

**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
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: MONDAY, MAY 9, 2022

TIME: 11:00 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: 817 4653 8247 and Password: 614718

*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 APRIL 12, 2022 SPECIAL FINANCE COMMITTEE MEETING
6. CONSIDER QUARTERLY INVESTMENTS AND CASH REPORTS (1ST QTR 2022)
7. CONSIDER AND DISCUSS DRAFT OF OLIVENHAIN MUNICIPAL WATER DISTRICT PENSION FUNDING PLAN AND POLICY
8. CONSIDER AND DISCUSS PROPOSED CHANGES TO DRAFT OPERATING AND CAPITAL BUDGET FOR FISCAL YEARS 2023 AND 2024
9. CONSIDER AND DISCUSS FISCAL YEAR 2022/23 SEWER RATES AND CHARGES
10. CONSIDER FUTURE AGENDA ITEMS
11. ADJOURNMENT

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

April 12, 2022

A special meeting of the Finance Committee of Olivenhain Municipal Water District was held on Tuesday, April 12, 2022, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference.

President Watt called the meeting to order at 10:00 a.m. In attendance were Lawrence A. Watt, Board President; Christy Guerin, Board Treasurer; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; George Mileon, Senior System Analyst; Jared Graffam, Financial Analyst II; and Georgeanna Clark, Financial Analyst. Also in attendance via teleconference was Julio Morales from Urban Futures Inc to present on agenda item 6. Director Meyers was in attendance to audit the Finance Committee meeting but did not participate per the Brown Act.

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 FEBRUARY 9, 2022 REGULAR FINANCE COMMITTEE MEETING

Director Guerin moved to approve the February 9, 2022 meeting minutes, seconded by Director Watt and carried unanimously.

6. CONSIDER DISCUSSION ON OLIVENHAIN MUNICIPAL WATER DISTRICT PENSION FUNDING PLAN AND POLICY

Finance Manager Selamat presented the agenda item to the committee and introduced Julio Morales from Urban Futures, Inc. Mr. Morales presented the Fresh Start plan to

the committee with two (2) pension funding plan options to pay down the District's unfunded pension liability over either an 8-year period or a 10-year period. Mr. Morales commented that the 8-year plan has an annual payment of \$1.8 million and would save the District approximately \$2.7 million in unfunded liability payments to CalPERS by accelerating the payments. Mr. Morales stated that the 10-year plan includes a reduced annual payment of \$1.5 million to minimize the annual financial impact on the District and would result in savings of approximately \$1.86 million in unfunded liability payments. Finance Manager Selamat commented that having consistent annual payment to CalPERS going forward would help reduce pressures on future water and sewer rates by not having to generate more revenues to pay for a higher payment to CalPERS from year to year.

In addition to the two pension funding plans, Mr. Morales also presented an option for the District to create a pension reserve fund to earmark funds for future pension obligations. Mr. Morales stated the reserve fund could be in the form of a 115 Trust that would allow the District more flexibility in investment options but is more restrictive in that the funds could be used for CalPERS pension payments only. An alternative option would be to place the funds in a pension reserve fund within the District instead which would give the District more flexibility in how the money is spent but is more restrictive from an investment standpoint, likely leading to lower yields.

Finance Manager Selamat stated that each plan presented along with a pension reserve fund would allow the District to meet its pension funding target of 85% or more with the goal being 100% funded. The committee stated they like the flexibility of a pension reserve fund versus the 115 Trust and support staff's recommendation for the 10-year Fresh Start plan with annual payments of \$1.5 million. Finance Manager Selamat thanked the committee for their feedback and stated that staff will be presenting the two options to the full board at the April 20 board meeting.

7. REVIEW AND DISCUSS DRAFT OF FISCAL YEARS 2023 AND 2024 OPERATING AND CAPITAL BUDGET

Finance Manager Selamat reviewed the budget development process with the committee and noted that staff is still updating certain budget items as new data becomes available and will present a final version of the budget to the full board at the May board meeting for consideration. Finance Manager Selamat presented the operating revenue and expenditure assumptions used in the preliminary draft biennial budget for fiscal years 2023 & 2024. Projected cost increases such as purchased water wholesale costs pass-through, purchased recycled water wholesale costs pass through, inflationary adjustments and supply chain issues, and District's labor and benefits were presented and discussed. Finance Manager Selamat mentioned that increases to the labor and benefit costs are estimated based on the recent 2022 Memorandum of Understanding (MOU) conducted between the District and its Employee Association and

Bargaining Unit Members Association. Director Watt asked if the District's labor increases are tied to the San Diego Consumer Price Index (CPI). Finance Manager Selamat confirmed that District labor adjustments are partly calculated using changes in the San Diego CPI up to a maximum increase of 3.5% specific to CPI per the MOU.

Finance Manager Selamat then presented economic uncertainties that could have a financial impact on the District over the next two years such as future pass-through wholesale purchased water costs from the District's suppliers, demand variability due to forecasted drought conditions and/or potential executive orders restricting water use from the Governor of California, and continued inflationary pressures and increases in supply costs.

Following the biennial operating budget Finance Manager Selamat presented the Capital Expenditures and Spending plan to the committee. Finance Manager Selamat presented a summary of the significant projects taking place over the biennial budget period (fiscal years 2023 and 2024), the summary of proposed equipment purchases for each fiscal year, and the 10-year capital improvement plan (CIP) for both the water and wastewater funds. The committee had several follow up questions on the equipment purchases presented which were addressed during the meeting.

Finance Manager Selamat gave an overview of the District's five-year reserve projections of the operating, capital improvement, and rate stabilization reserve fund balances for water (potable and recycled) and wastewater (sewer) operations. Finance Manager Selamat reported that all reserve funds are projected to be within Board Reserves Policy minimum and maximum limits over the next five years.

The committee agreed to bring the preliminary draft biennial operating and capital budget for fiscal years 2023 and 2024 before the full board at the April 20 meeting for discussion and consideration.

8. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

9. ADJOURNMENT

The meeting was adjourned at 11:34 a.m.

Memo

Date: May 9, 2022
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (1st QTR 2022)**

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 2022.)

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, 2022.

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of March 31, 2022

Active Deposits

	<u>Book Value</u>
Checking Accounts	\$ 12,286,200
Cash Restricted for Specific Use	5,446,231
Petty Cash/Disaster Preparedness	1,476
Total Active Deposits	<u>\$ 17,733,907</u>

Deposits Not Covered by Investment Policy

Cash with Fiscal Agents	2,804,442
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<u>Investments</u>	<u>Face Value</u>	<u>Market Value</u>	<u>Current Yield</u>	
LAIF	\$ 27,199,116	27,199,286	0.37%	\$ 27,199,116
CAMP - US Bank	6,537,936	6,537,936	0.25%	6,537,936
Money Market Funds	1,041,078	1,041,078	0.15%	1,041,078
Commercial Paper	2,000,000	1,990,790	1.01%	1,991,848
Municipal Bonds	1,000,000	1,080,050	4.63%	1,216,760
U.S. Treasury Securities	6,000,000	5,896,570	1.19%	6,025,669
U.S. Agency Securities	31,876,111	30,184,634	0.59%	31,872,931
Total Investments	<u>\$ 75,654,242</u>	<u>\$ 73,930,345</u>	<u>0.59%</u>	<u>\$ 75,885,339</u>

Total - All Deposits/Investments

\$ 96,423,689

Maturity Analysis of Investments

	<u>Percent</u>	<u>Balance</u>
Demand Deposits	45.8%	\$ 34,778,131
Maturity within the next two months	0.0%	-
Maturity within three months and one year	11.9%	9,017,338
Maturity beyond one year	42.3%	32,089,871
Total Investments	<u>100.0%</u>	<u>\$ 75,885,339</u>

Weighted Average Days to Maturity

568

Other Required Disclosures:

Accrued interest receivable as of 03/31/2022 \$ 82,909

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2021.

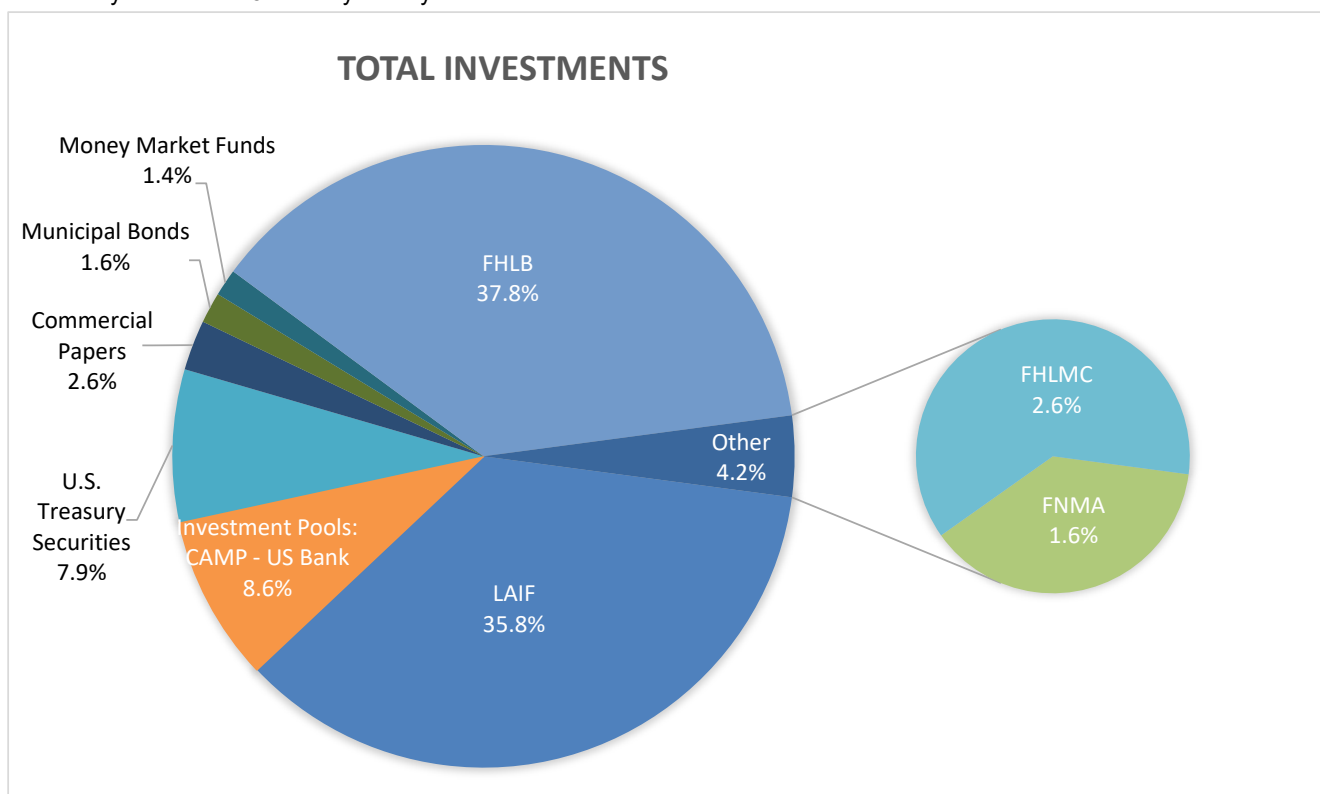
The District has sufficient funds on hand to meet the next 30 days' obligations.

Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
March 31, 2022

	<u>Book Value</u>	<u>Percent</u>	<u>Permitted Percent</u>		<u>In Compliance?</u>
LAIF	\$ 27,199,116	35.8%	50.0%	(1)	Yes
Investment Pools: CAMP - US Bank	6,537,936	8.6%	30.0%		Yes
U.S. Treasury Securities	6,025,669	7.9%	100.0%	(2)	Yes
Commercial Papers	1,991,848	2.6%	20.0%	(3)	Yes
Municipal Bonds	1,216,760	1.6%	30.0%		Yes
Money Market Funds	1,041,078	1.4%	20.0%	(4)	Yes
U.S. Agency Securities	31,872,931	41.9%	50.0%		Yes
<i>FHLB Federal Home Loan Bank</i>	<i>28,623,111</i>	<i>37.7%</i>			
<i>FNMA Fannie Mae</i>	<i>1,250,000</i>	<i>1.6%</i>			
<i>FHLMC Freddie Mac</i>	<i>1,999,820</i>	<i>2.6%</i>			
Total Investments	\$ 75,885,339	100%			

Note:

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



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

Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
March 31, 2022

ACTIVE DEPOSIT

	Book Value
Checking A/C: California Bank and Trust for General Purpose	12,286,200
California Bank and Trust for Specific Purpose	444,254
CAMP 2021A Bond	5,001,977
Petty Cash/Disaster Preparedness	1,476
Total - Active Deposits	17,733,907

DEPOSITS NOT COVERED BY INVESTMENT POLICY

Cash with Fiscal Agents:

Union Bank - RAD 96-1 Refunding Bond	551,629
Union Bank - 2015A Refunding Bond	876,366
SRF Loan	856,328
Union Bank - 2016A Refunding Bond	266,030
Union Bank - 2021A WW Revenue Bond	104,518
Union Bank - 2021B Refunding Bond	149,571

Total Deposits Not Covered by Investment Policy

2,804,442

	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	0.25%	\$ 6,537,936	\$ 6,537,936	\$ 6,537,936
State Local Agency Investment Fund (LAIF)			Demand				1	0.37%	27,199,286	27,199,116	27,199,116
First American Government 31846V567			Demand				1	0.15%	1,041,078	1,041,078	1,041,078

U.S. Treasury Notes/Bills

912828YH7	U.S.Treasury Notes	Aaa	-	03/09/21	02/28/26		1,431	1.50%	1.54%	976,450	1,000,000	1,036,684
91282CBQ3	U.S.Treasury Notes	Aaa	-	03/09/21	09/30/24		915	0.50%	0.54%	924,530	1,000,000	984,478
912828YW4	U.S.Treasury Notes	Aaa	-	02/09/22	12/15/22		260	1.63%	1.62%	1,001,910	1,000,000	1,007,330
912828TJ9	U.S.Treasury Notes	Aaa	-	02/09/22	08/15/22		138	1.63%	1.62%	1,002,810	1,000,000	1,005,763
912796M71	U.S.Treasury Bills	Aaa	-	03/15/22	09/08/22		162	0.72%	0.72%	995,930	1,000,000	996,520
912796U64	U.S.Treasury Bills	Aaa	-	03/31/22	09/29/22		183	1.03%	1.03%	994,940	1,000,000	994,894
							98	1.17%	1.19%	\$ 5,896,570	\$ 6,000,000	\$ 6,025,669

U.S. Agency Securities

3134GXXH6	FHLMC Callable	Aaa	AA+	01/27/21	01/27/23	04/27/22	303	28	0.13%	0.13%	990,210	1,000,000	999,820
3130AJZJ1	FHLB Callable	Aaa	AA+	09/02/20	08/25/23	Anytime	513	1	0.32%	0.33%	1,128,112	1,151,111	1,151,111
3136G4P56	FNMA Callable	Aaa	AA+	08/26/20	02/26/24	08/26/22	698	149	0.40%	0.41%	1,210,288	1,250,000	1,250,000
3130ALHM9	FHLB Callable	Aaa	AA+	03/10/21	06/10/24	06/10/22	803	72	0.30%	0.31%	959,700	1,000,000	999,000
3130AKEW2	FHLB Callable	Aaa	AA+	11/04/20	11/04/24	Anytime	950	1	0.43%	0.45%	1,899,760	2,000,000	2,000,000
3134GWAQ9	FHLMC Callable	Aaa	AA+	07/28/20	07/28/25	07/28/22	1,216	120	0.65%	0.69%	945,830	1,000,000	1,000,000
3130AKGX8	FHLB Step-up Callable	Aaa	AA+	12/15/20	12/15/25	06/15/22	1,356	77	0.30%	0.32%	1,890,680	2,000,000	2,000,000
3130AKMD5	FHLB Callable	Aaa	AA+	01/26/21	01/26/26	04/26/22	1,398	27	0.50%	0.54%	923,230	1,000,000	999,500
3130AKU53	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	04/28/22	1,400	29	0.52%	0.56%	932,410	1,000,000	1,000,000
3130AKN69	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	01/28/23	1,400	304	0.50%	0.54%	931,980	1,000,000	1,000,000
3130AKVN3	FHLB Callable	Aaa	AA+	01/29/21	01/29/26	04/29/22	1,401	30	0.52%	0.56%	932,360	1,000,000	1,000,000
3130AKWK8	FHLB Callable	Aaa	AA+	02/12/21	02/12/26	05/12/22	1,415	43	0.51%	0.55%	931,300	1,000,000	1,000,000
3130AKX43	FHLB Step-up Callable	Aaa	AA+	02/24/21	02/24/26	05/24/22	1,427	55	0.70%	0.75%	1,874,640	2,000,000	2,000,000
3130AL7M0	FHLB Callable	Aaa	AA+	02/24/21	02/24/26	05/24/22	1,427	55	0.63%	0.67%	934,670	1,000,000	1,000,000
3130AKYR1	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/23	1,428	332	0.55%	0.60%	920,740	1,000,000	1,000,000
3130AL6K5	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/23	1,428	332	0.58%	0.62%	933,310	1,000,000	1,000,000
3130ALD76	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	05/25/22	1,428	56	0.70%	0.75%	937,190	1,000,000	1,000,000
3130ALCW2	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/23	1,428	332	0.63%	0.67%	934,880	1,000,000	998,500
3130AL6Q2	FHLB Callable	Aaa	AA+	02/26/21	02/26/24	Anytime	698	1	0.22%	0.23%	960,550	1,000,000	1,000,000
3130ALGJ7	FHLB Callable	Aaa	AA+	03/23/21	03/23/26	04/23/22	1,454	24	1.00%	1.07%	914,950	975,000	975,000
3130ALPQ1	FHLB Step-up Callable	Aaa	AA+	03/30/21	03/30/26	06/30/22	1,461	92	0.75%	0.79%	952,390	1,000,000	1,000,000
3130ALVC5	FHLB Step-up Callable	Aaa	AA+	04/14/21	04/14/26	04/14/22	1,476	15	0.60%	0.63%	950,560	1,000,000	1,000,000
3130AMMV1	FHLB Callable	Aaa	AA+	06/03/21	06/03/24	06/03/22	796	65	0.40%	0.42%	481,095	500,000	500,000
3130AMKE1	FHLB Callable	Aaa	AA+	05/27/21	02/27/25	05/27/22	1,065	58	0.66%	0.70%	948,270	1,000,000	1,000,000
3130ANGN4	FHLB Step-up Callable	Aaa	AA+	08/18/21	02/18/25	05/18/22	1,056	49	0.35%	0.37%	956,950	1,000,000	1,000,000
3130ANSP6	FHLB Callable	Aaa	AA+	09/17/21	10/17/24	09/17/22	932	171	0.50%	0.52%	953,100	1,000,000	1,000,000
3130ANTP5	FHLB Callable	Aaa	AA+	09/16/21	09/16/24	06/16/22	901	78	0.50%	0.52%	957,270	1,000,000	1,000,000
3130APAY1	FHLB Callable	Aaa	AA+	10/21/21	10/21/26	04/21/22	1,666	22	1.10%	1.16%	945,020	1,000,000	1,000,000
3130APL78	FHLB Callable	Aaa	AA+	10/28/21	10/28/26	04/28/22	1,673	29	1.38%	1.44%	953,190	1,000,000	1,000,000
							1,197	2,784	0.55%	0.59%	\$ 30,184,634	\$ 31,876,111	\$ 31,872,931

Commercial Paper

46640QJ85	JP MORGAN SEC LLC	P-1	A-1	03/09/22	09/08/22		162	1.08%	1.08%	993,820	1,000,000	994,561
48306BGE9	Kaiser Foundation	F1+	A-1+	03/31/22	07/14/22		106	0.94%	0.94%	996,970	1,000,000	997,288

Municipal Bonds

882724RA7	TEXAS ST PUB FIN AUTH	Aaa	AAA	10/30/20	10/01/25		1,281	5.00%	4.63%	1,080,050	1,000,000	1,216,760
							1,281	5.00%	4.63%	\$ 1,080,050	\$ 1,000,000	\$ 1,216,760
Total Investments							568	0.57%	0.59%	\$ 73,930,345	\$ 75,654,242	\$ 75,885,339

TOTAL - ALL DEPOSITS AND INVESTMENTS

\$ 96,423,689

**Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
March 31, 2022**

PURCHASED

DATE				Investment Description	<i>Stated</i>	<i>Current</i>	Face Value	Book Value
Purchase	Maturity	Call	Step-Up		<i>Coupon</i>	<i>Yield</i>		
03/09/22	09/08/22			JP MORGAN SEC LLC	1.075%	1.082%	1,000,000	994,561
03/15/22	09/08/22			U.S.Treasury Bills	0.720%	0.723%	1,000,000	996,520
03/31/22	09/29/22			U.S.Treasury Bills	1.029%	1.034%	1,000,000	994,894
03/31/22	07/14/22			Kaiser Foundation	0.937%	0.940%	1,000,000	997,288

MATURED / REDEEMED / CALLED

DATE				Investment Description	<i>Stated</i>	<i>Current</i>	Face Value	Book Value
Redemption	Maturity	Call	Step-Up		<i>Coupon</i>	<i>Yield</i>		

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of March 31, 2022

<u>Water Funds (Potable & Recycled)</u>		<u>Balance</u>
10050-100	Cash - Petty Cash Fund	1,476
10030-100	Cash - Capital and Equipment Fund	39,044,932
10010-100	Cash - Operating Fund	16,517,703
10060-100	Cash - Deposit Work for Other	56,829
10040-100	Cash - Rate Stabilization	12,138,719
14000-500	Restricted Cash - Capacity Fee Fund	5,069,101
Total Water Funds (Potable & Recycled)		<u>72,828,760</u>
 <u>Wastewater Funds</u>		
10010-110	Wastewater - Operating Fund	3,438,161
10030-110	Wastewater - Capital Replacement Fund	9,299,216
10040-110	Wastewater - Rate Stabilization Fund	2,606,878
Total Wastewater Funds		<u>15,344,255</u>
 <u>Non Fiscal Agent Debt Service Cash</u>		
14020-570	Cash non-agent - RAD 96-1	433,054
10070-561	Cash non-agent - Bond 2015A	621
10070-581	Cash non-agent - Bond 2016A	10,580
14020-521	Cash non-agent - Bond 2021A	5,001,977
Total Non Fiscal Agent Debt Service Cash		<u>5,446,231</u>
 <u>Debt Service Funds</u>		
14030-510	SRF Loan - Fiscal Agent	856,328
14105-570	Redemption fund - RAD 96-1	485,504
14110-570	Reserve fund - RAD 96-1	66,125
14100-561	Redemption fund - Bond 2015A	876,366
14100-581	Redemption fund - Bond 2016A	266,030
14100-521	Redemption fund - CB&T 2021A	104,518
14100-522	Redemption fund - CB&T 2021B	149,571
Total Debt Service Funds		<u>2,804,442</u>
TOTAL FUND BALANCES		<u>96,423,689</u>

Memo

Date: May 9, 2022
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **CONSIDER AND DISCUSS DRAFT OF OLIVENHAIN MUNICIPAL WATER
DISTRICT PENSION FUNDING PLAN AND POLICY**

Staff would like to review and discuss the attached draft of the Pension Funding Policy with the Committee for consideration and adoption by the Board at the June meeting.

Staff will be available for discussion during the meeting.

Attachment: DRAFT Pension Funding Policy

Olivenhain Municipal Water District

DRAFT Pension Funding Policy

Purpose

Olivenhain Municipal Water District (District) recognizes that a fully funded defined benefit pension plan requires fiscal discipline and financial commitment. The District also recognizes that an unfunded pension liability could potentially cause financial stress, an impact on operations, and pressure on user rates and charges.

This policy reflects the Board of Directors' commitment to achieve a fully funded pension plan in a timely manner, including when and how the District's unfunded pension liability will be fully funded in the most cost-efficient manner possible.

The District has a history of being fiscally conservative and follows prudent financial management practices. Therefore, this policy was developed to:

- Ensure the District has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenditures;
- Provide fiscal protocols to address the District's Unfunded Accrued Liability (UAL) and guidance in developing long-range projections during the budget process;
- Maintain the District's financial position;
- Preserve the District's creditworthiness;
- Ensure that all pension funding decisions are made to protect ratepayers, retirees, and employees.

Background

The District provides a defined benefit pension plan through the California Public Employees' Retirement System (CalPERS). All qualified full-time District employees are required to participate in CalPERS. CalPERS provides retirement, disability benefits, death benefits, and annual cost of living adjustments to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions and other requirements is established by State statutes within the Public Employee's Retirement Law.

The District has two (2) pension plans through CalPERS that employees currently have vested pension benefits in:

- Classic Plan (2.5% @ 55) - accounts for about 99% of the District's pension liability, for employees hired prior to January 1, 2013.
- Public Employment Pension Reform Act (PEPRA) Plan (2.0% @ 62) – enacted by California Legislation, for employees hired after January 1, 2013.

Olivenhain Municipal Water District

DRAFT Pension Funding Policy

The District is statutorily required to make payments to CalPERS on an annual basis. The District's annual payments to CalPERS are comprised of two components: Normal Costs and UAL Payments.

Normal Cost – represent the cost of pension benefits earned by current employees for their current year of service. Normal Costs payments are made monthly to CalPERS, which are based on a percentage of payroll.

UAL Payments – represents the shortfall in assets needed to fully fund prior benefits earned by employees and retirees. UAL payments are annual fixed dollar payments required to fund this shortfall.

The District's funded status and UAL for its Classic Plan and PEPRA Plan, based on CalPERS' most recent Annual Valuation Report as of June 30, 2020, was 72.4% (or \$15,984,782) and 90.3% (or \$126,803), respectively.

CalPERS Annual Adjustments to UAL/Amortization Bases

Every August, CalPERS releases a new actuarial valuation report, based on values as of June 30th of the previous year. CalPERS calculates the District's UAL as of this new valuation date, which increases or decreases from year-to-year, due to changes in the following factors/assumptions:

- Investment Performance – adjustment for investment gains/losses relative to the states CalPERS Discount Rate (6.80%);
- Demographic Performance – adjustments made based on actual performance compared to actuarial assumptions, which includes early/late retirement, disability, mortality, promotion, terminations, etc.
- Actuarial Assumptions - changes in the discount rate, life expectance, rate of inflation, rate of return, etc.);
- Payroll Changes - increase/decrease in number of employees or salary increases or adjustments.

CalPERS accounts for these changes by adding new Amortization Bases each year; adjustments that lower the District's UAL take the form of a "credit". CalPERS amortizes these adjustments over 20 years or less. The District is establishing this Policy to address the existing UAL and any new pension liabilities, or amortization bases, that may arise on an annual basis.

Olivenhain Municipal Water District

DRAFT Pension Funding Policy

Funding Plan and Goal

The goal of a defined benefit pension plan is to fund the long-term cost of benefits provided to the plan members. CalPERS is a defined benefit pension plan, which pays retirees a benefit based on a formula (for example 2% @ 62). Given the fixed dollar, formula-based pay out associated with a defined benefit pension plan, the funding goal of a defined benefit plan is **100%**. **The minimum targeted funded ratio for the District's defined pension benefit plans shall not to be below 85% (based on the most current CalPERS annual actuarial report.)**

The District's funded status for its Classic Plan and PEPRA plan, based on CalPERS' Annual Valuation Report as of June 30, 2020, was 72.4% and 90.3%, respectively. The District's goal is to reach a fully funded status (100%) over the next 10 to 20 years.

The District is currently below the minimum targeted funded ratio set in this Policy but plans to continue to stay above the minimum targeted funded ratio once achieved.

The District will utilize the following funding plan to meet pension funding plans:

1. Implement a 14-year fresh start would re-amortize the District's UAL over a shorter time, allowing for a quicker pay-off and long-term savings.
2. Make regular annual additional discretionary payments (ADPs) of \$311,000 to CalPERS before December 31st of each year. These are optional payments that reduce the District's UAL and also result in long-term savings.

The District may also implement additional funding strategies to accelerate the payoff of its Unfunded Accrued Liability (UAL.) UAL pension funding decisions shall be made on a case-by-case basis by the General Manager and are subject to review and approval by the Board each year.

Funding Strategies

The District has a number of different financing strategies available to address its UAL and will utilize one or more of the strategies outlined below. All pre-funding decisions will require detailed financial analysis to be performed; and shall include proper documentation of the analysis, methodology, and decision-making process and are subject to the Board's approval.

Olivenhain Municipal Water District

DRAFT Pension Funding Policy

1. Pension Stabilization Fund - The District will create a Pension Stabilization Fund to stabilize pension costs and achieve its funding goal. The District will make annual contribution from excess funds available in Water-Operating Fund and Sewer-Operating Fund in a manner consistent with the Board Designated Fund Balances Policy (aka Reserve Policy) to the Pension Stabilization Fund, in addition to its annual regular UAL and regular annual additional discretionary payment (ADP) described above.

The Pension Stabilization Fund will be used to address additional amortization bases created by CalPERS due to changes in any of CalPERS' actuarial assumptions (included in Annual Adjustment to UAL/Amortization Bases section below), to make additional discretionary payments, or to be used as emergency source of funds to pay for the District's required UAL and regular ADP payments to CalPERS when the District's revenues are strained in difficult budgetary or economic times.

Funds deposited into the District's Pension Stabilization Fund shall be invested in accordance with applicable laws and regulations. Monies in the District's Pension Stabilization Fund will be reported to the Board annually, with recommendation on the handling of funds, to achieve a pension funding goal of 100%.

The District will create a consistent annual UAL contribution (Level UAL payment) going forward utilizing funds available in the Pension Stabilization Fund. Level UAL payment will provide stability to the District's required future UAL contributions to CalPERS, thereby, will help reduce undue burden on user charges by not having to generate more revenues to pay for a higher UAL contribution.

2. Accelerated Pay-off of New Bases – When new Amortization Bases are added by CalPERS due to change to the District's UAL, the District may endeavor to accelerate the repayment of new bases and choose a shorter timeline (e.g, a 20-year base be repaid in 10 years) and to implement a Fresh Start. Analysis and discussion to accelerate payoff of new bases shall be reviewed with the Board.

Olivenhain Municipal Water District

DRAFT Pension Funding Policy

3. Tax-Exempt Exchange – The District will continue to review the benefits of utilizing debt to achieve its pension funding plan and objective. Issuance of pension obligation bonds are not permitted. When it is fiscally prudent, responsible, diligent under the prevailing economic conditions, and in compliance with the District's debt management policy, the District may seek a tax-exempt exchange by utilizing debt proceeds from typical pay-go capital improvement projects to apply to the UAL. Analysis and discussion on any tax-exempt exchange contemplated by the District shall be reviewed with the Board.

Superfunded Status

In the event that either of the District plans achieve "superfunded" status, where asset values exceed the accrued liability (i.e., funding level exceeds 100%), any excess amount shall be reported to the Board and staff will provide a recommendation on the handling of these excess funds.

Delegation of Authority

The investment of District funds in Pension Stabilization Fund is delegated to the Treasurer by the Board of Directors. The Treasurer may delegate day-to-day operations of investing to the Assistant Treasurer and/or General Manager. At least once each quarter, a sub-committee of the Board shall meet with the General Manager and the Assistant Treasurer to review District portfolio and investments.

Board Discretion

The District recognizes that this policy consists of guidelines designed to achieve the District's pension funding goals. The Board of Directors may timely approve, on an individual basis, actions which would otherwise not be in accordance with this policy, in the event of unforeseen circumstances.

Reporting

This policy will be reviewed by the Board at least every two years to determine if changes are needed to be made to achieve the funding goal of 100%.

District Staff shall review and report pension plans funding status to the Board in December each year after the most current CalPERS actuarial report is released and the District's financial audit is completed. This report shall include: a summary of funding status, funding progress compared to prior years, and recommendation.

Memo

Date: May 9, 2022
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **CONSIDER AND DISCUSS PROPOSED CHANGES TO THE DRAFT OPERATING AND CAPITAL BUDGET FOR FISCAL YEARS 2023 AND 2024**

Staff would like to review and discuss proposed changes to the Draft Operating and Capital Budget for fiscal years 2023 and 2024 with the Committee for a final review with the Board at the May meeting and formal adoption of the General Manager's Recommended Operating and Capital Budget book at the June Board meeting.

The attached information includes proposed changes to the draft operating and capital budget that was presented to the Committee and the Board in April. The revised Draft Budget has also been updated to include purchased water wholesale cost increases from San Diego County Water Authority's (SDCWA) for 2023.

Staff will be available for discussion on the proposed budget changes at the meeting.

Attachment: REVISED Draft Operating and Capital Budget for FYs 2023 and 2024

Proposed Changes to DRAFT Fiscal Years 2023 & 2024 Operating and Capital Budget

May 9, 2022 Finance Committee

Proposed Changes to the DRAFT Operating Budget

- 💧 Decrease purchased water wholesale costs for potable water by \$91,000 due to utilizing CWA's preliminary All-In untreated rate for CY 2023.

- 💧 Increase property insurance by \$99,000 due to actual quote received from carrier for FY 2023
 - 💧 35% increase over FY 2022 budget

Revised 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
<u>Operating Revenues</u>						
Potable Water Operations	55,528,789	54,802,000	56,665,000	3.40%	59,849,000	5.62%
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	67,107,000	3.53%	70,704,000	5.36%
<u>Non-operating Revenues</u>						
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	1,173,000	-38.55%	300,000	-74.42%
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	32,000	-17.95%	66,000	106.25%
Recycled - Investment and Other	4,555	60,000	52,000	-13.33%	99,000	90.38%
Capital Contributions from Others***	3,656,811	2,400,000	2,253,000	-6.13%	1,097,000	-51.31%
Total Revenues	79,916,672	74,074,000	75,761,000	2.28%	77,411,000	2.18%
<u>Operating Expenses</u>						
Purchased Potable Water Cost	29,145,311	29,312,000	30,868,000	5.31%	32,745,000	6.08%
Purchased Recycled Water Cost, net of credit	1,456,672	1,354,000	1,373,000	1.40%	1,449,000	5.54%
Potable Water Operations	19,220,585	20,422,400	21,728,000	6.39%	22,937,000	5.56%
Wastewater Operations	2,989,361	2,817,000	2,974,000	5.57%	3,209,000	7.90%
Elfin Forest Recreational Reserve (Park) Operations	419,355	443,300	478,000	7.83%	478,000	0.00%
Recycled Water Operations	1,194,205	1,239,500	1,287,000	3.83%	1,345,000	4.51%
Less: Capitalized Operating Expenditures	(1,733,991)	(1,519,000)	(1,843,000)	21.33%	(1,763,000)	-4.34%
Transfer To (From) Other Fund Balances	11,150,000	8,600,000	9,590,000	11.51%	8,800,000	-8.24%
Total Operating Expenses	63,841,497	62,669,200	66,455,000	6.04%	69,200,000	4.13%
<u>Non-operating Expenses</u>						
Loan and Debt Service Payments	5,776,055	6,344,000	6,424,000	1.26%	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	69,053,200	72,919,000	5.60%	75,660,000	3.76%
Net Income	9,301,146	5,020,800	2,842,000	-43.40%	1,751,000	-38.39%

Proposed Changes to DRAFT 10 Year Capital Improvement Projects (CIP) Spending Plan

- 💧 Increase FY 2023 CIP by \$333 thousand and FY 2024 by \$84 thousand per following changes:

Original CIP Budget	FY 2023	FY 2024
Wastewater Master Plan	\$ 2,000	\$ 16,000 ¹
Scada Ignition Upgrade	\$ 275,000	\$ - ²
	\$ 277,000	\$ 16,000

Proposed CIP Budget Changes	FY 2023	FY 2024
Wastewater Master Plan	\$ 10,000	\$ 100,000 ¹
Back-Up Generator Santa Fe Valley RW Pump Station	\$ 250,000	\$ - ³
Golem 14" Pipeline Condition Assessment	\$ 150,000	\$ - ³
Hydropower Turbine Refurbishment (change order)	\$ 200,000	\$ - ⁴
	\$ 610,000	\$ 100,000

Change in CIP Total	\$ 333,000	\$ 84,000
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1 - Increase project total to align with anticipated cost of master plan

2 - Removed due to project budget included in District wide SCADA upgrade project

3 - New project added

4 - Increase due to change in scope of project

- 💧 Increase the roll forward amount of FY 2022 appropriation to FY 2023 for delayed projects by \$375k
 - 💧 Primarily from Hydropower Turbine Refurbishment project

Revised CIP 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	700,000	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 (PW/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	325,000	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 Replacemnt	-	150,000	1,135,000	-	-	-	-	-	-	-
	Rancho La Cima/Aliso Canyon PL Relocation	102,000	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	479,000	-	-	-	-	-	-	-	-	-
	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	-	-	-	-	-	-	-

Revised CIP Spending Plan Water (Potable & Recycled) (2 of 2)

Project Description	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
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	-	-
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	-	-	-	-	-	-	-	-	-	758,000
Landscape HQ Courtyards	35,000	-	-	-	-	-	-	-	-	-
Bridge Crane Rehabilitation and Mods	-	-	-	-	-	-	-	-	-	836,000
Golem 14" Pipeline Condition Assessment	150,000	-	-	-	-	-	-	-	-	-
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
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	385,000	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	-	-	-	-	-	-	-	-
Back-Up Generator Santa Fe Valley RW Pump Station	250,000	-	-	-	-	-	-	-	-	-
Santa Fe Valley RW Reservoir Improvements	-	-	-	20,000	159,000	-	-	-	-	-
Total	\$ 19,591,000	\$ 11,808,000	\$ 12,452,000	\$ 21,076,000	\$ 28,248,000	\$ 7,917,000	\$ 8,369,000	\$ 14,410,000	\$ 8,394,000	\$ 8,973,000

Revised CIP 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	10,000	100,000	-	-	-	-	-	-	-	-
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	\$ 7,780,000	\$ 709,000	\$ 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

Proposed Changes and Comments to FYs 2023 and 2024 Equipment Purchases

- 💧 FY 2023 – delay purchase of two vehicles until FY 2024 per enclosed schedule and include F-550 crew truck approved for purchase in FY 2022
- 💧 FY 2024 - delay purchase of one vehicle until FY 2025 per enclosed schedule
- 💧 Current Vehicle Replacement Procedures for all vehicle classes shown below are proposed to be changed from 75,000 miles to 100,000 miles and increased to 10 years of service.

Current District Vehicle Replacement Procedures (also includes a maintenance cost analysis for each vehicle):

Class	Description	Miles	Years
1	Passenger Cars	75,000 <u>100,000</u>	6 <u>10</u>
2	Light Pickup Trucks (Ranger class)	75,000	6
32	1/2 ton Pickup Trucks	75,000 <u>100,000</u>	7 <u>10</u>
43	3/4 Ton Pickups w/ Utility Beds	85,000 <u>100,000</u>	8 <u>10</u>
54	Flatbed Trucks	85,000 <u>100,000</u>	9 <u>10</u>
65	1 - 2 Ton Construction Trucks	100,000	10

Note: Light Pickup Trucks are no longer part of District fleet so will be removed from list

- 💧 Annual Laptops Replacement – Staff is proposing no changes due to the following reasons: incompatibility (after warranty expiration), savings, security, logistic, and supply-chain challenges.

Proposed 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 Ops Const Crew Truck / Ford F-550 S/C V-8 Engine**	150,000	120,000	15,000	15,000
Subtotal Automotive Equipment			\$ 339,000	\$ 281,000	\$ 25,000	\$ 33,000
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			\$ 554,000	\$ 471,000	\$ 37,000	\$ 46,000

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

**Vehicle purchase approved for FY 2022 budget year delayed until FY 2023

Vehicle Purchases Postponed:

Postponed until FY 2024	1	New Vehicle for Cross Connection Specialist / Ford F-150 V-6**	39,000	33,000	2,000	4,000
Postponed until FY 2024	1	New Vehicle for Ops Supervisor / Ford Explorer V-6**	40,000	34,000	2,000	4,000

Proposed 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 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			\$ 289,000	\$ 245,000	\$ 14,000	\$ 30,000
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			\$ 411,500	\$ 341,500	\$ 26,000	\$ 44,000

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

**Vehicle purchase carried forward from FY 2023

Vehicle Purchases Postponed:

Postponed until FY 2025	1	New Vehicle for Field Service Truck / Ford F-150 S/C V-6	39,000	33,000	2,000	4,000
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Staff Requests and Committee Actions

- 💧 Obtain recommendation from the Committee for consideration and tentative approval on the Budget with the Board at the May 18th meeting – FINAL DRAFT BUDGET
- 💧 Staff plans to present the General Manager's Recommended Biennial Operating and Capital Budget Fiscal Years 2023 and 2024 for approval and adoption by the Board at the June board meeting (June 22, 2022.)

Memo

Date: May 9, 2022
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **FISCAL YEAR 2022/23 WASTEWATER (SEWER) RATES AND CHARGES
(INFORMATIONAL ITEM)**

Staff would like to inform and review fiscal year 2022/23 sewer rates and charges with the Committee.

The attached sewer ordinance was adopted by the Board after the sewer rate hearing on May 19, 2021. The ordinance allows Staff to adjust Wastewater System Access Charges and Wastewater Commodity Rates each year for the next five fiscal years started in fiscal year 2021/22 (attached.) Annual adjustments to the District's sewer services charges are needed to pay for costs of providing wastewater collection and treatment services in the District's sanitation districts as well as to pay for costs to construct capital improvements needed to replace and refurbish the aging wastewater collection and treatment facilities.

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

Sec. 28.5

Wastewater (Sewer) Service Fees and Charges.

Wastewater 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.

A. **Wastewater (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 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 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 Charge (Annual) Per EDU*</u>	<u>Commodity 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>\$ 186.17</u>	<u>\$ 6.81</u>	<u>varies</u>
<u>Single Family – Rancho Cielo</u>	<u>\$ 186.17</u>	<u>\$ 6.81</u>	<u>varies</u>
<u>Multi-Family 4S Ranch</u>	<u>\$ 147.33</u>	<u>\$ 6.81</u>	<u>varies</u>
<u>Non-Residential –Commercial/Industrial</u>			
<u>Group I</u>	<u>\$ 186.17</u>	<u>\$ 6.81</u>	<u>varies</u>
<u>Group II</u>	<u>\$ 186.17</u>	<u>\$ 9.43</u>	<u>varies</u>

Wastewater (Sewer) Service Fees – July 1, 2022

	<u>System Access Charge (Annual) Per EDU*</u>	<u>Commodity 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>\$ 191.76</u>	<u>\$ 7.02</u>	<u>varies</u>
<u>Single Family – Rancho Cielo</u>	<u>\$ 191.76</u>	<u>\$ 7.02</u>	<u>varies</u>
<u>Multi-Family 4S Ranch</u>	<u>\$ 151.75</u>	<u>\$ 7.02</u>	<u>varies</u>
<u>Non-Residential – Commercial/Industrial</u>			
<u>Group I</u>	<u>\$ 191.76</u>	<u>\$ 7.02</u>	<u>varies</u>
<u>Group II</u>	<u>\$ 191.76</u>	<u>\$ 9.72</u>	<u>varies</u>

Wastewater (Sewer) Service Fees – July 1, 2023

	<u>System Access Charge (Annual) Per EDU*</u>	<u>Commodity 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>\$ 197.52</u>	<u>\$ 7.24</u>	<u>varies</u>
<u>Single Family – Rancho Cielo</u>	<u>\$ 197.52</u>	<u>\$ 7.24</u>	<u>varies</u>
<u>Multi-Family 4S Ranch</u>	<u>\$ 156.31</u>	<u>\$ 7.24</u>	<u>varies</u>
<u>Non-Residential – Commercial/Industrial</u>			
<u>Group I</u>	<u>\$ 197.52</u>	<u>\$ 7.24</u>	<u>varies</u>
<u>Group II</u>	<u>\$ 197.52</u>	<u>\$ 10.02</u>	<u>varies</u>

Wastewater (Sewer) Service Fees – July 1, 2024

	<u>System Access Charge (Annual) Per EDU*</u>	<u>Commodity 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>\$ 203.45</u>	<u>\$ 7.46</u>	<u>varies</u>
<u>Single Family – Rancho Cielo</u>	<u>\$ 203.45</u>	<u>\$ 7.46</u>	<u>varies</u>
<u>Multi-Family 4S Ranch</u>	<u>\$ 161.00</u>	<u>\$ 7.46</u>	<u>varies</u>
<u>Non-Residential – Commercial/Industrial</u>			
<u>Group I</u>	<u>\$ 203.45</u>	<u>\$ 7.46</u>	<u>varies</u>
<u>Group II</u>	<u>\$ 203.45</u>	<u>\$ 10.33</u>	<u>varies</u>

Wastewater (Sewer) Service Fees – July 1, 2025

	<u>System Access Charge (Annual) Per EDU*</u>	<u>Commodity 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

B. Equivalent Dwelling Unit (EDU).

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.