

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

**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: MONDAY, MAY 8, 2023

TIME: 9:00 A.M.

PLACE: DISTRICT OFFICE

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 JANUARY 24, 2023
REGULAR FINANCE COMMITTEE MEETING
6. REVIEW AND DISCUSS OMWD PARTICIPATION IN A STANDALONE
COMMUNITY FACILITIES DISTRICT, A PROGRAM OF THE CALIFORNIA
STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY (CSCDA), FOR THE
PINNACLE PROJECT (INFORMATIONAL REPORT)
7. QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (1st QTR 2023)

8. REPORT TO COMMITTEE ON FISCAL YEAR 2023/24 WASTEWATER (SEWER) RATES AND CHARGES
9. REVIEW AND DISCUSS STAFF'S PROPOSED CHANGES TO THE GENERAL MANAGER'S RECOMMENDED BIENNIAL OPERATING AND CAPITAL BUDGET FISCAL YEARS 2023 AND 2024 AT MIDTERM
10. REVIEW AND DISCUSS RESULTS OF 2022 WATER CAPACITY FEES STUDY AND THE PROPOSED WATER CAPACITY FEES FOR 2023 WITH RAFTELIS FINANCIAL CONSULTANTS (WORKSHOP)
11. CONSIDER FUTURE AGENDA ITEMS
12. ADJOURNMENT

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

January 24, 2023

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Tuesday, January 24th, 2023, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

Director Meyers called the meeting to order at 9:30 a.m. In attendance were Neal Meyers, Board Treasurer; Lawrence A. Watt, Board Secretary; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst II; and Georgeanna Clarke, Financial Analyst I.

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

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

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE NOVEMBER 9, 2022, REGULAR FINANCE COMMITTEE MEETING

Director Watt moved to approve the November 9, 2022, meeting minutes, seconded by Finance Manager Selamat and carried unanimously. Director Meyers abstained from voting since he was not present at the November meeting as he was not on the Finance Committee at that time. The District's Administrative and Ethics Code allows for the Finance Manager to approve the minutes as the District's Deputy Treasurer.

6. REVIEW AND DISCUSS QUARTERLY INVESTMENTS AND CASH REPORTS (4th QUARTER 2022)

Finance Manager Selamat reviewed the investment report as of December 31, 2022, with the committee. Cash and investments were discussed. Director Meyers inquired if

the yield on investments has moved much with recent changes in market conditions. Finance Manager Selamat responded that the District's returns on its short-term investment have continued to increase due to federal funds rate hikes since last year. Finance Manager Selamat stated that District investments in California Asset Management Program (CAMP) Pool have performed very well compared to the investments in Local Agency Investment Fund (LAIF) since the fed raised short term rates. CAMP is more susceptible to changes in market conditions than LAIF due to its portfolio composition holdings which is comprised of mainly short-term securities such as commercial papers and certificate of deposits. Finance Manager Selamat stated that staff has been transferring a portion of the District's investments in LAIF to CAMP to take advantage of the higher yields.

Finance Manager Selamat reported that the District's investments are in compliance with the District's Investment policy and that the District has sufficient funds to meet its financial obligations for the next 120 days. Director Watt confirmed that the District's investment policy is reviewed annually with the board at its December meeting.

7. CONSIDER AND APPROVE STAFF'S PROPOSED POTABLE AND RECYCLED WATER RATES AND CHARGES FOR 2023

Finance Manager Selamat presented the staff-proposed 2023 rate increases for potable and recycled water services, and OMWD fire meter charges totaling a 5.9% revenue adjustment, including the Rate Reimbursement Credit approved by the board in early 2022. Finance Manager Selamat reported the 5.9% revenue increase is primarily to pass-through purchased water wholesale cost increases from San Diego County Water Authority (SDCWA) effective January 1, 2023, and a 6.35% inflationary pass-through based on the over-the-year SDCPI-U increase. Finance Manager Selamat further reported that the increased purchased water costs from SDCWA equates to a 7.5% per acre foot increase to the District's untreated supply rate, and a 1.3% increase in fixed charges from SDCWA. Finance Manager Selamat also stated the District's blended recycled water supply rate already increased by 6.7% in July 2022.

Finance Manager Selamat reported the proposed rates are consistent with OMWD's rate ordinance adopted by the board in 2019 and were presented to the Finance Committee and Board of Directors in October of 2022 for tentative approval. Finance Manager Selamat noted that the District's customers have also been notified in writing of the proposed changes in water rates and charges via the District's January edition of its Watching Water newsletter to comply with Proposition 218 requirements.

Director Meyers inquired if there are additional ways of notifying customers of the proposed rate increases. General Manager Thorner responded that the District is required to meet the standards established in the Proposition 218 notice that states customers are to be notified in writing no less than 30 days prior to any pass-through adjustments, and that the District met these standards with the issuance of the

Watching Water newsletter. General Manager Thorner added that the District also posted the proposed rates on its website for public view.

Director Meyers and Director Watt recommended bringing the proposed rates and charges before the full board at the February 15 board meeting for consideration and approval.

8. FOLLOW-UP DISCUSSION ON FINANCIAL RATIOS PRESENTED BY THE PUN GROUP, OMWD'S AUDITORS, AT THE DECEMBER BOARD MEETING (INFORMATIONAL ITEM)

Accounting Supervisor Mendez presented several key financial indicators that were presented by the District's auditors during their presentation to the board at the December 2022 meeting. This was an informational item requested by Director Meyers at the December board meeting to see where the District ranks among other local agencies.

Accounting Supervisor Mendez explained each financial indicator to the committee and presented a comparison of the District's fiscal year 2021 and 2022 numbers against ten other local agencies for each metric. Accounting Supervisor Mendez then presented an overall ranking across all indicators which ranked the District at the top. Accounting Supervisor Mendez stated the comparison of the different financial indicators against other local agencies helps to illustrate the strong financial position of the District and the effectiveness of District policies set by the board to safeguard District assets and ensure financial stability.

9. FUTURE AGENDA ITEMS/INFORMATION

There were no future agenda items requested.

10. ADJOURNMENT

The meeting was adjourned at 10:43 a.m.

Memo

Date: May 8, 2023
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **REVIEW AND DISCUSS OMWD PARTICIPATION IN A STANDALONE COMMUNITY FACILITIES DISTRICT, A PROGRAM OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY (CSCDA), FOR THE PINNACLE PROJECT (INFORMATIONAL REPORT)**

This item is an informational report only.

The District has been approached by a developer, Mr. Ali Shapouri with Shapouri & Associates, to form a Community Facilities District (CFD) through the California Statewide Communities Development Authority (CSCDA). Proceeds from the CFD bonds issued by CSCDA would allow Mr. Shapouri (the Developer) to finance certain water and sewer infrastructure and improvements for the Pinnacle Project.

In October 2003, the Board approved Community Facilities Districts Goals and Policies (Policy). According to the established Policy, the Board has full discretion to approve or deny the sale of any bonds for a CFD. The Policy also states the payment of deposits for a CFD does not guarantee the Board's approval of any CFD. In compliance with the Policy, staff collected a \$50,000 deposit from the Developer to reimburse the District for staff time and consultant fees associated with formation of the proposed CFD.

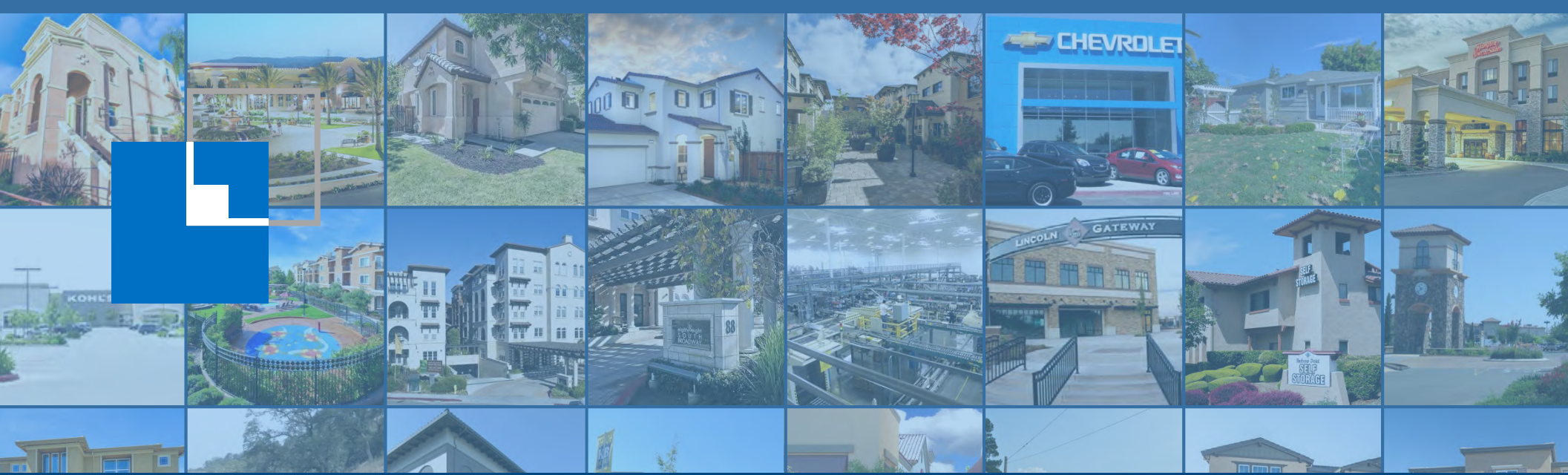
Staff will discuss information received from CSCDA on the Standalone Community Facilities District (attached) to the committee at the meeting. Mr. Lawrence Chan with

Stradling, the District's bond counsel for the proposed CFD, will also be available remotely via zoom for discussion.

Staff is planning to bring the proposed CFD forward to the Board for discussion and consideration at the June meeting.

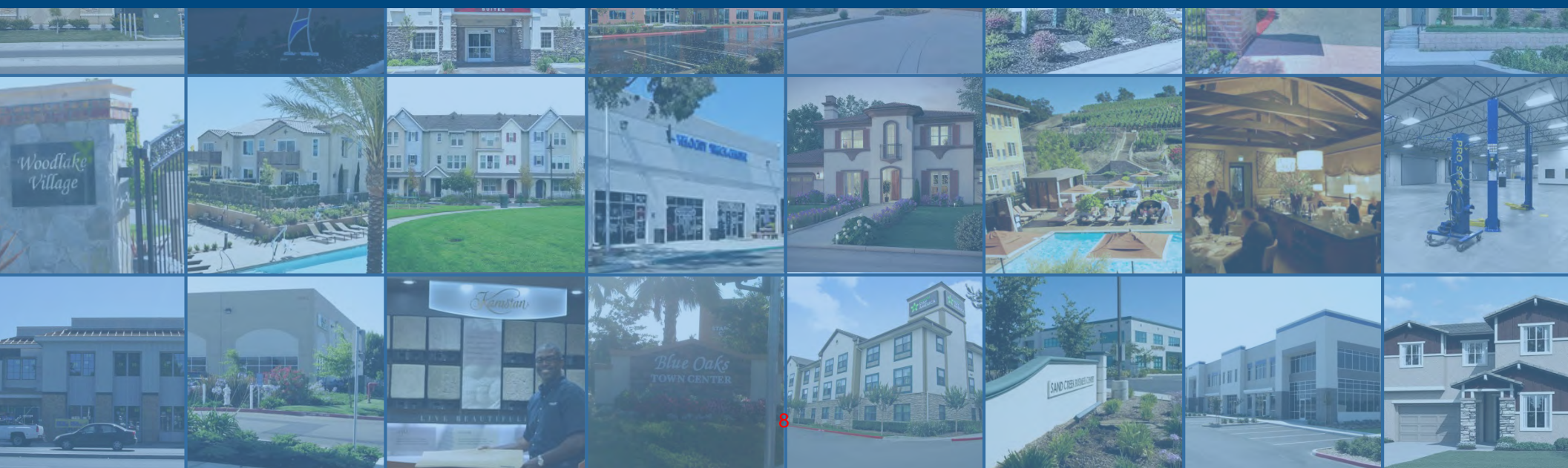
OMWD has established a CFD for a developer in the past, Rancho Cielo Estates, however, the Rancho Cielo CFD was dissolved after formation. This proposed CFD is different in that CSCDA will form the CFD and will be responsible for its administration and dissolution (if necessary).

Attachment: CSCDA presentation



Standalone Community Facilities Districts

A Program of the California Statewide Communities Development Authority





CSCDA is available to form CFDs and Issue bonds for Stand Alone Projects

Local Agency will adopt a Resolution requesting CSCDA form a CFD including a Joint Community Facilities Agreement (JCFA)

- Will attach a boundary map of the project
- A list of facilities and fees to be financed
- May include and O&M component in addition to facilities
- Can include more than one Local Agency in the CFD (with approval)

CSCDA credit requirements⁽¹⁾:



- 1 At Least a 4x value to lien ratio (including overlapping debt)
- 2 Combined tax burden cannot exceed 2% of the estimated home value
- 3 Debt service may escalate at up to 2% per year
- 4 Project must have received its discretionary entitlements

- The CFD Program can finance stand-alone projects which range in size from \$3 million to \$25 million, or higher
 - Local Agencies direct CFD policies but assume no liability for bond issuance and administration; and
 - Prioritize which facilities and maintenance costs are to be funded

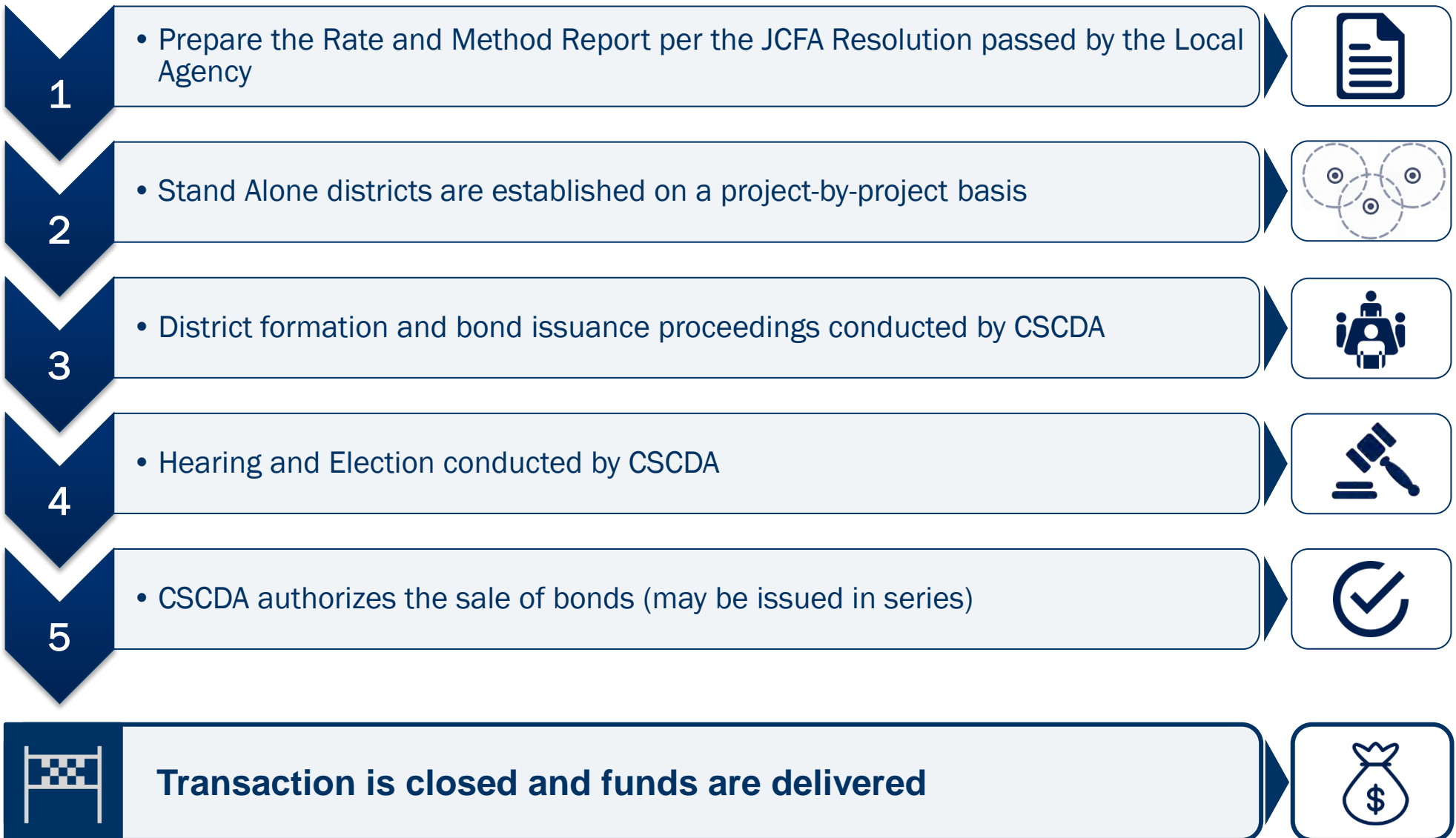
(1) If a Local Agency has more stringent requirements those will apply

Key Events

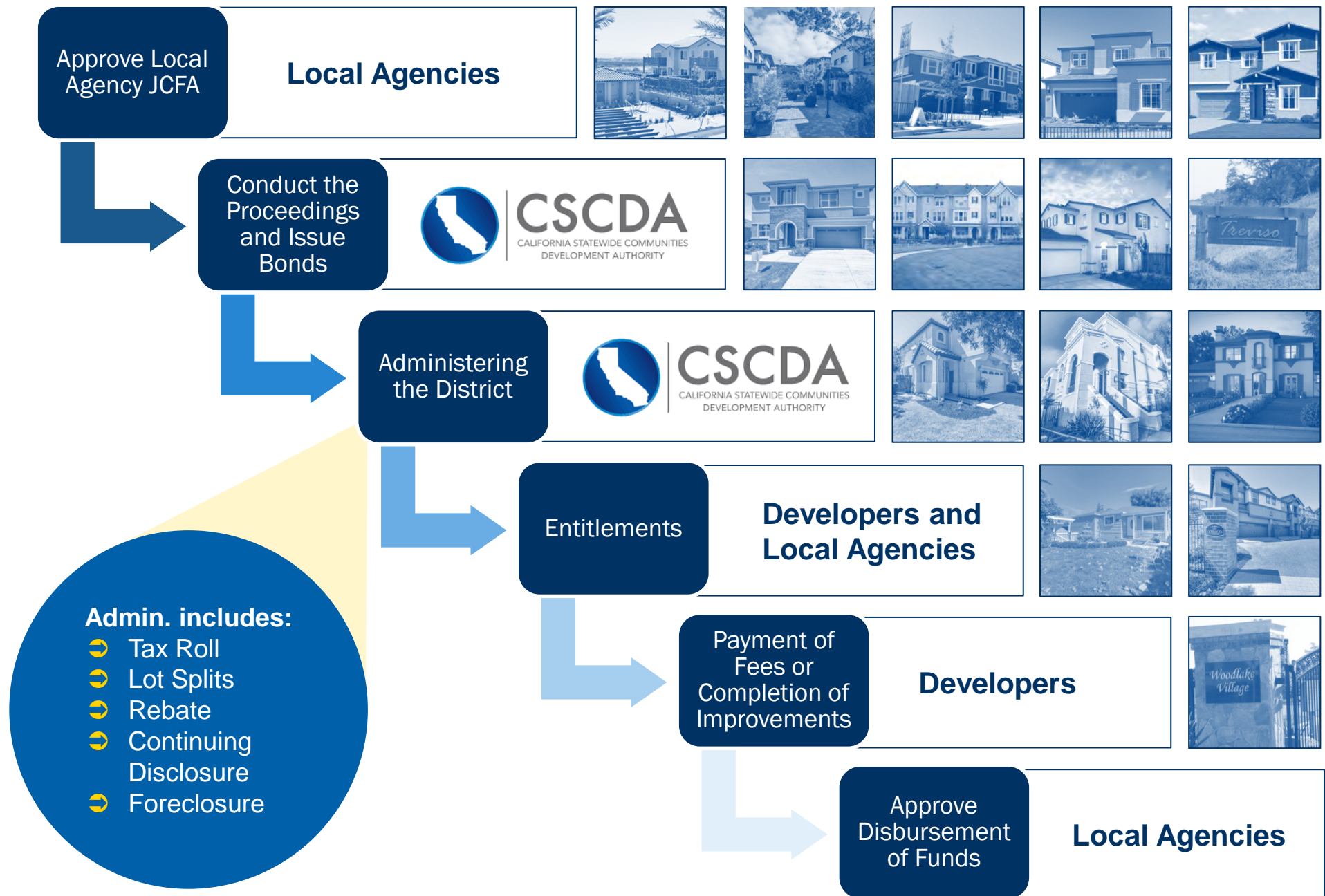


The Local Agency **does not** issue bonds or levy assessments

The schedule of proceedings is described below:



Tasks and Responsibility Schedule



Memo

Date: May 8, 2023
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (1st QTR 2023)**

Purpose

The purpose of this agenda is to provide a verbal report on the District's investment activities and cash information to the Finance Committee to comply with the annual investment policy approved by the Board.

Recommendation

It is recommended that the Committee review and receive the attached report as presented.

Background

The attached reports are presented to provide information to the Finance Committee as required by the District's Annual Investment Policy (updated in 2023).

The purpose of the District's Investment Policy is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of the policy is to enhance the economic position of the District while protecting its funds. These policies have been followed in making all investment decisions on behalf of the District.

The Annual Investment Policy also states that at least once each quarter, the District's Finance Manager shall provide an oral report on the District's investments for review and discussion.

Discussion

Staff will be available for discussion with the Committee during the meeting.

Attachment: Monthly Cash and Investment Summary Report as of March 31, 2023.

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of March 31, 2023

Active Deposits

	<u>Book Value</u>
Checking Accounts	\$ 3,017,589
Cash Restricted for Specific Use	4,558,258
Petty Cash/Disaster Preparedness	1,491
Total Active Deposits	<u>\$ 7,577,337</u>

Deposits Not Covered by Investment Policy

Cash with Fiscal Agents	3,416,317
-------------------------	-----------

<u>Investments</u>	<u>Face Value</u>	<u>Market Value</u>	<u>Current Yield</u>	
LAIF	\$ 9,350,737	9,176,713	2.83%	\$ 9,350,737
CAMP - US Bank	23,146,181	23,146,181	4.80%	23,146,181
Money Market Funds	2,205,302	2,205,302	4.61%	2,205,302
Medium Term Notes	500,000	493,565	2.33%	497,940
Municipal Bonds	1,000,000	1,014,220	4.93%	1,216,760
U.S. Treasury Securities	13,530,000	13,288,107	4.13%	13,294,356
U.S. Agency Securities	35,426,111	33,041,527	1.17%	35,381,024
Total Investments	<u>\$ 85,158,331</u>	<u>\$ 82,365,614</u>	<u>3.00%</u>	<u>\$ 85,092,300</u>

Total - All Deposits/Investments

\$ 96,085,954

Maturity Analysis of Investments

	<u>Percent</u>	<u>Balance</u>
Demand Deposits	40.8%	\$ 34,702,220
Maturity within the next two months	2.5%	2,156,967
Maturity within three months and one year	19.4%	16,523,191
Maturity beyond one year	37.3%	31,709,922
Total Investments	<u>100.0%</u>	<u>\$ 85,092,300</u>

Weighted Average Days to Maturity

390

Other Required Disclosures:

Accrued interest receivable as of 03/31/2023 \$ 293,061

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2022.

The District has sufficient funds on hand to meet the next 30 days' obligations.

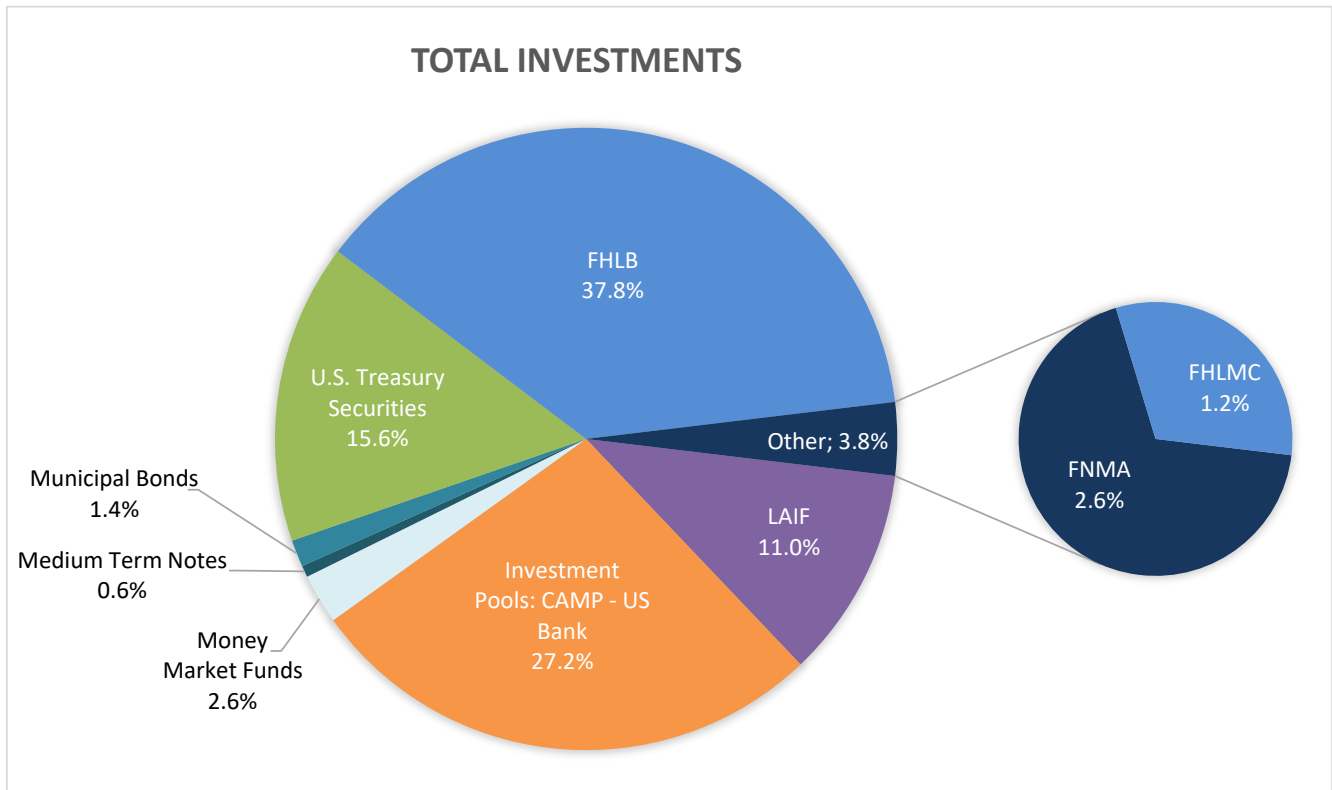
Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
March 31, 2023

	<u>Book Value</u>	<u>Percent</u>	<u>Permitted Percent</u>	<u>In Compliance?</u>
LAIF	\$ 9,350,737	11.0%	50.0% ⁽¹⁾	Yes
Investment Pools: CAMP - US Bank	23,146,181	27.2%	30.0%	Yes
Money Market Funds	2,205,302	2.6%	20.0% ⁽²⁾	Yes
Medium Term Notes	497,940	0.6%	30.0% ⁽³⁾	Yes
Municipal Bonds	1,216,760	1.4%	30.0%	Yes
U.S. Treasury Securities	13,294,356	15.6%	100.0% ⁽⁴⁾	Yes
U.S. Agency Securities	35,381,024	41.6%	50.0%	Yes
<i>FHLB</i> <i>Federal Home Loan Bank</i>	<i>32,131,024</i>	<i>37.8%</i>		
<i>FNMA</i> <i>Fannie Mae</i>	<i>2,250,000</i>	<i>2.6%</i>		
<i>FHLMC</i> <i>Freddie Mac</i>	<i>1,000,000</i>	<i>1.2%</i>		

Total Investments	\$ 85,092,300	100%
--------------------------	----------------------	-------------

Note:

- ⁽¹⁾ No more than 50% of the total value of all District Investments or \$40 million.
- ⁽²⁾ May not exceed 5% in any money market fund.
- ⁽³⁾ May not exceed 5% per issuer.
- ⁽⁴⁾ No limit.



* Total may not add up to 100% due to rounding.

Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
March 31, 2023

ACTIVE DEPOSIT

										Book Value
Checking A/C: California Bank and Trust for General Purpose										3,017,589
California Bank and Trust for Specific Purpose										165,677
CAMP 2021A Bond										4,392,580
Petty Cash/Disaster Preparedness										1,491
Total - Active Deposits										7,577,337

DEPOSITS NOT COVERED BY INVESTMENT POLICY

Cash with Fiscal Agents:

Union Bank - RAD 96-1 Refunding Bond	825,027
Union Bank - 2015A Refunding Bond	941,827
SRF Loan	964,216
Union Bank - 2016A Refunding Bond	287,866
Union Bank - 2021A WW Revenue Bond	107,319
Union Bank - 2021B Refunding Bond	290,062

Total Deposits Not Covered by Investment Policy

RATING		DATE				Weighted Average Days to Maturity	Call	Stated Coupon	Current Yield	Market Value	Face Value	Book Value
Moody's	S&P	Purchase	Maturity	Next Call	Next S-U							

INVESTMENTS

Invest. Pools:	US Bank Calif. Asset Mgmt Prgm (CAMP)	Demand	1	4.80%	\$	23,146,181	\$	23,146,181	\$	23,146,181
	State Local Agency Investment Fund (LAIF)	Demand	1	2.83%		9,176,713		9,350,737		9,350,737
	First American Government 31846V567	Demand	1	4.61%		2,205,302		2,205,302		2,205,302

U.S. Treasury Notes/Bills

912796YN3	U.S. Treasury Bills	Aaa	-	10/06/22	04/06/23	7	3.94%	3.94%	1,199,544	1,200,000	1,176,886
912796YU7	U.S. Treasury Bills	Aaa	-	10/13/22	04/13/23	14	4.08%	4.08%	998,720	1,000,000	980,081
912796ZG7	U.S. Treasury Bills	Aaa	-	12/01/22	06/01/23	63	4.68%	4.72%	1,985,120	2,000,000	1,954,392
912796X53	U.S. Treasury Bills	Aaa	-	12/15/22	06/15/23	77	4.66%	4.70%	990,590	1,000,000	977,290
912796ZQ5	U.S. Treasury Bills	Aaa	-	12/22/22	06/22/23	84	4.65%	4.70%	1,979,560	2,000,000	1,954,680
912796XQ7	U.S. Treasury Bills	Aaa	-	01/13/23	07/13/23	105	4.74%	4.80%	1,973,760	2,000,000	1,954,100
912796Y29	U.S. Treasury Bills	Aaa	-	01/30/23	07/27/23	119	4.77%	4.84%	1,310,183	1,330,000	1,299,765
912796Z36	U.S. Treasury Bills	Aaa	-	02/16/23	08/17/23	140	4.93%	5.02%	982,270	1,000,000	976,000
91282CBQ3	U.S. Treasury Notes	Aaa	-	03/09/21	09/30/24	550	0.50%	0.55%	908,870	1,000,000	984,478
912828YH7	U.S. Treasury Notes	Aaa	-	03/09/21	02/28/26	1,066	1.50%	1.56%	959,490	1,000,000	1,036,684
						71	4.06%	4.13%	\$ 13,288,107	\$ 13,530,000	\$ 13,294,356

U.S. Agency Securities

3130AJZJ1	FHLB Callable	Aaa	AA+	09/02/20	08/25/23	Anytime	148	1	0.32%	0.33%	1,129,390	1,151,111	1,151,111
3130AS3J6	FHLB Callable	Aaa	AA+	05/24/22	11/24/23	05/24/23	239	55	2.50%	2.54%	541,129	550,000	550,000
313384QR3	FHLB Discount Note	Aaa	AA+	01/19/23	12/18/23		263		4.77%	4.93%	967,200	1,000,000	957,913
3135GAEU1	FNMA Callable	Aaa	AA+	02/13/23	02/09/24	08/09/23	316	132	5.13%	5.13%	998,510	1,000,000	1,000,000
3130ARYU9	FHLB Callable	Aaa	AA+	05/23/22	02/23/24	05/23/23	330	54	3.00%	3.05%	983,680	1,000,000	1,000,000
3136G4P56	FNMA Callable	Aaa	AA+	08/26/20	02/26/24	05/26/23	333	57	0.40%	0.42%	1,201,213	1,250,000	1,250,000
3130AL6Q2	FHLB Callable	Aaa	AA+	02/26/21	02/26/24	Anytime	333	1	0.22%	0.23%	959,400	1,000,000	1,000,000
3130AMMV1	FHLB Callable	Aaa	AA+	06/03/21	06/03/24	06/03/23	431	65	0.40%	0.42%	475,485	500,000	500,000
3130ALHM9	FHLB Callable	Aaa	AA+	03/10/21	06/10/24	06/10/23	438	72	0.30%	0.32%	949,200	1,000,000	999,000
3130ANTP5	FHLB Callable	Aaa	AA+	09/16/21	09/16/24	06/16/23	536	78	0.50%	0.53%	943,560	1,000,000	1,000,000
3130ANSP6	FHLB Callable	Aaa	AA+	09/17/21	10/17/24	09/17/23	567	171	0.50%	0.53%	941,420	1,000,000	1,000,000
3130AKEW2	FHLB Callable	Aaa	AA+	11/04/20	11/04/24	Anytime	585	1	0.43%	0.46%	1,878,520	2,000,000	2,000,000
3130ANGN4	FHLB Step-up Callable	Aaa	AA+	08/18/21	02/18/25	05/18/23	691	49	0.50%	0.53%	938,900	1,000,000	1,000,000
3130AMKE1	FHLB Callable	Aaa	AA+	05/27/21	02/27/25	05/27/23	700	58	0.66%	0.71%	933,070	1,000,000	1,000,000
3134GWAQ9	FHLMC Callable	Aaa	AA+	07/28/20	07/28/25	07/28/23	851	120	0.65%	0.70%	924,180	1,000,000	1,000,000
3130AKGX8	FHLB Step-up Callable	Aaa	AA+	12/15/20	12/15/25	06/15/23	991	77	0.40%	0.43%	1,851,280	2,000,000	2,000,000
3130AKMD5	FHLB Callable	Aaa	AA+	01/26/21	01/26/26	04/26/23	1,033	27	0.50%	0.55%	905,190	1,000,000	999,500
3130AKU53	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	04/28/23	1,035	29	0.52%	0.57%	905,580	1,000,000	1,000,000
3130AKN69	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	01/28/24	1,035	304	0.50%	0.55%	905,070	1,000,000	1,000,000
3130AKVN3	FHLB Callable	Aaa	AA+	01/29/21	01/29/26	11/29/23	1,036	244	0.52%	0.57%	905,460	1,000,000	1,000,000
3130AKWK8	FHLB Callable	Aaa	AA+	02/12/21	02/12/26	05/12/23	1,050	43	0.51%	0.56%	903,520	1,000,000	1,000,000
3130AKX43	FHLB Step-up Callable	Aaa	AA+	02/24/21	02/24/26	05/24/23	1,062	55	0.70%	0.77%	1,815,760	2,000,000	2,000,000
3130AL7M0	FHLB Callable	Aaa	AA+	02/24/21	02/24/26	05/24/23	1,062	55	0.63%	0.69%	905,780	1,000,000	1,000,000
3130AKYR1	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/24	1,063	332	0.55%	0.61%	903,720	1,000,000	1,000,000
3130AL6K5	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/24	1,063	332	0.58%	0.64%	904,530	1,000,000	1,000,000
3130ALD76	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	05/25/23	1,063	56	0.70%	0.77%	907,720	1,000,000	1,000,000
3130ALCW2	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/24	1,063	332	0.63%	0.69%	905,740	1,000,000	998,500
3130ALGJ7	FHLB Callable	Aaa	AA+	03/23/21	03/23/26	04/23/23	1,089	24	1.00%	1.10%	886,811	975,000	975,000
3130ALPQ1	FHLB Step-up Callable	Aaa	AA+	03/30/21	03/30/26	06/30/23	1,096	92	1.00%	1.08%	925,870	1,000,000	1,000,000
3130ALVC5	FHLB Step-up Callable	Aaa	AA+	04/14/21	04/14/26	04/14/23	1,111	15	0.75%	0.81%	921,590	1,000,000	1,000,000
3130APAY1	FHLB Callable	Aaa	AA+	10/21/21	10/21/26	04/21/23	1,301	22	1.10%	1.22%	903,100	1,000,000	1,000,000
3130APL78	FHLB Callable	Aaa	AA+	10/28/21	10/28/26	04/28/23	1,308	29	1.38%	1.51%	911,380	1,000,000	1,000,000
3130AVCS9	FHLB Callable	Aaa	AA+	03/29/23	03/29/28	12/29/23	1,826	274	6.00%	5.95%	1,008,570	1,000,000	1,000,000
							832	97	1.09%	1.17%	\$ 33,041,527	\$ 35,426,111	\$ 35,381,024

Medium Term Notes

740816AJ2	Pres & Fellows of Harvard	Aaa	AAA	05/06/22	10/01/23	04/01/23	185	2	2.30%	2.33%	493,565	500,000	497,940
							3	2	2.30%	2.33%	\$ 493,565	\$ 500,000	\$ 497,940

Municipal Bonds

882724RA7	TEXAS ST PUB FIN AUTH	Aaa	AAA	10/30/20	10/01/25		916	5.00%	4.93%	1,014,220	1,000,000	1,216,760
							32	5.00%	4.93%	\$ 1,014,220	\$ 1,000,000	\$ 1,216,760

Total Investments

						390		2.90%	3.00%	\$ 82,365,614	\$ 85,158,331	\$ 85,092,300
--	--	--	--	--	--	-----	--	-------	-------	---------------	---------------	---------------

TOTAL - ALL DEPOSITS AND INVESTMENTS

\$ 96,085,954

Olivenhain Municipal Water District
INVESTMENT TRANSACTIONS
January 1 - March 31, 2023

PURCHASED

DATE				Investment Description	Stated	Current	Face Value	Book Value
Purchase	Maturity	Call	Step-Up		Coupon	Yield		
01/13/23	07/13/23			U.S. Treasury Bills	4.737%	4.837%	2,000,000	1,954,100
01/19/23	12/18/23			FHLB Discount Note	4.765%	4.967%	1,000,000	957,913
01/30/23	07/27/23			U.S. Treasury Bills	4.770%	4.879%	1,330,000	1,299,765
02/13/23	02/09/24	08/09/23		FNMA Callable	5.125%	5.134%	1,000,000	1,000,000
02/16/23	08/17/23			U.S. Treasury Bills	4.931%	5.046%	1,000,000	976,000
03/29/23	03/29/28	12/29/23		FHLB Callable	6.000%	5.949%	1,000,000	1,000,000

MATURED / REDEEMED / CALLED

DATE				Investment Description	Stated	Current	Face Value	Book Value
Redemption	Maturity	Call	Step-Up		Coupon	Yield		
01/12/23	01/12/23			U.S. Treasury Bills	2.662%	2.664%	1,000,000	986,900
01/27/23	01/27/23	01/27/23		FHLMC Callable	0.125%	0.125%	1,000,000	999,820
02/09/23	02/09/23			U.S. Treasury Bills	2.978%	2.981%	1,000,000	985,445
02/16/23	02/16/23			U.S. Treasury Bills	3.046%	3.051%	1,000,000	985,036
03/30/23	03/30/23			U.S. Treasury Bills	3.907%	3.921%	2,000,000	1,961,780

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of March 31, 2023

<u>Water Funds (Potable & Recycled)</u>		<u>Balance</u>
10050-100	Cash - Petty Cash Fund	1,491
10010-100	Cash - Operating Fund	16,598,061
10030-100	Cash - Capital and Equipment Fund	36,722,894
10040-100	Cash - Rate Stabilization Fund	11,834,190
10080-100	Cash - Pension Stabilization Fund	438,169
10060-100	Cash - Deposit Work for Other	126,333
14000-500	Restricted Cash - Capacity Fee Fund	6,569,466
Total Water Funds (Potable & Recycled)		<u>72,290,603</u>
 <u>Wastewater Funds</u>		
10010-110	Wastewater - Operating Fund	3,645,164
10030-110	Wastewater - Capital Replacement Fund	9,486,829
10040-110	Wastewater - Rate Stabilization Fund	2,648,492
10080-110	Cash - Pension Stabilization Fund	40,291
Total Wastewater Funds		<u>15,820,776</u>
 <u>Non Fiscal Agent Debt Service Cash</u>		
14020-570	Cash non-agent - RAD 96-1	156,177
10070-561	Cash non-agent - Bond 2015A	(229)
10070-581	Cash non-agent - Bond 2016A	9,730
14020-521	Cash non-agent - Bond 2021A	4,392,580
Total Non Fiscal Agent Debt Service Cash		<u>4,558,258</u>
 <u>Debt Service Funds</u>		
14030-510	SRF Loan - Fiscal Agent	964,216
14105-570	Redemption fund - RAD 96-1	755,779
14110-570	Reserve fund - RAD 96-1	69,248
14100-561	Redemption fund - Bond 2015A	941,827
14100-581	Redemption fund - Bond 2016A	287,866
14100-521	Redemption fund - Bond 2021A	107,319
14100-522	Redemption fund - Bond 2021B	290,062
Total Debt Service Funds		<u>3,416,317</u>
TOTAL FUND BALANCES		<u>96,085,954</u>

Memo

Date: May 8, 2023
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **REPORT TO COMMITTEE ON FISCAL YEAR 2023/24 WASTEWATER (SEWER) RATES AND CHARGES**

The attached sewer ordinance was adopted by the Board after the sewer rate hearing on May 19, 2021. The ordinance provided for a 3% increase to the District's Wastewater System Access Charges and Wastewater Commodity Rates on July 1st of each year for the next five fiscal years (2022-2026). The 3% adjustment to the District's wastewater service fees each year until fiscal year 2025/26 are necessary to enable the District to: (1) recover current and projected increases in the cost of operating and maintaining the District's wastewater collection and treatment facilities to comply with state and federal regulatory wastewater and disposal requirements; (2) construct wastewater capital infrastructure improvements needed to replace and refurbish the aging wastewater facilities; (3) maintain the operational and financial stability of the District's wastewater operations in order to avoid operational deficits and depletion of reserves.

Resolution 2021-10 was adopted by the Board in May 2021 to increase wastewater rates for the next five fiscal years (2022-2026) and to comply with California Environmental Quality Act (CEQA) and filed with the County Clerk of the County of San Diego.

Staff is not proposing any changes to the already approved sewer rate increases for fiscal year 2023/24.

The District collects wastewater service charges on the County's tax roll to reduce administrative costs associated with printing and mailing sewer (wastewater) bills. OMWD's annual sewer service charge is due and payable at the same time when a property owner's tax bill is due to the San Diego County Tax Assessors Office, in December and April of each year.

Staff will be available for discussion at the meeting.

Attachment: Sewer Rate Ordinance FYs 2022-26

ORDINANCE NO. 487

AN ORDINANCE OF THE BOARD OF DIRECTORS OF
THE OLIVENHAIN MUNICIPAL WATER DISTRICT
AMENDING THE DISTRICT'S ADMINISTRATIVE AND ETHICS CODE
(Article 28 – Sanitation Districts and Use of Rules and Regulations)

BE IT ORDAINED by the Board of Directors of Olivenhain Municipal Water District as follows:

SECTION 1: Section 28 (5) of Article 28 of OMWD's Administrative and Ethics Code, Sanitation Districts and Use of Rules and Regulations, is hereby revised to read as shown on Exhibit A (attached).

PASSED, APPROVED AND ADOPTED at a regular meeting of Olivenhain Municipal Water District's Board of Directors held this 19th day of May 2021.



Lawrence A. Watt, President
Board of Directors
Olivenhain Municipal Water District

ATTEST:



Kimberly A. Thorner, Assistant Secretary
General Manager
Olivenhain Municipal Water District

EXHIBIT A

Sec. 28.5

Wastewater (Sewer) Service Fees and Charges.

Wastewater (Sewer) service fees are calculated to recover the cost to collect, treat and dispose of sewage, as well as to maintain the 4S Ranch Wastewater and Reclamation Facilities within the 4S Ranch Sanitation District and Rancho Cielo Sanitation District. There shall be established, based on the estimated amount of sewage generated by each user in hundred cubic feet, and based upon each parcel in the various Sanitation Districts that discharge sewage directly or indirectly into the sewer lines of the District and upon each person owning, letting, or occupying any parcel an annual sewer service charge for each equivalent dwelling unit. This charge is generally based on the annual operating and maintenance cost of the District.

Formatted: Indent: First line: 0"

A. Sewer Service Fees and Charges.

Based on sewage flows and strengths, the sewer rate structure for the District's sewer service fees is comprised of ~~five-four~~ customer classes and is charged and collected for sewer services provided to all sewer customers as defined in the Olivenhain Municipal Water District Wastewater Rate Study, Capacity Fee, and Annexation Reports. ~~The District's Wastewater Rate Study was updated in March 2016~~ The District's Wastewater Rate Study was updated in January 2021. The sewer customer classes and service fees are to be charged as follows:

Wastewater (Sewer) Service Fees – July 1, 2021

	<u>System Access Service Charge (Annual) Per EDU</u>	<u>Commodity Rate Charge Variable Rate Per HCF**</u>	<u>Total for Single Family Users</u>
Residential Single Family			
Single Family – 4S Ranch, SantaLuz & BMR East Cluster	\$ 165.70 186.17	\$ 6.04 6.81	varies
Single Family – Rancho Cielo	\$ 165.70 186.17	\$ 6.04 6.81	varies
Multi-Family 4S Ranch	\$ 165.70 147.33	\$ 6.04 6.81	varies
Non-Residential – Commercial/Industrial			
Group I	\$ 165.70 186.17	\$ 6.04 6.81	varies
Group II	\$ 165.70 186.17	\$ 9.29 9.43	varies
Group III	\$ 165.70	\$ 10.37	varies

Formatted Table

Wastewater (Sewer) Service Fees – July 1, 2022

	<u>System Access Service Charge (Annual) Per EDU</u>	<u>Commodity Rate Charge Variable Rate Per HCF**</u>	<u>Total for Single Family Users</u>
Residential Single Family			
Single Family – 4S Ranch, SantaLuz & BMR East Cluster	\$ 170.68 191.76	\$ 6.20 7.02	varies
Single Family – Rancho Cielo	\$ 170.68 191.76	\$ 6.20 7.02	varies
Multi-Family 4S Ranch	\$ 170.68 151.75	\$ 6.20 7.02	varies
Non-Residential – Commercial/Industrial			
Group I	\$ 170.68 191.76	\$ 6.20 7.02	varies
Group II	\$ 170.68 191.76	\$ 9.57 9.72	varies
Group III	\$ 170.68	\$ 10.69	varies

Wastewater (Sewer) Service Fees – July 1, 2023

	<u>System</u> <u>Service</u> <u>Charge</u> <u>(Annual) Per</u> <u>EDU</u>	<u>Commodity</u> <u>Charge</u> <u>Variable Rate</u> <u>Per HCF**</u>	<u>Total for</u> <u>Single Family</u> <u>Users</u>
Residential Single Family			
Single Family – 4S Ranch, SantaLuz & BMR East Cluster	\$ 175.81 197.52	\$ 6.39 7.24	varies
Single Family – Rancho Cielo	\$ 175.81 197.52	\$ 6.39 7.24	varies
Multi-Family 4S Ranch	\$ 175.81 156.31	\$ 6.39 7.24	varies
Non-Residential – Commercial/Industrial			
Group I	\$ 175.81 197.52	\$ 6.39 7.24	varies
Group II	\$ 175.81 197.52	\$ 9.86 10.02	varies
Group III	\$ 175.81	\$ 11.02	varies

Formatted Table

Formatted: Indent: Left: 0", First line: 0"

Wastewater (Sewer) Service Fees – July 1, 2024

	<u>System</u> <u>Access</u> <u>Service</u> <u>Charge</u> <u>(Annual) Per</u> <u>EDU</u>	<u>Commodity</u> <u>Charge</u> <u>Variable Rate</u> <u>Per HCF</u>	<u>Total for</u> <u>Single Family</u> <u>Users</u>
Residential Single Family			
Single Family – 4S Ranch, SantaLuz & BMR East Cluster	\$ 181.09 203.45	\$ 6.59 7.46	varies
Single Family – Rancho Cielo	\$ 181.09 203.45	\$ 6.59 7.46	varies
Multi-Family 4S Ranch	\$ 181.09 161.00	\$ 6.59 7.46	varies
Non-Residential – Commercial/Industrial			
Group I	\$ 181.09 203.45	\$ 6.59 7.46	varies
Group II	\$ 181.09 203.45	\$ 40.46 10.33	varies
Group III	\$ 181.09	\$ 11.36	varies

Wastewater (Sewer) Service Fees – July 1, 2025

	<u>System Accessservice Charge (Annual) Per EDU</u>	<u>Commodity Charge Variable-Rate Per HCF**</u>	<u>Total for Single Family Users</u>
<u>Residential Single Family</u>			
<u>Single Family – 4S Ranch, SantaLuz & BMR East Cluster</u>	<u>\$ 209.56</u>	<u>\$ 7.69</u>	<u>varies</u>
<u>Single Family – Rancho Cielo</u>	<u>\$ 209.56</u>	<u>\$ 7.69</u>	<u>varies</u>
<u>Multi-Family 4S Ranch</u>	<u>\$ 165.83</u>	<u>\$ 7.69</u>	<u>varies</u>
<u>Non-Residential – Commercial/Industrial</u>			
<u>Group I</u>	<u>\$ 209.56</u>	<u>\$ 7.69</u>	<u>varies</u>
<u>Group II</u>	<u>\$ 209.56</u>	<u>\$ 10.64</u>	<u>varies</u>

*EDU=Equivalent Dwelling Unit. One Multi-Family Residential dwelling unit is equivalent to 0.79 EDU

**HCF=hundred cubic foot

Formatted: Indent: Left: 0.5"

B. Equivalent Dwelling Unit.

Within the 4S Ranch Sanitation District and Rancho Cielo Sanitation District, an EDU shall mean the standard measurement of wastewater discharged into the collection and treatment system equal to the average discharge from a detached single-family unit.

Calculations of EDUs for commercial, industrial and other non-residential uses shall be made by District staff on a case-by-case basis.

This standard measurement may be modified from time to time whenever determined appropriate by the District to reflect average actual utilization.

Equivalent dwelling unit calculations and subsequent capacity fees shall be based on an evaluation of the proposed fixture unit value and comparison with fees as set forth in this Ordinance, at the sole discretion of the District.

The use of a sewer connection shall be limited to the type and number of Equivalent Dwelling Units authorized by the original wastewater discharge permit. Prior to adding any additional Equivalent Dwelling Units, buildings, modifying existing buildings, or changing occupancy type, the property owner shall make a supplementary wastewater permit application to the District for such change in use and pay additional Sewer Service Fees, as may be applicable.

Memo

Date: May 8, 2023
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **REVIEW AND DISCUSS STAFF'S PROPOSED CHANGES TO THE GENERAL MANAGER'S RECOMMENDED BIENNIAL OPERATING AND CAPITAL BUDGET FISCAL YEARS 2023 AND 2024 AT MIDTERM**

Following the Board adoption of the General Manager's Recommended Biennial Operating and Capital Budget for fiscal years 2023 and 2024 in June 2022, the budgeted amounts for fiscal year 2023 were appropriated and have been used to pay for District operations and capital infrastructure needs since July 1, 2022.

Proposed adjustments to the second fiscal year of the Biennial Budget (based on the first fiscal year actual results and projections) are presented to the committee and the Board for consideration and approval as part of the midterm biennial budget review process.

Staff will discuss the attached presentation with the committee and present the recommended adjustments to the biennial budget at midterm.

Following the committee review and approval, the midterm budget adjustments will be brought forward to the Board for review and consideration at the May 2023 meeting and adoption at the June 21, 2023 meeting.

Attachment: Midterm Budget Adjustments Presentation

Fiscal Years 2023 & 2024

Midterm Review

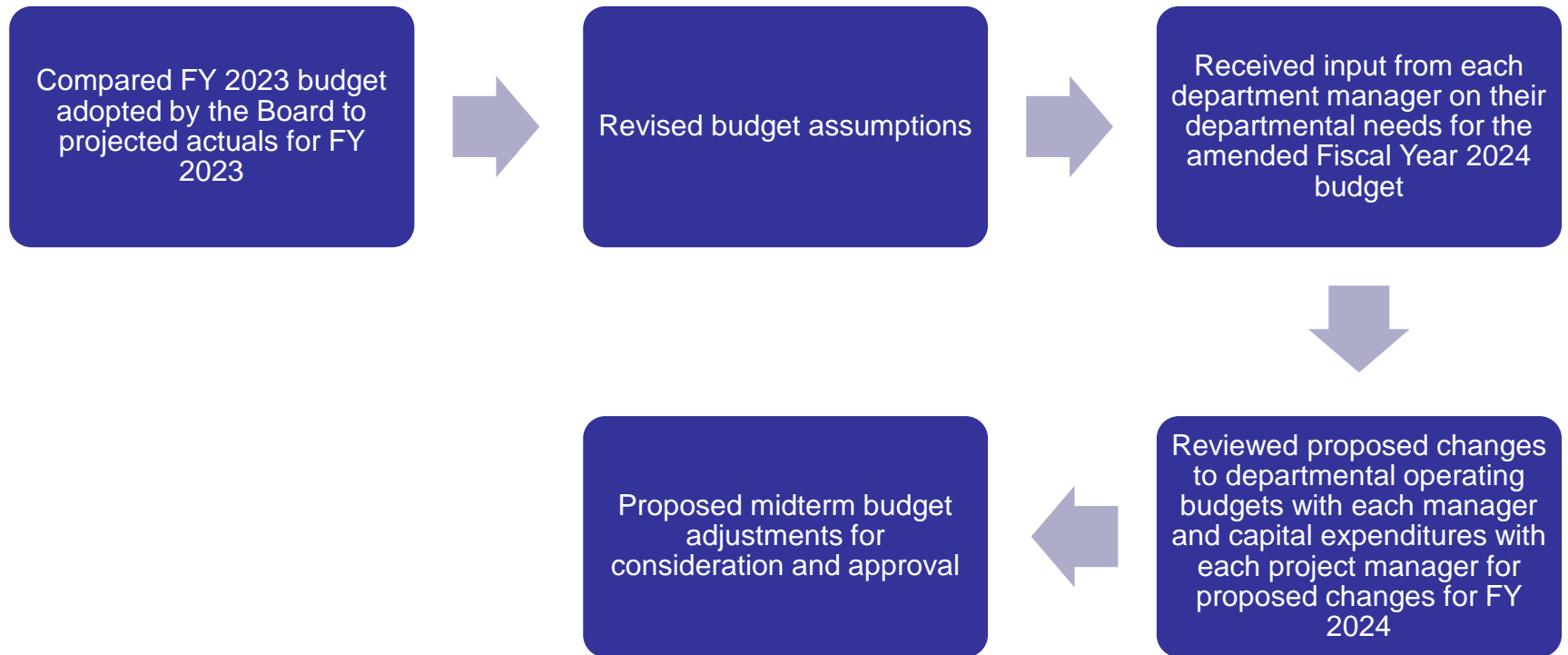
Operating and Capital

OMWD Finance Committee Meeting
May 8, 2023

Background

- OMWD's Biennial Operating and Capital Budget was adopted by the Board in June 2022 for fiscal years 2023 and 2024.
- Staff informed the Board at the May 2022 Budget workshop meeting with the Board that FY 2024 budget will be reviewed and adjusted at Midterm (June 2023).
 - Revised budget assumptions for FY 2024
 - Updated FY 2024 budget accordingly as illustrated throughout presentation

Midterm Budget Process



Comparative Detailed Schedule of Actual Operating Results vs Budgeted and Proposed

Description	Budget Year FYE 2023 Approved	Budget Year FYE 2023 Projected	FYE 2023 Approved vs Projected	Budget Year FYE 2024 Approved	Budget Year FYE 2024 Proposed	FYE 2024 Approved vs Proposed
<u>Operating Revenue</u>						
Water Sales:						
Water Sales - Domestic/Irrigation	38,201,000	35,049,374	-8.3%	40,152,000	39,649,000	-1.3%
Water Sales - Agriculture	928,000	369,806	-60.2%	928,000	562,000	-39.4%
Water Sales - Raw	-	-	0.0%	-	-	0.0%
Water Sales - Miscellaneous	10,000	641	-93.6%	10,000	10,000	0.0%
Water Sales - Recycled	4,234,000	4,058,888	-4.1%	4,450,000	5,015,000	12.7%
Total Water Sales	43,373,000	39,478,709	-9.0%	45,540,000	45,236,000	-0.7%
Other Water Services						
System Access Charge	14,801,000	14,465,834	-2.3%	15,567,000	15,348,000	-1.4%
CWA Infrastructure Access Charge	1,476,000	1,493,378	1.2%	1,467,000	1,511,000	3.0%
Selling of Water Treatment Services	654,000	340,231	-48.0%	1,194,000	1,258,000	5.4%
Meter Installations (Net)	15,000	23,475	56.5%	15,000	15,000	0.0%
Hydro-electric Plant Revenues	100,000	123,869	23.9%	100,000	100,000	0.0%
Turn Off/On Fees and NSF Charges	15,000	27,540	83.6%	15,000	15,000	0.0%
Delinquency Charges	80,000	157,844	97.3%	80,000	80,000	0.0%
Transfer Fees	30,000	28,763	-4.1%	30,000	30,000	0.0%
Cross Connection/Inspection	140,000	204,518	46.1%	140,000	140,000	0.0%
Outside District Boundary Charges	10,000	8,866	-11.3%	10,000	10,000	0.0%
Miscellaneous	55,000	60,290	9.6%	5,000	5,000	0.0%
Total Other Water Services	17,376,000	16,934,607	-2.5%	18,623,000	18,512,000	-0.6%
Sewer Service Fees	5,598,000	5,629,770	0.6%	5,766,000	5,265,000	-8.7%
Total Operating Revenue	66,347,000	62,043,087	-6.5%	69,929,000	69,013,000	-1.3%

Comparative Detailed Schedule of Actual Operating Results vs Budgeted and Proposed (Cont.)

Description	Budget Year FYE 2023 Approved	Budget Year FYE 2023 Projected	FYE 2023 Approved vs Projected	Budget Year FYE 2024 Approved	Budget Year FYE 2024 Proposed	FYE 2024 Approved vs Proposed
<u>Operating Expense</u>						
Purchased Water - Variable*	23,798,000	21,913,126	-7.9%	25,414,000	24,500,000	-3.6%
Purchased Water - Fixed*	8,443,000	8,497,931	0.7%	8,780,000	8,838,000	0.7%
General Manager	2,044,000	1,961,000	-4.1%	2,158,000	2,099,000	-2.7%
Engineering	2,410,000	2,067,000	-14.2%	2,545,000	2,492,000	-2.1%
Finance	1,633,000	1,560,000	-4.5%	1,728,000	1,709,000	-1.1%
Customer Services and Public Affairs	3,003,000	2,672,000	-11.0%	3,109,000	3,097,000	-0.4%
Human Resources	783,000	800,000	2.2%	848,000	857,000	1.1%
Water - Operations and Maintenance	11,805,000	11,088,000	-6.1%	12,499,000	12,323,000	-1.4%
Park	478,000	448,000	-6.3%	478,000	450,000	-5.9%
Other Operating Expenses - WFO	50,000	-	-100.0%	50,000	50,000	0.0%
Wastewater - Operations and Maintenance	2,974,000	3,014,000	1.3%	3,209,000	3,265,000	1.7%
Recycled Water Operations	1,287,000	1,166,000	-9.4%	1,345,000	1,292,000	-3.9%
Transfer to PAYGO and RSF Funds	9,590,000	10,190,000	6.3%	8,800,000	8,100,000	-8.0%
Capitalized Expenditures	(1,843,000)	(1,122,000)	-39.1%	(1,763,000)	(1,619,000)	-8.2%
Total Operating Expense	66,455,000	64,255,057	-3.3%	69,200,000	67,453,000	-2.5%
Net Operating Income (Loss)	(108,000)	(2,211,971)	1948.1%	729,000	1,560,000	114.0%

*FYE 2024 Proposed amounts are subject to change. Pending final numbers from SDCWA (5/25).

Comparative Detailed Schedule of Actual Operating Results vs Budgeted and Proposed (Cont.)

Description	Budget Year FYE 2023 Approved	Budget Year FYE 2023 Projected	FYE 2023 Approved vs Projected	Budget Year FYE 2024 Approved	Budget Year FYE 2024 Proposed	FYE 2024 Approved vs Proposed
<u>Non-Operating Revenue</u>						
Operating Fund - Water	6,033,000	5,787,538	-4.1%	5,175,000	5,339,000	3.2%
Debt Service Funds	1,044,000	1,151,860	10.3%	1,045,000	1,045,000	0.0%
Wastewater Fund	32,000	92,935	190.4%	66,000	80,000	21.2%
Recycled Water System	52,000	119,208	129.2%	99,000	230,000	132.3%
Capacity Fees	132,000	1,870,717	1317.2%	163,000	748,000	358.9%
Grant Revenue	1,897,000	1,104,000	-41.8%	514,000	2,429,000	372.6%
Other Capital Contributions	224,000	17,421	-92.2%	419,000	1,000,000	138.7%
	**					
Total Non-Operating Revenue	9,414,000	10,143,680	7.8%	7,481,000	10,871,000	45.3%
<u>Non-Operating Expenditures</u>						
Capacity Fees Funds	30,000	45,116	50.4%	30,000	30,000	0.0%
Debt Service Funds	6,424,000	6,443,439	0.3%	6,420,000	6,420,000	0.0%
Potable Water Funds	10,000	453,342	4433.4%	10,000	10,000	0.0%
Wastewater Funds	-	-	0.0%	-	-	0.0%
Recycled Water Funds	-	-	0.0%	-	-	0.0%
Total Non-Operating Expense	6,464,000	6,941,897	7.4%	6,460,000	6,460,000	0.0%
Net Revenue (Expense)	2,842,000	989,812	-65.2%	1,750,000	5,971,000	241.2%

**FYE 2024 Proposed includes anticipated proceeds from sale of District's Wiegand parcel.

Midterm Budget Update

FY 2023 Completed Capital Improvement Projects (CIP)

Fund	Project Name	Total Budget	Appropriation thru FYE '23	Total Expenses	Remaining Appropriation	(Over) / Under Approved Total Budget
Potable	DCMWTP Analyzer Replace.	305,000	305,000	296,558	-	8,442
Potable	Network User Enhancements	200,000	200,000	169,560	-	30,440
Potable	DCMWTP Backpulse Pipeln Repair	34,000	34,000	33,925	-	75
Potable	DCMWTP PH Control System	737,000	737,000	689,432	-	47,568
Potable	Landscape HQ Courtyards	54,000	54,000	51,993	-	2,007
Potable	Lone Jack PRS	385,000	385,000	398,144	-	(13,144) ⁽²⁾
Potable	Vault Upgrades	20,400	20,400	20,395	-	5
Recycled	Manchester Recyc PL Exten.	5,225,000	5,225,000	4,722,262	150,000 ⁽¹⁾	352,738
Wastewater	4SWRF Emergency Wiring Replmnt	240,000	240,000	134,931	-	105,069

⁽¹⁾ \$150,000 retained to cover conversion costs of connecting customers to pipeline and warranty period

⁽²⁾ Overage is due to more staff labor on the project than anticipated to complete the project in a timely manner.

Other Completed Routine CIPs:

Fund	Project Name	Total Budget	Appropriation thru FYE '23	Total Expenses	Remaining Appropriation	(Over) / Under Approved Total Budget
Potable	Replace Valves	8,856,000	1,085,000	799,767	-	285,233
Potable	Replace DCMWTP Membranes	8,970,000	800,000	796,137	-	3,863
Potable	Replace Potable Meters	4,921,000	315,000	314,453	-	547
Potable	Steel Mains Protection	3,375,000	281,000	228,149	-	52,851
Potable	Network Security	1,175,000	165,000	111,933	-	53,067
Potable	Replace Meter Anodes	1,754,000	146,000	108,671	-	37,329
Potable	Replace Pot. Pumps and Motors	1,022,000	94,000	92,239	-	1,761
Potable	Replace PRS Valves	602,600	56,600	38,108	-	18,492
Potable	Rehab Concrete Tanks	904,000	45,000	70,466	-	(25,466) ⁽¹⁾
Potable	Physical Security Upgrades	250,000	25,000	2,372	-	22,628
Recycled	Recycled Conversions	719,000	60,000	66,799	-	(6,799) ⁽²⁾
Recycled	Meter Replacement, Recycled	241,000	21,000	17,648	-	3,352
Wastewater	Replace WW Pumps/ Motors/Equip	2,024,000	169,000	80,546	-	88,454
Wastewater	4S System Manhole Lining	206,000	17,000	12,920	-	4,080

⁽¹⁾ Project overage due to encumbrance from prior fiscal year that was not rolled forward and timing of capital expenditures.

⁽²⁾ Project overage due to more recycled water conversions completed throughout the fiscal year than anticipated.

Midterm Revised **Key** Assumptions

Water and Wastewater Operating Budget for FY 2024

Operating Revenues:

- Potable and recycled water sales
 - FY 2024 Volume: Decrease from 19,400 (AF) to 19,000 (AF) to more align with FY 2023 projected actual sales (wet weather and hardened conservation).
 - Assume 6.8% revenue adjustment for 2024 – subject to Board's approval
 - Assume maximum pass-through of 9% on purchased water wholesale costs and 7% inflation pass-through on SD-CPI
- Selling of excess treated water to Vallecitos
 - Assume historical 2 years average of actual recycled water deliveries (prior to shut down in 2022 for maintenance and repairs)
- Sewer service revenue: Revenue adjustment of 3% effective 7/1/23 per the sewer rate ordinance adopted by the board in June 2021. Sewer revenue estimate based on FY 2023 actual consumption (or lowest winter months' usage for single family)

Operating Expenditures:

- Pass-through Purchased Water Wholesale Cost Increases:
 - SDCWA and MWD: rates as of 1/1/23 and projected cost increases on 1/1/24. SDCWA water rates and charges for 2024 have not been approved by their board as of today.
 - Vallecitos, City of San Diego, San Elijo JPA, RSF CSD: projected cost increases for FY 2024
- Proposed decrease of \$191k (or -1%) from Adopted FY 2024 budget and includes allowance for increases in power, labor, supply, and other O&M costs from FY 2023 projected actuals
- One less position (FTE) for FY 2024 than was previously approved and budgeted

Non-operating Revenues:

- Property tax: assume based on FY 2023 projected actual receipts
- Investment Income: @ 2% annually
- Capacity Fees: \$115,000 for FY 2024 based on engineering estimate
- Anticipated Grant Funding: \$2.49 million

Midterm Revised **Key** Assumptions

Water and Wastewater Operating Budget for FY 2024 Cont'd

Labor:

- Personnel Costs:
 - Includes 6% anticipated increase in salary and wages based on the District's current MOU
 - The maximum for SDCPI: 3.5% (actual 5%), and Merit Pool: 2.5%
 - Staffing Analysis:
 - Two new FTEs: One Customer Service Rep and One Wastewater Collections Operator
 - Temporary Freeze on 2 (two) vacant utility positions
 - Net one less position than originally budgeted

Benefits:

- SDRMA – based on estimated payroll for fiscal year 2023/24 and 60% mod factor
- Kaiser: estimated at 5% increase effective 1/1/24
- ACWA- JPIA – estimated at 5% increase effective 1/1/24
- PERS:
 - Classic - Employer Annual Contribution @13.34% and an additional \$1,184,000 for annual unfunded liability payment
 - PEPR - Employer Annual Contribution @7.68% and no additional annual unfunded liability payment
- Planned Annual Additional Discretionary Payment (ADP) to CalPERS (subject to Board approval)
 - \$500k transfer from the Operating Fund to the Pension Stabilization Fund
 - \$311k transfer from the Pension Stabilization Fund to CalPERS for the ADP as planned per the Pension Funding Policy

Others:

- Proceeds from selling of District's assets will be used to offset capital and equipment costs
- Revised General Liability Insurance Premium: based on ACWA JPIA quote

Fiscal Years 2023 and 2024 Midterm Biennial Budget Update

- For the biennial budget midterm review staff reviewed the departmental operating costs and amended the FY 2024 budget
- The chart below illustrates the Adopted Budget for FY 2023, Projected Actual for FY 2023, Adopted Budget for FY 2024, the Amended Budgeted FY 2024 (reduced) proposed by staff, and the change from the Adopted Budget for FY 2024.
- The Adopted Budgets for FY 2023 and FY 2024 illustrated below were approved by the board in June 2022.

Departmental Operating Costs, Net of Capitalized Operating Expenses

	Adopted Budget FY 2023	Projected Actual FY2023	Adopted Budget FY 2024	Amended Budget FY 2024	\$ Variance Adopted Vs. Amended	% Variance Adopted Vs. Amended
Operating Departments	\$24,561,500	\$23,654,000	\$26,156,000	\$25,965,300	\$ (190,700)	-1%

Summary of Proposed Changes to the Adopted Budget at Midterm (FY 2024)

Description	Original Budget	Proposed Adjustments	Proposed Budget	% Change From Forecasted
<u>Operating Revenues</u>				
Water Sales and Service Revenue	59,074,000	(970,000)	58,104,000	-1.64%
Sewer Service Revenue	5,766,000	(501,000)	5,265,000	-8.69%
Recycled Water Sales	5,089,000	555,000	5,644,000	10.91%
Total Operating Revenues	69,929,000	(916,000)	69,013,000	-1.31%
<u>Non-operating Revenues</u>				
Water - Property Tax and Other Income	5,175,000	164,000	5,339,000	3.17%
Debt Service	1,045,000	-	1,045,000	0.00%
Wastewater - Standby and Other Income	66,000	14,000	80,000	21.21%
Recycled Water Operations	99,000	131,000	230,000	132.32%
Capacity Fee Revenues	582,000	166,000	748,000	28.52%
Anticipated Grant Revenue	514,000	1,915,000	2,429,000	372.57%
Anticipated Sale of Parcel (Weigand)	-	1,000,000	1,000,000	0.00%
Total Revenues	77,410,000	2,474,000	79,884,000	3.20%
<u>Operating Expenses</u>				
Cost of water (est. as of 5/8/2023)	34,194,000	(856,000)	33,338,000	-2.50%
Water Operations	22,887,000	(310,000)	22,577,000	-1.35%
Wastewater Operations	3,209,000	56,000	3,265,000	1.75%
EFRR (Parks) Operations	478,000	(28,000)	450,000	-5.86%
Recycled Water Operations	1,345,000	(53,000)	1,292,000	-3.94%
Other Operating Expenses - WFO	50,000	-	50,000	0.00%
Capital PAYGO Transfers	8,800,000	(700,000)	8,100,000	-7.95%
Less: Capitalized Expenditures	(1,763,000)	144,000	(1,619,000)	-8.17%
Total Operating Expenses	69,200,000	(1,747,000)	67,453,000	-2.52%
<u>Non-operating Expenses</u>				
Debt Service (principal and interest payments)*	6,420,000	-	6,420,000	0.00%
Potable Water System	40,000	-	40,000	0.00%
Total Expenses	75,660,000	(1,747,000)	73,913,000	-2.31%
Net Revenue (Expense)	1,750,000	4,221,000	5,971,000	241.20%

Capital Budget - Highlights

- **Small Equipment Purchases**

- A \$52k proposed increase in Shop and Field and Automotive equipment compared to FY 2024 Budget adopted by the Board in June 2022.
 - See next slide for details

- **Water and Wastewater Capital Infrastructure Needs**

- A net \$4.9 million proposed increase in the water, sewer, and recycled overall appropriations for fiscal year 2024
 - Proposed appropriation adjustments mainly due to change in project scope, increase in supply costs (higher inflation), and timing of capital expenditures on several active projects
 - 3 new Capital Improvement Projects to start in FY 2024, if approved:
 - Customer Information & Utility Billing System Upgrade
 - Fleet Electrification Strategic Plan
 - Bob Topolovac Memorial Courtyard (Annual Goal)

Summary of Board Approved Small Capital Item Purchases for FYE 2024

Asset Class	Qty.	Item Description	Budget Amount	Source of Funds *			COMMENT
				Potable Water	Wastewater	Recycled Water	
Shop and Field Equipment Project # D139820 - Potable Water Project # D739820 - Wastewater Project # D839820- Recycled Water	1	Leak Detection Equipment Replacement for Engineering	20,000	18,000	-	2,000	New Request
	1	Influent Sample Collection Unit Replacement for Wastewater	11,000	-	11,000	-	New Request
	1	New Fireproof Filing Cabinet for HR (move offsite storage in house)	5,000	5,000	-	-	New Request
Subtotal Shop and Field Equipment			\$ 36,000	\$ 23,000	\$ 11,000	\$ 2,000	-
Automotive Equipment Project # D139830 - Potable Water Project # D739830 - Wastewater Project # D839830- Recycled Water	1	Ford F-650 Reg Dump Truck Replacement for Ops Construction	105,000	89,000	5,000	11,000	New Request New Request New Request
	1	Ford F-150 V-6 Replacement for Cross Connection Specialist	39,000	33,000	2,000	4,000	
	1	Ford Explorer V-6 Replacement for Ops Supervisor	40,000	34,000	2,000	4,000	
	1	New CX36B Mini Excavator for Construction (new purchase to save on rentals)	100,000	90,000	5,000	5,000	
	1	535 Gallon Water Trailer for CS (replace current due to new license requirement)	9,400	8,000	-	1,400	
	1	ATV 4x4 Replacement for Parks (replace current '09 with maintenance costs)	12,000	12,000	-	-	
Subtotal Automotive Equipment			\$ 305,400	\$ 266,000	\$ 14,000	\$ 25,400	-
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			\$ 463,900	\$ 385,500	\$ 37,000	\$ 41,400	-

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

Original FY 2024 Total	\$ 411,500	\$ 341,500	\$ 26,000	\$ 44,000
<i>Increase (Decrease)</i>	\$ 52,400	\$ 44,000	\$ 11,000	\$ (2,600)

Postpone to FY 2025	1	New Vehicle for Ops Construction Dump Truck / Ford F-650 Reg Dump Truck	105,000	89,000	5,000	11,000
<i>Original FY 2024 budget included two dump truck replacements. Staff is proposing to delay the purchase of one dump truck until FY 2025 to cover the cost of the Mini Excavator added this year.</i>						

Surplus from selling District's vehicles and equipment: \$50-60k through competitive bids process.

Fiscal Years 2023 and 2024 Planned Capital Spending

	<i>a</i>				<i>b</i>	<i>c</i>	<i>= a+b+c</i>
	FY 2023 Board Approved Appropriation	FY 2024 Board Approved Appropriation	Total Board Approved Appropriation		FY 2023 Unspent Carryover	FY 2024 Proposed Appropriation Adjustment	FY 2024 Ammended Appropriation
Potable	13,002,000	11,308,000	24,310,000	¹	4,946,000	2,962,000	19,216,000
Recycled	7,186,000	810,000	7,996,000	¹	2,074,000	1,182,000	4,066,000
Wastewater	8,146,000	1,118,000	9,264,000	¹	5,220,000	755,000	7,093,000
	28,334,000	13,236,000	41,570,000		12,240,000	4,899,000	30,375,000

¹ Total Board Approved Appropriation amounts are included in the more detailed schedules on slides 15 and 16.
Amounts above do not reflect \$2.47 million in anticipated grant funding for fiscal year 2024.

Capital Improvement Project (CIP) Budget Review Summary

Fiscal Year 2024 Appropriation Adjustments

Budget Increase (Decrease)		Appropriation Increase (Decrease)	Fund	Comments
<u>Projects with Changes in Cost Estimates</u>				
\$ 2,300,000	DCMWTP 4th Stage Improvements	\$ 2,300,000	C&E	Expansion of project objective and inflation
1,500,000	HOA Pipeline Extensions - Calle Barcelona, Village Park & Summer Hill	1,500,000	C&E	Increase in cost; eligible for grant funding
214,000	District-Wide PLC Replacements (Potable)	600,000	C&E	Accelerate and increase to award together
379,000	District-Wide PLC Replacements (Wastewater)	600,000	C&E/WW	Accelerate and increase to award together
-	San Dieguito Desalination	431,000	C&E	Addnl environmental, hydrological and Water Rights investigations to seek grant opportunities
400,000	Replace Neighborhood 1 SPS	400,000	C&E/WW	Increase due to potential claim
151,000	Replace DCMWTP Membranes	151,000	C&E	Increase due to inflation
917,000	EFRR Parking Lot Expansion	145,000	C&E	Selected for grant; pursue work
87,000	Replace Potable Meters	87,000	C&E	Increase in aged meter failures
50,000	Hydropower Turbine Refurbishment	50,000	C&E	Increase due to potential claim
35,000	Replace Potable Pumps and Motors	35,000	C&E	Increase due to aging infrastructure and inflation
30,000	DCMWTP Condition Assessment	30,000	C&E	Increase in staff support
20,000	Chlorine Generator Room Lining Rehabilitation	20,000	C&E	Increase in cost to implement improvements
\$ 6,083,000	Total, Increase in Estimated Costs	\$ 6,349,000		
<u>Projects with Decelerated Schedule</u>				
\$ -	Encinitas Boulevard Inspection & Repair	\$ (537,000)	C&E	Deferred until FY 2025
-	DCMWTP 2nd Stage Membrane Train	\$ (280,000)	C&E	Re-assessing approach; defer until FY 2025
-	Replace Overflow Pond Strainer	\$ (206,000)	C&E/WW	Defer until FY 2025 to align with headworks construction
-	Rancho Santa Fe Road - Unit A North Pipeline	\$ (200,000)	C&E	Decrease in cost estimate
(100,000)	Ext. 153 Flow Meter	\$ (100,000)	C&E	Identified more cost effective approach
-	Potable & Recycled Master Plan	\$ (75,000)	C&E	Portion of cost already accelerated to FY '23
-	Rehabilitation of Concrete Tanks	\$ (47,000)	C&E	Deferred until FY 2025
-	Replace Headworks Manual System	\$ (39,000)	C&E/WW	Deferred until FY 2025
-	Rancho La Cima/Aliso Canyon Pipeline	\$ (5,000)	C&E	No progress from County; defer until FY 25
\$ (100,000)	Total, (Decrease) due to Decelerated Schedules	\$ (1,489,000)		
<u>Cancelled Projects</u>				
\$ (250,000)	Backup Generator Santa Fe Valley Recycled Water Pump	(250,000)	C&E	Re-assessed cost-benefit
\$ (250,000)	Total, Cancelled Projects	\$ (250,000)		
<u>New Projects</u>				
\$ 305,000	Customer Information & Utility Billing System Upgrade	\$ 38,500	C&E	Upgrade CIS Infinity to latest version before v4 is no longer supported
150,000	Fleet Electrification Strategic Plan	150,000	C&E	Develop District-wide assessment of EV needs and recommend a strategy
100,000	Bob Topolovac Memorial Courtyard (Annual Goal)	100,000	C&E	Construct memorial courtyard in center courtyard
\$ 555,000	Total, New Projects	\$ 288,500		
\$ 6,288,000	Total	\$ 4,898,500		

Fiscal Years 2023 and 2024 CWIP

Potable

Fund	Project Name	FY 23 & FY 24 Approved Appropriation	FY 24 Appropriation Adjustment	FY 23 & 24 Amended Appropriation	Type
Potable	San Dieguito Desalination	2,369,000	431,000	2,800,000	Multi-year
Potable	RSFe Rd Unit A North PL	2,082,000	(200,000)	1,882,000	Multi-year
Potable	Fixed Base AMI	1,532,000	-	1,532,000	Multi-year
Potable	DCMWTP 4th Stage Improvements	996,000	2,300,000	3,296,000	Multi-year
Potable	Village Park PRS	940,000	-	940,000	Multi-year
Potable	Gardendale PRS	940,000	-	940,000	Multi-year
Potable	Encinitas Blvd Insp. & Repair	682,000	(537,000)	145,000	Multi-year
Potable	District-Wide PLC replacements	680,000	600,000	1,280,000	Multi-year
Potable	Pot & Recycled Master Plan	658,000	(75,000)	583,000	Multi-year
Potable	Gaty II and other Tank Safety Improvements	590,000	(32,000)	558,000	Multi-year
Potable	DCMWTP Condition Assessment	585,000	30,000	615,000	Multi-year
Potable	DCMWTP 2nd Stage Membrane Train	550,000	(280,000)	270,000	Multi-year
Potable	Residuals Handling Bldg Canopy	404,000	-	404,000	Multi-year
Potable	Parking & Access Improvements	341,000	-	341,000	Multi-year
Potable	Units B & K Rehabilitation	327,000	-	327,000	Multi-year
Potable	District-Wide Scada Upgrades	256,000	-	256,000	Multi-year
Potable	Palms I and II Reservoirs	150,000	-	150,000	Multi-year
Potable	Golem 14" Pipeln Cond. Assess.	150,000	-	150,000	Multi-year
Potable	Chlorine Gen Rm Lining Rehab	125,000	20,000	145,000	Multi-year
Potable	Rancho La Cima/Aliso Canyon PL	107,000	(5,000)	102,000	Multi-year
Potable	SWPPP Facility Improvements	100,000	-	100,000	Multi-year
Potable	District-Wide Facility Securit	80,000	-	80,000	Multi-year
Potable	Catalytic Converter Theft Prevention	38,000	-	38,000	Multi-year
Potable	Customer Information & Utility Billing System Upgrade	-	38,500	38,500	Multi-year
Potable	Hydropower Turbine Refurb	479,000	50,000	529,000	Multi-year
Potable	Fleet Electrification Strategic Plan	-	150,000	150,000	Single
Potable	Annual Goal: Bob Topolovac Memorial Courtyard	-	100,000	100,000	Single
Potable	Replace Pipelines	2,375,000	-	2,375,000	Recurring
Potable	Replace Valves	2,191,000	-	2,191,000	Recurring
Potable	Replace DCMWTP Membranes	1,549,000	151,000	1,700,000	Recurring
Potable	Replace Potable Meters	643,000	87,000	730,000	Recurring
Potable	Steel Mains Protection	573,000	-	573,000	Recurring
Potable	Replace Meter Anodes	298,000	-	298,000	Recurring
Potable	Network Security	280,000	-	280,000	Recurring
Potable	Replace Pot. Pumps and Motors	182,000	35,000	217,000	Recurring
Potable	Rehab Concrete Tanks	92,000	(47,000)	45,000	Recurring
Potable	EFRR Parking Lot Expansion	73,000	145,000	218,000	Recurring
Potable	Physical Security Upgrades	50,000	-	50,000	Recurring
Potable	Replace PRS Valves	109,000	-	109,000	Recurring
Potable	DCMWTP PH Control System	586,000	-	586,000	Close
Potable	Network User Enhancements	60,000	-	60,000	Close
Potable	Landscape HQ Courtyards	54,000	-	54,000	Close
Potable	DCMWTP Backpulse Pipeln Repair	34,000	-	34,000	Close
	Potable Total	24,310,000	2,961,500	27,271,500	

Fiscal Years 2023 and 2024 CWIP Recycled and Wastewater (Sewer)

Fund	Project Name	FY 23 & FY 24 Approved Appropriation	FY 24 Appropriation Adjustment	FY 23 & 24 Amended Appropriation	Type
Recycled	Manchester Recyc PL Exten.	4,465,000	-	4,465,000	Multi-year
Recycled	HOA Pipeline Ext - CB, VP, SH	2,610,000	1,500,000	4,110,000	Multi-year
Recycled	Ext. 153 Flow Meter	360,000	(100,000)	260,000	Multi-year
Recycled	Wanket RW Reservoir Rehab	150,000	32,000	182,000	Multi-year
Recycled	Recycled Conversions	122,000	-	122,000	Recurring
Recycled	Meter Replacement, Recycled	39,000	-	39,000	Recurring
Recycled	Backup Generator SFV RW Pump	250,000	(250,000)	-	Canceled
	Recycled Total	7,996,000	1,182,000	9,178,000	

Fund	Project Name	FY 23 & FY 24	FY 24	FY 23 & 24	Type
Wastewater	Replace Neighborhood 1 SPS	6,592,000	400,000	6,992,000	Multi-year
Wastewater	District-Wide PLC Repl (WW)	680,000	600,000	1,280,000	Multi-year
Wastewater	Replace Overflow Pond Strainer	231,000	(206,000)	25,000	Multi-year
Wastewater	Cielo SPS Flow Meters	193,000	-	193,000	Multi-year
Wastewater	Collection System SPS Rehab	169,000	-	169,000	Multi-year
Wastewater	Replace Headworks Manual Sys	155,000	(39,000)	116,000	Multi-year
Wastewater	WW Master Plan	110,000	-	110,000	Multi-year
Wastewater	4S WRF Scada Upgrades	64,000	-	64,000	Multi-year
Wastewater	4S Physical Security Upgrades	60,000	-	60,000	Multi-year
Wastewater	Replace WW Pumps/ Motors/Equip	344,000	-	344,000	Recurring
Wastewater	Rancho Cielo Pipeline Replmnt	173,000	-	173,000	Recurring
Wastewater	4S Ranch Pipe Replacement	136,000	-	136,000	Recurring
Wastewater	Rancho Cielo Manhole Lining	98,000	-	98,000	Recurring
Wastewater	4S System Manhole Lining	35,000	-	35,000	Recurring
Wastewater	4SWRF Emergency Wiring Replmnt	224,000	-	224,000	Close
	Wastewater Total	9,264,000	755,000	10,019,000	

Potable, Recycled, and Wastewater Total	41,570,000	4,898,500	46,468,500
------------------------------------------------	-------------------	------------------	-------------------

Note: Total approved appropriations above may differ from the amounts reflected in the Biennial Operating and Capital budget due to General Manager (up to \$75k) or Board approved adjustments throughout fiscal year 2023.

Action Item

- Consider and approve the proposed midterm budget adjustments for fiscal year as presented
 - Proposed budget adjustments for fiscal year 2024 will be brought before the full board at the June 2023 meeting for consideration and adoption
 - Note: Waiting on final numbers for cost increases from SDCWA for CY 2024

Questions?

CWA Variable & Fixed Costs

CY 2023 vs CY 2024 (CWA Initial Draft)

Variable Charges	CY 2023	CY 2024	\$	%
	(\$/AF)	(\$/AF)	Inc. (Dec.)	Inc. (Dec.)
Supply Rate	1,085	1,225	140	12.9%
Transportation Rate	173	197	24	13.9%
Melded Treatment Rate	350	410	60	17.1%
	1,608	1,832	224	13.9%

Fixed Charges	CY 2023	CY 2024	\$	%
	Annual Fee	Annual Fee	Inc. (Dec.)	Inc. (Dec.)
Customer Service Charge	1,207,649	1,253,540	45,891	3.8%
Storage Charge	2,971,843	2,971,843	-	0.0%
Supply Reliability Charge	1,982,179	2,073,359	91,180	4.6%
Infrastructure Access Charge	1,446,516	1,473,855	27,339	1.9%
Capacity Charge (MWD)**	609,946	634,344	24,398	4.0%
Readiness to Serve Charge (MWD)*/**	328,774	341,925	13,151	4.0%
	8,546,907	8,748,866	201,959	2.4%

* Readiness to Serve Charge (MWD) is billed on a fiscal year basis

** Capacity Charge and Readiness to Serve Charge increases are not yet available and are estimated at 4% increases

Memo

Date: May 8, 2023
To: Finance Committee
From: Leo Mendez, Accounting Supervisor
Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **REVIEW AND DISCUSS RESULTS OF 2022 WATER CAPACITY FEES STUDY AND THE PROPOSED WATER CAPACITY FEES FOR 2023 WITH RAFTELIS FINANCIAL CONSULTANTS (WORKSHOP)**

A capacity fee is a one-time fee assessed by the District to new users to pay for their share of costs to construct required facilities to provide services to their respective area (zone of benefit). Revenues generated from capacity fees are used by the District to reimburse existing users (through lower rates and charges) for existing water infrastructure in the District and to pay for facilities included in the District's water capital improvement program included in the District's ten-year planned capital expenditures.

The District's last Capacity Fee Study was completed in 2012. To keep up with cost increases since 2012, the District has increased Capacity Fees annually using the ENRCCI (Engineering News Record Cost of Construction Index). Although this practice has been consistent with the District's Administrative and Ethics Code (Article 13 – Policy for District Facilities), the District engaged Raftelis Financial Consultants to complete the 2022 Water Capacity Fee Study and ensure the capacity fees are still equitable.

The 2022 Water Capacity Fee Study resulted in the proposed increases that are included in the attached presentation for discussion with the committee. In summary, the 2023

proposed capacity fees were calculated using the costs of District assets for the five zones of benefit in the District, divided by build-out EDUs (Equivalent Dwelling Units).

Staff will discuss the attached presentation with the committee, which covers the results of the 2022 Water Capacity Fee Study, methodology used, and the proposed fees. Following committee input, the presentation will be brought to the full board for review and input at a capacity fee workshop that'll take place at the May board meeting.

Staff and Mr. Sudhir Pardiwala, Executive Vice President at Raftelis Financial Consultants, will be present to answer any questions the Committee may have.

Attachment: Capacity Fee Study Review Presentation

Capacity Study Review

May 8, 2023





Agenda

1. Capacity Fees 101
2. Legal background and methodology
3. Results of the Water Capacity Fee Study
4. Address questions on study results or methodology

Capacity Fees 101

- **What are Capacity Fees?**
 - *One-time capital charges assessed against new development as a way to provide or cover a proportional share of the costs of capital facilities constructed or to be constructed for its use*
 - *Address equity concerns between current and future users*
 - *Commonly known as connection fees, capacity fees, system development charges, impact fees, etc.*

Capacity Fee Study

- Olivenhain Municipal Water District requested Raftelis' assistance in developing justifiable capacity fees for water and wastewater
- Raftelis conducted workshops discussing different methodologies for capacity fees
 - Equity Buy-In approach seemed the most suitable

Legal Environment

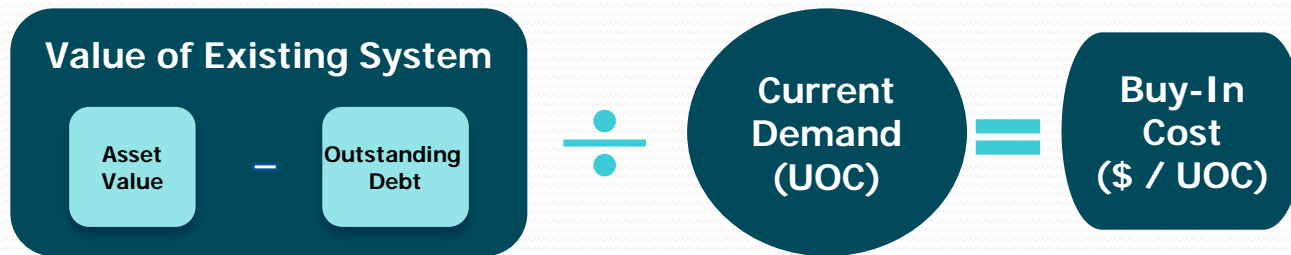
- **CAPACITY FEES MUST:**

- Reflect the link between fees and benefits received by new customers
- Not exceed the proportional share of costs associated with providing service

per **Assembly Bill (“AB”) 1600** (codified as California Government Code §66000 – 66008) as well as §66013, 66016, 66022, and 66023

Methodology: Equity Buy-In

- Recognizes that existing users have developed and maintained a utility system that can accommodate growth
- Typical Approaches for System Value: Original Cost, Original Cost Less Depreciation, Replacement Cost, Replacement Cost Less Depreciation
- Consistent with prior study in 2012
- Since 2012, capacity fees have increased by ENR-CCI Index



*UOC = Unit of Capacity

*UOC used by District = Equivalent Dwelling Units (EDUs)

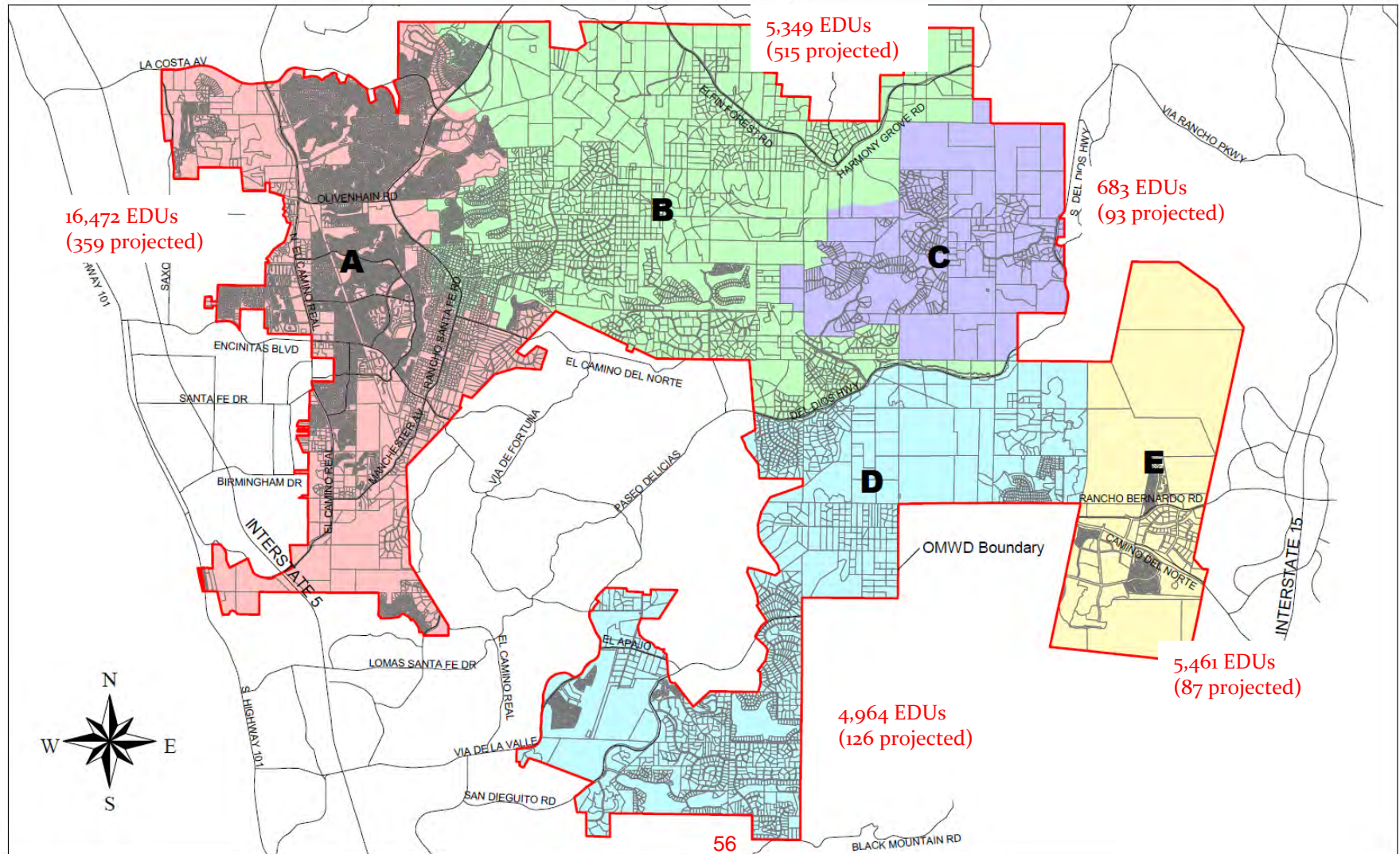
Build-out EDUs by Zone of Benefit (ZOB)

Zone of Benefit	Current EDUs	EDU Projections	Build-Out EDUs By Zone
Zone A	16,113	359	16,472
Zone B	4,834	515	5,349
Zone C	590	93	683
Zone D	4,838	126	4,964
Zone E	5,374	87	5,461
Total	31,749	1,180	32,929

EDUs by Zone provided by Engineering Department

Zones of Benefit (ZOB)

Total Existing EDUs: 31,749
Total Projected EDUs: 1,180
Total Build-out EDUs: 32,929



Methodology: Fee Calculation

Line No.	Description	Total System	Base	Zone of Benefit
1	Water System Value	\$185,966,836	\$175,376,519	\$10,590,317
2	Recycled water Assets Value	\$11,580,734	\$11,580,734	\$0
3	Pipeline Costs	\$458,149,848	\$245,691,321	\$212,458,527
4	2023 CIP – Water & Recycled Water	\$17,031,000	\$17,031,000	\$0
5	Groundwater Project Costs Incurred	\$700,000	\$700,000	\$0
6	Less Debt Principal Outstanding	(\$36,450,820)	(\$36,450,820)	\$0
7	Net Asset Value	\$636,977,598	\$413,928,754	\$223,048,844

Asset Value excludes any contributed assets (assets contributed by developers)

Base Assets include assets benefitting all zones

Base Capacity for All Zones

Base Capacity Fee Component	
Base Allocated Asset Costs	\$413,928,754
Distribution Cost Allocated to Zone B	\$0
Build-Out Edu's By Zone	32,929
Base Component Capacity Fee	\$12,570

Capacity Fee by Zone of Benefit

Capacity Fee By Zone	Zone A	Zone B	Zone C	Zone D	Zone E
Base Component Capacity Fee	\$12,570	\$12,570	\$12,570	\$12,570	\$12,570
Zone of Benefit Component Capacity Fee per Equivalent Meters	\$9,130	\$0	\$1,434	\$12,194	\$2,041
Total Capacity Fee By Zone	\$21,700	\$12,570	\$14,004	\$24,764	\$14,612

2023 Proposed Fees – by ZOB

Comparison 3/4 inch	Current	Proposed	Difference (\$)	Difference (%)
Zone A	\$16,126	\$21,700	\$5,574	35%
Zone B	\$11,571	\$12,570	\$1,000	9%
Zone C	\$11,785	\$14,004	\$2,219	19%
Zone D	\$24,421	\$24,764	\$343	1%
Zone E	\$11,952	\$14,612	\$2,660	22%

- Increases are moderate due to the following assumptions used by the District:
 - Pipeline value used of \$67 in. diameter per lineal ft. (District recent bids in \$55-80 range per Engineering)
 - Cash reserves of \$72.5 million excluded in calculation of capacity fees
 - Raftelis recommended including but indicated we may exclude them to be consistent w/ prior study
 - Including reserves results in a 15-20% increase on top of the changes above

2023 Proposed Fees – by ZOB By Meter Size

Proposed Capacity Fee	Zone A	Zone B	Zone C	Zone D	Zone E
3/4 inch	\$21,700	\$12,570	\$14,004	\$24,764	\$14,612
1 inch	\$41,231	\$23,884	\$26,608	\$47,052	\$27,762
1-1/2 inch	\$67,272	\$38,968	\$43,412	\$76,768	\$45,297
2 inch	\$108,502	\$62,852	\$70,020	\$123,820	\$73,059
3 inch	\$221,345	\$128,217	\$142,840	\$252,593	\$149,041
4 inch	\$371,078	\$214,953	\$239,468	\$423,465	\$249,862
6 inch	\$781,218	\$452,532	\$504,143	\$891,504	\$526,025
8 inch	\$1,410,532	\$817,072	\$910,257	\$1,609,661	\$949,768

2023 Proposed Fees – Uniform

- One fee for all zones

Comparison 3/4 inch	Current	Proposed	Difference (\$)	Difference (%)	Total System Wide Proposed Capacity Fee	Difference (\$)	Difference (%)
Zone A	\$16,126	\$21,700	\$5,574	35%	\$16,914	\$787	5%
Zone B	\$11,571	\$12,570	\$1,000	9%	\$16,914	\$5,343	46%
Zone C	\$11,785	\$14,004	\$2,219	19%	\$16,914	\$5,128	44%
Zone D	\$24,421	\$24,764	\$343	1%	\$16,914	(\$7,507)	-31%
Zone E	\$11,952	\$14,612	\$2,660	22%	\$16,914	\$4,962	42%

Pros – Simplicity of administration and ease of update in future

Cons – Significant changes from existing connection fees in all zones except Zone A

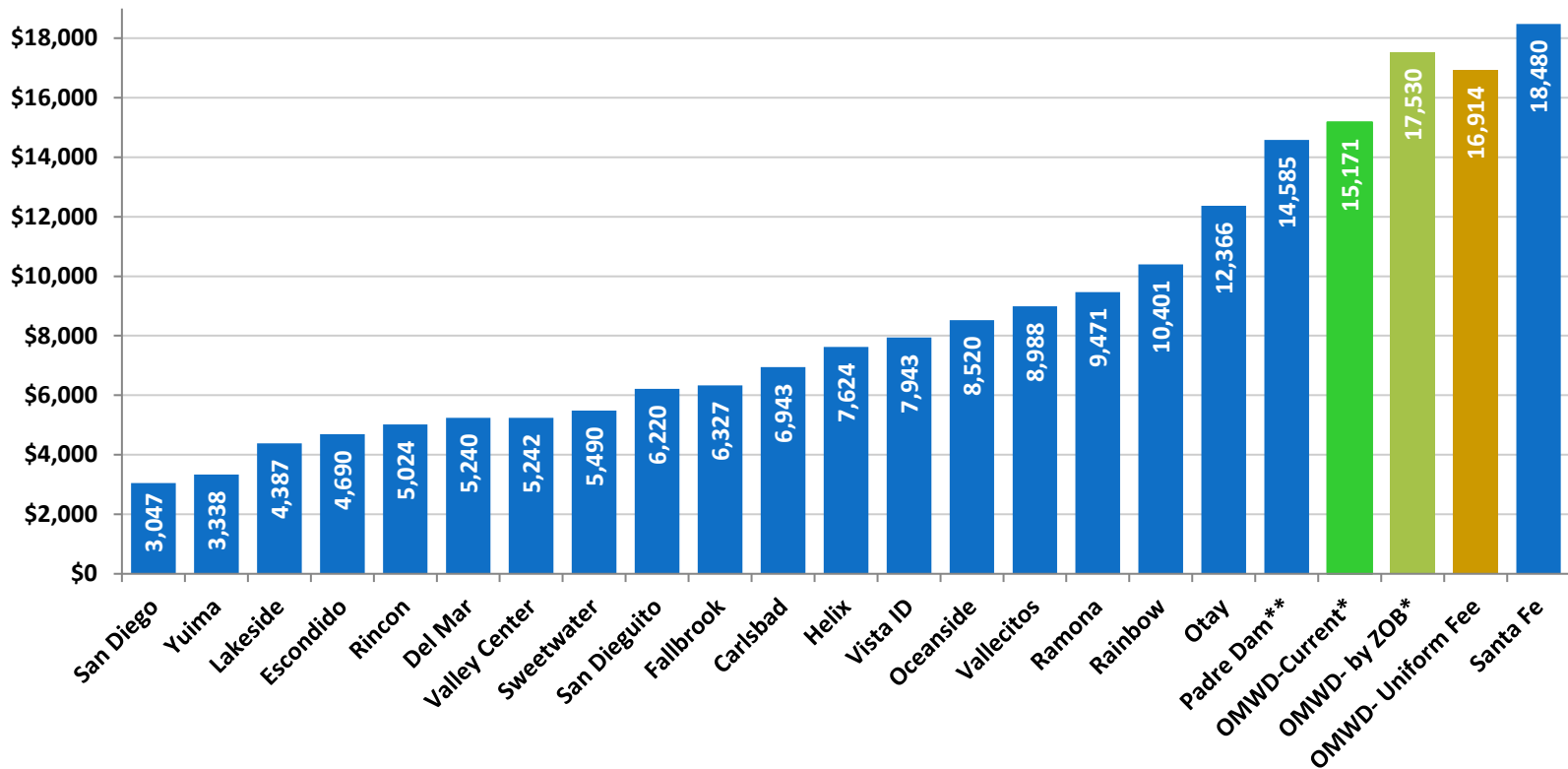
Revenue Impact of ZOB fees vs. Uniform fee

Comparison 3/4 inch	By Zone of Benefit			Uniform Fee		Difference in Revenue
	Proposed	Remaining EDUs	Estimated Revenue	Proposed	Estimated Revenue	
Zone A	\$21,700	359	\$7,790,475	\$16,914	\$6,071,987	\$1,718,489
Zone B	\$12,570	515	\$6,473,726	\$16,914	\$8,710,511	-\$2,236,785
Zone C	\$14,004	93	\$1,302,368	\$16,914	\$1,572,966	-\$270,598
Zone D	\$24,764	126	\$3,120,265	\$16,914	\$2,131,115	\$989,150
Zone E	\$14,612	87	\$1,271,228	\$16,914	\$1,471,484	-\$200,256
Totals		1180	\$19,958,063		\$19,958,063	(\$0)

- Defensible given mostly built-out (95%) and less of a need to track assets separately for cap fees (Raftelis)
 - All assets are District assets - Developers would pay into the District's overall system, not just assets in their respective ZOB
 - Simpler administration and future capacity fee studies
- Higher fees than ZOB approach for Zones B, C, and E; lower for A and D

Survey of member agencies

SURVEY OF SDCWA MEMBER AGENCY WATER CAPACITY FEES
As of March 2023



*OMWD - Average 3/4' meter fee for Single Family Dweling across Zones A-E

**Padre Dam - Average 3/4' meter fee for Single Family Dweling in a gravity feed zone actual fee varies by Acreage and pumped zone vs gravity zone

Next Steps

- Zone of Benefit or Uniform Fee?
- Phase-in annual increase + ENR-CCI over five years?
- Raftelis to prepare draft capacity fee report
- Workshop at May Board Meeting
- Notice of public hearing – District Website, San Diego Union Tribune, Building Industry Association (BIA)
- Public hearing at July Board Meeting

Questions?