PERSON**

Pursuant to AB 3035, effective January 1, 2003, any person who requires a disability related modification or accommodation in order to participate in a public meeting shall make such a request in writing to the District for immediate consideration.

DATE: TUESDAY, APRIL 12, 2022

TIME: 10:00 A.M.

PLACE: HYBRID SPECIAL MEETING VIA TELECONFERENCE AND IN PERSON

Pursuant to the State of California Executive Order, and in the interest of public health, OMWD is temporarily taking actions to mitigate the COVID-19 pandemic by holding Finance Committee meetings electronically or by teleconference. This meeting will be a hybrid of in person and teleconference. Our Boardroom will be open to the public, however, masks must be worn if unvaccinated.

To join this meeting via phone, please dial:

(669) 900-9128 or (253) 215 8782

Meeting ID: 848 9952 9721 and Password: 339776

*Note: Items On The Agenda May Be Taken Out Of Sequential Order As Their
Priority Is Determined By The Committee*

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA
4. PUBLIC COMMENTS

5. CONSIDER APPROVAL OF THE MINUTES OF THE FEBRUARY 9, 2022
FINANCE COMMITTEE MEETING
6. CONSIDER DISCUSSION ON OLIVENHAIN MUNICIPAL WATER DISTRICT
PENSION FUNDING PLAN AND POLICY
7. REVIEW AND DISCUSS DRAFT OF FISCAL YEARS 2023 AND 2024 OPERATING
AND CAPITAL BUDGET
8. CONSIDER FUTURE AGENDA ITEMS
9. ADJOURNMENT

**MINUTES OF A REGULAR MEETING
OF THE FINANCE COMMITTEE
OF OLIVENHAIN MUNICIPAL WATER DISTRICT**

February 9, 2022

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Wednesday, February 9, 2022, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference.

President Watt called the meeting to order at 11:00 a.m. In attendance were Lawrence A. Watt, Board President; Christy Guerin, Board Treasurer; Kimberly Thorner, General Manager; Joseph Randall, Assistant General Manager; Rainy Selamat, Finance Manager; Jason Hubbard, Engineering Manager; Leo Mendez, Accounting Supervisor; and Jared Graffam, Financial Analyst II. Also in attendance via teleconference were Andrew Lynn from CalMuni Advisors; Cameron Weist from The Weist Law Firm; Julio Morales from Urban Futures Inc.; and Dan Matusiewicz and Jason Huk from GovInvest all to present on agenda item 6.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

Director Watt moved to adopt the agenda, seconded by Director Guerin and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE NOVEMBER 8, 2021 REGULAR FINANCE COMMITTEE MEETING

Director Guerin moved to approve the November 8, 2021 meeting minutes, seconded by Director Watt and carried unanimously.

6. CONSIDER PROPOSALS FOR PENSION ADVISORY SERVICES AND SELECT A FIRM FOR DEVELOPMENT OF OLIVENHAIN MUNICIPAL WATER DISTRICT'S PENSION FUNDING POLICY AND PENSION FUNDING PLAN

Finance Manager Selamat presented the agenda item to the committee noting the District solicited proposals from three firms for professional services to assist District staff with the development of the District's pension funding policy, and to evaluate funding strategies for managing and addressing the District's pension liability. The committee heard presentations from the three different firms: CalMuni Advisors, UFI Financial Solutions, and GovInvest.

Andrew Lynn from CalMuni Advisors and Cameron Weist from The Weist Law Firm presented jointly on behalf of CalMuni Advisors. Mr. Lynn and Mr. Weist discussed their approach to helping districts develop, implement, and manage a pension funding policy and meet its pension debt obligations, and the ongoing support they provide. Director Watt commented that the amount of hours included in their proposal seemed low in light of the complexity of implementing a pension policy/plan. Mr. Weist responded that they start from a template that can be modified to meet the District's needs which cuts down on overall time. Mr. Lynn also added if they exceed the hours within the proposal for developing, implementing, and managing a pension policy, the overall cost to the District would not change from what is included in the proposal. Financing costs of a new debt issuance, if the District decides to issue pension obligation bonds, are not included in the proposal, however.

Julio Morales from UFI Financial Solutions (UFI) presented next. Mr. Morales noted that UFI is the largest municipal advisor in California and specializes in pension advisory services. Mr. Morales stated that his firm begins by analyzing a district's pension liabilities and financial position, determines the district's pension objectives and funding strategies available, and then helps the district develop a plan and pension policy to meet the established objectives. Director Watt inquired which team members would work with the District directly if they were to choose UFI. Mr. Morales stated he performs all the analysis and his colleague assists with the long-range planning.

Dan Matusiewicz from GovInvest presented his firm's proposal noting it typically differs from other agencies due to their utilization of pension software with built-in analytical tools to run multiple scenarios. Mr. Matusiewicz stated the actuarial and financial modeling software helps agencies predict and stress test the potential impacts of pension plans, labor negotiations, and other post-employment benefits.

The committee discussed the three proposals presented. Director Guerin expressed concern with the software-based option from GovInvest noting it seemed more labor intensive for District staff compared to the alternative options. Director Watt agreed and moved to approve going with UFI due to the expertise of the firm and comprehensive overview of all aspects of the pension policy, which was seconded by Director Guerin and carried unanimously.

7. REVIEW AND DISCUSS QUARTERLY INVESTMENTS AND CASH REPORTS (4TH QTR 2021)

Finance Manager Selamat reviewed the investment report as of December 31, 2021 with the committee. Cash and investments were discussed. Finance Manager Selamat reported that the yield for treasury securities continues to increase and exceeds the yield on recent purchases due to the changing market.

Finance Manager Selamat reported that the District's investments are in compliance with the investment policy and that the District has sufficient funds to meet its financial obligations for the next 120 days.

8. DISCUSS THE 4S RANCH NEIGHBORHOOD 1 SEWER PUMP STATION REPLACEMENT PROJECT, REVIEW POTENTIAL INCREASES IN THE OVERALL PROJECT BUDGET, AND THE SEWER CAPITAL AND EQUIPMENT FUND BALANCES

Engineering Manager Hubbard presented an overview of the 4S Ranch Neighborhood 1 Sewer Pump Station Replacement project to the committee. This was an informational item only. Engineering Manager Hubbard reported that the construction bids recently received for this project were significantly higher than the original third party engineer's estimate causing the overall project cost to be higher than original estimates if the District proceeds with the project. Engineering Manager Hubbard discussed the importance of moving forward with this project to address safety concerns due to the corrosive environment of the existing pump station affecting the electrical and equipment, and noted that delaying the project does not look to save the District any money down the line.

Engineering Manager Hubbard then presented a revised 10-year wastewater capital spending plan with updated cost estimates that would allow the District to complete the 4S Ranch Neighborhood 1 Sewer Pump Station Replacement project along with other critical infrastructure projects, and remain above the minimum capital reserve requirement set by the board with rates currently set through Fiscal Year 2026. Rates and capital reserves beyond Fiscal Year 2026 will be reviewed with the next cost of service study.

Director Guerin and Director Watt both stated they have toured the existing pump station and understand the need to complete the replacement project sooner than later. General Manager Thorner reiterated that this agenda item is informational only and will be brought before the full board at the February 16 meeting.

9. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

10. ADJOURNMENT

The meeting was adjourned at 12:36 p.m.

Memo

Date: April 12, 2022
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **CONSIDER DISCUSSION ON OLIVENHAIN MUNICIPAL WATER DISTRICT
PENSION FUNDING PLAN AND POLICY**

Staff would like to discuss the proposed pension funding plan with the Committee for presentation to the Board at the April meeting.

Staff and the District's pension advisor, Mr. Julio Morales with Urban Futures, Inc., will present the proposed funding plan (attached) to the Committee and be available for discussion during the meeting.

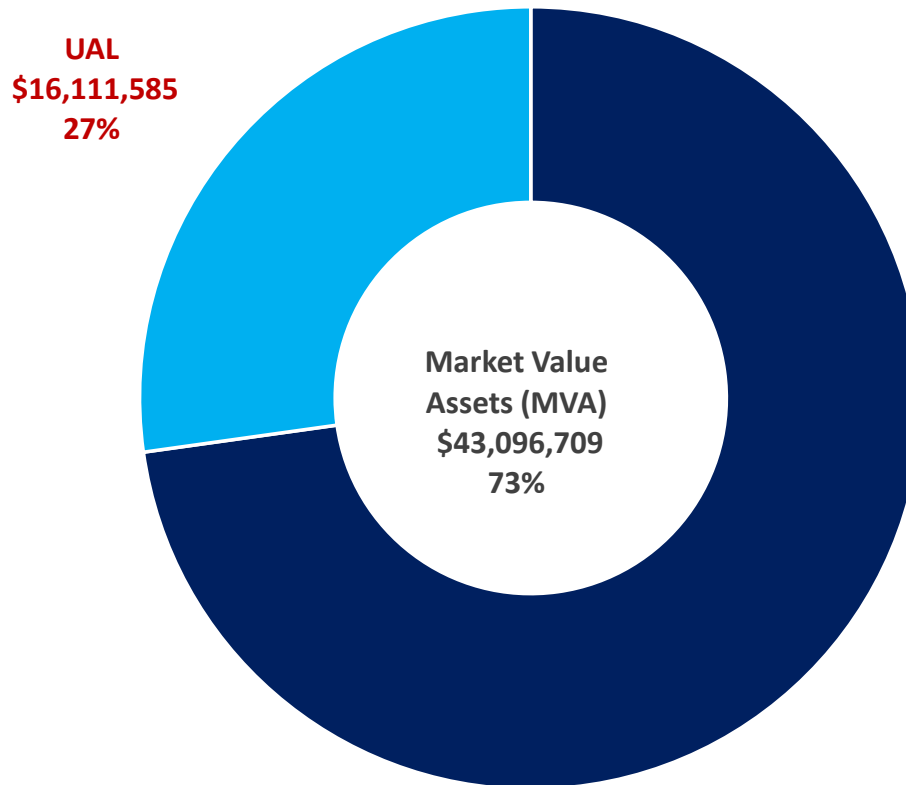
Attachment: Pension Funding Plan Presentation



Proposed Pension Funding Plan

April 12, 2022

Unfunded Accrued Liability (UAL)



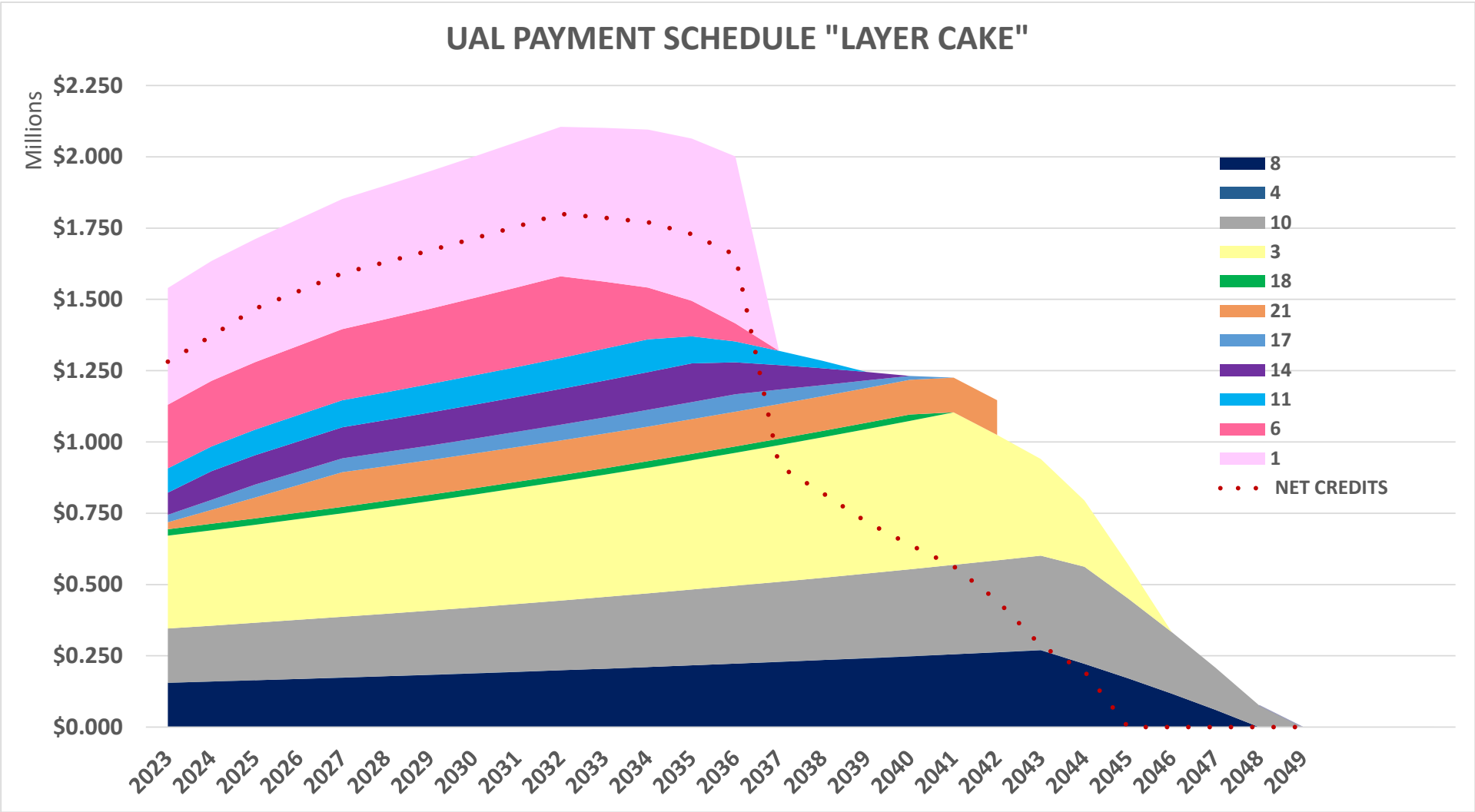
Unfunded Actuarial Liability (UAL) June 30, 2020

	<u>Classic</u>	<u>PEPRA</u>	<u>COMBINED</u>
Accrued Liability (AL)	\$ 57,897,331	\$1,310,963	\$59,208,294
Market Value Assets (MVA)	41,912,549	1,184,160	43,096,709
UAL = AL - MVA	\$ 15,984,782	\$ 126,803	\$16,111,585
	72.4%	90.3%	72.8%

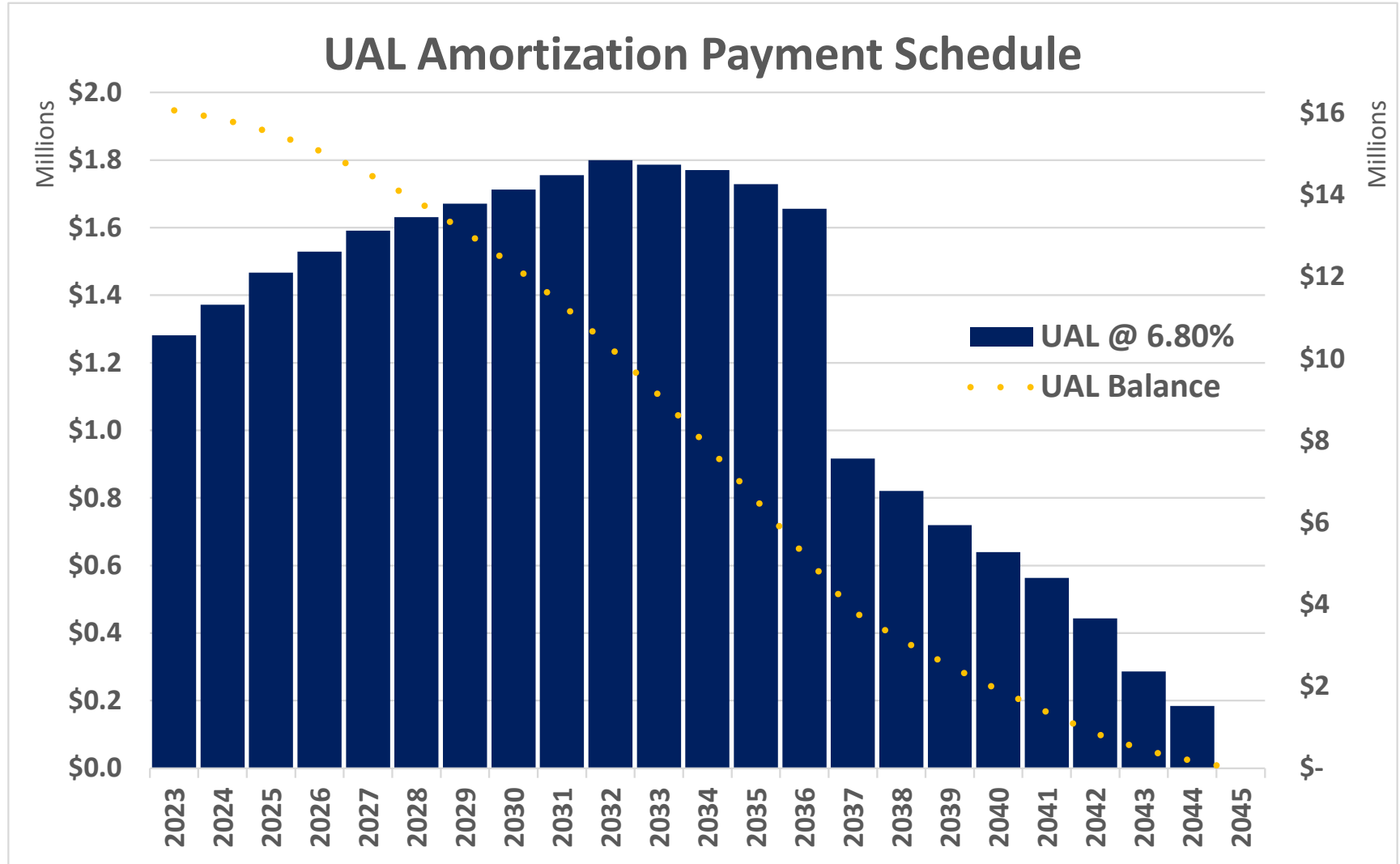
Amortization Bases – June 30, 2022

Olivenhain MWD Amortization Bases						
	Year	Reason	Ramp	Term	Balance	Payment
1	2013	Share of Pre-2013 Pool UAL	NO	14	\$ 4,380,841	\$ 415,674
2	2013	Non-Investment (Gain)/Loss	100%	23	(42,787)	(3,071)
3	2013	Investment (Gain)/Loss	100%	23	4,638,937	332,998
4	2014	Non-Investment (Gain)/Loss	100%	24	4,106	286
5	2014	Investment (Gain)/Loss	100%	24	(3,651,164)	(254,539)
6	2014	Assumption Change	100%	14	2,121,278	226,891
7	2015	Non-Investment (Gain)/Loss	100%	25	(195,458)	(13,259)
8	2015	Investment (Gain)/Loss	100%	25	2,346,336	159,168
9	2016	Non-Investment (Gain)/Loss	100%	26	(381,406)	(25,221)
10	2016	Investment (Gain)/Loss	100%	26	2,957,171	195,549
11	2016	Assumption Change	100%	16	908,166	86,357
12	2017	Non-Investment (Gain)/Loss	80%	27	(83,563)	(4,371)
13	2017	Investment (Gain)/Loss	80%	27	(1,596,041)	(83,479)
14	2017	Assumption Change	80%	17	1,080,976	79,541
15	2018	Investment (Gain)/Loss	60%	28	(493,486)	(19,393)
16	2018	Assumption Change	60%	18	1,769,351	96,332
17	2018	Method Change	60%	18	483,887	26,345
18	2019	Non-Investment (Gain)/Loss	No	19	238,283	22,288
19	2019	Investment (Gain)/Loss	40%	19	237,870	9,931
20	2020	Non-Investment (Gain)/Loss	No	20	207,390	18,925
21	2020	Investment (Gain)/Loss	20%	20	1,133,817	24,790
June 30, 2022					\$ 16,064,504	\$ 1,291,742
					PEPRA 136,515	
					\$ 16,201,019	

Layer Cake

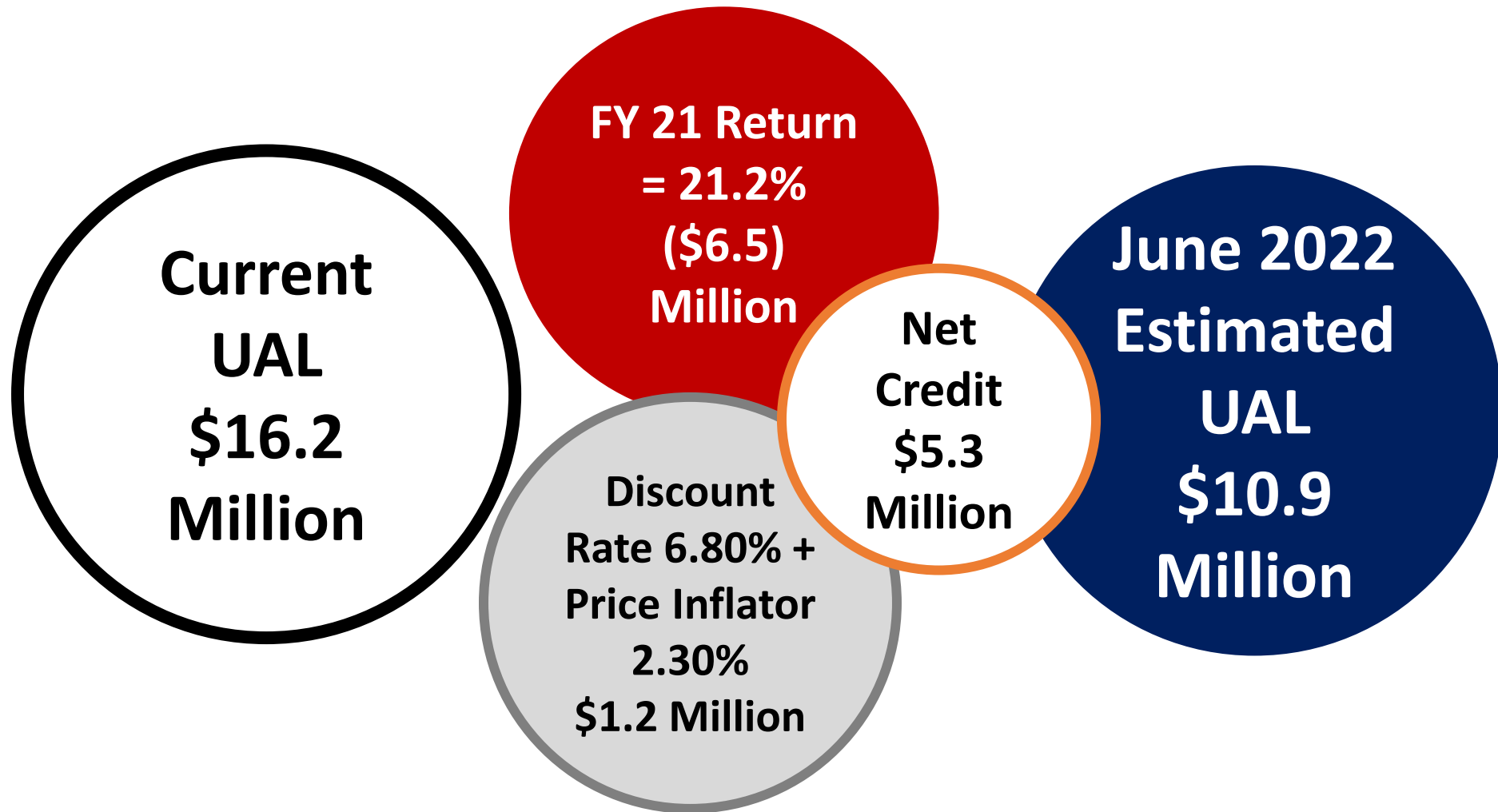


UAL Payments (FY 2022-23)

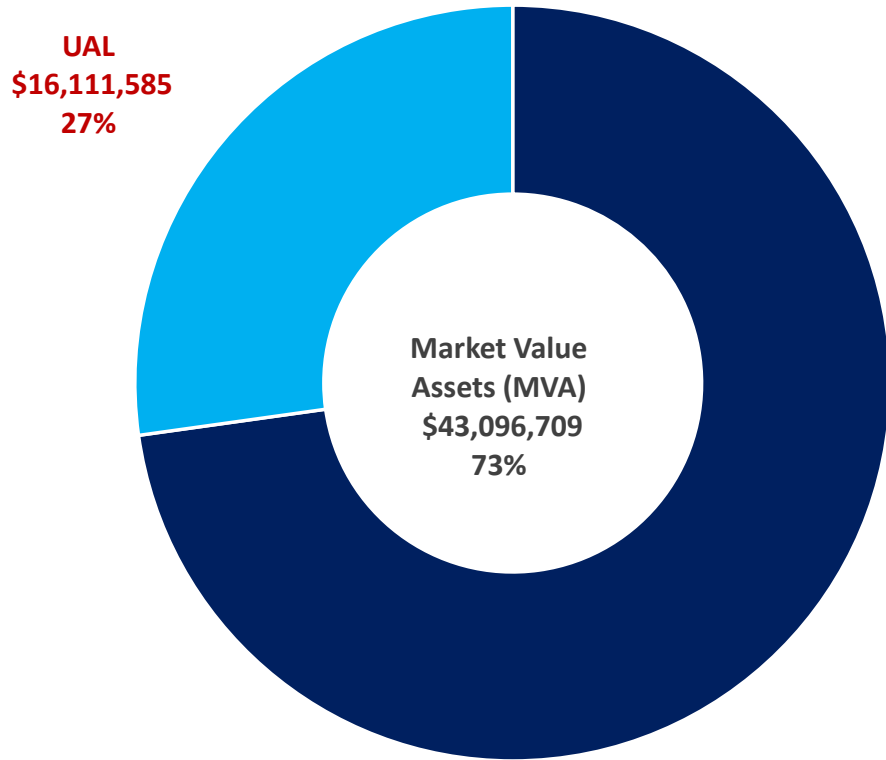


FY21 Base

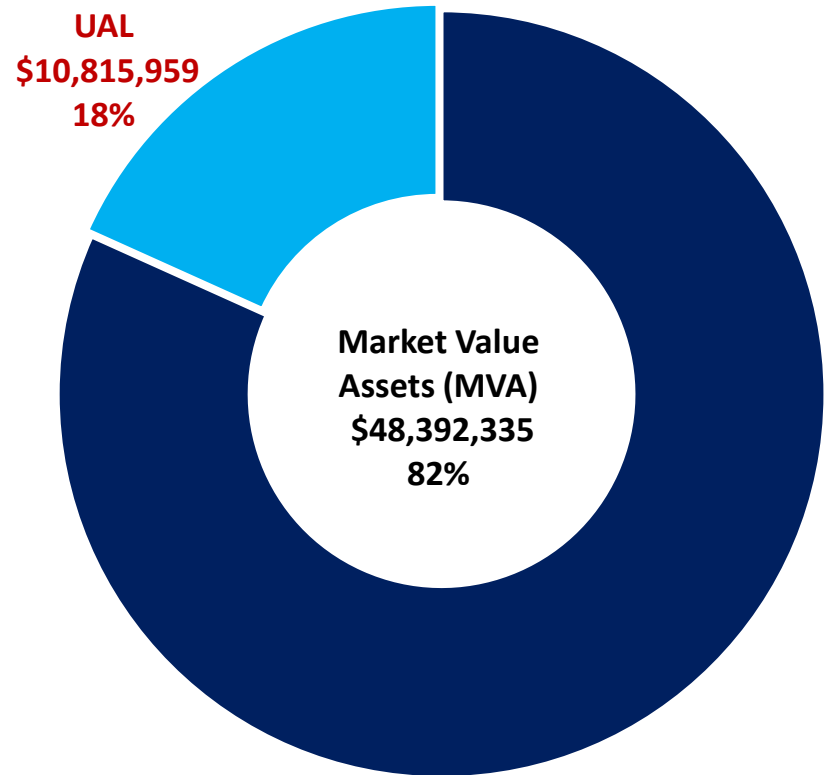
FY21 New Bases



UAL After Projected FY21 Credit

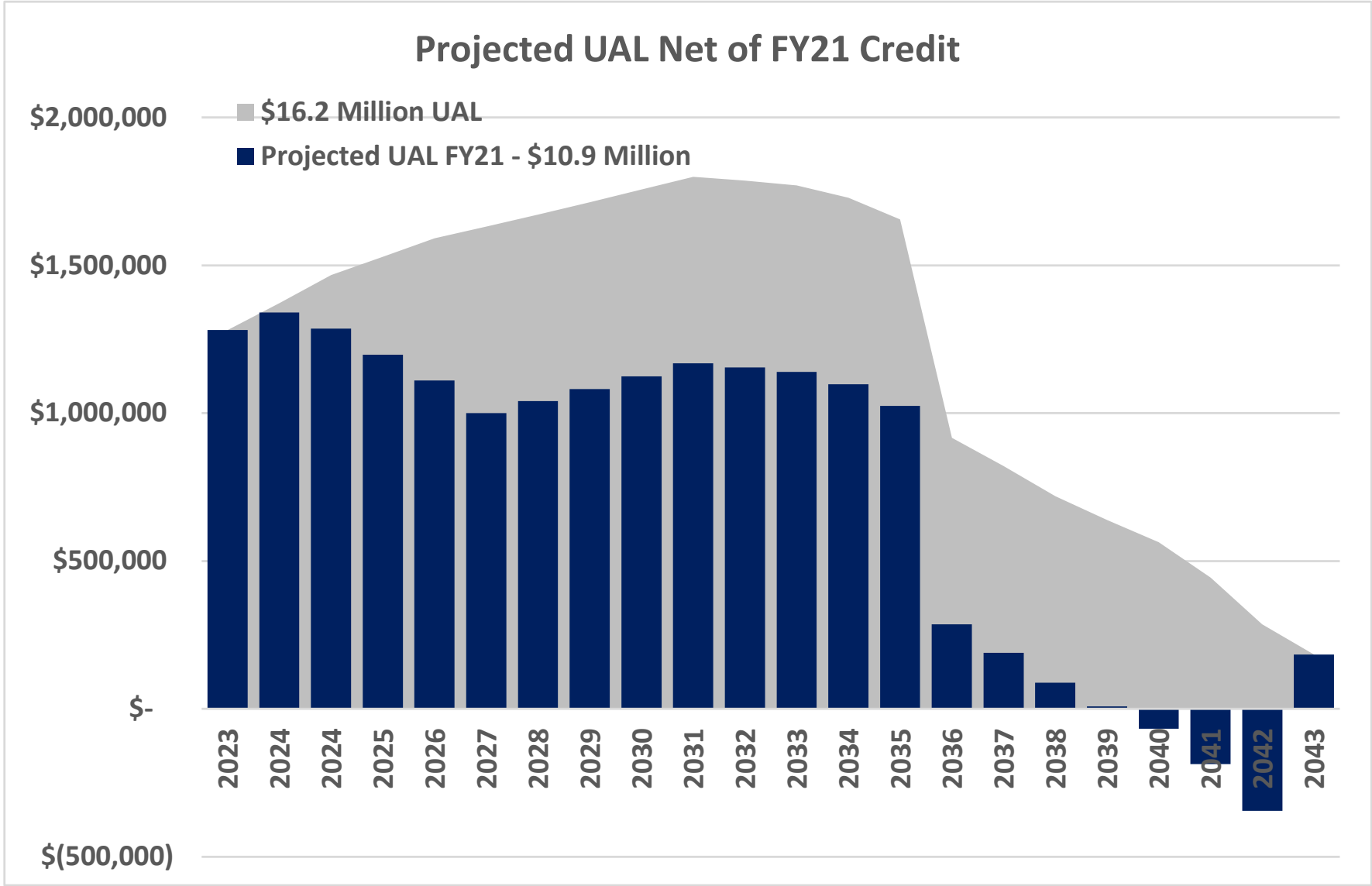


UAL – June 30, 2020



**Projected UAL
After FY21 Net Credit**

UAL After FY21 New Bases



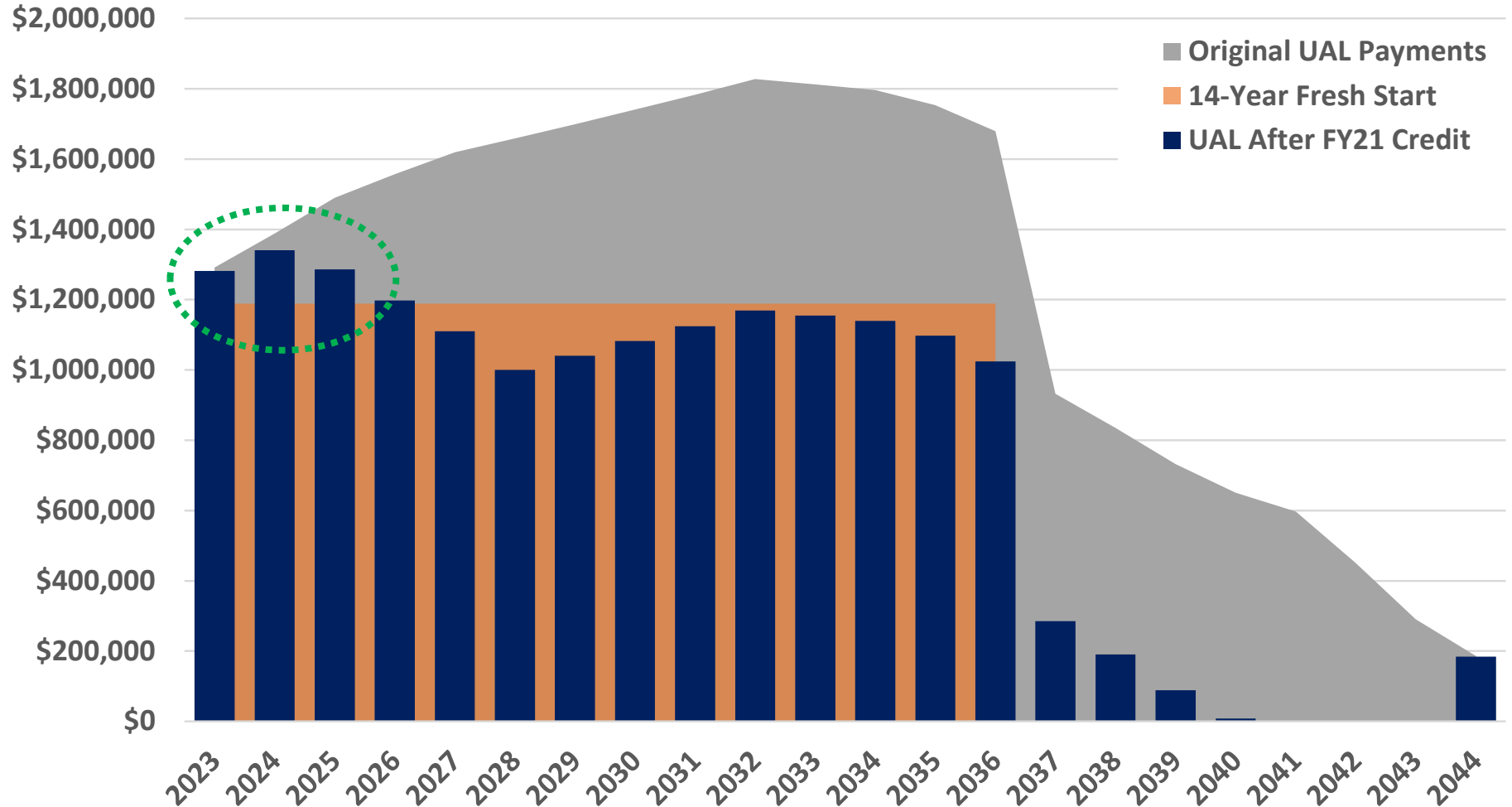
Projected UAL Payments After Credit

		Original UAL Payments	Adjusted UAL Payments	FY21 Return 21.20%	Discount Rate + Price Inflator	Net Impact	Projected UAL FY21
1	2023	\$ 1,281,225	\$ 1,281,225	\$ -	\$ -	\$ -	\$ 1,281,225
2	2024	1,371,840	1,371,840	(150,040)	119,208	(30,832)	1,341,008
3	2024	1,467,190	1,467,190	(300,079)	119,208	(180,872)	1,286,318
4	2025	1,528,786	1,528,786	(450,119)	119,208	(330,912)	1,197,875
5	2026	1,591,427	1,591,427	(600,159)	119,208	(480,951)	1,110,475
6	2027	1,630,814	1,630,814	(750,199)	119,208	(630,991)	999,823
7	2028	1,671,305	1,671,305	(750,199)	119,208	(630,991)	1,040,314
8	2029	1,712,929	1,712,929	(750,199)	119,208	(630,991)	1,081,938
9	2030	1,755,719	1,755,719	(750,199)	119,208	(630,991)	1,124,728
10	2031	1,799,706	1,799,706	(750,199)	119,208	(630,991)	1,168,715
11	2032	1,785,999	1,785,999	(750,199)	119,208	(630,991)	1,155,008
12	2033	1,770,258	1,770,258	(750,199)	119,208	(630,991)	1,139,267
13	2034	1,728,723	1,728,723	(750,199)	119,208	(630,991)	1,097,732
14	2035	1,655,653	1,655,653	(750,199)	119,208	(630,991)	1,024,662
15	2036	916,523	916,523	(750,199)	119,208	(630,991)	285,532
16	2037	821,070	821,070	(750,199)	119,208	(630,991)	190,079
17	2038	719,697	719,697	(750,199)	119,208	(630,991)	88,706
18	2039	639,309	639,309	(750,199)	119,208	(630,991)	8,318
19	2040	563,558	563,558	(750,199)	119,208	(630,991)	(67,433)
20	2041	443,898	443,898	(750,199)	119,208	(630,991)	(187,093)
21	2042	286,393	286,393	(750,199)	119,208	(630,991)	(344,598)
22	2043	184,173	184,173	-	-	-	184,173
23	2044	-	-	-	-	-	-
		\$ 27,326,194	\$ 27,326,194	\$ (13,503,574)	\$ 2,384,152	\$ (11,119,423)	\$ 16,206,772
		\$ 16,201,019	\$ 16,169,902	\$ (6,535,875)	\$ 1,240,248	\$ (5,295,626)	\$ 10,874,276
						Normal Cost	\$ 39,314

Fresh Start

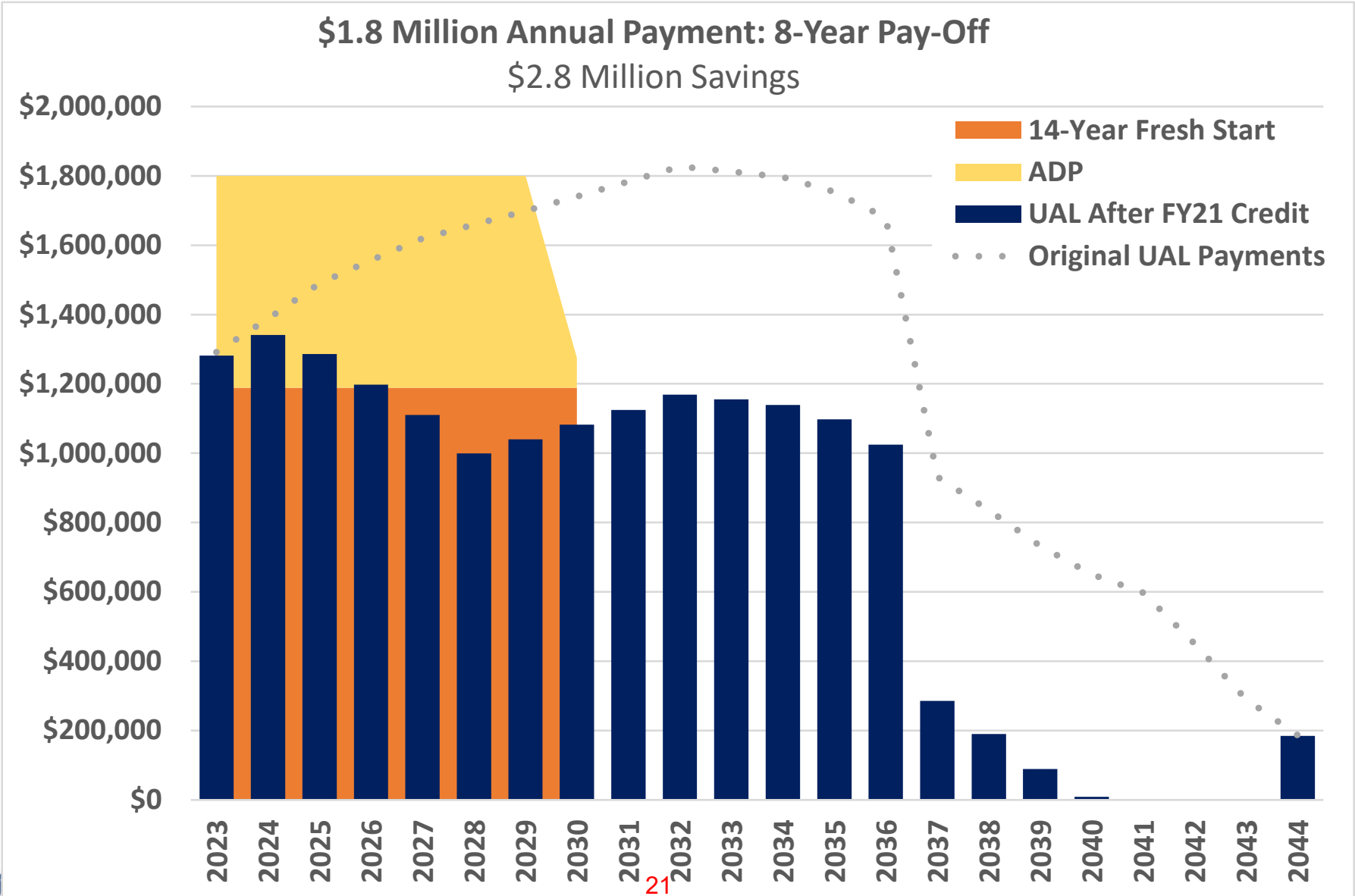
Fresh Start - Level Annual Payments

14-Year FRESH START



**\$1.8 Million Annual Payments
8-Year Pay-Off**

\$1.8 Million Combined Annual Payments



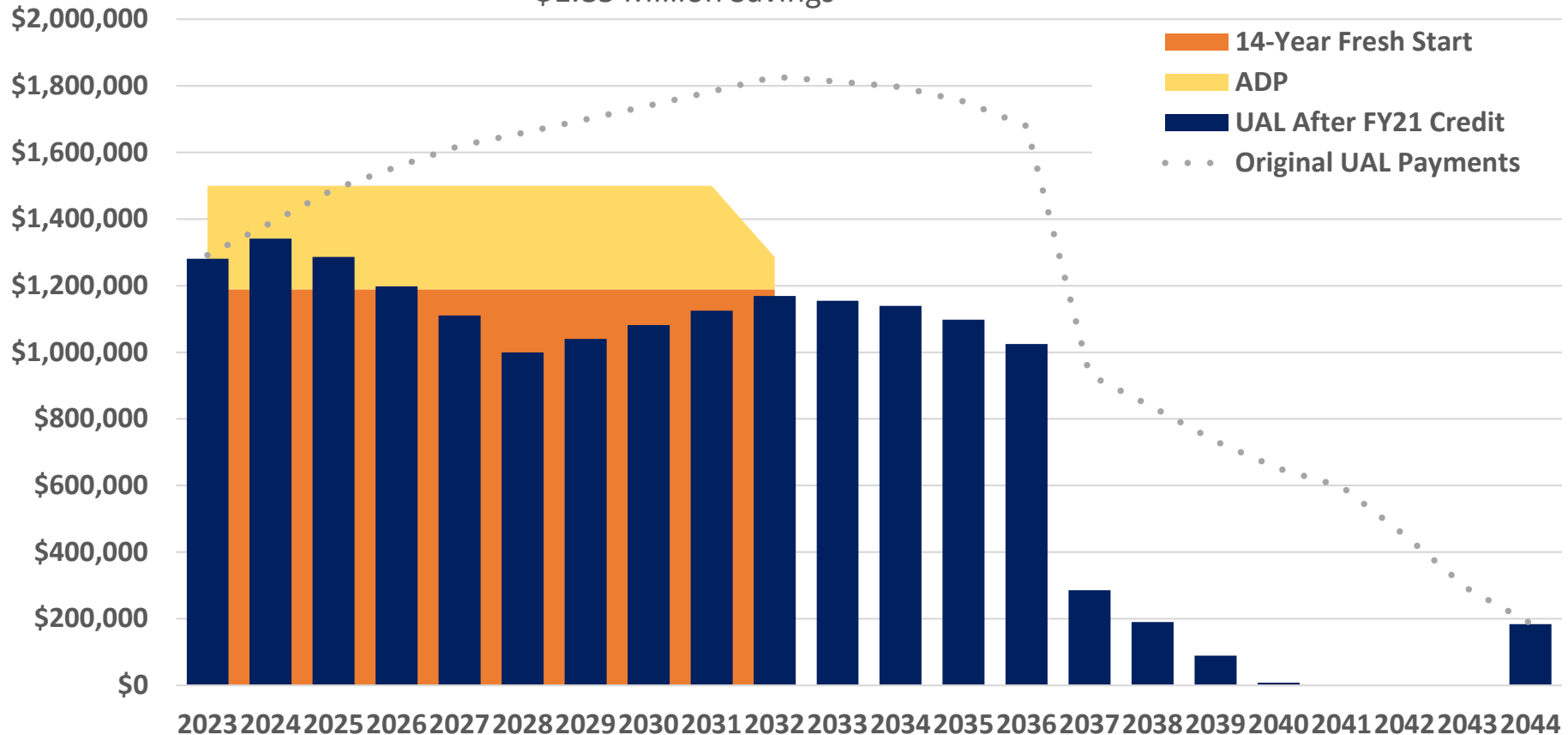
Savings - \$1.8 Million Annual Payments

		14-Year Fresh Start	14-Year Fresh Start	ADP	Combined Payments	UAL Savings
1	2023	1,188,793	\$ 1,188,793	\$ 611,207	\$ 1,800,000	\$ (611,207)
2	2024	1,188,793	1,188,793	611,207	1,800,000	(611,207)
3	2025	1,188,793	1,188,793	611,207	1,800,000	(611,207)
4	2026	1,188,793	1,188,793	611,207	1,800,000	(611,207)
5	2027	1,188,793	1,188,793	611,207	1,800,000	(611,207)
6	2028	1,188,793	1,188,793	611,207	1,800,000	(611,207)
7	2029	1,188,793	1,188,793	611,207	1,800,000	(611,207)
8	2030	1,188,793	1,188,793	86,913	1,275,706	(86,913)
9	2031	1,188,793			-	1,188,793
10	2032	1,188,793			-	1,188,793
11	2033	1,188,793			-	1,188,793
12	2034	1,188,793			-	1,188,793
13	2035	1,188,793			-	1,188,793
14	2036	1,188,793			-	1,188,793
15	2037	-			-	-
16	2038	-			-	-
17	2039	-			-	-
18	2040	-			-	-
19	2041	-			-	-
20	2042	-			-	-
21	2043	-			-	-
22	2044	-			-	-
23	2045	-			-	-
24	2046	-			-	-
25	2047	-			-	-
		\$ 16,643,096	\$ 9,510,341	\$ 4,365,365	\$ 13,875,706	\$ 2,767,390

**\$1.5 Million Annual Payments
10-Year Pay-Off**

\$1.5 Million Combined Payments

\$1.5 Million Annual Payment: 10-Year Pay-Off
\$1.85 Million Savings



Savings - \$1.5 Million Annual Payments

		14-Year Fresh Start	14-Year Fresh Start	ADP	Combined Payments	UAL Savings
1	2023	\$ 1,188,793	\$ 1,188,793	\$ 311,207	\$ 1,500,000	\$ (311,207)
2	2024	1,188,793	1,188,793	311,207	1,500,000	(311,207)
3	2025	1,188,793	1,188,793	311,207	1,500,000	(311,207)
4	2026	1,188,793	1,188,793	311,207	1,500,000	(311,207)
5	2027	1,188,793	1,188,793	311,207	1,500,000	(311,207)
6	2028	1,188,793	1,188,793	311,207	1,500,000	(311,207)
7	2029	1,188,793	1,188,793	311,207	1,500,000	(311,207)
8	2030	1,188,793	1,188,793	311,207	1,500,000	(311,207)
9	2031	1,188,793	1,188,793	311,207	1,500,000	(311,207)
10	2032	1,188,793	1,188,793	96,770	1,285,563	(96,770)
11	2033	1,188,793			-	1,188,793
12	2034	1,188,793			-	1,188,793
13	2035	1,188,793			-	1,188,793
14	2036	1,188,793			-	1,188,793
15	2037	-			-	-
16	2038	-			-	-
17	2039	-			-	-
18	2040	-			-	-
19	2041	-			-	-
20	2042	-			-	-
21	2043	-			-	-
22	2044	-			-	-
23	2045	-			-	-
24	2046	-			-	-
25	2047	-			-	-
		\$ 16,643,096	\$ 11,887,926	\$ 2,897,637	\$ 14,785,563	\$ 1,857,533

\$300K to 115 Trust @ 6.0%

6.00%		115 Trust	
		Balance	Payment
1	2023	-	300,000
2	2024	318,000	300,000
3	2025	655,080	300,000
4	2026	1,012,385	300,000
5	2027	1,391,128	300,000
6	2028	1,792,596	300,000
7	2029	2,218,151	300,000
8	2030	2,669,240	300,000
9	2031	3,147,395	300,000
10	2032	3,654,238	300,000
			\$ 3,000,000

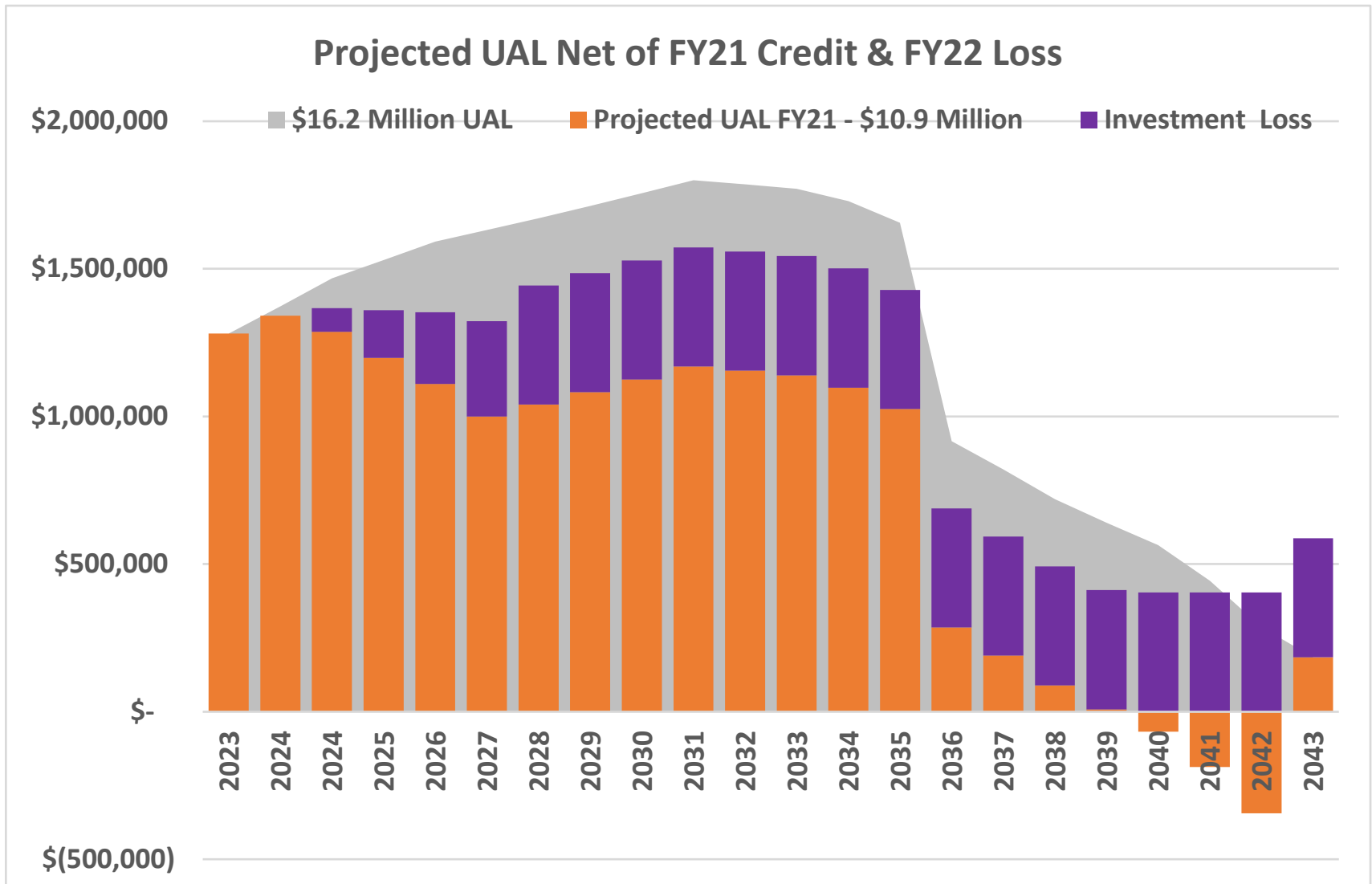
Projected Impact of 0.0% Return

Projected 0.0% Return (June 30, 2022)

Projected Impact of 0% Return		
Market Value Assets (MVA)	\$	48,392,335
0.0%		48,392,335
6.8%		51,683,014
New Base Value	\$	3,290,679

	Current UAL \$16.2 Million	Investment Loss	FY21 Net credit	FY22 Adj UAL
2023	\$ 1,281,225		\$ -	\$ 1,281,225
2024	1,371,840		(30,832)	1,341,008
1 2025	1,467,190	80,679	(180,872)	1,366,997
2 2026	1,528,786	161,358	(330,912)	1,359,232
3 2027	1,591,427	242,036	(480,951)	1,352,512
4 2028	1,630,814	322,715	(630,991)	1,322,538
5 2029	1,671,305	403,394	(630,991)	1,443,708
6 2030	1,712,929	403,394	(630,991)	1,485,332
7 2031	1,755,719	403,394	(630,991)	1,528,121
8 2032	1,799,706	403,394	(630,991)	1,572,109
9 2033	1,785,999	403,394	(630,991)	1,558,402
10 2034	1,770,258	403,394	(630,991)	1,542,661
11 2035	1,728,723	403,394	(630,991)	1,501,126
12 2036	1,655,653	403,394	(630,991)	1,428,056
13 2037	916,523	403,394	(630,991)	688,926
14 2038	821,070	403,394	(630,991)	593,472
15 2039	719,697	403,394	(630,991)	492,100
16 2040	639,309	403,394	(630,991)	411,712
17 2041	563,558	403,394	(630,991)	335,961
18 2042	443,898	403,394	(630,991)	216,301
19 2043	286,393	403,394	(630,991)	58,796
20 2044	184,173	403,394	-	587,567
	\$ 27,326,194	\$ 7,261,089	\$ (11,119,423)	\$ 23,467,861
UAL	\$ 16,169,902	\$ 3,290,679	\$ (5,295,626)	\$ 14,164,954

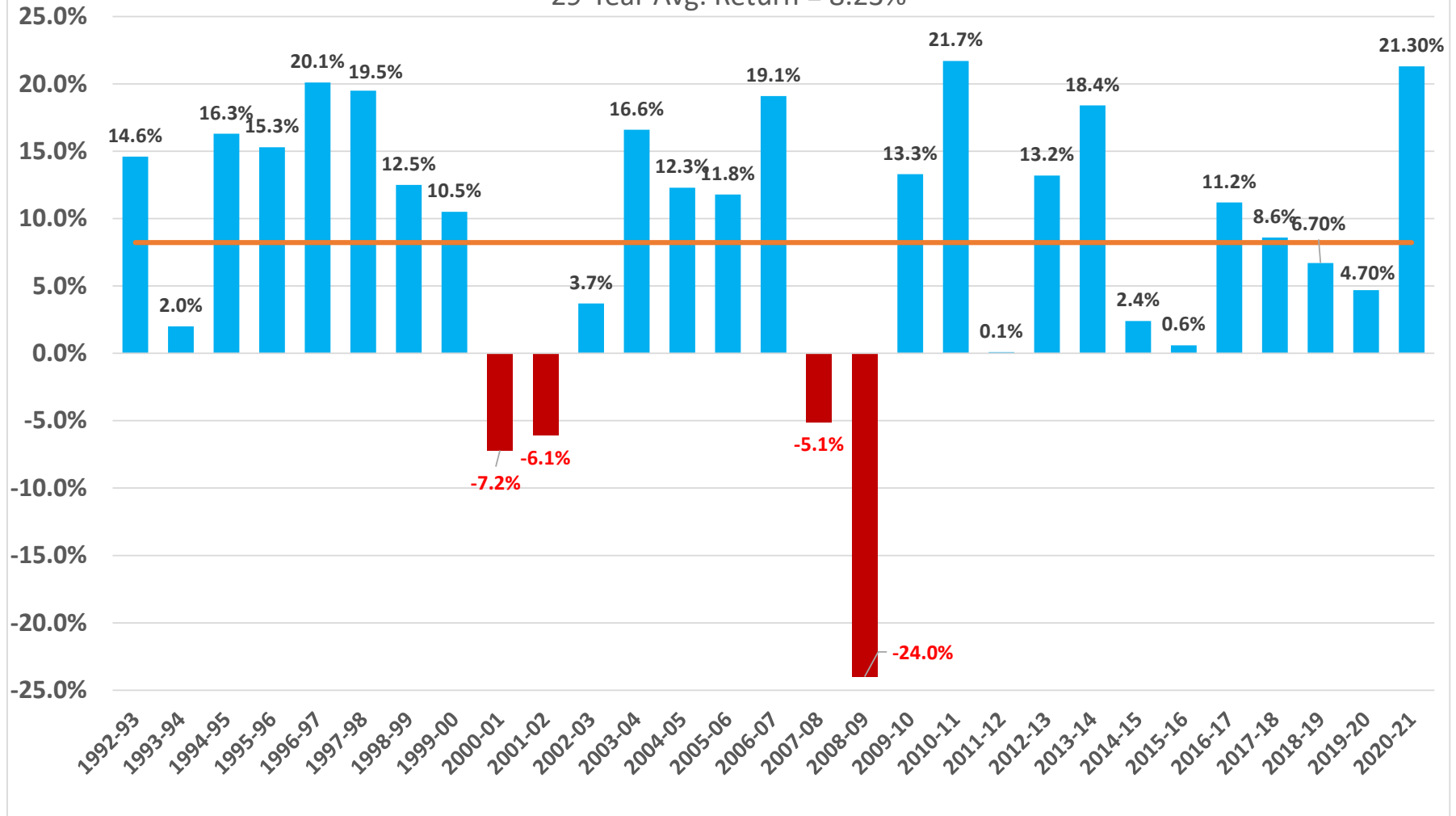
Projected 0.0% Return (June 30, 2022)



CalPERS Investment Returns

CalPERS Annual Investment Performance

29-Year Avg. Return = 8.23%



Regulatory Disclosure

Disclosure of Conflicts of Interest and Legal or Disciplinary Events. Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients and potential clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Urban Futures, Inc. (“UFI”) and its associated persons.

Conflicts of Interest. Compensation. UFI represents that in connection with the issuance of municipal securities, UFI may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, UFI hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding UFI’s ability to provide unbiased advice to enter into such transaction. This conflict of interest will not impair UFI’s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer. It should be noted that other forms of compensation (i.e. hourly or fixed fee based) may also present a potential conflict of interest regarding UFI’s ability to provide advice regarding a municipal security transaction. These other potential conflicts of interest will not impair UFI’s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

Other Municipal Advisor Relationships. UFI serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another UFI client. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, UFI could potentially face a conflict of interest arising from these competing client interests. UFI fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with its clients. If UFI becomes aware of any additional potential or actual conflict of interest after this disclosure, UFI will disclose the detailed information in writing to the issuer or obligated person in a timely manner.

Legal or Disciplinary Events. UFI does not have any legal events or disciplinary history on UFI’s Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Issuer may electronically access UFI’s most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against UFI, UFI will provide complete disclosure to the Issuer in detail allowing the Issuer to evaluate UFI, its management and personnel.

Staff's Recommendation:

Pension Funding Target and Goal

- Funding Target: Shall not be below 85%, based on the most current CalPERS' Annual Valuation Report
- Funding Goal: 100%

Three-Year Average Pension Funded Ratio

1	90% or above	Strong
2	80%-90%	Good
3	60%-80%	Relatively low
4	60% or below	Weak

Source: S&P US State Ratings Report, October 17, 2016- Pension Liabilities

Staff's Recommendation:

Pension Funding Strategies

- \$1.5 Million Combined Payments of 14-Year Fresh Start and Annual Discretionary Payment of \$311,000 over the next 10 years
- OMWD's LRFP includes a required annual UAL and \$500,000 in Annual Discretionary Payment until 2025
- Create a Pension Stabilization Fund
 - Will be used to offset pension costs (normal costs or offset future increases in UAL)
 - Case-by-case basis with approval from by the Board
- Annual review of pension funding with the Board
 - After release of the Annual Valuation Report by CalPERS (August)
 - After the financial audit is completed to transfer excess funds from reserves to Pension Stabilization Fund (budget savings/surplus)

Next Steps

- Approval from the Finance Committee to bring pension funding solutions and strategies forward to the Board for discussion
- Present draft of Pension Funding Policy to the Committee at the May Finance Committee meeting for recommendation
- Present FC recommended policy to the Board for consideration and adoption at the June meeting

Questions

Memo

Date: April 12, 2022
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **REVIEW AND DISCUSS DRAFT OF FISCAL YEARS 2023 AND 2024 OPERATING AND CAPITAL BUDGET**

Staff would like to review the proposed draft of operating and capital budget for fiscal years 2023 and 2024 with the Committee. The draft of fiscal years 2023 and 2024 operating and capital budget will be discussed with the Board at the April meeting.

Staff will make a presentation (attached) to the Committee and be available for discussion during the meeting.

Attachment: DRAFT Biennial Budget Presentation

Draft Budget for Fiscal Years 2023 & 2024 Operating and Capital Budget and Annual Financial Risk Analysis

April 12, 2022 Finance Committee

Process

- 💧 Received input from each department manager on their departmental needs for the development of FY 2023 budget
- 💧 Developed budget key assumptions for FY 2023
- 💧 Conducted two budget workshops with managers and GM
- 💧 Used historical and current data for revenue projections
- 💧 Updated Rate Models and Financial Plan
 - 💧 Reviewed PAYGO and 10 Year Planned Capital Spending
- 💧 Reviewed projected reserve fund balances
 - 💧 Compliance with Board's Reserve Policies (target balances)
- 💧 Calculated net revenue to debt service coverage

Budget Assumptions

- 💧 Sales Volume - water: use average of CY '20 and CY '21 for FY '23 & FY'24 - decrease of 150 AF from fiscal year 2022 budgeted.
- 💧 Sales Volume – sewer: based on actual water consumption in fiscal year 2022
- 💧 Water Revenue:
 - 💧 Pass-through purchased water wholesale cost increases in fiscal years 2023 and 2024 – current estimate based on rates included SDCWA's long range plan.
 - 💧 Pass-through SDCWA-IAC increases in fiscal years 2023 and 2024
 - 💧 Pass-through inflation based on SDCPI - 6.35% increase based on 2nd half index in 2021 over 2020
- 💧 Sewer Revenue:
 - 💧 3% rate increase effective July 1, 2022 and July 1, 2023 per Board approved rate plan
- 💧 Fixed Revenues - water: based on active water accounts, add 50 new meter installs in FY 2023 and 2024 for growth
- 💧 Fixed Revenues – sewer: based on FY 2022 actual EDU's
- 💧 Selling of Excess Treated Water to Vallecitos based on FY '22 projected actual water deliveries

Budget Assumptions – cont.

- 💧 Rental Income: \$760k
 - 💧 Use 3% escalation factor per lease agreements over FY '22
- 💧 Property Tax Revenue: estimated at \$4.1 million
- 💧 Investment Income: estimated at 0.5% for FY 2023 and 1.0% thereafter
- 💧 Capacity Fee Revenues: used Engineering revised 2022 cap fees projection
- 💧 Anticipated grant funding: \$1.9 million (FY '23) and \$514k (FY '24)
- 💧 Anticipate property sale revenue of approximately \$1 million in FY '23
- 💧 Annual Debt Service and loan payment: \$6.4 million based on debt service schedules 2015A, 2016A, SRF Loan, 2021A Loan, and 2021B Loan

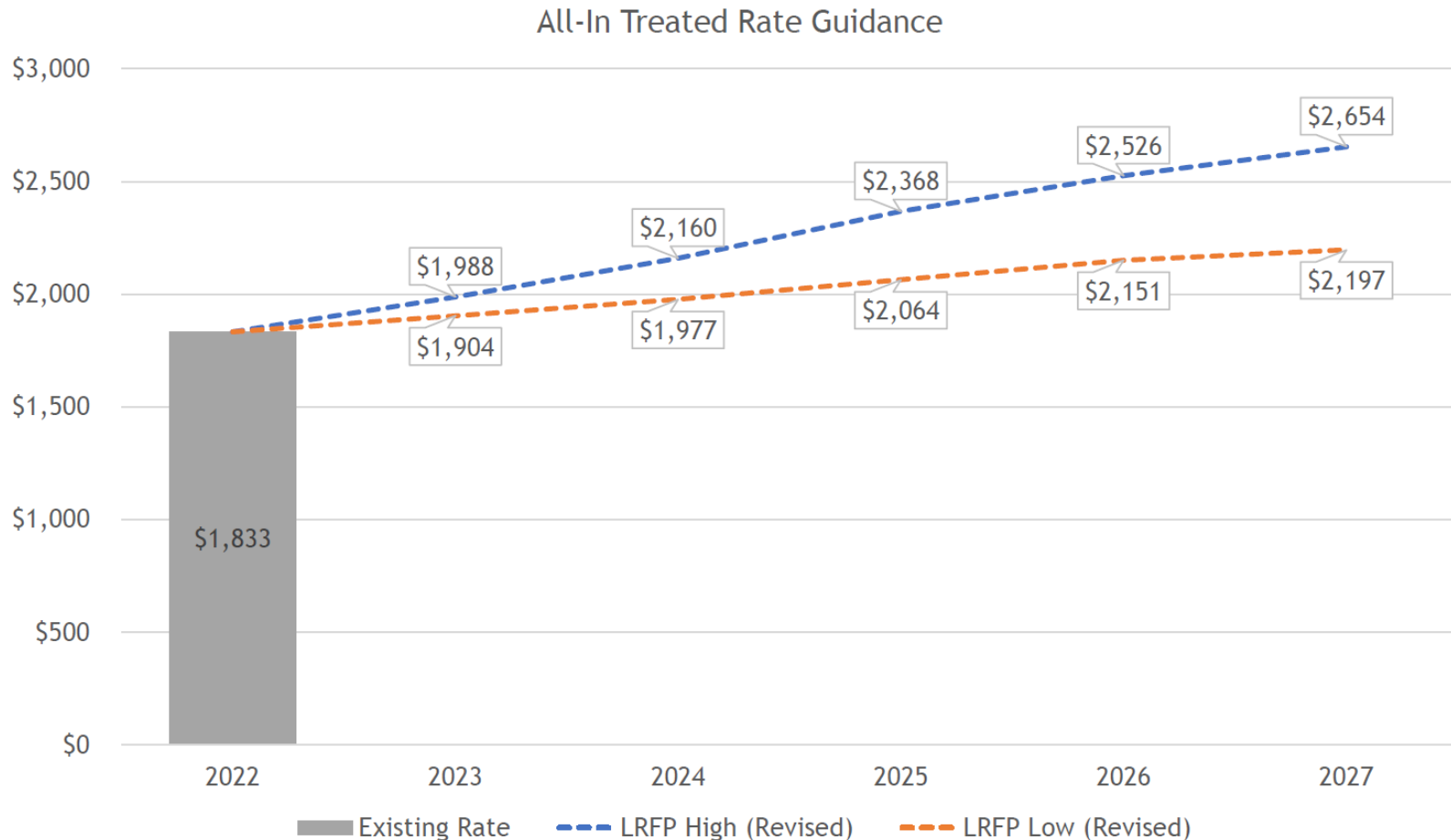
Factors Impacting FYs 2023 & 2024 Operating Budget

- 💧 Purchased Water Costs from SDCWA
 - 💧 Pending release of 2023 purchased water costs from SDCWA
- 💧 Inflation Adjustment
 - 💧 General supplies, chemical, power, and fuel
 - 💧 SD CPI increase of 8.22% in January 2022 over January 2021
- 💧 New FTEs
 - 💧 FY '23 - add 1 new FTE for WTP Operator II per staffing analysis
 - 💧 FY '24 – add 1 new FTE for WW Plant Operator, unfreeze 2 vacant utility positions in construction that have remained frozen to help offset COVID-19 impacts on costs
- 💧 Salaries & Benefits – Water and Sewer
 - 💧 An anticipated 6% increase in salary and wages for fiscal years '23 and '24 based on SD CPI max of 3.5% (5.21% for 2021) plus 2.5% merit pool per MOU
 - 💧 Assume a 4% increase in health insurance premium costs in 2023 and 2024
 - 💧 Use SDRMA's estimated workers comp premium using current ex-mode rate of 74% for fiscal year '23
 - 💧 CalPERS Pension Costs: normal cost and required annual unfunded liability payment
- 💧 Meet Board's priorities included in the District's annual goals
 - 💧 Customer conservation and outreach programs, customer survey, and internal business process overview
- 💧 Additional Discretionary Payment of \$500k each year for 2023 and 2024

Financial Risks

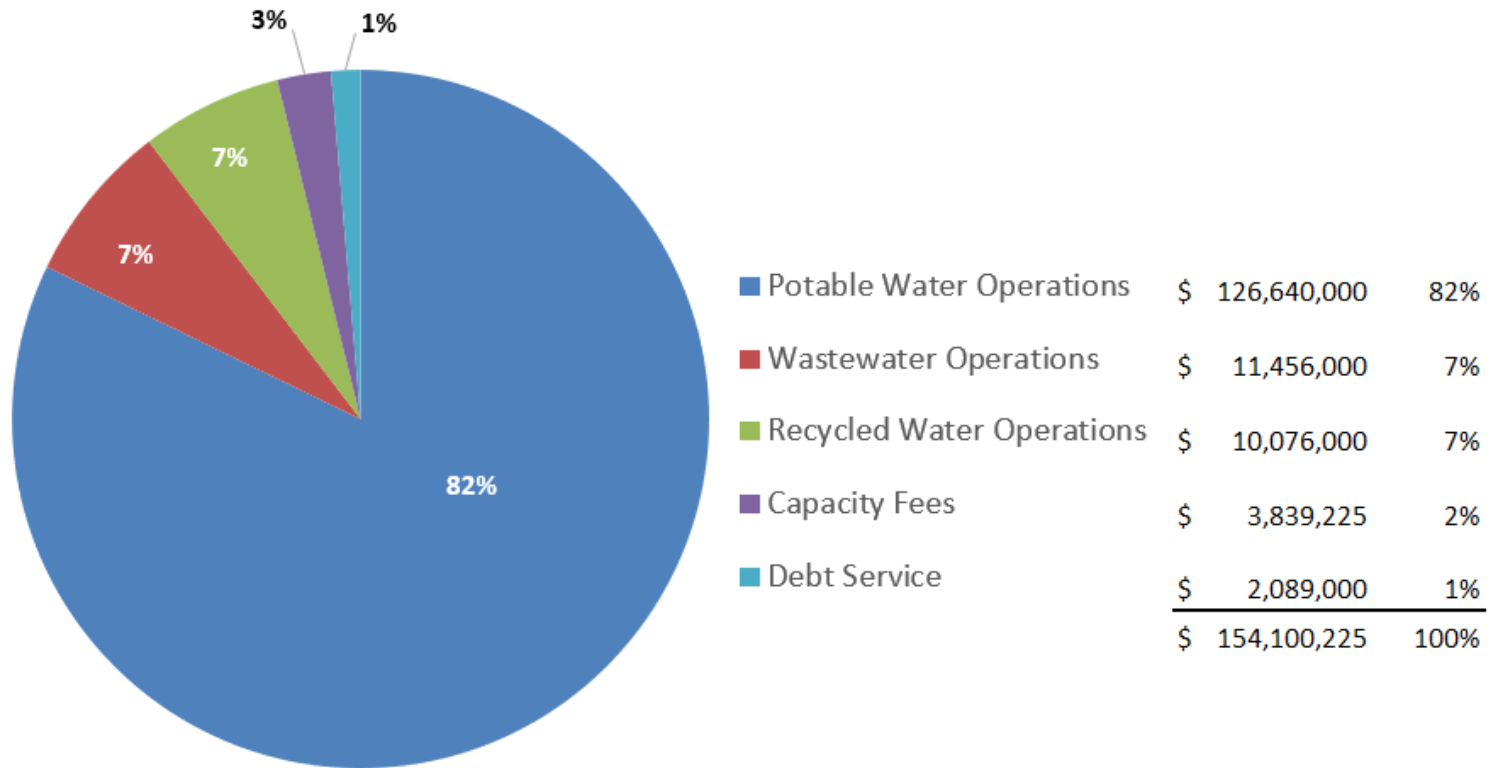
- 💧 Future pass-through wholesale purchased water costs from MWD and SDCWA
- 💧 Demand variability
 - 💧 Temperature
 - 💧 Governor's Executive Order N-7-22-Drought
- 💧 Economic conditions
 - 💧 Inflationary pressures and expectations on supply costs

Estimate of Purchased Water Costs from SDCWA



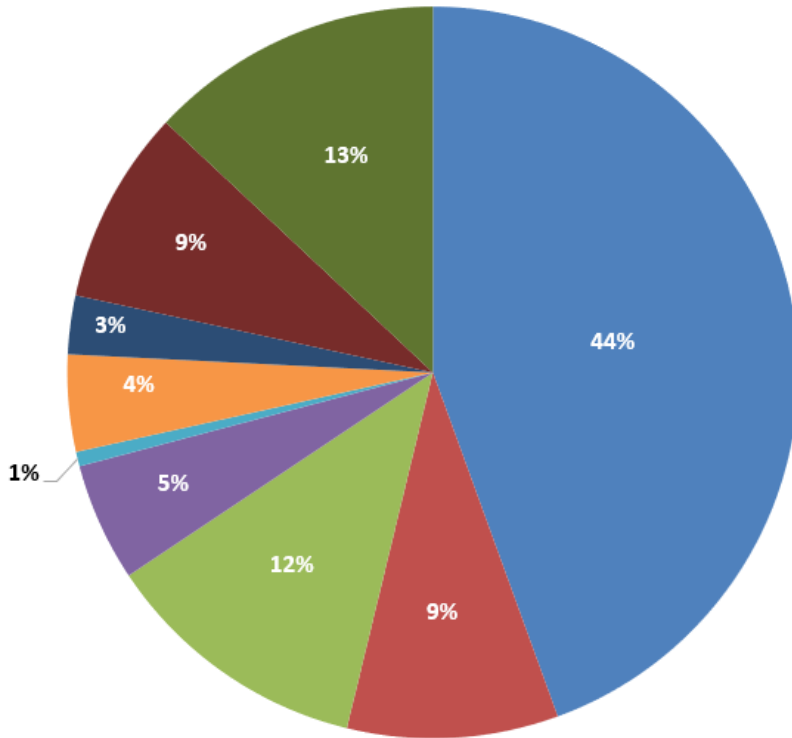
FYE 2023 & 2024 Sources of Funds

FYE 2023 & 2024 Revenues (\$154.1 million)*



FYE 2023 & 2024 Uses of Funds

FYE 2023 & 2024 Expenditures (\$149.6 million)*



Water Purchased	\$ 66,501,000	44%
General & Administration	\$ 13,962,600	9%
Potable Water Operations	\$ 17,737,200	12%
David C. McCollom Water Treatment Plant	\$ 7,833,500	5%
Elfin Forest Recreational Reserve	\$ 956,000	1%
Wastewater Operations	\$ 6,408,500	4%
Recycled Operations	\$ 3,874,000	3%
Debt Service	\$ 12,844,000	9%
PAYGO Fund Transfer	\$ 19,491,000	13%
	\$149,607,800	100%

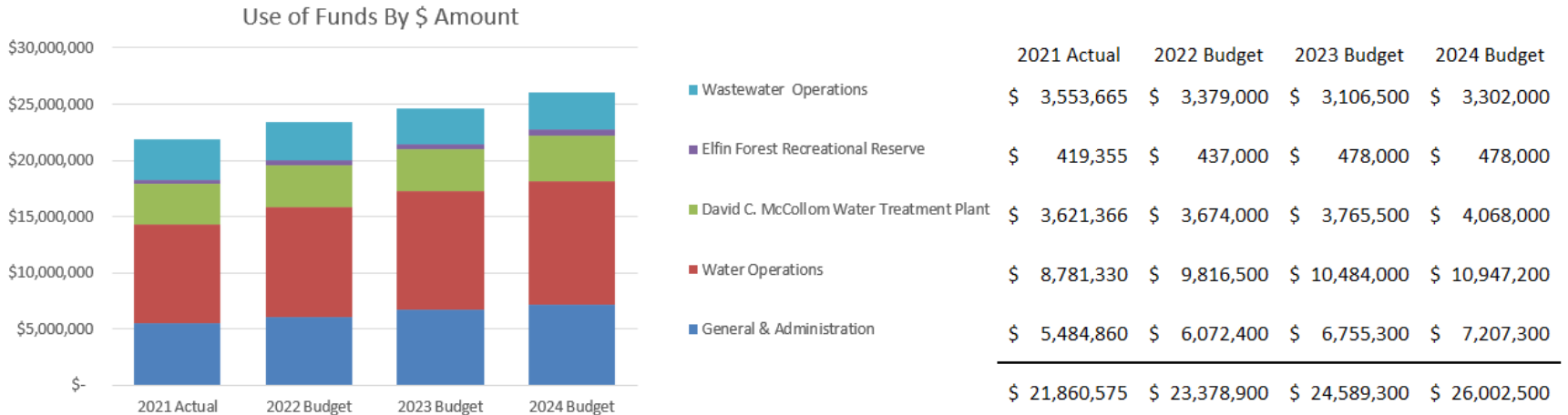
Departmental Operating Costs

	FYE 2021 Actual	FYE 2022 Adopted	% Diff	FYE 2023 Proposed ¹	% Diff	FYE 2024 Proposed ²	% Diff
Salaries & Benefits	\$ 14,388,254	\$ 14,938,000	3.8%	\$ 15,773,000	5.6%	\$ 16,939,000	7.4%
Operations	\$ 9,002,542	\$ 9,783,900	8.7%	\$ 10,446,300	6.8%	\$ 10,785,500	3.2%
Capitalized Operating Expenditures ³	\$ (1,530,221)	\$ (1,343,000)	-12.2%	\$ (1,630,000)	21.4%	\$ (1,722,000)	5.6%
Total	\$ 21,860,575	\$ 23,378,900	6.9%	\$ 24,589,300	5.2%	\$ 26,002,500	5.7%

¹ Includes addition of (1) FTE for WTP Operator II

² Includes addition of (1) New FTE for WW Operator and unfreezing (2) vacant utility positions

³ Includes District overhead costs for Elfin Forest Recreational Reserve



FYE 2023 & 2024

Operating Budget Summary – All Funds

Description	FYE 2021 Actual	FYE 2022 Approved*	FYE 2023 Proposed	% Change From FYE '22 Approved*	FYE 2024 Proposed	% Change From FYE '23 Proposed
Operating Revenues						
Potable Water Operations	55,528,789	54,802,000	56,957,000	3.93%	59,996,000	5.34%
Wastewater Operations	5,127,136	5,435,000	5,598,000	3.00%	5,766,000	3.00%
Recycled Water Operations	4,819,058	4,580,000	4,844,000	5.76%	5,089,000	5.06%
Total Operating Revenues	65,474,983	64,817,000	67,399,000	3.98%	70,851,000	5.12%
Non-operating Revenues						
Fund Potable Water - Property Tax	4,027,357	3,800,000	4,100,000	7.89%	4,100,000	0.00%
Water - Investment and Other **	5,581,795	1,909,000	1,175,000	-38.45%	312,000	-73.45%
Debt Service	1,175,805	1,049,000	1,044,000	-0.48%	1,045,000	0.10%
Wastewater - Investment and Other **	(4,634)	39,000	30,000	-23.08%	62,000	106.67%
Recycled - Investment and Other	4,555	60,000	51,000	-15.00%	92,000	80.39%
Capital Contributions from Others***	3,656,811	2,400,000	2,452,225	2.18%	1,387,000	-43.44%
Total Revenues	79,916,672	74,074,000	76,251,225	2.94%	77,849,000	2.10%
Operating Expenses						
Purchased Potable Water Cost	29,145,311	29,312,000	30,959,000	5.62%	32,733,000	5.73%
Purchased Recycled Water Cost, net of credit	1,456,672	1,354,000	1,368,000	1.03%	1,441,000	5.34%
Potable Water Operations	19,220,585	20,422,400	21,732,800	6.42%	22,943,500	5.57%
Wastewater Operations	2,989,361	2,817,000	2,982,500	5.88%	3,218,000	7.90%
Elfin Forest Recreational Reserve (Park) Operations	419,355	437,000	478,000	9.38%	478,000	0.00%
Recycled Water Operations	1,194,205	1,239,500	1,289,000	3.99%	1,348,000	4.58%
Less: Capitalized Operating Expenditures	(1,733,991)	(1,537,000)	(1,843,000)	19.91%	(1,935,000)	4.99%
Transfer To (From) Other Fund Balances	11,150,000	8,600,000	10,221,000	18.85%	9,270,000	-9.30%
Total Operating Expenses	63,841,497	62,644,900	67,187,300	7.25%	69,496,500	3.44%
Non-operating Expenses						
Loan and Debt Service Payments	5,776,055	6,348,794	6,424,000	1.18%	6,420,000	-0.06%
Water Other Non-Operating Expense	217,457	40,000	40,000	0.00%	40,000	0.00%
Wastewater Other Non-Operating Expense	780,517	-	-	0.00%	-	0.00%
Total Expenses	70,615,526	69,033,694	73,651,300	6.69%	75,956,500	3.13%
Net Income	9,301,146	5,040,306	2,599,925	-48.42%	1,892,500	-27.21%

* Amended budget amounts approved by the Board at 47th-year review.

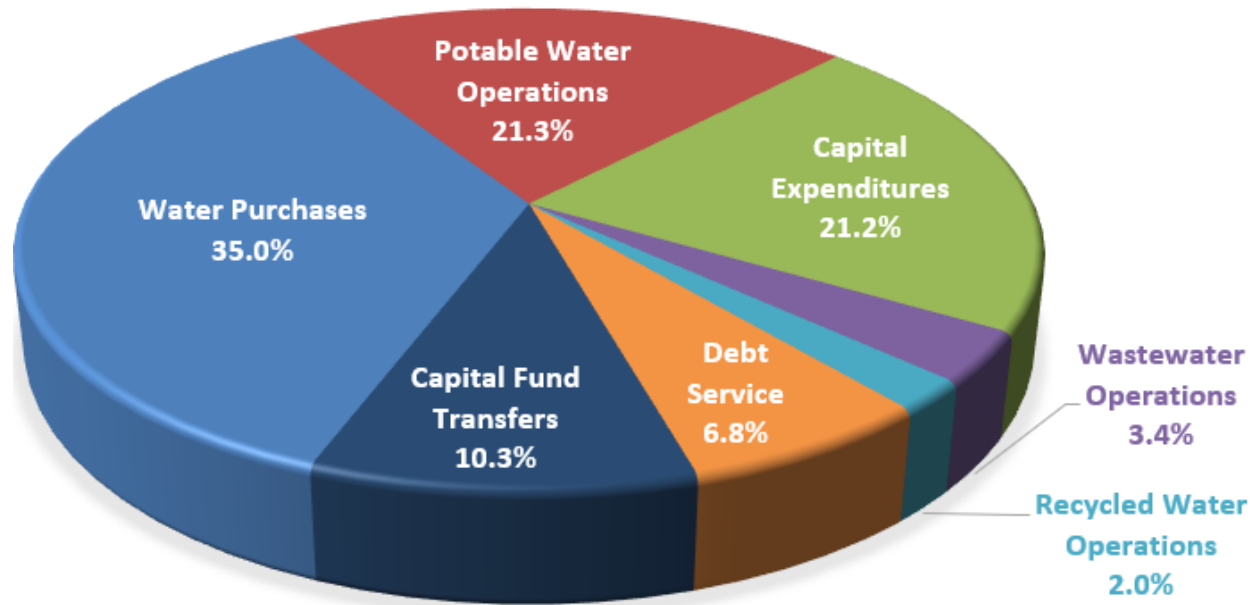
** Includes sale of district parcels, rebates, and investment income on all reserve funds, excluding capital.

*** Includes cap fees from developers, grant funding and investment income on capital reserve funds.

FYE 2023 & 2024

Operating and Capital Expenditures

FISCAL YEARS 2023 & 2024
EXPENDITURES BY COST CATEGORY
(\$189.8 MILLION)*



Capital Expenditures and Spending Plan

**FYE 2023 & FYE 2024
Biennial Budget**

FYE '23 and '24 Capital Expenditures Summary

- 💧 Annual Capital Item/Equipment Purchases – less than \$500k annually
- 💧 Proposed Fiscal Years 2023 and 2024 Capital Improvement Projects (CIP) Spending Plan
 - 💧 Use 4% capital inflation starting Fiscal Year 2024
- 💧 CIP planned spending of approx. \$39.3 projected over two fiscal years (2023 and 2024)
 - 💧 Includes approximately \$9 million in unspent capital from prior budget – primarily from NH1PS and Manchester Recycled
- 💧 Summary of FYs 23 and 24 significant projects:
 - 💧 Neighborhood 1 Sewer Pump Station: Wastewater Capital Fund
 - 💧 Manchester Recycled Pipeline Extension: Recycled Capital Fund and Grants
 - 💧 Calle Barcelona, VP, & Summerhill HOA Extension: Recycled Capital Fund and Grants
 - 💧 Replace Pipelines: Potable Capital Fund
 - 💧 RSF Unit A North PL Replacement: Potable Capital Fund
 - 💧 Replace Valves: Potable Capital Fund
 - 💧 San Dieguito Groundwater Desalination: Cap Fees and Grants

Equipment Purchases FYE 2023

Asset Class	Qty.	Item Description	Budget Amount	Source of Funds *		
				Potable Water	Wastewater	Recycled Water
Automotive Equipment Project # D139830 - Potable Water Project # D739830 - Wastewater Project # D839830 - Recycled Water	1	New Vehicle for Ops Const Crew Valve Turning Truck / Ford 3500XD V-8 Engine	75,000	64,000	4,000	7,000
	1	New Vehicle for Ops Const Crew Valve Turning Truck / Ford 3500XD V-8 Engine	75,000	64,000	4,000	7,000
	1	New Vehicle for Ops Supervisor / Ford F-150 V-6	39,000	33,000	2,000	4,000
	1	New Vehicle for Cross Connection Specialist / Ford F-150 V-6	39,000	33,000	2,000	4,000
	1	New Vehicle for Ops Supervisor / Ford Explorer V-6	40,000	34,000	2,000	4,000
Subtotal Automotive Equipment			\$ 268,000	\$ 228,000	\$ 14,000	\$ 26,000
Furniture and Fixtures Project # D139850 - Potable Water Project # D739850 - Wastewater Project # D809850 - Recycled Water	1	Office Workstations	35,000	35,000	-	-
Subtotal Furniture and Fixtures			\$ 35,000	\$ 35,000	\$ -	\$ -
Computer Hardware/Software Project # D139860 - Potable Water Project # D739860 - Wastewater Project # D839860 - Recycled Water	1	Help Desk System (Multi-Fund)	15,000	8,000	6,000	1,000
	62	Laptop Replacements (Potable)	124,000	124,000	-	-
	10	Desktop Replacements (Potable)	15,000	15,000	-	-
	4	Mac Replacements (Potable)	8,000	8,000	-	-
	2	Server Replacements (Recycled)	12,000	-	-	12,000
	1	Server Replacement (Wastewater)	6,000	-	6,000	-
Subtotal Computer Hardware/Software			\$ 180,000	\$ 155,000	\$ 12,000	\$ 13,000
				Potable Water	Wastewater	Recycled Water
TOTAL			\$ 483,000	\$ 418,000	\$ 26,000	\$ 39,000

* Capital item funding sources are allocated based on percentage of use of each asset.

Equipment Purchases FYE 2024

Asset Class	Qty.	Item Description	Budget Amount	Source of Funds *		
				Potable Water	Wastewater	Recycled Water
Automotive Equipment Project # D139830 - Potable Water Project # D739830 - Wastewater Project # D839830- Recycled Water	1	New Vehicle for Ops Construction Dump Truck / Ford F-650 Reg Dump Truck	105,000	89,000	5,000	11,000
	1	New Vehicle for Ops Construction Dump Truck / Ford F-650 Reg Dump Truck	105,000	89,000	5,000	11,000
	1	New Vehicle for Field Service Truck / Ford F-150 S/C V-6	39,000	33,000	2,000	4,000
				-	-	-
				-	-	-
Subtotal Automotive Equipment			\$ 249,000	\$ 211,000	\$ 12,000	\$ 26,000
Furniture and Fixtures Project # D139850 - Potable Water Project # D739850 - Wastewater Project # D809850 - Recycled Water	1	Office Workstations	35,000	35,000	-	-
Subtotal Furniture and Fixtures			\$ 35,000	\$ 35,000	\$ -	\$ -
Computer Hardware/Software Project # D139860- Potable Water Project # D739860 - Wastewater Project # D839860 - Recycled Water	4	Server Replacements (Potable)	50,000	50,000	-	-
	5	Laptop Replacements (Potable)	10,000	10,000	-	-
	1	Desktop Replacement (Potable)	1,500	1,500	-	-
	1	Server Replacement (Recycled)	12,000	-	12,000	-
	1	Server Replacement (Wastewater)	12,000	-	-	12,000
	1	Laptop Replacement (Wastewater)	2,000	-	-	2,000
Subtotal Computer Hardware/Software			\$ 87,500	\$ 61,500	\$ 12,000	\$ 14,000
				Potable Water	Wastewater	Recycled Water
TOTAL			\$ 371,500	\$ 307,500	\$ 24,000	\$ 40,000

* Capital item funding sources are allocated based on percentage of use of each asset.

Fiscal Years 2023 & 2024 CIP Spending Plan

Potable, Recycled, and Wastewater

Major Projects	Cumulative Appropriation
Rehab Neighborhood 1 Pump Station	\$ 7,292,000.00
San Dieguito Groundwater Desalination	\$ 6,231,000.00
Manchester Recycled Pipeline Ext.	\$ 5,225,000.00
Calle Barcelona, VP, & Summerhill HOA Exten	\$ 2,645,000.00
Replace Pipelines	\$ 2,420,000.00
Replace Valves	\$ 2,191,000.00
RSF Unit A North PL Replacement	\$ 2,177,000.00
Advanced Metering Infrastructure (AMI)	\$ 1,532,000.00
Replace DCM WTP Membranes	\$ 1,474,000.00
4th Stage Centrifuge Addition	\$ 996,000.00
Village Park PRS Replacement	\$ 960,000.00
Gardendale PRS Replacement	\$ 960,000.00

*Cumulative Appropriation=approved appropriation since project inception + fiscal years 2023 & 2024 proposed appropriation, except for ongoing projects (AMI, valve replacement, and membrane replacement).
Ongoing projects= appropriation is reset each fiscal year after assets are placed in service.*

Fiscal Years 2023 & 2024 Appropriation Summary

Project Type	# Projects		Revised FY 2023 & 2024 Appropriations	Original FY 2023 & 2024 Appropriations	\$ Increase	
Recurring	13	\$	10,184,000	\$ 8,936,000	\$ 1,248,000	⁽¹⁾
Multi-Year	25	\$	19,729,000	\$ 14,604,000	\$ 5,125,000	⁽²⁾
New Projects	15	\$	3,708,000	\$ -	\$ 3,708,000	
Delayed	5	\$	5,675,000	\$ -	\$ 5,675,000	⁽³⁾
	58	\$	39,296,000	\$ 23,540,000	\$ 15,756,000	

⁽¹⁾ Increase primarily due to addition of VP and Gardendale PRS Replacement projects

⁽²⁾ Includes \$3.8 million in unspent appropriations from prior budget rolled forward plus increase in cost estimates primarily from the NH1PS project.

⁽³⁾ Includes \$4.9 million in unspent appropriations from prior budget period primarily from Manchester Recycled Pipeline Ext.

Capital Improvement Projects Spending Plan

Water (Potable & Recycled) (1 of 2)

	Project Description	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
(1)	San Dieguito Groundwater Desalination	781,000	1,669,000	2,813,000	11,345,000	22,448,000	-	-	-	-	-
(1)	Advanced Metering Infrastructure (AMI)	853,000	679,000	884,000	-	-	-	-	-	-	-
	District-Wide PLC Replacements (FW/RCW)	198,000	90,000	386,000	386,000	-	-	-	-	-	-
(1)	District Wide Scada Upgrades	256,000	-	-	-	-	-	-	-	-	-
(1)	Network User Enhancements	60,000	-	-	-	-	-	-	-	-	-
(1)	District Wide Physical Security Improvements	50,000	30,000	30,000	30,000	30,000	-	-	-	-	-
(1)	OMWD Parking and Access Improvements	150,000	-	-	-	-	243,000	-	-	-	-
(1)	SWPPP Facility Improvements	100,000	-	-	-	-	-	-	-	-	-
(1)	PW and RCW Master Plan Update	-	220,000	-	-	-	-	-	-	-	-
(1)	RSF Unit A North PL Repl	1,238,000	844,000	-	-	-	-	-	-	-	-
	Gaty II Safety Improvements	67,000	523,000	-	-	-	-	-	-	-	-
	Unit B & K Rehab	-	327,000	1,533,000	-	-	-	-	-	-	-
	Dusty Trail PL Replacement	-	-	698,000	-	-	-	-	-	-	-
	Encinitas Blvd PL Inspection and Repair	145,000	537,000	-	-	-	-	-	-	-	-
	Encinitas Blvd PL Replacement	-	-	-	-	-	500,000	2,282,000	7,617,000	-	-
	RSF Rd PL Inspection	-	-	164,000	524,000	-	-	-	-	-	-
	RSF Rd PL Replacement	-	-	-	-	-	-	-	-	460,000	885,000
(1)	Village Park PRS Replacement	180,000	760,000	-	-	-	-	-	-	-	-
(1)	Gardendale PRS Replacement	180,000	760,000	-	-	-	-	-	-	-	-
	Del Lago PRS Replacement	-	-	120,000	820,000	-	-	-	-	-	-
	SE #1 PRS Replacement	-	-	-	-	130,000	880,000	-	-	-	-
	Quail Gardens	-	-	-	-	-	-	140,000	960,000	-	-
	Via Valle Verde	-	-	-	-	-	-	-	-	150,000	1,030,000
	Palms I and II Reservoirs Replacemt	-	150,000	1,135,000	-	-	-	-	-	-	-
	Rancho La Cima/Aliso Canyon PL Relocation	-	5,000	130,000	-	-	-	-	-	-	-
	Harris Ranch Right-of-Way Acquisition	-	-	182,000	-	-	-	-	-	-	-
	Unit B & K EM CCTV Inspect & Rehab Phase 2	-	-	412,000	1,838,000	-	-	-	-	-	-
	EV Charging Station	-	-	60,000	750,000	1,485,000	-	-	-	-	-
	Pressure Zone 386 Expansion	-	-	-	989,000	-	-	-	-	-	-
	Gano Reservoir Improvements	-	-	-	20,000	159,000	-	-	-	-	-
	Gaty I Reservoir Decommissioning	-	-	-	-	-	398,000	-	-	-	-
	Berk Reservoir Improvements	-	-	-	-	-	-	22,000	179,000	-	-
	Replace Maryloyd Pump Station	-	-	-	-	-	-	-	506,000	-	-
	Replace Lone Jack Pipeline	-	-	-	-	-	-	-	-	1,447,000	-
(1)	Residuals Handling Building Canopy	414,000	-	-	-	-	-	-	-	-	-
(1)	DCMWTP pH Control Systems	586,000	-	-	-	-	-	-	-	-	-
	4th Stage Centrifuge Addition	996,000	-	-	-	-	-	-	-	-	-
	Hydropower Turbine Refurbishment	160,000	-	-	-	-	-	-	-	-	-
	Chlorine Gen Rm Lining Rehab	150,000	-	-	-	-	-	-	-	-	-
	Air Monitoring and HVAC Improvement	50,000	100,000	-	-	-	-	-	-	-	-
	General WTP Inspect & Cond Assessment	400,000	-	-	-	-	-	-	-	-	-
	2nd Stage Membrane Train Overhaul	270,000	280,000	295,000	-	-	-	-	-	-	-
	Membrane Train Control Wiring Replacement	-	-	55,000	-	-	62,000	-	-	70,000	-
	Flow Meter Replacements	-	-	-	-	-	-	-	85,000	89,000	92,000
	DCMWTP Office Construction	-	-	-	-	-	1,874,000	1,423,000	-	-	-
	DCMWTP Analyzer Replacement	-	-	-	-	-	-	451,000	-	-	-
	Replace Strainer Isolation Valves	-	-	-	-	-	-	-	101,000	-	-

Capital Improvement Projects Spending Plan Water (Potable & Recycled) (1 of 2)

Project Description	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Replace Chemical Feed Systems	-	-	-	-	-	-	-	108,000	112,000	116,000
Replace Chemical Storage Systems	-	-	-	-	-	-	-	232,000	241,000	251,000
DCMWTP Sewer Manhole Project	-	-	-	-	-	-	-	131,000	-	-
Repl Main DCMWTP Compressors	-	-	-	-	-	-	-	216,000	-	-
Replace Chlorine Generator	-	-	-	-	-	-	-	-	1,442,000	-
DCMWTP Chemical Systems Upgrade	-	-	-	-	-	-	-	-	-	150,000
3rd Stage DAF Addition	-	-	-	-	-	-	-	-	-	757,542
Bridge Crane Rehabilitation and Mods	-	-	-	-	-	-	-	-	-	836,000
Scata Ignition Upgrade	275,000	-	-	-	-	-	-	-	-	-
Recurring Replacement Projects										
Network Security	165,000	115,000	96,000	100,000	104,000	109,000	114,000	119,000	124,000	129,000
Replace Pipelines	1,350,000	1,070,000	544,000	1,279,000	658,000	684,000	712,000	875,000	910,000	946,000
Replace Valves	1,085,000	1,106,000	917,000	907,000	888,000	854,000	821,000	789,000	759,000	730,000
Replace DCM WTP Membranes	725,000	749,000	900,000	936,000	842,000	876,000	911,000	947,000	985,000	1,024,000
Replace PRS Valves	50,000	52,000	54,000	56,000	58,000	60,000	62,000	65,000	68,000	71,000
Pressure Reducing Stations Rehab	-	-	140,000	356,000	152,000	546,000	164,000	887,000	164,000	887,000
Replace Potable Meters	315,000	328,000	336,000	342,000	515,000	575,000	598,000	615,000	637,000	660,000
Steel Mains Protection	281,000	292,000	304,000	316,000	329,000	342,000	356,000	370,000	384,800	400,000
Replace Meter Anodes	146,000	152,000	158,000	164,000	171,000	178,000	185,000	192,000	200,000	208,000
Replace Pumps and Motors	84,000	88,000	91,000	95,000	99,000	103,000	107,000	111,000	115,000	119,000
Rehab Concrete Tanks	45,000	47,000	49,000	51,000	53,000	55,000	57,000	60,000	62,000	425,000
Physical Security Upgrades	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Recycled Projects										
(1) Manchester Recycled Pipeline Ext.	4,465,000	-	-	-	-	-	-	-	-	-
(1) Replace Recycled Meters	21,000	18,000	16,000	16,000	25,000	26,000	27,000	28,000	31,000	33,000
(1) Retrofit Potable Services to Recycled	2,110,000	500,000	-	-	-	-	-	-	-	-
(1) Retrofit Potable Meters to Recycled	60,000	62,000	65,000	67,000	70,000	73,000	76,000	79,000	82,000	85,000
(1) Ext. 153 Flow Meter	205,000	155,000	-	-	-	-	-	-	-	-
Wanket RW Reservoir Rehabilitation	75,000	75,000	-	-	-	-	-	-	-	-
Santa Fe Valley RW Reservoir Improvements	-	-	-	20,000	159,000	-	-	-	-	-
Total	\$ 19,091,000	\$ 11,808,000	\$ 12,592,000	\$ 21,432,000	\$ 28,400,000	\$ 8,463,000	\$ 8,533,000	\$ 15,297,000	\$ 8,557,800	\$ 9,859,542

Source: Capital Projects Budget for Fiscal Year Ended June 30, 2023

(1) These projects are carried over from the prior year and have incurred costs prior to FYE 2023

Capital Improvement Projects Spending Plan

Sewer (Wastewater)

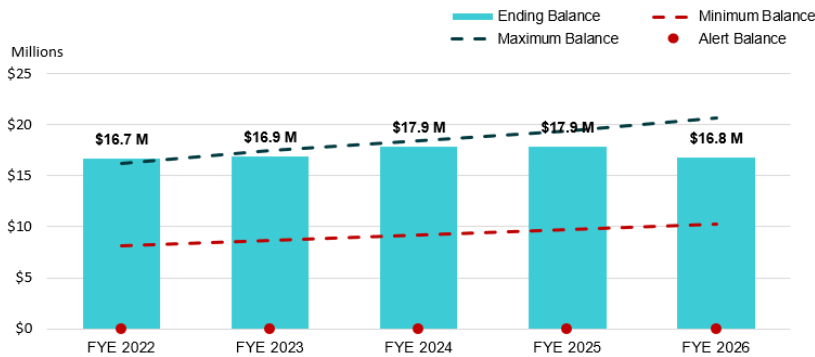
	Project Description	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
(1)	Rehab Neighborhood 1 Pump Station	6,592,000	-	-	-	-	-	-	-	-	-
(1)	Headworks Screening System Improvements	116,000	39,000	2,754,000	-	-	-	-	-	-	-
(1)	Replace Overflow Pond Strainer	25,000	206,000	-	-	-	-	-	-	-	-
	District-Wide PLC Replacements (WW)	38,000	91,000	386,000	386,000	-	-	-	-	-	-
	4S WRF Scada Upgrades	64,000	-	-	-	-	-	-	-	-	-
(1)	Cielo SPS Flow Meters	193,000	-	-	-	120,000	-	-	130,000	-	-
	Wastewater Master Plan	2,000	16,000	-	-	-	-	-	-	-	-
	4S WRF Tertiary Filter Condition Assessment	-	-	61,000	-	-	-	-	74,000	-	-
	EV Charging Station	-	-	15,000	187,000	748,000	-	-	-	-	-
	Replace Digester Blowers	-	-	-	-	75,000	802,000	213,000	-	-	-
	Main Electrical Switchgear Upgrade	-	-	-	-	-	366,000	3,405,000	3,316,000	-	-
	Stormwater Diversion Pipeline	-	-	-	-	-	-	80,000	530,000	-	-
	Emergency Generator Replacement	-	-	-	-	-	-	204,000	1,078,000	-	-
	Upgrade Plant B Oxidation Ditch	-	-	-	-	-	-	-	100,000	713,000	1,220,000
(1)	Site Paving Improvements	-	-	-	-	-	-	-	-	151,000	313,000
(1)	Neighborhood 3 SPS Pumps	-	-	-	-	-	-	-	-	142,000	993,000
	Non-Potable Water Pump Station Rehab	-	-	-	-	-	-	-	-	-	219,000
	Headworks Odor Scrubber Replacement	-	-	-	-	-	-	-	-	-	199,000
(1)	4S Ranch Pipe Replacement	136,000	-	-	153,000	-	-	172,000	-	-	199,000
(1)	4S Ranch System Manhole Lining	17,000	18,000	18,000	19,000	20,000	21,000	21,000	23,000	24,000	25,000
	Collection System SPS Rehab	169,000	-	100,000	-	198,000	-	214,000	-	231,000	-
(1)	Rancho Cielo Pipe Replacement	173,000	-	-	194,000	-	-	218,000	-	-	246,000
(1)	Rancho Cielo System Manhole Lining	48,000	50,000	52,000	54,000	57,000	59,000	61,000	66,000	68,000	71,000
	Biological Process Optimization	-	-	-	-	-	-	-	-	-	-
(1)	Replace Pumps/Motors/Equipment	169,000	175,000	182,000	190,000	197,000	205,000	213,000	222,000	231,000	240,000
Recurring Replacement Projects											
(1)	4S WRF Physical Security Upgrades	30,000	30,000	30,000	30,000	15,000	15,000	15,000	15,000	15,000	15,000
Total		\$ 7,772,000	\$ 625,000	\$ 3,598,000	\$ 1,213,000	\$ 1,430,000	\$ 1,468,000	\$ 4,816,000	\$ 5,554,000	\$ 1,575,000	\$ 3,740,000

Source: Capital Projects Budget for Fiscal Year Ended June 30, 2023

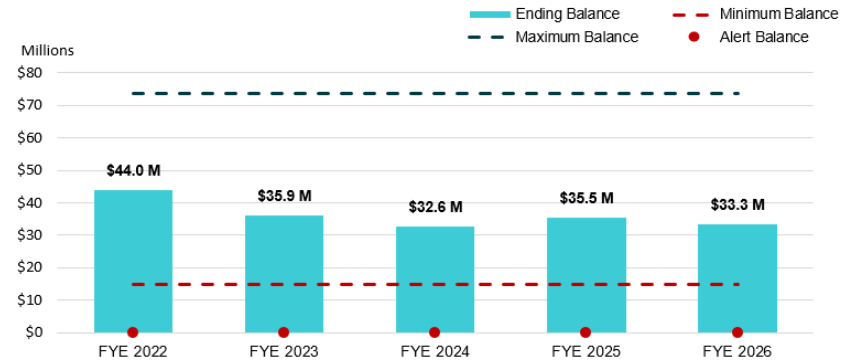
(1) These projects are carried over from the prior year and have incurred costs prior to FYE 2023

Reserve Balance Projections Potable & Recycled

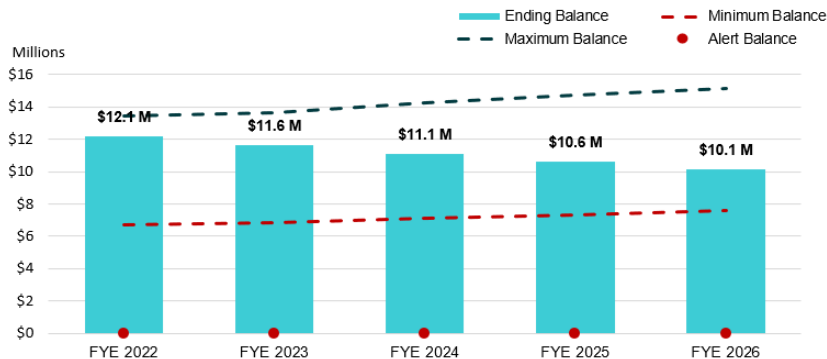
OPERATING FUND BALANCE



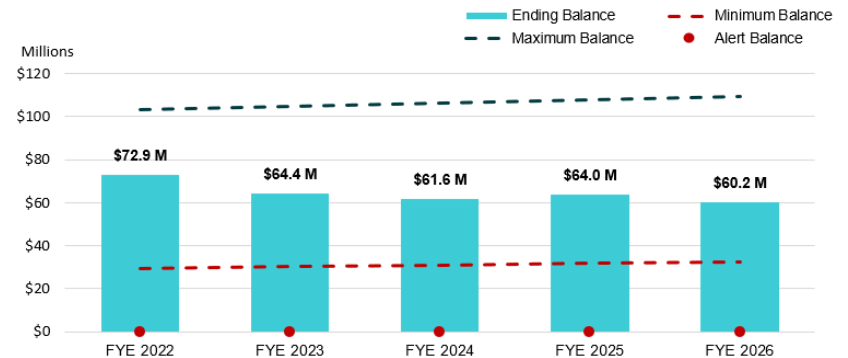
CAPITAL IMPROVEMENT FUND BALANCE



RATE STABILIZATION FUND BALANCE

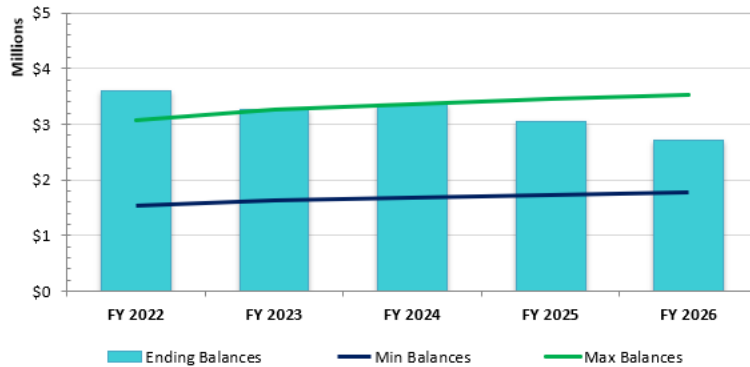


TOTAL FUNDS BALANCE

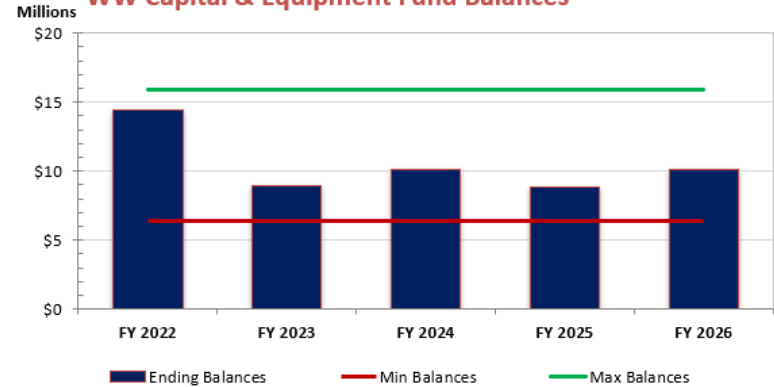


Reserve Balance Projections Wastewater

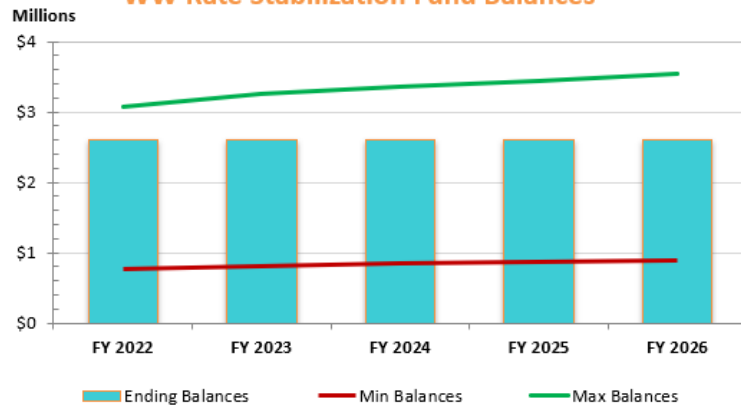
WW Operation Fund Balances



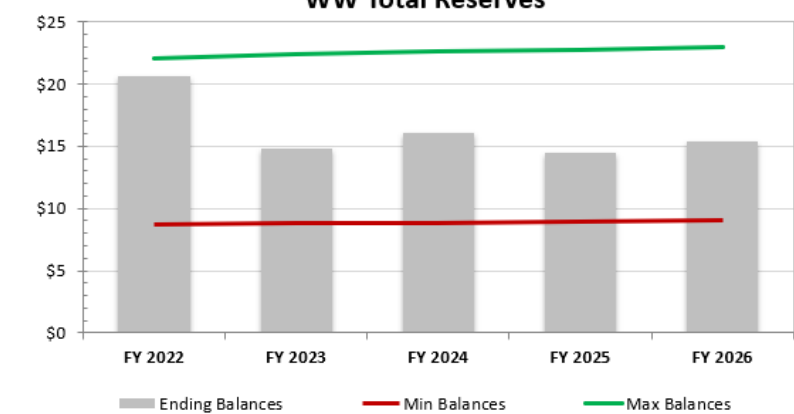
WW Capital & Equipment Fund Balances



WW Rate Stabilization Fund Balances



WW Total Reserves



Staff Requests and Committee Actions

- 💧 Obtain recommendation from the Committee for discussion with the Board at the April 20th board meeting
- 💧 Staff will continue to revise estimates until the next budget meeting, any significant changes to the draft budget will be presented and discussed with the Committee
 - 💧 SDCWA Purchased Water Costs for 2023 and 2024
- 💧 Final draft will be presented to the Committee and the Board in May
- 💧 Adoption of the budget in June
 - 💧 Certain expenditures are subject to change especially SDCWA purchased water wholesale costs for 2023 and 2024.